

Tax Alert

Summary of the main updates of
the personal income tax and social
security legislation as of
1 January 2013

Bulgaria

January 2013



Tax Alert

Summary of the main updates of the personal income tax and social security legislation as of 1 January 2013

Personal income taxation

Extension of taxable income

As of 1 January 2013, interest income from fixed-term deposit accounts in commercial banks and branches of banks, established in European Union (including Bulgaria) or European Economic Area (EEA) member states, becomes taxable for individuals. The final tax due on that income is 10% on the gross interest received and should be withheld and paid by the respective bank in Bulgaria by the end of the month, following the month in which the income is acquired.

If the interest is paid by a bank in another EU or EEA member state to a Bulgarian tax resident, the individual should pay the tax on a quarterly basis by the end of the month following the quarter when the interest was received.

New deadlines

The deadlines for payment of the final tax, withheld by the payer of the income, are extended as follows:

- Tax on income in favour of non-Bulgarian tax residents from management and control, remuneration for technical services, royalties, rental income or income from other provision of movable and immovable property, interest income and others is due by the end of the month, following the **quarter** in which the income is accrued (as compared to the end of the month, following the **month** of accrual of the income, which was the previous deadline);
- Tax on income from dividends and liquidation quotas in favour of Bulgarian tax residents and non-tax residents is due by the end of the month, following the **quarter**, in which the income is accrued for (as compared to the previous deadline which was the end of the month, following the **month** in which the income is accrued);
- Tax on income received from voluntary insurance and "Life" insurance is due by the end of the month, following the **quarter** in which the income is acquired by the individuals (as compared to the end of the month, following the **month** of acquisition of the income, which was the previous deadline).

The deadline for payment of the advance taxes on employment income due by the employer is extended to the 25th day of the month, following the month of withholding or partial payment (instead of the 10th day of the following month as per the old provisions).

The tax due by companies and self-employed persons, payers of non-employment income, freelancers, royalties, craftsmen and income of individuals, registered as tobacco producers and farmers, as well as rental income, should be paid by the **end of the month**, following the **quarter** in which the income is acquired. For income, received in the fourth quarter of the tax year, advance tax is not due.

Previously, the obligation for payment of the above advance taxes was by **the 10th** of the month, following the **month** of withholding.

When the payer is not obliged to withhold and pay the tax, the individual is liable for the payment of the tax by the end of the month, following the **quarter** in which the income is acquired.

Personal income tax on employment income, which is recalculated by the employer by 31 January of the following year, is due for payment by **25th February** of the following year, instead of the 10th February based on the previous provisions.

A deadline is established for the issuance of income statements for non-employment income – companies should issue such statements upon request of the recipient of the income, no later than by 15th April of the following year.

Social Security

One deadline is established for the payment of social security and health insurance contributions

As of 1 January 2013 all State social security and health insurance contributions, due on both employment and non-employment income, including the income of maritime individuals, should be transferred by the 25th day of the month, following the month for which the contributions are due. Previously, social security contributions on employment income were due at the time of payment of the remuneration. Contributions on non-employment income and income of self-insured individuals were previously due by the 10th day of the month, following the month for which the contributions were due.

Health insurance contributions, due by individuals who are not subject to insurance based on the above mentioned conditions, are also due by the 25th day of the month, following the month to which they are related.

The employers' obligation to submit a certificate under Art. 7, Para. 9 of the Social Security Code is no longer applicable. So far, companies paying employment income via bank transfer were obliged to submit a declaration or payment document to their servicing banks in order to certify that the contributions due on that income for social security, health insurance and additional mandatory pension insurance are paid. Thus, the previous restriction of the banks to process remuneration payments only upon receipt of such declaration is no longer applicable.

There are also changes in the deadlines for filing of the documents for the payment of compensation for temporary occupational disease, pregnancy and childbirth (sick leave certificates), as well as for the documents for the payment of compensation for raising a child. As of 1 January 2013 insurers are obliged to file sick leave certificates in the respective division of the National Social Security Institute by the 15th day of the month, following the month in which they have received the sick leave certificates from the employees. Previously, the filing obligation was not later than 2 working days after the day of the payment of the full or partial remuneration. Self-insured persons should file sick leave certificates by 15th of the month, following the month in which the document has been issued. Previously, the filing obligation for such persons was not later than 11 days as of the payment of the mandatory social security contributions for the respective month.

Increase in the social security and health insurance thresholds

As of 1 January 2013 the minimum monthly insurance income becomes BGN 310 (from 270 BGN for 2012) and the maximum monthly insurance income becomes BGN 2,200 (from 2,000 BGN for 2012). The percentage rates for employers and employees contributions remain the same.

One single bank account for payment of taxes and insurance contributions is introduced

As of 1 January 2013 all tax and insurance contributions (except for additional mandatory pension insurance contributions) are to be paid into one single bank account. The statutory payment codes for budget payments are also cancelled. Thus, separate payment orders for different grounds of payment will no longer be required. The liabilities to the state will be settled on the basis of oldest liabilities first.

In relation to the introduction of one single bank account as of 1 January 2013, the interest on overdue social security obligations is reduced and aligned with the interest for delayed tax liabilities established as the amount of the base interest rate set by the Bulgarian National Bank for the respective period plus 10%.



Please address any queries for additional information or assistance to your usual PwC contact or to the persons listed in the contact list.

Contacts

Irina Tsvetkova

Country Managing Partner

irina.tsvetkova@bg.pwc.com

Paul Tobin

Partner

paul.tobin@bg.pwc.com

Mina Kapsazova

Manager

mina.kapsazova@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.