

Amendments to the indirect tax legislation in 2016

23 December 2015

In brief

State Gazette № 92 from 27 November 2015, № 95 from 8 December 2015 announced changes to the indirect tax legislation introducing more detailed VAT rules regarding private use of business assets, lower sanctions for late charging of VAT, changes to excise duty rates, as well as other amendments to the indirect tax legislation that may have an impact on your business.

Amendments to the Value Added Tax Act

More detailed rules for mixed use of business assets

As of the beginning of 2016, more detailed VAT rules are introduced in relation to cases where goods and services are used both for business and private purposes. In such cases, the registered persons will be obliged to charge VAT on the goods/services proportional to their use for personal needs. Currently, the taxable base for providing services for private purposes includes direct expenses related to the performed services. As of 2016, in addition to determining the direct expenses for the goods used in providing services for personal needs, the expenses for depreciation will be taken into account when determining the taxable base on which the right of input VAT deduction has been exercised. These expenses will be calculated for each tax period in accordance with the linear method for 5 years (20 years for immovable property) from the tax period in which the right of input VAT deduction has been exercised. In cases where the services are

provided for personal needs free of charge, the taxable event will occur on the last day of the respective month. The use of goods or services for personal purposes will not be taxed if it is due to flagrant necessity or force-majeure).

Lower sanctions for late charging of VAT

The sanctions for late charging of VAT will be reduced. Currently, the penalty for late charging of VAT is equal to the amount of the VAT due (but not less than BGN 500), and if the delay is less than a month, then the penalty is 25% of the late charged VAT (but not less than BGN 250). According to the new rules, in cases of charging the VAT within 6 months from the end of the month when the VAT was due, the penalty will be 5% of the VAT due (but not less than BGN 200). If the charging of VAT is delayed from 7 to 18 months, the penalty will be 10% of the VAT due (but not less than BGN 400).

Amendment to the calculation of the pro rata coefficient

The rules related to rounding of the pro rata coefficient for VAT deduction will be amended.

Currently the pro rata coefficient is rounded up mathematically and as of 1 January 2016 it will be rounded up again to the second digit after the comma but to the higher number. For example, currently if the coefficient is between 0,121 and 0,124 the rounding is to 0,12 and according to the new rules it will be 0,13.

Amendments to the Excise Duties and Tax Warehouses Act

New registration requirements

An obligation for registration under the Excise Duties and Tax Warehouses Act (EDTWA) is introduced for persons that:

- sell or use for their own needs their own electricity produced from energy from renewable sources in a power plant with a total installed power of up to 5MW;
- produce and sell biogas for business needs and/or use their own biogas for their own needs;
- acquire from other EU Member State or import liquefied natural gas;

- sell or use their own compressed liquefied natural gas;

- perform activities of liquefying natural gas or regasification of liquefied natural gas.

The above persons will be obliged to submit a request for registration under EDTWA not later than 29 February 2016.

Amendments to excise duty rates

As of 1 January 2016, the ratio between the specific and proportional excise duty for cigarettes will be amended. The specific excise duty will be reduced from BGN 101 to BGN 70 for 1000 pieces of cigarettes. The proportional excise duty, as a percentage of the sale price, will be 38% for 2016, 40% for 2017, and will reach 42% in 2018.

The excise duty rates for kerosene, gasoil and heavy fuels will be increased. In cases when these products are used as motor fuels, the increase of the excise duty rate will be minimal (from BGN 645 to BGN 646) and when the fuels are used for heating purposes, the excise duty rate will increase from BGN 50 to 646 for gasoil and kerosene, and to BGN 400 for heavy fuels.

Exemption from excise duty for the denatured ethyl alcohol

An exemption from excise duty will be applied for ethyl alcohol denatured under a special method and used for producing end products that are not for human consumption.

Amended rules for lubricants

As of 1 January 2016, exemption from excise duties will apply for lubricants in packaging of up to 5 litres (currently up to 3 litres).

New rules for combined production of electric and heating energy

In the cases of using of energy products for combined production of heating/electric power, the taxable base of the produced heating power will be 30% of the total amount of the used energy products.

Shorter periods for refunding excise duty for electricity

The period for decision of the customs authorities on request for refunding paid excise duty for electricity will be reduced from 3 to 2 months. The period for refunding of the excise duty will be 7 days (14 days currently) from the date of entry into force of the decision for refunding issued by the customs authorities.

New requirements for depositors in tax warehouses

Depositors in tax warehouses that would like to transfer ownership over goods kept there (which are not released for consumption) will be obliged to submit a notification to the National Revenue Agency and to the licensed warehousekeeper within 3 days before each transfer. A depositor in a tax warehouse will not be allowed to have

unsettled liabilities to the tax/customs authorities.

Movement of goods with excise duty labels between tax warehouses

An option is introduced to move goods with excise duty labels between tax warehouses of the same licensed warehousekeeper. Such movement will be possible after a pre-approval by the director of the Customs Agency.

Reporting requirements for end users exempt from excise duties

The end users exempt from excise duties will be obliged to submit a recapitulative declaration for the received and used excisable goods not later than the 14th day after the end of the calendar month.

Amendments to Intrastat

Increased Intrastat reporting thresholds

The thresholds for declaring in the Intrastat system for 2016 are increased as follows:

Arrivals – BGN 460,000 (EUR 235,194)

Dispatches – BGN 260,000 (EUR 132,936).

The thresholds for declaring of statistical value will be:

Arrivals – BGN 6,000,000 (EUR 3,067,751)

Dispatches – BGN 12,300,000 (EUR 6,288,890).

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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