

New mandatory country-by-country reporting obligations for Bulgarian headquartered multinational groups

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In brief

The draft bill of the Tax and Social Security Procedures Code (TSSPC) introduces new rules related to the filing of country-by-country reports (CbC reports) by multinational enterprise groups (MNE Groups) with consolidated group revenue exceeding EUR 750 million. The reports will be automatically exchanged between the EU Member states or other jurisdictions, with which Bulgaria has signed international agreements.

Specific rules are proposed to MNE Groups with total consolidated group revenue exceeding BGN 100 million, whose ultimate parent company is a Bulgarian tax resident. Those groups will be obliged to file CbC reports to the National Revenue Agency (NRA) that will not be subject to automatic exchange of information with other jurisdictions.

The new rules will enable the tax administration to undertake measures against the harmful tax practices, tax avoidance and aggressive tax planning.

New rules

In line with Action 13 of the OECD Base Erosion and Profit Shifting initiative, the draft bill of TSSPC introduces new rules related to the mandatory CbC reporting by MNE Groups with consolidated group revenue exceeding EUR 750 million.

Once submitted, the CbC reports will be subject to automatic exchange between the tax administrations of the jurisdictions in which the MNE Group operates.

The draft bill of TSSPC proposes a reduced reporting threshold for MNE Groups, whose ultimate parent company is a Bulgarian tax resident.

Who should report in Bulgaria?

The following entities will have the obligation to submit CbC reports to the NRA:

- an ultimate parent company of a MNE Group, who is a tax resident in Bulgaria, if the consolidated group revenue exceeds BGN 100 million in the year preceding the reporting fiscal year;
- a Bulgarian subsidiary or a permanent establishment of a MNE Group, with consolidated group revenue exceeding BGN 1,466,872 .500 in the year preceding the reporting fiscal year when:
 - the Bulgarian tax administration does not have an

available mechanism to receive the CbC reports, filed by the ultimate parent entity of the MNE Group in its home jurisdiction or the respective jurisdiction does not require submission of such reports;

- the MNE Group has appointed the Bulgarian subsidiary/permanent establishment to submit a CbC report on behalf of the group (i.e. to act as a surrogate parent company) or on behalf of all EU group members, subject to the requirements envisaged in the law.

What should be reported?

The CbC reports shall be prepared in a table format containing information on

revenue, profit (loss) before tax, income tax paid and accrued, share capital, accumulated earnings, tangible assets and number of employees for each tax jurisdiction, as well as on the business activities of all group members.

The CbC reports will be filed only electronically in a format to be approved by the executive director of the NRA.

Deadlines

Filing obligation

The first deadline for filing of CbC reports by Bulgarian ultimate parent companies or surrogate parent entities is 31 December 2017 (for FY 2016). The filing deadline for the secondary reporting is 31 December 2018 (for FY 2017).

The CbC reports should be submitted to the executive director of the NRA within 12 months of the end of the reporting fiscal year of the MNE Group.

The CbC reports, subject to automatic exchange of information, will be communicated by the NRA with other tax administrations within 15 months of the end of the reporting fiscal year of the MNE Group. For the FY 2016 reports,

the deadline is extended with 3 months.

Notification obligation

A Bulgarian tax resident, part of a MNE Group shall notify the executive director of the NRA of the group entity that will submit the CbC report. The notification deadline is the last day of the reporting fiscal year of the MNE Group.

Penalties

Failure to submit the CbC reports will entail an administrative penalty of BGN 200 thousand. If the reports are incorrect or insufficient, the penalty will be BGN 150 thousand. In cases of repeated violation, the penalty will be BGN 300 thousand and BGN 250 thousand respectively.

Non-compliance with the notification obligation on the group reporting entity will trigger a penalty of BGN 150 thousand.

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

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