

# ***Tax Alert***

## Summary of the main amendments to the Corporate Income Tax Act and the Tax and Social Security Procedure Code

*Bulgaria*

*January 2013*



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Amendments to the Corporate Income Tax Act (CIT Act) and the Tax and Social Security Procedure Code (TSSPC) were promulgated in the “State gazette”, ed. 94 of 30 November 2012 in force as of 1 January 2013. The main changes are presented below:

### ***Amendments to the CIT Act***

#### **Advance instalments**

New rules are introduced for calculation and payment of corporate tax advance instalments which depend on the net revenue for the previous year:

- up to BGN 300,000 – no obligation for advance instalments arises;
- between BGN 300,000 and BGN 3 mln. – quarterly advance instalments are due;
- above BGN 3 mln. – monthly advance instalments are due.

Newly established companies as well as companies with net revenue below BGN 300,000 may opt to make quarterly advance instalments.

The amount of the advance CIT instalments due for the current year is determined based on a forecast (budgeted) taxable profit which should be reported with the tax return for the previous year (e.g. the forecast taxable profit for 2013 is to be declared with the annual tax return for 2012).

Penalty interest will be chargeable if the actual annual corporate income tax due exceeds by more than 20% the total of the advance instalments paid during the year. Throughout the year companies may submit requests for upward/downward adjustments to the initially reported advance instalments due.

The deadline for payment of the monthly advance instalments is as follows:

- for the period January – April is 15<sup>th</sup> April, i.e. upon reporting the forecast taxable profit for the current year;
- for the months May – December the deadline is the 15<sup>th</sup> of the respective month.

The deadline for the payment of the quarterly advance instalments is as follows:

- for the first quarter – 15<sup>th</sup> April;
- for the second quarter – 15<sup>th</sup> July;
- for the third quarter – 15<sup>th</sup> December.

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For the fourth quarter no advance instalment should be made.

The possibility for deduction of overpaid corporate tax from the advance instalments due is revoked.

### **Withholding tax**

Shorter deadlines are introduced for reporting and payment of withholding taxes – until the end of the month following the quarter in which the taxable income was accrued or the decision for dividend distribution or liquidation quota was taken. The reporting should be done regardless whether the tax is effectively paid.

### **One-off taxes**

The one-off tax which was previously due monthly should be determined and paid on an annual base by 31 March of the next year.

### **Correction of accounting errors**

In case of an accounting or tax error for a previous period the tax office should be notified in writing in order to take the appropriate measures for corrections.

### **Non-taxable income**

Income accrued in relation to non-deductible expenses for fines and penalty interest on public liabilities will not be recognized for tax purposes.

## ***Amendment to the TSSPC***

### **Priority order for settlement of tax and social security liabilities**

As of the beginning of 2013 payment of tax liabilities and social security contributions should be made to a single bank account of the National Revenue Agency (NRA) using a single code. Into separate bank accounts are to be paid only the contributions for supplementary mandatory retirement provisions and the liabilities under appealed/challenged tax assessment acts.

If a taxpayer has several public liabilities (e.g. tax and/or social security liabilities), the one with the earlier payment date will be settled first.

Taxpayers have online access to their tax and social security account so they may check the liabilities due before ordering payment.

Until 31 December 2013 companies with public liabilities due before 2008 may raise in writing objections based on the statute of limitations in order for these liabilities to be written off from NRA's information system. Otherwise, as of January 2014 current liability payments may be used for settlement of liabilities due before 2008.

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