

# Implementation of the country-by-country reporting requirements in Bulgaria

11 August 2017

## *In brief*

On 4 August 2017 the amendments to the Tax and Social Security Procedures Code (TSSPC) introducing the country-by-country (CbC) reporting requirements in Bulgaria were published in the State Gazette.

It is expected the new rules to 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 amended TSSPC introduces new rules related to the mandatory CbC reporting by multinational enterprise groups (MNE Group) 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.

Specific rules are envisaged to MNE Groups with total consolidated group revenue exceeding BGN 100 million, 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 National Revenue Agency (NRA):

- an ultimate parent company of a MNE Group, that 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 or another designated reporting group entity; or
  - 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 (other than cash and cash equivalents) 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 by 31 October 2017.

## **Deadlines**

### *Filing obligation*

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 ultimate parent entity of the MNE Group.

The first year, for which CbC report should be filed by Bulgarian ultimate parent companies or surrogate parent entities is FY 2016. In the other cases, the first reporting year is FY 2017.

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 (i.e. 18 months in total).

## **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.

For FY 2016 the notification deadline is 31 December 2017.

## **Penalties**

Failure to submit CbC reports will entail an administrative penalty between BGN 100 thousand and BGN 200 thousand for first violation, and between BGN 200 thousand and BGN 300 thousand for subsequent violations.

Reporting of false or misleading information will entail penalty in the amount of BGN 50 thousand to BGN 150 thousand for the first violation and BGN 100 thousand to BGN 250 thousand for subsequent violations.

Failure to fulfill the notification requirements will entail a penalty between BGN 50 thousand and BGN 150 thousand for the first violation, and between BGN 100 thousand and BGN 200 thousand for subsequent violations.

In case a Bulgarian entity of an MNE Group, that is liable to file a CbC report in Bulgaria, fails to notify the tax authorities that the ultimate parent company has refused to provide all the information required for the filing, is subject to penalty in the amount of BGN 10 thousand for first violation and BGN 15 thousand for subsequent violations.

## ***Let's talk***

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

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