

Tax Alert

Summary of the major amendments to the Value Added Tax Act

Bulgaria

January 2013



Tax Alert

Summary of the major amendments to the Value Added Tax Act

Amendments to the Value Added Tax Act (VAT Act) were promulgated in “State gazette”, ed. 94 of 30 November 2012 and in “State gazette”, ed. 103 of 28 December 2012 in force as of 01 January 2013. The main changes are presented below:

Car leases

As of 1 January 2013 enterprises are entitled to input VAT credit for lease of cars and motorcycles used for taxable supplies as well as for the related maintenance expenses.

The amendments restore the definition of “cars” which was valid until the end of 2006 whereas the requirement for the seats being installed by the manufacturer is repealed.

Purchase of cars and motorcycles

Enterprises are entitled to VAT credit for the purchase and maintenance of cars and motorcycles if more than 50% of their supplies for the last 12 months are related to taxi transport, resale of vehicles, transport and security services and certain others.

Input VAT credit for taxi and transport services

As of 1 January 2013 enterprises are entitled to input VAT credit for taxi and transport services carried out with cars and motorcycles.

Repair and improvement of rented or provided for use assets

Holders of rented assets are no longer required to charge VAT for deemed free-of-charge supplies for repair of rented assets regardless of the period of the rental contract.

VAT is to be charged on the direct costs incurred for the deemed free-of-charge improvement of rented assets as at the date of their return instead of on the market value of the improvement.

Corrections of input VAT credit

Corrections of input VAT credit are no longer required in case of destruction, shrinkage or scrapping of assets resulting from failures or accidents for which it can be proven that these were not caused by a fault of the taxpayer or the person using the goods. This provision may be used by lessors as an argument for not adjusting input VAT credit in cases of destruction of assets caused by accidents for which the lessees were not at fault.

Possibility for deduction of input VAT in cases of shift from VAT-exempt to VAT-able supplies

A taxable person which has not deducted any input VAT for goods and services which are consequently used for taxable supplies, is entitled to input VAT credit. Currently, this right is available only to a taxable person which used partial input VAT credit.

In practice, the new rules will allow input VAT credit to businesses which shift from VAT exempt to VAT-able supplies.

Simplified rules for electronic invoices

Enterprises may now guarantee the authenticity of origin, integrity of content and legibility of the electronic invoice or the electronic credit/debit note through all means of business controls that provide trail between the invoice and the supply, and not only through qualified electronic signature or electronic data interchange.

The new rules may open the way for the possibility to use PDF format for the issuance of electronic invoice or electronic credit/debit note.

Aggregate invoices

An aggregate invoice may be issued for supplies to a single customer when the VAT for these supplies is chargeable in the same tax period.

Obligation to indicate the text "Reverse-charge" on the invoices

Where the tax is chargeable by the recipient, the text "Reverse-charge" should be indicated on the invoice. The requirements for quoting the grounds for non-charging of VAT remain. This should be taken into account when setting up information systems.

Concessions

The VAT treatment of concession agreements where the consideration is partially or wholly determined in goods or services is specified. According to the new rules such concessions are treated as barter transactions with specific rules for determination of the taxable base.

Until 30 June 2013 entities owning concessions may deduct input VAT for the goods or services purchased in the period 1 January 2011 – 31 December 2012, which were used or are to be used for barter deals.

Extended period for complying with the requirements for trade with fuels

The deadline for implementation of the compliance requirements in relation to:

- registering and reporting with a fiscal device the fuelling of vehicles used for personal needs; and
- providing data with electronic signature to the National Revenue Agency regarding the receipts and supplies of fuel where the supply is not reported with a fiscal device or a tax document under the meaning of the Excise Duties and Tax Warehouses Act;

is extended to 31 March 2013 (instead of 31 December 2012).

Tax base for supplies in foreign currency

As of 1 January 2013 the tax base for transactions in foreign currency may be calculated by applying the official exchange rates of the European Central Bank (in addition to the official exchange rates of the Bulgarian National Bank).

Other amendments

The period for submission of the list of available assets in case of registration for VAT purposes becomes 45 days (instead of 7 days).

Intrastat

From the beginning of 2013 the thresholds for declaring for Intrastat purposes for both arrivals and dispatches are increased to BGN 240,000.



Contacts

Irina Tsvetkova
Country Managing Partner
irina.tsvetkova@bg.pwc.com

Paul Tobin
Partner
paul.tobin@bg.pwc.com

Nevena Haygarova
Manager
nevena.haygarova@bg.pwc.com

Krasimir Merdzhov
Manager
krasimir.merdzhov@bg.pwc.com

PricewaterhouseCoopers Bulgaria EOOD
9-11 Maria Louisa Blvd., Sofia
T: + 359 2 91 003

www.pwc.com/bg

This Tax Alert is produced by PwC Bulgaria tax team.

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© (2013) PricewaterhouseCoopers Bulgaria EOOD. All rights reserved.

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.