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Expatriate Handbook for Bulgaria

2009 edition



Expatriate Handbook for Bulgaria 2009 edition

Introduction

International assignees working in Bulgaria

This booklet traces your assignment to Bulgaria through several steps – what to do before you arrive in the country, what to do once you are here, and what to do before you leave. Following these steps will make your assignment easier and hopefully, more enjoyable.

This booklet is not intended to be a comprehensive or exhaustive study on Bulgarian law and the relevant practices. It should be used as a guide as you prepare for your assignment to the country. We would suggest that you seek professional advice before making any decisions, as laws and interpretations in Bulgaria are still frequently changed. This booklet will give you the preliminary information you can use to define the issues that may be relevant to your situation.

We would be happy to assist you with advice and practical help.

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This booklet is for information purposes only and does not represent tax advice. It contains information based on the Bulgarian legislation as at January 2009. The booklet is of necessity brief and no action should be taken solely on the basis of the information contained herein.

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What to do before you arrive

Immigration procedures

EU/EEA ASSIGNEES

I. Entry requirements

Being a citizen of an EU, an EEA Member State or Switzerland, you can enter, reside for up to 90 days and depart from Bulgaria with your personal ID card or international passport. The same rules apply for your family members if they are citizens of any of these countries.

If your family members are not EU, EEA or Swiss citizens themselves, they can enter into and depart from Bulgaria if they have a residence permit issued for one of these countries. If they do not have such a permit, they will need to travel to Bulgaria with a valid international passport. An entry visa may be required too, depending on the case.

If you wish to stay for more than 90 days in the country, you should apply for a certificate for long-term residence in Bulgaria.

Work permits and visas D are not required for EU/EEA citizens.

Non-EU/EEA ASSIGNEES

Before you arrive in Bulgaria, and depending on the purpose of your stay, you may need to obtain an entry visa or a work permit and a visa type D.

I. Entry visa

Generally, non-EU nationals need a visa to enter Bulgaria.

An entry visa serves the purpose of short term visits to the country, e.g. on business trips. It does not allow you to work or reside in Bulgaria.

As of 1 January 2007 citizens of Serbia, Macedonia and certain other countries which were previously allowed a non-visa stay in Bulgaria, also need entry visas for Bulgaria.

Citizens of certain countries (e.g. the USA, Canada, Brazil, New Zealand, Japan, and certain others) can reside in Bulgaria without visas up to 90 days within a period of 6 months.

If your intention is to work and live in Bulgaria, you should follow the procedures described below in addition to the entry visa requirements.

II. Work permit

1. General rules for work permits

If you intend to work in Bulgaria, you must obtain a work permit before you arrive in the country. The work permit procedure is quite long and you should contact an advisor for immigration assistance at least 5-6 months before the envisaged start date of your assignment to help you prepare the set of documents required.

What to do before you arrive

Immigration procedures

You should not be in the country when your application is made and should not work or reside in Bulgaria while the procedure lasts.

Work permits can be issued on two grounds - employment with a Bulgarian resident company, or secondment to a Bulgarian resident company. Secondments can be arranged on the basis of either an intra-company transfer between two companies of the same group or an agreement between two independent companies for secondment of personnel.

Work permits are valid for a definite period of time (usually 1 year), a specific job position and place of work.

Changes in these conditions require a new permit.

2. Exceptions to the work permit requirement

a) Managers of Bulgarian companies

A work permit is not required for certain positions which are subject to statutory registration with the Bulgarian Trade Register or the Chamber of Commerce and Industry, e.g. managing directors, board members and procurators of a Bulgarian company and managers of a branch or a representative office of a non-resident company.

Please see also the section below on obtaining a residence permit.

b) Short-term assignment

If you are assigned to Bulgaria for up to 90 days in a 12-month period to perform certain task, related to imported equipment the local company where you will work should only register you with the Employment Agency prior to your arrival in Bulgaria. A work permit is not required.

No residence permit is required for short-term assignments.

c) Family members of Bulgarian citizens and EU citizens

If you are a member of the family of a Bulgarian or EU citizen, you may work without a work permit in Bulgaria. The only requirement is that the local company where you will work should register you with the Labour Bureau Directorate within 7 days as from the beginning of the employment.

Please see also the sections below on obtaining a visa D and a residence permit.

d) Tourist operator secondees

Individuals, seconded by a foreign tour operator for particular tasks related to control and coordination of tourist services agreements with Bulgarian tour operators or hoteliers may also work without work permits for up to 6 months within a 12-month period based on a one-off registration with the Employment Agency.

Please see also the sections below on obtaining a visa D and a residence permit.

What to do before you arrive

Immigration procedures

3. Procedure and timing

As mentioned, you should not be in the country when your work permit application is made and should not work or reside in Bulgaria while the procedure lasts.

Work permits are issued by the Employment Agency with the Ministry of Labour and Social Policy. The application is made by the Bulgarian company where you will work.

The statutory term for issuance of a work permit is 1 month from application but in practice it takes much longer (sometimes even more than 3 months from application).

Work permits are issued for a period of up to 1 year. A permit issued on the grounds of local employment can be extended for another year but for not more than 3 years in total. Exceptions are possible in very limited cases.

Work permits issued to seconded foreign nationals (as opposed to directly hired by the Bulgarian employer) cannot be prolonged after the expiry of the initial one-year validity term, except for some very specific cases.

The statutory fee for issuance of a work permit is currently approximately EUR 300.

4. Documents

a) General set of documents

Certain company documents are always required with the work permit application, regardless of the grounds of the application (e.g. a company registration certificate, a declaration containing information on the number of personnel (Bulgarians and expatriates) working for the local company, etc.).

There are also specific documents to be submitted, which vary depending on the specific case.

b) Work permit on the grounds of employment with a Bulgarian company:

Some specific documents are required for an application on the above grounds: an argumentation letter; diplomas and other education documents; an employment contract, etc.

c) Work permit on the grounds of secondment to a Bulgarian company:

The documents required for an application on the above grounds include: a statement for twelve months previous employment of the expatriate with the foreign employer; a confirmation letter for the assignment of the expatriate to Bulgaria; the incorporation documents of the foreign employer, a CV of the expatriate; a job description, etc.

Quite often the Employment Agency would require additional documents, and you should check the status of your application and whether more information and documentation should be prepared and filed.

What to do before you arrive

Immigration procedures

In view of the large number of documents and the complex procedures, we recommend that you consult with a specialist as early as possible, preferably 6 months before the start date of your assignment in Bulgaria.

III. Long-term visa type D

Once your work permit is approved and issued, you will need to apply for a long-term visa type D, in order to apply later, once you are in Bulgaria, for a residence permit (see next section).

A visa D cannot be issued in Bulgaria and you will need to apply for it in the Bulgarian embassy in your home country.

Depending on your work and civil status, you will need to file different documents. The consulate section of each embassy may require different documents so it is advisable that your consultant checks what these are well in advance.

As with the work permit, the consulate officials may require additional documents and you should check the status of your application and if more information and documentation should be prepared and filed.

Visa D will allow you to stay in the country for 180 days within a 6 month period and to apply for a Bulgarian residence permit.

Visa D is a multiple entry visa. The visa will be cancelled upon issuance of a residence permit. Please see the following section on residence permits.

The term for issuance of a visa D is 30 working days, but in practice it could take twice as long. You should check the status of your application and whether more information and documentation should be prepared and filed. In view of this, we recommend that you consult with a specialist as early as possible, preferably 6 months before the start date of your assignment in Bulgaria.

What to do on arrival

Immigration procedures

EU/EEA ASSIGNEES

1. Residence Certificate

Once you are in the country, if you wish to stay for more than 90 days, you should apply for a certificate for long-term residence in Bulgaria before the Bulgarian police authorities. This is a straightforward registration procedure.

The application for issuance of the residence certificate should be filed to the National Police Office (Migration Directorate) within 3 months of your first entry into the country. Certain documents need to be enclosed to the application proving the purpose of your stay in Bulgaria (e.g. employment, self-employment, education, etc.), the availability of health insurance and financial means to cover your living expenses for the term of your stay in Bulgaria.

The statutory term for issuance of the certificate is 1 working day. The maximum term of validity of the certificate is 5 years.

2. Family members

a) Citizens of EU/EEA Member States or Switzerland

To obtain a residence certificate, your family members who are also EU, EEA or Swiss citizens should follow the same procedure as described above.

They should support their applications with documents evidencing their family relations to you.

Family members include spouses, partners, children under 21 years, and dependents.

3. Non-EU citizens (third country nationals)

b) If your family members are non-EU citizens, they should apply for a residence card within 3 months from the date of first entry in the country. The application should be filed to the National Police Office (Migration Directorate) and should be supported with documents evidencing family relations to you, and a copy of your certificate for long-term residence in Bulgaria, availability of financial means to cover their expenses in Bulgaria (e.g. a declaration for financial support signed by you).

The statutory term for issuance of the residency card is 3 months from applying.

The term of validity of the card is tied with the term of validity of your residence certificate (i.e. up to 5 years). Upon application your family members would be issued a temporary certificate of residence which would be valid until the residence card is granted.

What to do on arrival

Immigration procedures

NON-EU/EEA ASSIGNEES

1. Address registration

Until you have a residence permit, every time you enter the country you need to fill out an address registration card at the border. If you do not fill out this at the border, the hotel where you are staying will do this.

However, if you are not staying in a hotel, every time you enter the country you should report to the local police station within 5 days the address where you are staying while in Bulgaria. You are required to keep a copy of the registration card until you exit the country.

2. Residence permit

a) Issuance

There are different types of residence permits, namely:

- Short-term residence permit for up to 90 days
- Long-term residence permit for up to 1 year
- Permanent residence permit (valid for an indefinite period of time)

Residence permits are issued by the Ministry of Internal Affairs (Migration Directorate) upon submission of certain documents in person to the police authorities.

The statutory term for issuance of a residence permit is 7 working days, but in practice it takes longer.

The statutory fee for a 1-year permit (the most frequently applied for) is currently approximately EUR 250.

b) Family members

If you have obtained the necessary permits, your spouse and children can also apply for a visa D first, and then for a residence permit. Their applications should be supported with certain documents, including a copy of your residence permit, your marriage certificate, birth certificates, as well as documents evidencing you have sufficient funds to cover their living expenses.

Residence permits issued to family members allow them to reside in the country but not to work. To work, they need to apply for a work permit on their own grounds.

3. ID card

a) Filing for your ID card

Once you have a residence permit which is stamped in your passport, you should file in person an application for an ID card.

What to do on arrival

Immigration procedures

b) Term and fee

The statutory term for issuance of the ID card is 10 working days and the statutory fee is currently approximately EUR 10.

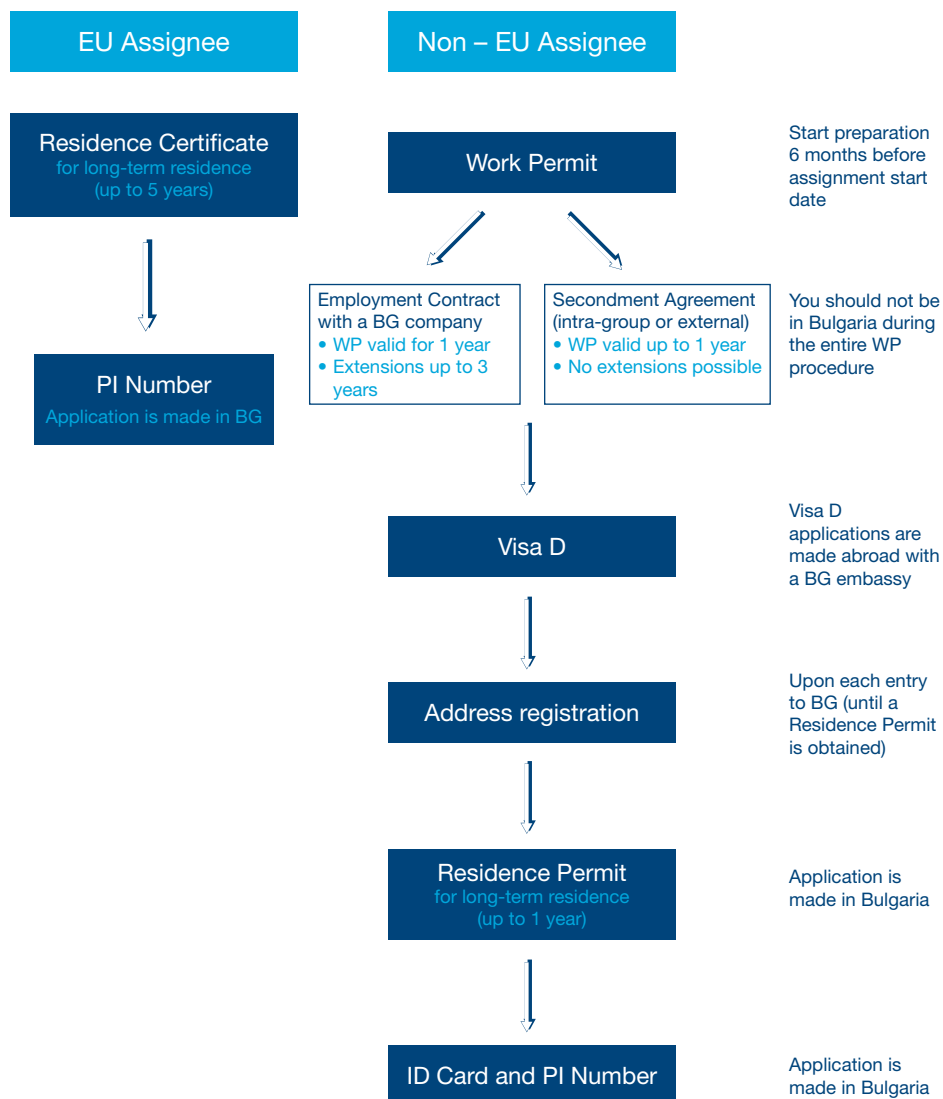
When you are issued a Bulgarian ID card for the first time, you are provided with a personal identification number (PI Number). The PI Number is used in communications with the tax, social security and other public authorities in Bulgaria. The PI Number is unique and does not change even if you are issued new ID documents later.

In view of the number of documents and procedures, we recommend early consultation with a specialist.

Please see diagram below summarising the general steps of the immigration procedures for foreign assignees to Bulgaria.

What to do on arrival

Immigration procedures



Bulgarian income taxes

Basic principles

EU/ EEA ASSIGNEES

Tax registration requirements

You should apply for a Personal Identification Number, which will be used in all further communications with the Bulgarian National Revenue Agency (NRA) regarding tax and social security matters. Such numbers are obtained, after application, either from the Migration Directorate based on the residency certificate or from the tax office directly.

NON-EU/EEA ASSIGNEES

The Personal Identification Number provided to you with your Bulgarian ID card is used in communications with the revenue and other public authorities in Bulgaria.

I. Basic principles of taxation

The Bulgarian tax year is the calendar year.

Taxation in Bulgaria depends on your tax residence status:

- Bulgarian tax residents are taxed on their worldwide income
- Tax non-residents are taxed on their income from Bulgarian sources only.

1. Tax residence

According to Bulgarian tax law, irrespective of your citizenship, you will be considered a Bulgarian tax resident if:

- a) you have a permanent address in Bulgaria
- b) you reside in the country for more than 183 days in any 12-month period

In this case you will become a Bulgarian tax resident for the whole calendar year in which the 183rd day is exceeded.

- c) you have been assigned to work in another country by a Bulgarian enterprise (or the Bulgarian state or state organisations), or
- d) your centre of vital interests is in Bulgaria.

Your centre of vital interests is determined with regard to your personal and economic ties to the country. A number of factors are considered in this respect, such as where your family is, possession of property, the place where you perform your employment, professional or economic activity, etc. However, if you have a permanent address in Bulgaria but your centre of vital interests is not in the country, you will not be considered a Bulgarian tax resident.

Bulgarian income taxes

Basic principles

If a double tax treaty (DTT) is in place, your tax residence status will be determined in accordance with the provisions of the DTT, which has prevalence over domestic legislation.

2. Bulgarian source income

The following income is of Bulgarian source and is taxable in Bulgaria, even if you are a tax non-resident:

- employment income, when the work is performed on the territory of Bulgaria, regardless of the payment source
- income from services rendered on the territory of Bulgaria
- fees received by managers and members of management boards of Bulgarian registered companies or the remuneration of the manager of a representative office or a branch of a foreign company in Bulgaria, regardless of the payment source
- dividends and liquidation proceeds from participation in Bulgarian resident companies and unincorporated entities
- interest paid by Bulgarian resident entities (except interest on bank deposits)
- rental or other income derived from real estate or movable property in Bulgaria
- copyright and licence royalties paid by Bulgarian resident entities
- technical services fees paid by Bulgarian resident entities
- fees earned under franchise and factoring agreements paid by Bulgarian resident entities
- capital gains from disposal of assets such as real estate located in Bulgaria or securities in Bulgarian companies
- income from securities, bonds and other financial instruments issued by the Bulgarian State or municipalities, or by Bulgarian resident companies
- awards from games, contests and competitions that are not provided by an employer/ assignor.

II. Types of income

1. Employment income

Income received for work under an employment contract is considered employment income.

- a) Taxable employment income
 - Salary
 - Bonuses

Bulgarian income taxes

Basic principles

- Cost-of-living allowance
- Hardship allowance
- Relocation allowance
- Rental and utilities payments
- Extra luggage allowance
- Home trip allowance or airplane tickets
- School fees
- Language training fees (unless work-required)
- Voluntary pension or medical cover
- Company car for private use
- Food allowance
- Health club and other private subscriptions

Payments made by the employer directly to the vendor are also taxable income.

- b) Non-taxable employment income
 - Business trip travel and accommodation costs
 - Business trip daily allowances up to the double amount of the statutory allowed limits
 - Moving expenses within the country
 - The value of special working or representative clothes or personal protection means
 - The value of the free protection food and antidotes
 - Travel cards provided by the employer to commuting employees (mainly for public transportation)
 - Compensation for redundancy or for temporary incapacity
 - Social benefits provided by the employer in-kind or as one-off payments in case of certain events (e.g. marriage, childbirth or medical treatment), if taxed on corporate level
 - Food vouchers up to BGN 60 per month provided to employees under an employee social program
 - Insurance premiums up to BGN 60 per month for voluntary pension, unemployment, health and life insurance.

No special concessions are granted to expatriates currently.
- c) Tax payments
 - Upon payment of salaries the employer should withhold the personal tax due on

Bulgarian income taxes

Basic principles

employment income and should remit it to the tax authorities by the 10th day of the following month.

Employment income is taxed with a flat tax rate of 10%.

2. Income from independent services

a) Freelancers and individuals providing services

i. Bulgarian tax residents

Bulgarian tax residents working under services agreements (e.g. freelancers) by statute may deduct 25% of their gross income before taxation as pre-estimated expenses. This taxable base is subject to advance tax payments of 10% on a quarterly basis and to a final annual tax settlement.

ii. Foreign tax residents

Fees for technical services paid to a foreign tax resident individual are subject to a 10% final one-off tax. No deductions are allowed.

Foreigners who perform business activities or provide independent personal services in Bulgaria are required to obtain BULSTAT registration numbers with the Bulgarian Registry Agency. They may also be required to register for VAT purposes if their turnover exceeds BGN 50,000 within 12 months.

3. Rental income

i. Bulgarian tax residents

A statutory deduction of 10% of the gross income is allowed for income from rent, or other income derived from letting out of movable or immovable property including from lease, franchise and factoring agreements.

The income is subject to quarterly advance tax payments at the rate of 10% and to a final tax on an annual basis.

No expenses exceeding the 10% are accepted for tax deduction purposes. Rental loss is not recognized for tax purposes and may not be offset against rental profit.

ii. Foreign tax residents

Rental income from property located in Bulgaria received by individuals who are foreign tax residents is subject to a 10% final one-off tax. No deductions are allowed. No treaty relief is possible.

Foreigners who own real estate in Bulgaria are required to obtain BULSTAT registration numbers with the Bulgarian Registry Agency.

Bulgarian income taxes

Basic principles

4. Income from disposal of real estate

i. Bulgarian tax residents

Income from capital gains from disposal of real estate, including when the real estate is acquired through donation, is taxable income. A statutory deduction of 10% of the capital gain is allowed. The capital gain is added to the annual taxable income of the individual and is taxed with a 10% flat tax.

Tax exemption is provided in limited cases, e.g.

- For gains from the sale of 1 residential real estate property per year (applicable to Bulgarian tax residents and residents of EU/EEA Member States)
- For gains from the sale of up to 2 real estate properties¹ owned more than 5 years (applicable to Bulgarian tax residents and residents of EU/EEA Member State).

ii. Foreign tax residents

Any capital gain from disposal of real estate located in Bulgaria is subject to 10% final tax. A statutory deduction of 10% of the capital gain is allowed. No treaty relief is possible.

5. Income from capital

a) Capital gains

i. Bulgarian tax residents

The capital gain on the sale or exchange of securities or other financial assets, as well as from foreign currency transactions is taxable income. The gain realised from all disposals during the year may be offset against any capital loss from disposals during the year, and the remaining gain (if any) is added to the annual taxable income of the individual and is taxed with a 10% flat tax.

Capital gains from transactions with securities of public companies on a regulated Bulgarian stock exchange or on a stock exchange in another EU/EEA country are tax-free.

ii. Foreign tax residents

The capital gains on disposal of securities are subject to 10% final tax. The taxable base is the difference between the total amount of capital gain and the capital loss realised during the year. Treaty relief may be possible depending on the specific applicable DTT and after following certain specific procedures.

b) Dividends

i. Bulgarian tax residents

Dividends paid by Bulgarian and foreign resident entities to Bulgarian tax residents are subject to 5% final tax at source.

¹ Residential or business properties, land or forests.

Bulgarian income taxes

Basic principles

Stock dividends (i.e. company profits distributed as new shares, as well as profits distributed as an increase in the existing par value of shares) are non-taxable.

ii. Foreign tax residents

Dividends paid by Bulgarian resident entities to foreign tax residents are also subject to 5% final tax at source, which is final. Treaty relief may be available.

6. Interest

The following income is exempt from taxation:

- Interest on deposits in Bulgarian banks, Bulgarian branches of foreign banks and banks located in any EU/EEA country
- Interest and discounts on state, municipal and corporate securities
- Investment income on voluntary insurance for pension and unemployment, voluntary health insurance and life insurance contracts

Interest on deposits in banks outside the EU and EEA is taxable with a 10% flat tax.

III. Deductions and allowances

1. Deductions

The following costs are tax deductible when borne by the individuals:

- Mandatory health, pension, unemployment, and other related contributions – fully tax-deductible
- Voluntary Life insurance premiums paid to an insurer licensed in Bulgaria or another EU/EEA country – up to a total of 10% of the taxable income
- Voluntary pension or health insurance premiums paid to a fund licenced in Bulgaria or another EU/EEA country – up to a total of 10% of the taxable income
- Donations to certain non-profit organizations in Bulgaria or EU/EEA – up to 5% (and in some specific cases 15% or 50%) of the taxable income. The total amount of the tax relief for donations may not exceed 65% of the total annual tax base.

Tax obligations during the year

1. Payroll withholdings on employment income

Your employer must withhold and remit to the tax authorities the personal income tax due on employment income. Such an obligation exists for “economic employers” too (the Bulgarian entity for which you work) even if you do not have direct contractual relations.

2. Advance taxes

Service fees payable to Bulgarian tax residents are subject to advance tax payments of 10% on a monthly (or in some cases, quarterly) basis.

Rental income of Bulgarian tax residents is subject to quarterly advance tax payments at the rate of 10%.

Final taxes on income earned by foreign tax residents should be withheld by the Bulgarian entity which pays out the income. If the paying entity is not a Bulgarian company, the individual should pay the due tax on his own.

What to do at the end of the year

1. Tax return submission and payment of tax

a) Employment income only

If you have only employment income from a Bulgarian employer, you are not required to submit a personal income tax return for the respective year. The Bulgarian employer is obliged to make an annual reconciliation of your income by 31 January of the following year.

b) Other income

If you receive other types of income, you will need to file an annual tax return by 30 April of the following year. The difference between the annual tax due and the advance taxes paid during the year should be transferred to the state budget by 30 April of the following year. You can pay your outstanding personal income tax liability through a bank transfer or online.

If the tax return is submitted and the outstanding tax is paid in full by 10 February of the following year, a 5% deduction is provided by statute. This deduction is only on the outstanding tax liability (i.e. the total annual tax less any advance taxes paid). The tax payment should be done by 10 February.

A 5% deduction on the outstanding tax liability is available also if the individual files his tax return electronically by 30 April of the following year. The tax payment should also be made by 30 April.

The tax return may be filed either in hard copy – in person or by registered mail, or electronically, if you have an electronic signature.

2. Extensions

There is no possibility for extension of the filing deadline.

3. Fines and penalties

The penalty for not filing a tax return within the filing deadline is up to BGN 500.

Individuals who have filed a tax return with incorrect data may be fined up to BGN 1,000. No penalty and interest will be imposed if an individual files a corrective tax return within the deadline for payment of the tax due.

If the tax due is not paid within the statutory deadline, it is subject to collection along with statutory interest (the basic interest rate of the Bulgarian National Bank plus 10 points).

The statute of limitation is 5 years as from the year when the tax was payable.

What to do at the end of the year

4. Tax overpayment

In case of an overpayment, you will need to file an annual tax return in order to receive a refund.

5. Obtaining a Bulgarian tax certificate

If you paid taxes in Bulgaria, you can obtain a certificate from the Bulgarian tax authorities confirming the tax payments for the purpose of obtaining a tax credit or tax exemption for similar taxes in your home country, if you are so entitled.

6. Double tax relief

If a double tax treaty applies, its provisions override the domestic regulations. Tax relief is granted in accordance with the method established in the relevant treaty. (Please see Appendix D for a list of the treaties concluded by Bulgaria).

Where there is no double tax treaty, Bulgarian domestic law grants a unilateral tax credit for taxes paid abroad on foreign-source income received by Bulgarian tax residents. The allowed tax credit may not exceed the amount of the Bulgarian tax payable on similar or identical income.

Social security and health insurance

Bulgarian employment contracts are subject to mandatory registration with the National Revenue Agency Institute within 3 days of signing.

If you plan to work in the country as a freelancer, you will need to register with the BULSTAT register and the National Revenue Agency.

1. Insurance base and cap

Mandatory social security contributions are due on the gross remuneration (within certain minimum and maximum limits) less any allowed statutory deductions.

The minimum base per month varies depending on the economic activity of the employer and the profession and grade of the employee. Currently, it is between BGN 240 and BGN 1346 per month.

The mandatory social security base is capped. For 2009 the maximum base on which contributions are calculated and paid is BGN 2,000 per month.

2. Rates

The most common mandatory aggregate contribution is 31.1%, where the employer pays 18.10% and 13% is withheld from the employee's remuneration. Considering the maximum social security base is capped, the maximum annual social security contribution for 2009 (at the most common rate) is around BGN 7,464.

The contributions cover:

- 13% for state pension
- 5% for additional pension
- 3.5% for illness and maternity
- 1% for unemployment insurance
- 0.1% for a special fund guaranteeing employees' receivables. This contribution is fully for the account of the employer, and is applicable only to employment contracts
- 0.4% for occupational accident and disease. The contribution varies between 0.4% and 1.1%. It is fully for the account of the employer
- 8% for health insurance.

In addition to the above rates, as of 2009 the state will contribute 12% of the annual social security base of each individual to the state pension fund.

Social security and health insurance

3. Employer/employee participation

The mandatory social security contributions are split between employer and employee. Currently the ratio of the employer: employee participation for most funds is 55:45 and for some funds it is 60:40.

The aggregate social security contribution is remitted by the employer.

The contributions to the "Occupational Accident and Disease Fund" and the "Guarantee Fund for Employees' Receivables" are entirely at the expense of the employer.

4. Exemptions for expatriates

EU/EEA assignees

If you are an EU or EEA citizen working in the country you are subject to the provisions of EEC Regulation 1408/71. Under this Regulation you would be insured for social security purposes only in one member state. In principle this would be Bulgaria, where you physically work, unless you can obtain an E101 certificate from your home country social security authorities and thus keep your social security coverage in that country.

If you do not have an E101 form issued from your home country, you would be subject to mandatory social security contributions in Bulgaria. The same social security rates as for Bulgarian nationals apply to EU/EEA citizens.

Non-EU/EEA assignees

If you are a non-EU/EEA citizen and have a temporary long-term Bulgarian residence permit, you are exempt from paying health insurance contributions, which means that the most common aggregate contribution rate for you would be 23.1%. This also means that you will need to pay for the local medical treatment which you may require at special rates for foreigners.

If there is a social security agreement between Bulgaria and the non-EU/EEA country, you may be exempt from paying Bulgarian social security contributions to some or all funds under the terms of the relevant treaty.

What to do upon departure

1. Informing the authorities

There is no special deregistration procedure for tax purposes in Bulgaria. You can leave the country when your assignment ends without informing the tax authorities. Please see the section on foreign exchange regulations and bank transfers abroad.

Please consider obtaining a certificate for paid taxes in Bulgaria, which may be required by the tax authorities in your home country or elsewhere. You may authorise someone to obtain the certificate for you (through a notarised power of attorney).

If your employment or secondment is terminated prior to the initial term specified, the Bulgarian employer should notify the Employment Agency and you should return the work permit (if you had one) within 3 days of termination of the employment/secondment.

The work permit is cancelled.

The Employment Agency then notifies the Ministry of Interior and the Ministry of Foreign Affairs. You will be required to submit your passport with the residence permit stamp and your Bulgarian ID card to the police department for cancellation.

2. Filing your tax return

The procedure for filing the tax return for the last year of your assignment is no different than the general procedure (please refer to section "Tax return submission and payment of tax" above).

Please note that the annual tax return for the tax year cannot be filed earlier than January the following year, even if you leave the country earlier.

Other taxes

1. Stock options/share schemes

Bulgarian tax legislation does not contain rules on the tax treatment of stock options and share schemes. We would therefore recommend that you seek professional advice in each specific case.

2. Transfer tax

When you acquire real estate or a vehicle in Bulgaria you will have to pay a transfer tax determined by the municipality which ranges from 1.3% to 2.6% on the value of the property. Notary and registration fees also apply.

3. Property tax return

A property tax return should be filed within 2 months of acquiring real estate in Bulgaria. The tax return should be filed with the tax office where the property is located.

4. Property tax and garbage collection fee

If you acquire real estate in Bulgaria, you would need to pay an annual real estate tax. It may vary between 0.5% and 0.2% of the tax value of the property. The tax value depends on the type of property, its location, size and other factors.

In addition to property tax, a garbage collection fee is due by owners of real estate. The municipality where the property is located determines the fees annually. The fee can be significant in some cities.

5. Vehicle tax

The tax is due by the owner of a car registered in Bulgaria. It is calculated according to the horsepower and year of production of the car. The tax is payable to the local tax office as per your address registration.

6. Vignette fee

You are required to buy a vignette sticker if you need to travel out of town. The value of the vignette varies depending on the type of vehicle and the period for which it is issued (day, week, month or year).

7. Highway Toll

For the time being no highway tolls are payable in Bulgaria.

8. VAT

The standard VAT rate is currently 20%.

Other procedures

1. Exchanging your foreign currency. Currency board

The Bulgarian currency system operates under the conditions of a currency board. The Bulgarian Lev (BGN) is bound to the EURO. The official fixed exchange rate of the Bulgarian National Bank is:

EUR 1 = BGN 1.95583

Retail transactions in Bulgaria are priced and carried out in BGN.

You can buy Leva in Bulgaria at each bank office, as well as at foreign exchange bureaus. It is much safer though to exchange foreign currency at a bank office. Most bank offices are open for clients from 8.30 a.m. until 4.00 p.m. on weekdays only.

It is also possible to obtain local currency using a debit or credit card at the ATM (cash) machines.

2. Foreign exchange regulations

You can hold and operate bank accounts in Leva and in foreign currency without restrictions. However, under the current regulations the following points should be considered:

- a) Bank transfer of foreign currency abroad
 - For all bank transfers abroad you need to advise the bank the grounds for the payment
 - For transfers to and from another country of more than BGN 5,000 or its equivalent in foreign currency, you will need to fill in a standard statistical form at the transferring bank
 - If you transfer abroad more than BGN 25,000 (or its equivalent), you would need to provide the bank with certain documents proving the grounds on which the transfer or payment is being made.
- b) Import and export of Bulgarian and foreign currency in cash

You can import and export Bulgarian and foreign currency up to EUR 10,000 without having to declare it before the Customs Authorities.

 - Import and export of currency exceeding EUR 10,000 will involve declaring the type and amount of the currency, as well as its origin and purpose
 - If you would like to export currency exceeding BGN 25,000, in addition to the above, you must also provide a certificate issued by the Bulgarian revenue authorities that you do not have any outstanding tax liabilities
 - In case the exported currency exceeds the equivalent of BGN 25,000 but does not exceed the amount imported and declared upon entering Bulgaria, you are required to declare only the type and amount of exported currency, its origin and purpose without the need for a tax certificate.

Other procedures

3. Driving licence

Once you receive a residence permit/certificate of residence, you can drive with your national driving licence for a period of 1 year as of entering the country.

After this 1-year period you can be issued a Bulgarian driving licence without having to pass a test, provided that the country where your driving licence was issued is party to the Road Traffic Convention (1949). Otherwise, you need to pass the Bulgarian driving licence test.

4. Importing goods and personal possessions

If you are an EU/EEA citizen you can import your personal possessions in Bulgaria duty-free without having to follow any customs or other permit procedures (except for certain excise goods).

Non EU/EEA citizens moving to Bulgaria on a long-term basis (for more than 3 months) are allowed to import their personal possessions duty-free under certain conditions. The chief of the customs agency grants permission for such imports.

Air and sea passengers arriving from a non-EU/EEA country are allowed to import non-commercial goods up to EUR 430 duty-free and land passengers – up to EUR 300.

Duty-free import of tobacco, alcohol and medicines is allowed only up to certain quantities per person per trip.

5. Importing your car

a) EU/EEA ASSIGNEES

If you are an EU/EEA citizen you can import your car in Bulgaria duty-free without having to follow any customs or other registration procedures.

b) Non-EU/EEA ASSIGNEES

Non-EU/EEA nationals, depending on your residence status, can import your car, as follows:

i. Short-term residents

If you are going to stay in Bulgaria less than 3 months, you can import your car duty-free. The temporary import of the car will be registered in your passport.

Please note that if you need to exit the country without the car, there are customs procedures which need to be followed.

ii. Long-term residents

You can import your car duty-free if you are staying more than 3 months in Bulgaria and have a long-term residence permit. You will need to present the registration certificate

Other procedures

of the car, documents evidencing ownership, your Bulgarian ID card, driving licence, insurance policy and a customs declaration.

You should register your car with the police department within 14 days of customs clearance. You will need to submit a copy of the customs declaration, your Bulgarian ID card, the insurance policy of the car and other documents.

You will be issued a Bulgarian registration certificate and will be provided with a Bulgarian car plate number.

iii. Permanent residents

If you are moving permanently to Bulgaria and have a permanent residence permit, you can import your car duty-free provided you have been using the car for a period of at least 6 months prior to moving to Bulgaria, and the car will not be sold for a period of 24 months.

6. Exporting your personal possessions and car

a) EU/EEA assignees

EU/EEA citizens do not need to follow any customs formalities when exporting their car out of Bulgaria.

b) Non-EU/EEA assignees

There are specific customs requirements and formalities for exporting your possessions and especially your car. We would recommend that you contact a specialised agency for professional advice and assistance.

Appendices

Appendix A

A sample monthly tax computation for 2008

Employment/ Management contract (Bulgarian tax resident)

		BGN
1	Salary	7 000,00
2	Benefit in kind (e.g. accommodation)	2 000,00
3	Monthly gross income (1+2)	9 000,00
4	Compulsory social security contributions (13% of BGN 2,000)	260,00
5	Taxable base (3 - 4)	8 740,00
6	Tax (10% of 5)	874,00
7	Net monthly income (5 - 6)	7 866,00

Appendix B

List of double tax treaties

- | | | |
|--------------------|-----------------|------------------------------|
| 1. Albania | 23. Iran | 45. Portugal |
| 2. Algeria | 24. Ireland | 46. Romania |
| 3. Armenia | 25. Italy | 47. Russia |
| 4. Austria | 26. Israel | 48. Singapore |
| 5. Azerbaijan | 27. Japan | 49. Slovakia |
| 6. Belarus | 28. Jordan | 50. Slovenia |
| 7. Belgium | 29. Kazakhstan | 51. South Africa |
| 8. Canada | 30. North Korea | 52. Spain |
| 9. China | 31. South Korea | 53. Sweden |
| 10. Croatia | 32. Kuwait | 54. Switzerland |
| 11. Cyprus | 33. Latvia | 55. Syria |
| 12. Czech Republic | 34. Lebanon | 56. Thailand |
| 13. Denmark | 35. Lithuania | 57. Turkey |
| 14. Egypt | 36. Luxembourg | 58. Ukraine |
| 15. Finland | 37. Macedonia | 59. United Arab Emirates |
| 16. France | 38. Malta | 60. United States of America |
| 17. Georgia | 39. Moldova | 61. Uzbekistan |
| 18. Germany | 40. Mongolia | 62. Vietnam |
| 19. Greece | 41. Morocco | 63. Yugoslavia |
| 20. Hungary | 42. Netherlands | 64. Zimbabwe |
| 21. India | 43. Poland | 65. United Kingdom |
| 22. Indonesia | 44. Norway | |

Appendix C

List of existing social security agreements

1. Albania
2. Croatia
3. Libya
4. Macedonia
5. Turkey
6. Ukraine
7. Yugoslavia
8. Israel

As Bulgaria is a member of the European Union, the provisions of the EU Regulations on social security apply to Bulgaria and superseded the existing social security agreements concluded with some of the EU Member States.

A list of the EU countries with which Bulgaria had such agreements is as follows:

1. Austria
2. Czech Republic
3. Germany
4. Hungary
5. Luxemburg
6. Netherlands
7. Poland
8. Romania
9. Slovakia
10. Spain

Appendix D

Diplomatic missions in Sofia

Austria	4, Shipka Str. tel. 932 9032, 950 5190, fax: 981 0567
Albania	10, Krakra, Str. tel. 943 3857, fax: 943 3069
Belgium	1, Velchova Zavera Sq. tel. 988 7290, fax: 963 3638, 963 1945
Croatia	32, V. Tarnovo Str. tel. 943 3225, fax: 946 1355
Cyprus	1A, Platchkovitsa Str., Lozenetz tel. 961 77 30, fax: 961 7731
Czech Republic	9, Yanko Sakazov Blvd. tel. 946 1110, 946 1111, fax: 946 1800
Denmark	54, Dondukov Blvd. tel. 980 0830, 917 0100, fax: 980 0831, 980 9901
Egypt	5, 6 th September Str. tel. 988 1509, 987 0215, 987 6468, fax: 980 1263
Finland	26-28, Batcho Kiro Str. tel. 810 2110
France	27-29, Oborishte Str. tel. 965 1100, 946 0380, 946 0390, 946 1579 fax: 965 1120, 946 1558
Germany	25, Joliot Curie Str. tel. 963 4101, 963 4518, 918 3800, fax: 963 1658
Great Britain	9 Moskovska Str. tel. 933 9222, fax: 933 9219, 933 9250
Greece	33 San Stefano Str. tel. 843 3085, fax: 946 1249
Holland	15, Oborishte Str. tel. 816 0300, fax: 816 0301
Hungary	57, 6 th September Str. tel. 963 1135, fax: 963 2110
India	31, Patriarch Evtimii Blvd. tel. 986 7772, 986 7672, fax: 980 1289, 981 4124

Appendix D

Diplomatic missions in Sofia

Israel	1, Bulgaria Sq. tel. 951 5044, 951 5046, 951 5029, 951 6962, fax: 952 1101
Italy	2, Shipka Str. tel. 921 7300, 980 7747, fax: 980 3717
Japan	14, Lyulyakova Gradina Str. tel. 721 2708, fax: 971 1095
Macedonia	17, Joliot Curie Str. tel. 870 1560, 971 3708, fax: 971 2832
Poland	46, Khan Kroum Str. tel. 987 2610, fax: 987 2939
Portugal	6, Ivatz Voivoda Str. tel. 943 3667, fax: 943 3089
Romania	4, Sitnyakovo Blvd. tel. 971 2858, fax: 971 3619, 973 3412
Russia	28, Dragan Tzankov Blvd. tel. 963 0912, 963 0914, 963 1314, 963 4451, fax: 963 4103
Slovakia	9, Yanko Sakazov Blvd. tel. 943 3281, 943 3282, 942 9210, fax: 943 3837, 942 9235
Spain	27, Sheinovo Str. tel. 943 3032, 943 3620, 946 1209, fax: 946 1201
Sweden	4, Alfred Nobel Str. tel. 930 1960, 971 2431, fax: 973 3795
Switzerland	33, Shipka Str. tel. 942 0100, 946 0197, fax: 946 1622
Turkey	80, Vassil Levski Blvd. tel. 980 2270, fax: 981 9358
Ukraine	29, Boriana Str. tel. 955 9478, fax: 955 5247
USA	16, Koziak Str. tel. 937 5100, fax: 981 8977, 937 5320
Vatican	6, 11 th August Str. tel. 981 1743, fax: 981 6195

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