



Tax Newsletter

Changes in Tax legislation

As of January 1, 2024, certain changes in the Bulgarian Tax legislation enter into force. The key changes are summarized below.

1. Corporate income tax act - key changes

15% global minimum tax adopted in Bulgaria as of 1 January 2024

While Bulgaria is keeping its standard 10% nominal CIT rate, starting 1 January 2024 Bulgarian entities in scope of the so-called global minimum tax will be subject to a minimum effective tax rate of 15%. The new rules will impact several of the largest Bulgarian owned groups and the subsidiaries of large multinationals. Companies should prioritize the analysis of the financial and administrative impact of the new rules on their business organization. For further details, please follow the link to our specific newsletter on [Global Minimum Tax in Bulgaria](#).

Extended statute of limitation for imposing administrative penalty for hidden distribution of profits

Specific statute of limitations is introduced for the administrative penalty for hidden distribution of profits. Under the new rules, such a penalty may be imposed within 5 years of the hidden distribution. Previously the penalty could have been imposed within up to 2 years from the hidden distribution only.

2. Value added tax act – key changes

Adjustment of input VAT credit for scrapping or loss of goods

Taxpayers will no longer need to make adjustments of VAT credit in the case of (1) duly proved or confirmed destruction of goods, including as a result of scrapping due to objective obsolescence; and (2) scrapping when the goods are sold as a taxable supply. Prior to the changes, the VAT Act required such adjustments unless other exceptions were applicable.

The change comes as a result of a decision of the Court of Justice of the European Union (Case C-127/22) where the PwC Bulgaria tax team was involved. Due to this there may be opportunities for some companies to apply for refund of VAT paid in similar situations for past periods.

New rules for VAT due in case of late registration

In case of late VAT registration the taxpayers will be required to issue invoices/protocols/sales reports with VAT for the transactions that took place after the date on which the taxpayer had to register for VAT (but missed to do so). Such invoices/protocols/sales reports should be issued and reported in the first two periods after the formal VAT registration.

Default interest will be due for the delayed charging of VAT in the above cases.

The clients of the above-mentioned taxpayers will be allowed to deduct input VAT for the new invoices (issued with VAT) if these clients have reported the initial invoices (that were issued without VAT before the formal VAT registration of the supplier) within 12 months from the issuance of the initial invoice.

Increase of the threshold for VAT registration

From 1 Jan 2025 the VAT registration threshold will be increased to BGN 166,000 (approx. EUR 85,000).

Hold of the payment in case the supplier does not issue a fiscal receipt

After 1 January 2024 the customer has the right to hold the payment if a fiscal receipt is not issued by the supplier (if a fiscal receipt is mandatory for the supply in question). The delay is allowed until the moment when the fiscal receipt is issued, In practical terms this provision allows the customers not to pay if a fiscal receipt is not issued. This change is aimed to tackle tax evasion.

The penalties for breaching the rules for issuing fiscal receipts are doubled

All penalties related to breach of the rules for issuing fiscal receipts are doubled, for example:

- The penalty for not issuing a fiscal receipt in the case where no revenues are hidden becomes between BGN 1,000 and BGN 4,000 (approx. between EUR 500 and EUR 2,000);
- The penalty for not breaching the rules for fiscal receipts in all other cases are between BGN 6,000 and BGN 20,000 (approx. between EUR 3,000 and EUR 10,000).

Delayed payment of import VAT in case of centralized customs clearance

In case of centralized customs clearance, the importer has the right to pay import VAT within 16 days after the end of the month in which the import took place. This is generally applicable to importers who have obtained the simplification for centralized customs clearance and have a VAT registration in Bulgaria.

Extension of some reduced VAT rates

- The VAT rate of 9% on restaurant and catering services, tour operator services and access to sports facilities is extended to 31 Dec 2024;
- The VAT rate of 0% for bread and flour remains valid till 30 June 2024.

3. Personal income tax act (PITA) – key changes

Trading in financial assets

Transactions with virtual currencies are expressly added to the list of taxable transactions with financial assets. Until now the virtual currencies were not expressly included in the list of taxable financial assets, but nevertheless the tax authorities had the view that these should have been taxed (being financial assets).

The tax base of all transactions with financial assets is decreased by a fixed amount of 10% (to give some allowance to the investors to cover costs related to the investment operations). This new amendment aims to motivate the holders of financial assets to declare the realized gains.

Changes in the income certificate under Art. 45 of PITA

Upon request by the employees, the employer shall issue a standard template income certificate for the employment income paid during the respective year, including for certain types of non-taxable income such as:

- food vouchers;
- business trip per diem allowance exceeding BGN 1,000 (approx. EUR 500);
- other non-taxable compensations expressly listed (mostly applicable to state employees such as policemen, judges, soldiers and officers in the Bulgarian army, etc.);
- certain social expenses provided to the employees for cases such as childbirth or adoption, marriage or death of a member of the family and others expressly listed in the law.

Changes in the report submitted by the payers of non-employment income under Art. 73 of PITA

The amounts reported in the declaration under Art. 73(1) of PITA (for year 2024 and onwards) shall also include:

- business trip per diems provided to individuals under non-employment relationship exceeding BGN 1,000 per person (approx. EUR 500);
- the income from consumer dividends distributed by agricultural cooperations;
- the income from rent of agricultural land exceeding BGN 3,000 per individual (approx. EUR 1,500). This items should be reported in the declaration for 2023 as well.

4. Local taxes and fees act – key changes

Certain changes to the rules for tax exemption (from immovable property tax) for buildings with high energy efficiency have been introduced. Overall, the exempt buildings are split in two groups – buildings put into exploitation before 1 January 2005 and buildings put into exploitation after that date (different rules apply for the two groups).

The threshold below which certain persons can be taxed with the so-called “patent tax” (instead of standard income tax) is raised from BGN 50,000 to BGN 100,000 (approx. from EUR 25,000 to EUR 50,000).

5. Tax and Social insurance Procedure code – key changes

The transitional provisions of the Tax and Social Insurance Procedure Code introduce some changes such as:

- The restaurants and entertainment sites with categories - two, three, four or five stars, must provide the possibility of payment via bank cards.
- Employees have the right to request that their remuneration is paid in foreign bank/payment accounts. In the latter case the fees for the money transfer are for the account of the employee.





Contacts

If you have any questions about these changes, please submit your inquiry through the [form in our website](#) or contact our team directly.



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