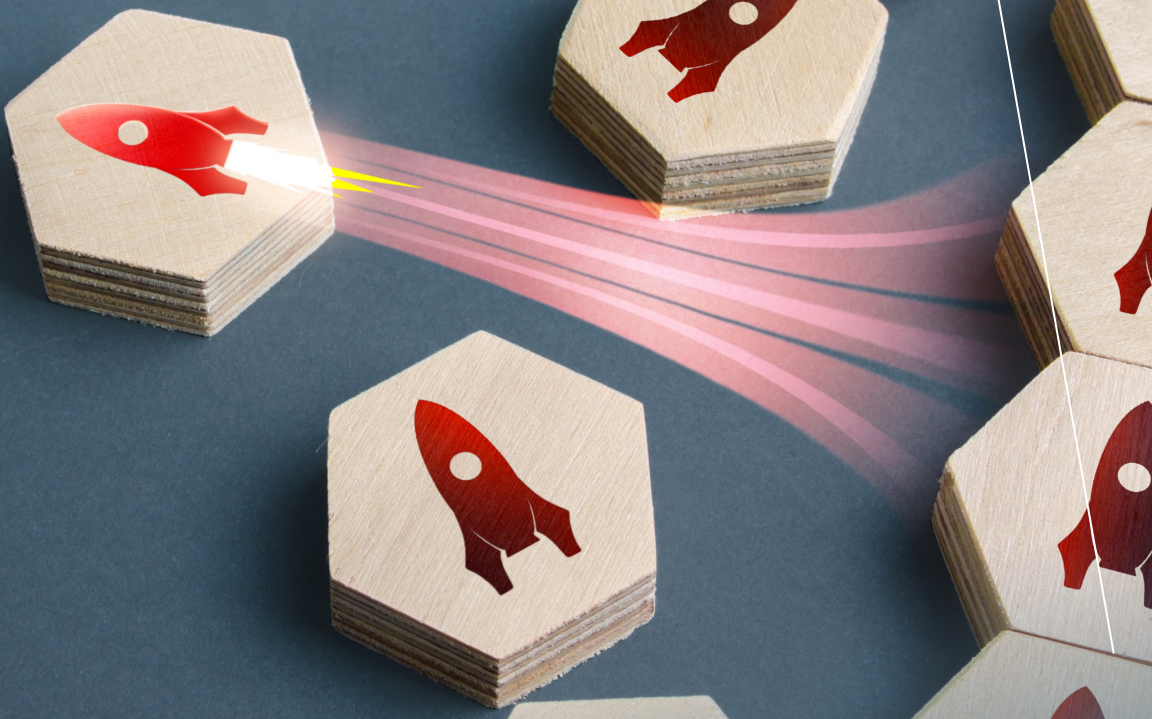




Flanders
State of the Art

A graphic showing several stacks of hexagonal wooden blocks, each with a red rocket icon. One block on the left is lit up, with a bright yellow and red flame and a long, glowing red and pink trail extending across the dark blue background towards the right. The trail curves and passes over several other stacks of blocks.

GUIDE FOR SETTING UP IN BULGARIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY



GUIDE FOR SETTING UP IN BULGARIA

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1. INTRODUCTION

The present guide is intended to help Flemish business operators in their analysis and approach to the Bulgarian market. The guide will provide you with an overview of the business landscape and practical guidance for setting up operations in Bulgaria.

For more focused and detailed information, the specialized websites and sources of information referred hereto can be consulted. Flanders Investment and Trade Sofia office remains as well at your disposal for further questions and assistance. Detailed lists of contacts of stakeholders – potential customers, service providers, partners of interest can be additionally provided upon request.

1.1 FACTSHEET

- **Location:** Bulgaria is situated in the South-East of Europe and borders with Romania to the North, the Republic of Serbia and North Macedonia to the West, Greece and Turkey to the South and the Black Sea to the East. Its location puts the country at the crossroads of important routes connecting Western Europe with the Middle East and Asia.
- **Language:** Official language in the country is Bulgarian. English is widely practiced among business professionals, though the level may vary per sector and region within the country. Bulgarians use Cyrillic script. Public signs transcribed in Latin letters are available in urban areas and to a lower extent outside the bigger cities.
- **Currency:** BGN – Bulgarian lev. Bulgaria operates under a Currency board, the BGN being pegged to the EUR at 1 EUR=1.95583 BGN. As Bulgaria joined the European Exchange Rate Mechanism (ERM II) in July 2020 and the EU’s Banking Union in October 2020, adoption of the EUR is expected in 2024.
- **Membership in International organizations:** Bulgaria is a member of the European Union (EU), North Atlantic Treaty Organization (NATO), World Trade Organization (WTO). Bulgaria is not a member of the Schengen area. In January 2022 Bulgaria has been officially invited to start accession discussions with the Organization for Economic Co-operation and Development (OECD) what is considered a sort of recognition of the progress made by the country, though no deadline has been set for the completion of the accession process.
- **Good to know- pay attention to non-verbal communication:** In most western cultures, moving one’s head up and down is understood as an expression of agreement, while moving it from side to side conveys disagreement. In Bulgaria, the meanings of these gestures are the opposite, so one should be careful. Now that many Bulgarians travel or have lived abroad, the practice has begun to change, especially in big cities. More and more people use the universal signs or just mix the two, which makes deciphering the meaning even harder.



1.2 ECONOMIC OUTLOOK

Bulgaria has undergone a significant transformation over the past three decades. It has transformed from a highly centralized, planned economy to an open, market-based, upper-middle-income economy securely anchored in the EU.¹

The COVID-19 pandemic hit Bulgaria at a time when its economy was performing well marked by five years of growth rates above three per cent, rapidly rising real wages, and historically low unemployment. In 2020, the Bulgarian economy receded due to the COVID-19 outbreak, reporting a decline of 4.2%, below the European average.

²The economy was rebounding and inflation surging when the war in Ukraine started. Growth weakened in the first quarter 2022 with the increase in prices. National CPI inflation reached 14.4% year-on-year in April 2022 due to the rise in food and energy prices. Since the outbreak of the war, inflation pressures have intensified, and uncertainty has increased. This uncertainty affects several sectors including construction, which is facing supply difficulties; tourism, where fewer visitors are expected due to proximity with the conflict; and the energy sector given the country's dependence on Russia, which has suspended its gas supplies to Bulgaria since April 2022. Although a gas shortage will likely be avoided due to the supply of liquefied natural gas by the United States and EU partners and a new pipeline allowing greater gas imports from Azerbaijan and possibly other producers in the future, this situation will likely exacerbate inflationary tensions. The European oil embargo on Russian oil will also add to these price pressures, even if Bulgaria is exempt from this embargo until 2024.

The budget deficit remained stable at 4.1% of GDP in 2021. The 2022 budget foresees a sharp increase in public investment due to EU subsidies of the Recovery and Resilience plan, which will total around 10% of GDP between 2022 and 2026. The deficit is expected to decline in 2023 due to lower COVID-related expenditure and the expiry of measures to offset rising energy prices. Although rising to around 32% of GDP (Maastricht definition) in 2023, public debt will remain moderate by international comparison. Despite the strong acceleration of inflation in recent months, short-term interest rates remain low, reflecting the hard peg of the lev to the euro and euro area monetary conditions. Market rates are expected to increase gradually alongside those in the euro area.

The implementation of the Recovery and Resilience Plan (RRP) is set to be the main factor behind the accelerated investment growth in both 2022 and 2023.

The RRP is worth 6.3 billion euros and is equal to 10% of the Bulgarian economy. Almost 60% of the plan supports the green transition. The plan also envisages economic and digital transition projects and provides an opportunity to the country to carry through a transformation. However, the funds are bound to the completion of reforms and structural changes in the country - specifically in rule of law, fight against corruption, and public procurement procedures.

In addition to the RRP funds, Bulgaria also expects the launch of the new [EU Operational Programs](#) for the programming period 2021-2027 in the second half of 2022 that can well lead to increased opportunities.

¹ World bank: <https://www.worldbank.org/en/country/bulgaria/overview#3>
² OECD ECONOMIC OUTLOOK, VOLUME 2022 ISSUE 1: PRELIMINARY VERSION © OECD 2022

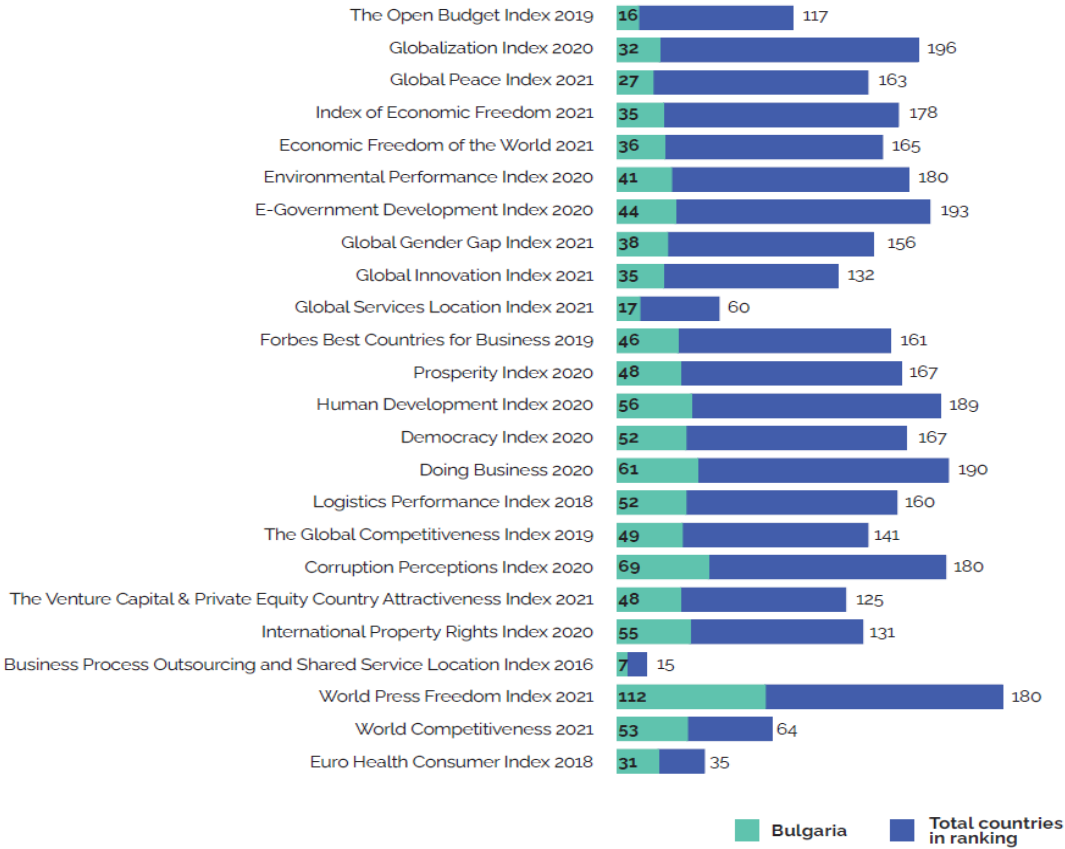
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Further information on the macroeconomic forecast for Bulgaria can be found here:

- [Economic forecast for Bulgaria](#) by the European Commission;
- [Bulgaria Economic Snapshot](#) by the OECD
- [Macroeconomic forecast](#) by the Bulgarian Ministry of Finance
- [Macroeconomic forecast](#) by the Bulgarian National Bank

1.3 BULGARIA IN THE INTERNATIONAL RANKINGS

The graph here below summarizes the Bulgarian performance according to leading international rankings. ³ The country positions best in terms of business process outsourcing, low taxation and openness of budget procedure.



1.4 REGIONAL PROFILES

Within the country, regional disparities remain significant both in social and economic perspectives. In terms of financial planning and in relation to the EU funding mechanisms the country is divided into 6 planning regions, as shown in the graph here below.

All regions, except for the South Western one, are considered under developed per the NUTS-2 classification meaning that their GDP per capita is lower than 75% of the EU average and thus qualify for bigger funding opportunities.

³ AIBEST 2021 report: <http://aibest.org/industry-reports>



Due to the Sofia-capital stronger economic performance, the South Western regions ranks as a region in transition where GDP per capita scores between 75% and 90% of the EU average.

Planning regions in Bulgaria



The regional map of economic development in Bulgaria continues to be dominated by the major economic centres.

The gross domestic product (GDP) of Sofia (the capital) reaches nearly 43% of the country’s economy. Outside the capital, the districts of Plovdiv, Burgas and Stara Zagora perform well in Southern Bulgaria. In the north, Varna is the leading region, followed by Ruse and Veliko Tarnovo. The smaller scale of the economic centers in Northern Bulgaria, with the exception of Varna, and the weaker connectivity between them largely determine the gap between the North and the South in Bulgaria.⁴

The gross value added per capita by districts varies from more than 33 thousand BGN in Sofia capital to less than BGN 7 thousand in Silistra. Sofia’s economy is strongly dominated by services, which bring nearly 87% of the value added. The capital city is more than twice ahead of other major economic centers Varna, Stara Zagora and Plovdiv. The second place in the country goes to the district of Sofia, which covers the industry in the immediate periphery of the capital, but also a large part of the mining and metallurgy industry in the Srednogorie region. Along with Sofia, industry plays a more important role in the districts of Stara Zagora, Vratsa and Gabrovo. Agriculture accounts for more

⁴ *Institute of Market Economics: <https://www.regionalprofiles.bg/en/>*

than 10% of the added value in the districts of Silistra, Vratsa, Montana, Razgrad, Dobrich, Targovishte, Shumen, Yambol and Kardzhali. These are relatively poorer districts, located mainly in the northern part of the country.

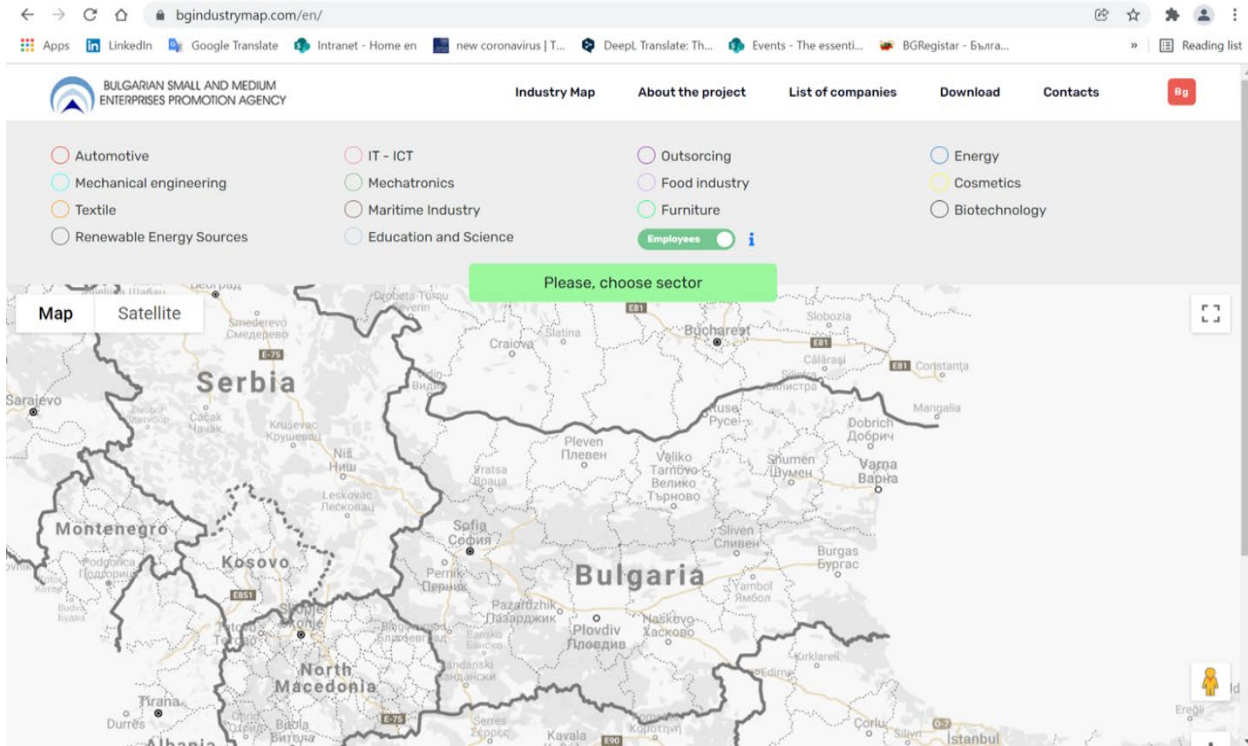
The average gross wage varies as well in Sofia capital being the double of the monthly average in districts like Blagoevgrad and Kyustendil part of the same South-Western region.

Overall, the average growth salary rate in the country exceeds 10% per annum, a trend that has not been impacted by the COVID-19 pandemics.

1.5 INDUSTRY MAP

A mapping [tool](#) of the Bulgarian economy per regions, sectors and companies called ‘industry map’ has been developed by the Bulgarian Employers Association Innovative Technologies (BRAIT) with the assistance of Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA) and other counter partners⁵ and can come handy in your market analysis. The tool allows user-friendly research and visualization of the key market players per sector of interest on the country map of Bulgaria. Downloads of sector maps are also available. Generation of targeted lists of companies is also an interesting feature of the tool.

Industry map tool- visualization



⁵ <https://www.bgindustrymap.com/en/about>



1.6 BILATERAL TRADE FLANDERS-BULGARIA

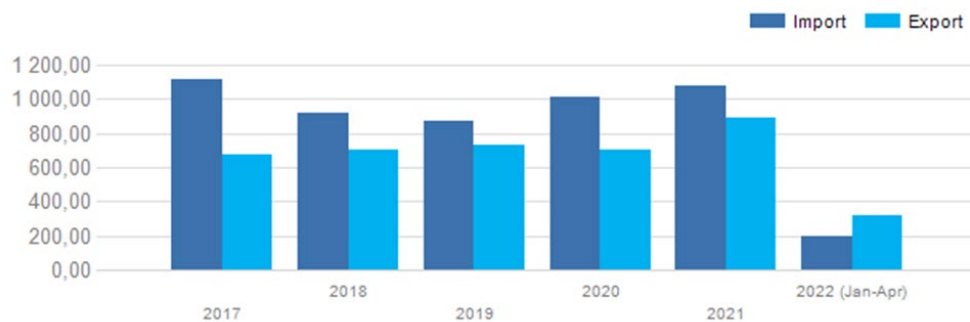
Flanders - Bulgaria: trade in goods balance

In 2021, exports from Flanders to Bulgaria totaled 891,39 million euro, while total annual imports amounted to 1077,00 million euro. As a result, in its trade in goods with Bulgaria, Flanders was a net importer, its merchandise trade balance hitting a deficit of 185,61 million euro.

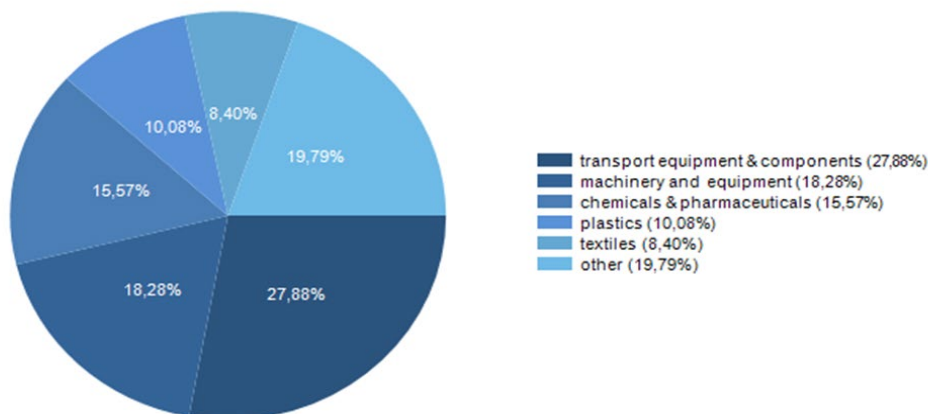
Partial-year trade data, available for 2022 – from January to April – show that in that period Flanders exported 324,08 million euro worth of goods to Bulgaria, with imports over that same period amounting to 197,56 million euro.

As a result, the provisional trade-in-goods balance between Flanders and Bulgaria recorded a surplus of 126,52 million euro in the period from January to April.

Flanders - Bulgaria: bilateral trade in goods (€ million)⁶

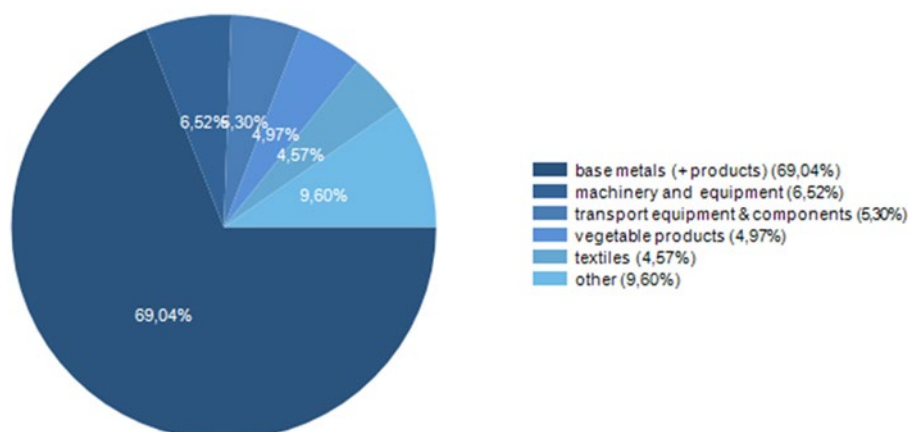


Flemish exports to Bulgaria by sectors (2021, % share of total)



⁶ Source: National Bank of Belgium (Institute for the National Accounts); data processed by trade intelligence unit at Flanders Investment and Trade

Flemish Imports from Bulgaria by sectors (2021, % share of total)



2. FOREIGN DIRECT INVESTMENTS IN THE COUNTRY

2.1 FACTS & FIGURES

There are two institutions in Bulgaria responsible for collecting and maintaining data on foreign direct investments (FDI) inflows as follows: *The Bulgarian National Bank (BNB) and the Investment Agency (FIA)*. The BNB maintains the database available for the purposes of the balance of payments statistics, and the FIA for the purposes of government policies as regards foreign investments.

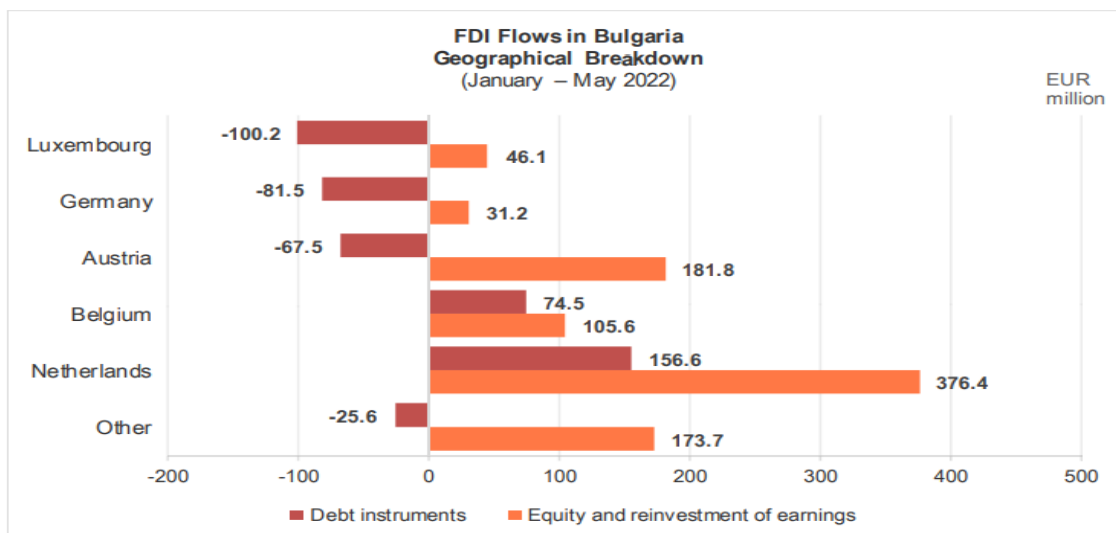
Access to the BNB`statistical data on the Bulgarian FDI inflows and outflows on a quarterly and annual basis per investment type, geographical region and economic activity is available [here](#).

Per the BNB website records, in 2021 Belgium scored as the fourth foreign investor in Bulgaria after Luxembourg, Germany and Austria. Top 10 is completed by Hungary, Malta, Sweden, Greece, Italy and Romania.

Per the latest BNB release, for the period January-May 2022, the largest net direct investment inflows in Bulgaria were from the Netherlands, Belgium and Austria. ⁷

⁷ Source: BNB





The economic activities that attracted the most FDI inflows in 2021 in Bulgaria were Financial services and insurance activities, Information & communication, Professional, scientific and technical services, Wholesale and retail trade; repair of motor vehicles and motorcycles.

Foreign Direct Investment in Bulgaria (BPM6)

FDI flows by economic activity - annual data (EUR million)

Series Name	Series Key	2021
All FDI activities	FDI_BPM6.A.NI.T.F.W1.EUR.FDI_T	1,265.1
Construction	FDI_BPM6.A.NI.T.F.W1.EUR.F	-40.6
Agriculture, forestry and fishing	FDI_BPM6.A.NI.T.F.W1.EUR.A	5.8
Mining and quarrying	FDI_BPM6.A.NI.T.F.W1.EUR.B	48.7
Manufacturing	FDI_BPM6.A.NI.T.F.W1.EUR.C	-55.0
Electricity, gas, steam and air conditioning supply	FDI_BPM6.A.NI.T.F.W1.EUR.D	55.0
Water supply; sewerage, waste management and remediation activities	FDI_BPM6.A.NI.T.F.W1.EUR.E	-3.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	FDI_BPM6.A.NI.T.F.W1.EUR.G	130.4
Transportation and storage	FDI_BPM6.A.NI.T.F.W1.EUR.H	-78.9
Accommodation and food service activities	FDI_BPM6.A.NI.T.F.W1.EUR.I	-2.7
Information and communication	FDI_BPM6.A.NI.T.F.W1.EUR.J	258.2
Financial and insurance activities	FDI_BPM6.A.NI.T.F.W1.EUR.K	771.4
Real estate activities	FDI_BPM6.A.NI.T.F.W1.EUR.L	-48.8
Professional, scientific and technical activities	FDI_BPM6.A.NI.T.F.W1.EUR.M	218.0
Administrative and support service activities	FDI_BPM6.A.NI.T.F.W1.EUR.N	16.0
Education	FDI_BPM6.A.NI.T.F.W1.EUR.P	-0.7
Human health and social work activities	FDI_BPM6.A.NI.T.F.W1.EUR.Q	1.7
Arts, entertainment and recreation	FDI_BPM6.A.NI.T.F.W1.EUR.R	1.9
Other service activities	FDI_BPM6.A.NI.T.F.W1.EUR.S	-0.1
Not allocated	FDI_BPM6.A.NI.T.F.W1.EUR.NAL	-11.8

8

⁸ Source : BNB

2.2 PROCEDURE

The Bulgarian organization in charge of the promotion of inward investment in Bulgaria and of the assistance in project set-up is InvestBulgaria Agency (IBA), a direct report of the Bulgaria Ministry of Economy. IBA provides information, administrative services, and incentive assessments to prospective foreign investors. The [website](#) of the Agency also contains general information for foreign investors.

IBA certifies proposed investments under the *Invest Promotion Act* of Bulgaria, which introduces a system of incentives for initial investment in tangible and intangible assets and the related jobs to it. Information on the types of investment classes (class A and B), the minimum thresholds for the application for a certificate for investment class, economic sectors, which are supported and required documents for the procedure are available on the website of IBA following the link here: <https://investbulgaria-virtualoffice.com/services/zni>

The bigger municipalities in the country have their own dedicated invest attraction structures like:

- *Invest Sofia Agency*, URL <https://investsofia.com/en/>
Address: 12 Gourko 4fl. 1000, Bulgaria; E: contact@investsofia.bg
- *Invest Plovdiv*: URL: <https://invest.plovdiv.bg/en/>
Address: Plovdiv – 4000, Stefan Stambolov square 1, Phone: +359 32 656712, E: invest@plovdiv.bg
- *Burgas Municipality – Invest*; URL <https://invest.burgas.bg/en>
Address: 8000 Burgas, 26 Aleksandrovska str; M: +359 885 00 96 70, E: invest@burgas.bg

There are no legal limits on foreign ownership or control of companies in Bulgaria. With some exceptions, foreign entities are given the same treatment as national firms and their investments are not screened or otherwise restricted.

Bulgaria has no specific law or coordinated mechanism in place for screening individual foreign investments. A potential foreign investment can be scrutinized on the grounds of its potential national security risk or through the Law on the Measures against Money Laundering. Since the adoption of the EU investment screening regulation in October 2020, Bulgaria has fulfilled the preliminary requirements of the EU mechanism for cooperation in prescreening new FDI.

2.3 FREE TRADE ZONES/ECONOMIC INDUSTRIAL ZONES

The role of the Free Trade Zones vastly diminished following Bulgaria’s full integration into the EU single market in 2007. At the same time, EU integration encouraged local authorities to seek partnerships with the private sector and provide resources (i.e land, infrastructure, etc.) for the development of industrial zones and technological parks.

The [Trakia Economic Zone](#) in south-central Bulgaria is one of the largest industrial areas in Southeast Europe, attracting over EUR 2 billion in investment and sustaining over 30,000 jobs. In addition, the state-owned [National Industrial Zones Company](#) (NIZC) currently operates fully functioning industrial zones in Sofia, Burgas, Vidin, Ruse, Svilengrad, Stara Zagora and Varna. Under construction are future industrial zones in Suvorovo (Varna), Telish (Pleven), Kardzhali and Karlovo. Investors in these economic zones benefit from established infrastructure, location, and transport logistics. The common thread among all these economic zones is that they are either located in regions with

shareholders does not require a decision of the General Meeting, but the transfer of shares to a third party, as well as the adoption of a new partner, requires such a decision.

A limited liability company may be formed also by one person and in this case it is a single-member limited liability company (SMLtd., known in Bulgaria as “EOOD”).

The registration procedure and documents required are contained in the Commercial Register Law and the regulations for its implementation. The Commercial Register in Bulgaria is maintained by the Registry Agency to the Ministry of Justice.

Detailed information on the requirements for registration in the Commercial Register can be found on the website of the Registry Agency at <https://portal.registryagency.bg/commercial-register>

Contact details: Registry Agency
Address: 1111 Sofia, Geo Milev Housing Estate, 20 Elisaveta Bagryana Str.
Phone: (+359 2) 948 61 81; 948 62 03; 948 62 12
E-mail: office@registryagency.bg

3.2 Joint-stock company

The minimum registered capital required for the formation of a joint-stock company in Bulgaria is BGN 50,000 (approximately 26,000 Euros). A JSC may be formed by one or more Bulgarian or foreign physical or legal persons. The sum of shares in a JSC forms its capital. Shareholders are responsible for the obligations of the JSC to the amount of the contributions made without being liable with their personal property.

The Statute of a JSC shall contain the requisites specified in the provisions of Art. 165 of the Commercial Law.

The corporate governance structure of the joint-stock company consists of:

- General meeting of shareholders;
- Board of directors (in case of a one-tier management system) or a Supervisory board and Management board (in case of a two-tier system).

There are no restrictions for foreigners to be appointed managers of the company.

Entry of the JSC is stated by the members of the Board of Directors (in the case of a one-tier management system) or the Management Board (in the case of a two-tier management system) or empowered by the Statute or an authorized member of the management bodies of the JSC, as well as by a lawyer with an explicit written power of attorney.

3.3 Branch of a foreign person

A commercial legal entity who has the right to perform commercial activity under their national law may register a branch in the Commercial Register on Bulgaria. The branch is not considered a separate legal entity. The branch is not required to have any paid up capital or separate governance structure. Its assets and liabilities are considered assets and liabilities of the mother company.

The branch of a foreign person shall keep business books as an independent merchant. Branches of foreign persons also make financial statements.



For tax purposes, Bulgaria is considered the place of business of the branch of a foreign company. The operations of the branch in Bulgaria are subject to corporate income taxation.

The application for registration of a branch of a foreign person/merchant is filed by representatives of the foreign person/merchant and a lawyer with an explicit written power of attorney.

3.4 Commercial Representative Office

Foreign persons authorized to do business under their national law, may establish a representative offices in Bulgaria. The representative office is not a separate legal entity and cannot carry on business activity. Transactions concluded through its agency shall always be on behalf of the foreign person. In case such transactions are concluded with local persons for the needs of the representative office, they shall be subject to the rules for transactions between local persons (according to Art. 24, par. 2 and 3 of the Law on Investment Promotion).

Although the commercial representative office is not a legal person and has no right to carry out business activities, it is a subject to registration in the Unified Register of Business Subjects BULSTAT.

A commercial representative office of a foreign person shall be registered with the Unified Commercial Register of the Bulgarian Chamber of Commerce and Industry (BCCI).

You shall have seven (7) days for registration in the BULSTAT Register, considered from the date of registration of the commercial representation in the BCCI, in accordance with the provisions of Art. 12, Par. 1 and Par. 4 of the BULSTAT Law.

The entry in the BULSTAT Register takes place at the respective Registry Office of the Registry Agency, located at the district court for the registration of the merchant.

Contact details: Bulgarian Chamber of Commerce and Industry

URL: https://www.bcci.bg/en.html

Address: 1058 Sofia, 9 Iskar Str.

Phone: (02) 8117 400, 987 26 31

E-mail: bcci@bcci.bg

The BULSTAT Register is a unified national administrative register that is kept by the Registry Agency at the Ministry of Justice.

Upon entry of a newly registered entity in the BULSTAT Register, a unique unified identification code (UIC) is generated, called BULSTAT Code, which is the only identifier of business subjects in Bulgaria. All legal subjects listed in the BULSTAT Register shall use and state the BULSTAT UIC in the documents they issue and use in their workflow.

4. TAXATION

In Bulgaria there are two main categories of taxes - direct and indirect. Direct taxes are Corporate tax on the annual tax returns; Income tax on the revenues of individuals and Withholding tax. Indirect taxes are the Value Added Tax and Excise duties.



4.1 Corporate Income Tax

The corporation tax regime is regulated in the Corporate Income Tax Act.

Taxable Amount: the taxable amount for assessment of the corporate tax shall be the tax profit.

Tax Rate: The corporate tax rate shall be 10 per cent.

Tax Period: the tax period for the assessment of the corporate tax shall be the calendar year. In respect of any newly incorporated taxable persons, the tax period shall cover the period from the date of incorporation thereof until the end of the year.

Tax returns: annual profit must be declared between 1 March and 30 June of the year following the financial (tax) year. Along with their annual corporate income tax (CIT) returns, companies are required to file financial information for their business activities during the year in a standard statistical form not subject to a financial audit. The self-assessment principle is applied.

Payment of tax: if a company realized net revenue from sales of more than BGN 3 million in the year before the preceding year, it is liable for monthly CIT payments for each month in the current year. If the net sales revenue for the year before the preceding year is below BGN 3 million but above BGN 300,000, the company is liable for quarterly advance CIT payments for each quarter of the year except the fourth quarter. The amount of the monthly or quarterly CIT instalments is calculated based on the forecast taxable profit for the current year.

Companies established during the current or preceding year and companies with net revenue from sales below BGN 300,000 for the year before the preceding year are not required to pay advance CIT instalments.

The overpaid amount of CIT can be offset against advance and annual payments due for the next period. The overpaid amount may also be effectively claimed for refund by the taxpayer. The difference between the annual tax declared in the CIT return and the advance tax paid for the corresponding year must be paid by the deadline for submitting the tax return on 30 June of the following year.

Priority order for settlement of tax and social security liabilities: Payment of tax liabilities and social security contributions should be made to four separate accounts: for tax liabilities, for general mandatory social security contributions, for supplementary mandatory retirement provisions, and for health insurance contributions. If a taxpayer has several public liabilities (e.g. tax and/or social security liabilities) to one of the four accounts of the NRA, the one with the earlier payment date will be settled first.

Topics of focus for tax authorities: Transfer pricing is becoming an area of focus for the tax authorities.

4.2 Personal Income Tax

Individuals are taxed in Bulgaria based on their tax residency status. Bulgarian tax residents are taxed on their worldwide income. Non-residents are taxed in Bulgaria only on their Bulgarian-source income, which has a very broad legal definition. Generally, this is all income derived as a result of economic activities performed in the territory of Bulgaria or as a result of disposal of property in Bulgaria.



Any income derived as a result of employment or of rendering services in the territory of Bulgaria is deemed Bulgarian-source income, regardless of from where or by whom it is paid.

Rental income or income from disposal of real estate property located in Bulgaria is considered Bulgarian-source income.

A flat tax rate of 10% applies to all personal income, with some exceptions.

4.3 Withholding Tax

Bulgarian companies are required to withhold tax on payments of dividends and liquidation proceeds; interest (including that incurred under finance lease agreements and on bank deposits); royalties; fees for technical services; payments for the use of properties; payments made under operating leasing, franchising, and factoring agreements; and management fees payable to non-residents.

Capital gains from the transfer of shares in a Bulgarian company or immovable property located in Bulgaria realized by a non-resident are also subject to domestic withholding tax (WHT). However, the tax is payable by the non-resident. Capital gains from securities are not subject to WHT if they result from shares in listed companies and tradable rights in such shares on a regulated securities market in the EU/EEA (the exemption may extend to third country markets eligible as equivalent markets under the law). Capital gains from disposal of governmental bonds are also exempt from WHT realized on a regulated market in the EU/EEA.

Interest and royalties payable to EU-based associated companies may be subject to full WHT exemption in Bulgaria. Associated company criteria are identical to those in the EU Interest and Royalty Directive and require a holding of at least 25% of the capital for at least two years. The WHT exemption on income from interests and royalties can be applied before the expiration of the two-year participation period, provided that the participation in the capital does not fall below the required minimum before the end of this period (i.e. the direct participation is kept for at least two years).

Subject to 10% WHT would be any accruals for penalties or damages payments to entities in low-tax jurisdictions, except for insurance compensations. The tax legislation introduces a list of low-tax/uncooperative jurisdictions. These are certain off-shore territories that are explicitly listed, as well as countries with which Bulgaria has not signed a DTT (double taxation treaty) and in which the applicable corporate tax rates are more than 60% lower than the applicable rate in Bulgaria.

4.4 Value Added Tax

Applicable rates of tax:

- the standard rate of 20 % shall be applicable to the taxable supplies;
- the rate of tax applicable to accommodation provided at hotels and similar establishments, including the provision of vacation accommodation and letting out of places for camping sites or caravan sites, shall be 9 %;
- a zero tax rate shall be applicable to the explicitly provided for in the Law supplies.

VAT registration

The process of VAT registration is governed by the Value Added Tax Law (VAT Law) and its implementing rules. According to the VAT Law, the National Revenue Agency (NRA) establishes and
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keeps a special register that is part of the register under Art. 80, Par. 1 of the Tax Procedure Code, which shall contain all persons that are officially entered into the Commercial Register and the BULSTAT Register.

Upon entry in the register of the NRA all persons receive an identification number for VAT purposes, before which the sign 'BG' is put.

VAT registration is of two types - obligatory and optional.

Obligatory VAT registration

Currently, the VAT registration threshold in Bulgaria is BGN 50,000 (roughly EUR 25,500) for all traders of taxable items, such as zero-rated supplies or financial or insurance services. In 2022, the Bulgarian Government approved a raise the mandatory annual VAT registration threshold in two phases to:

- Effective 1 January 2023 – BGN 100,000 (approx. EUR 51,300)
- Effective 1 January 2024 – BGN 166,000 (approx. EUR 85,000)

A taxable person, upon reaching the taxable turnover threshold for a period not longer than 12 consecutive months before the current month, is required within 14 days of the expiration of the tax period during which they reached this turnover to apply for VAT registration . From the moment of their registration under the VAT Law, the taxable person is liable to charge VAT on taxable supplies carried out, and also to use a tax credit on the supplies they receive.

Compulsory registration under the VAT Law is done through an application of the taxable person or by initiative of the revenue authority.

Optional VAT registration

The VAT Law enables any taxable person that carries out independent economic activity and for which there are no requirements for compulsory VAT registration, to apply for VAT registration /Art. 100 of the VAT Law/.

Registration initiated by the revenue authority

In case a revenue authority finds that a person has failed to fulfill their obligation to submit application for registration on time, it registers them by issuing of a registration act, if the conditions for registration are met.

Contact details: National Revenue Agency

Address: Sofia, 52 Dondukov Blvd.

Phone: 0700 18 700

E-mail: infocenter@nra.bg

Web: www.nap.bg

4.5 Excise duties

Excise duties are charged as a percentage of the sales price or customs value or as a flat amount in Bulgarian lev per unit (or per other quantity measures, depending on the type of the excisable good), unless a suspension regime applies. Excisable products include petrol and diesel fuel, liquefied petroleum gas (LPG), heavy oil, kerosene, beer and spirits, tobacco and tobacco products, and electricity.



The Excise Duties and Tax Warehouse Act provides for the tax warehousing regime and regulates the production, storage, and movement of excisable products under duty suspension.

Information on the applicable rates can be found here: <https://trade.ec.europa.eu/access-to-markets/en/content/excise-duties>

5. EMPLOYMENT AND RECRUITMENT

5.1 LABOR MARKET IN BULGARIA

Officially, unemployment in Bulgaria is below 5%, one of the lowest rates in the EU and is still going down. In the same time GDP per capita is also the lowest in the EU. Bulgaria’s total labor force numbers 3.286 million of people per the World Bank data.⁹

According to the OECD (Organisation for Economic Co-operation and Development)¹⁰, Bulgaria’s labour market is much more resilient than one decade ago, in spite of COVID-19.

However, there are significant challenges. Bulgaria’s population is shrinking rapidly. The preliminary data of the last National Census in 2021 shows a decrease of almost 850 thousands of people for a decade only compared to the previous one held in 2011. The working age population is predicted to fall by 30% until 2050 and will be ageing. Though, risks of severe labour shortages are on the table.

In addition to the above, there are still 900 thousands of unemployed and unactive people in the country. Those mostly consist of people from ethnic minorities (~350 000), pre-pension/ older people (~340 000), people who do not work due to family and care commitments (mostly mothers ~290 000), with overlap across groups.

There is also a stark difference in employment rate depending on education (15- 64 year-olds), where the ratio varies from 35% for low educated to 88% for high educated.

As a whole, Bulgaria boasts a comprehensive and well-developed educational system, which includes a wide network of secondary schools with an intensive focus on languages, mathematics and science as well as 52 universities across 14 cities. Bulgarian students successfully compete in international technology and science high school competitions and won more than 100 prizes in mathematics and informatics in 2020.

The share of the working-age population with secondary or higher education in Bulgaria was 78.5% in 2020, exceeding the EU average of 74.9%. However, the share of Bulgarians aged 15-64 with a tertiary education degree of 25.6% was below the average for EU-27 of 29%.

Within the country there are significant discrepancies in the educational level of the workforce – the Southwest region, where the capital Sofia is located, has more than two times the higher share of adults with a tertiary degree -- nearly 45% -- than the other regions. At the other end of the spectrum, in the Northwest region only one in five adults has graduated from a university.

Foreign languages are well covered in the secondary education curriculum in Bulgaria with 72.6% of the pupils in general upper secondary education in 2019 being taught two or more foreign languages, according to the latest Eurostat data. English is by far the most popular language among secondary

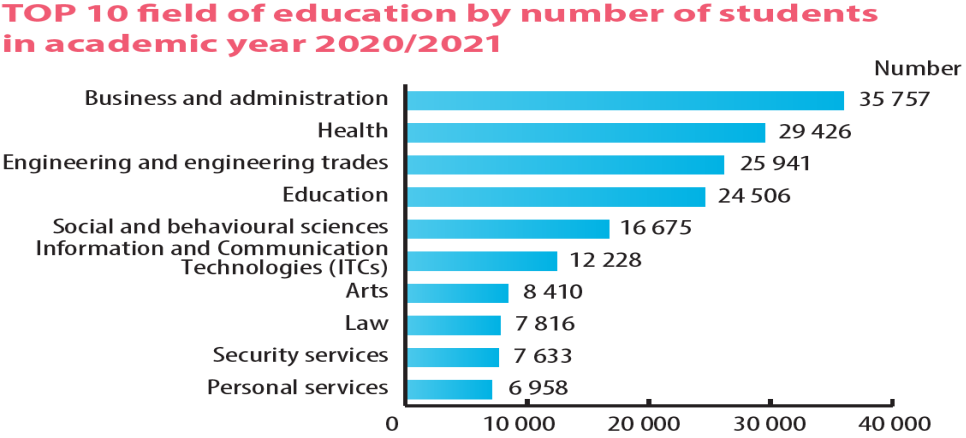
⁹ <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=BG>

¹⁰ <https://www.oecd.org/els/emp/connecting-people-with-jobs-Bulgaria-2022-key-messages.pdf>



school students in the country. German comes next with 34.3%, while Russian is learned by 23.9% of the students in secondary school. French and Spanish are the other two languages with a noticeable presence in the curriculum.

Most preferred fields of education in Bulgaria¹¹



5.2 Employment contract

Bulgarian labour legislation applies to the employment relations of Bulgarian and other European citizens, with employers in Bulgaria, with Bulgarian employers abroad or sent by Bulgarian employer to work in another country in a foreign / joint venture and foreign nationals working in Bulgaria.

An employment contract must be concluded in writing. Employment relations are deemed to occur after the worker and the employer sign an employment contract. The employment contract should contain information about the parties and shall define:

- the place of work;
- the name of the job and the nature of the work in accordance to the National Classification of Occupations and Positions which categorizes the positions into 9 classes, depending on the education and qualifications required for the specific position. Each position is given a number that shall both be present in the labor contract and in the job description being an integral part of the labor file of the employee;
- the date of its execution and the beginning of its performance;
- the duration of the employment contract;
- the basic and extended paid annual leave and any additional paid annual leave;
- the notice term for both parties upon termination of the employment contract;
- the basic salary and any additional remunerations of permanent nature, and the periodicity of their payment;
- the length of the work day or week.

The competent Authority for a labor contract registration is the regional directorate of the National Revenue Agency (NRA). A submission of notice for the conclusion of a contract is due within 3 days of the date of signature.

¹¹ Bulgaria in figures 2021 edition of BCCI



The regular work hours in Bulgaria are 8 hours daily/40 hours per week.

The minimal paid leave per year is fixed at 20 days annually, unused paid leave transferable.

The standard trial period is 6 months.

Maternity leave in Bulgaria is 410 days, 45 of which are used before the birth. Maternity can be further extended to the second birthday of the child at the initiative of the employee. Standard paid time off (20 days/year or more as agreed in the employment contract) is also being accumulating during the maternity absence and is due to the employee.

Standard notice period for an indefinite employment contract is 30 days and can be expended to 3 month upon agreement of the parties.

Notice period for a fixed term employment contract is set at 3 months.

5.3 Minimum salary, minimum and maximum insurable income

A minimum gross monthly salary has been set in order to protect employees whose jobs require minimal qualifications/skills. Currently, it amounts to BGN 710. This means that by law, a gross monthly salary below this amount cannot be agreed by an employer and an employee (assuming normal work during normal working hours).

In order to protect the employees, the law has also introduced minimum insurance income by main economic activities and qualification groups, which obliges the employer to pay social security contributions on income in amount of not less than the minimum insurance income for the respective occupation. A complete list of the positions and the minimum insurance income levels is available in Appendix No 1 to the Law for the budget of the state social security: [Minimum social security income by main economic activities and occupationqualification groups – 2019](#).

In Bulgaria, there is also a maximal insurable income, currently fixed at BGN 3400. This means that if the employee receives remuneration exceeding BGN 3400, he/she will pay social security and health insurance only up to the maximum insurance income – BGN 3400. Same goes for freelancers as well.

Average gross monthly wage is 815 EUR (Q1 2022 per the National Statistical Institute), however the remuneration levels per sector are much diverse – highest in information & communication, followed by financial activities, mining and energy and the lowest in accommodation and food services, agriculture, construction. Important disparities apply for the different regions and even within the regions as in the case of the South Western one.

5.4 Social security contributions

Upon payment of salaries, the employer should withhold personal income tax (PIT) at a flat rate of 10% due on employment remuneration, bonuses, and certain fringe benefits and should remit it to the tax authorities by the 25th day of the following month.

National insurance contributions include social security and health insurance contributions.

The aggregate rate of social security contributions is 24.7% to 25.4%*, of which 14.12% to 14.82%* is payable by the employer and 10.58% is payable by the employee.

The aggregate rate of health insurance contributions is 8%, of which 4.8% is payable by the employer and 3.2% is payable by the employee.



The total national insurance contribution rate (social security and health insurance) is 32.7% to 33.4%*, of which 18.92% to 19.62%* is payable by the employer and 13.78% is payable by the employee.

The above rates are applicable to Bulgarian nationals, as well as to EU/EEA nationals who are subject to Bulgarian social security contributions (i.e. who have not obtained a E101/A1 certificate of coverage issued from their home country social security authorities). Non-EU/EEA nationals are also subject to these contributions under certain conditions, except for health insurance contributions. If they have a permanent residence permit for Bulgaria, they will be subject to health insurance contributions too.

* The rate of contributions payable to the 'Accident at Work and Occupational Illness Fund', only due by the employer, can vary from 0.4% to 1.1% depending on one's economic activity.

6. Office space in Bulgaria

¹²Even during the unprecedented times of hybrid and remote work during the COVID-19 pandemic, Sofia maintained its role as the most developed office space market in the country. It offered rental rates for prime office premises with ~ EUR 14/sq m per month in the first half of 2021. Class B rents were lower, at EUR 8.0 sq m to EUR 11 sq m. The office stock in Sofia is expected to expand further in the short term. Between 212,000 sq m and 310,000 sq m were under construction as of June 2021, according to estimates by real estate agencies Colliers International and Cushman & Wakefield Forton. This accounts for more than 60% of the overall area of office projects in the pipeline in Bulgaria, which will reinforce Sofia's dominance on the Bulgarian office space market.

The second largest office market in the country, Plovdiv, features one of the lowest Class A office rents in South Eastern Europe, at EUR 9/sq m. It was the only Bulgarian city to report a rise in price levels in the last four years, together with a considerably faster expansion of the office stock than that in its main rivals, Varna and Burgas. Varna's office space supply equaled that of Plovdiv, at 262,000 sq m of Class A and Class B buildings. Its average asking rent sank to EUR 7.5/sq m in 2021 from EUR 8.5/sq m until 2019. Burgas also saw a slight price decline to EUR 6.5 sq m in 2021, making it the most attractive spot in terms of office rents.

7. Financial services

The Bulgarian National Bank (BNB) is an independent issuing institution of the State reporting to the National Assembly. It plays a key role in the Bulgarian economy and takes care of maintaining the stability of the Bulgarian currency, and of strengthening and development of the banking and credit system in the country. Since January 1, 2007 the bank is a full member of the European System of Central Banks and actively participates in the decision making process in the area of banking and finance in the European Union. The BNB Governor is a member of the General Council of the European Central Bank.

BNB maintains a [Register of the licensed banks and the foreign banks` branches in the Republic of Bulgaria](#).

¹² Source: AIBEST 2021 report: <http://aibest.org/industry-reports>



9. FIT Sofia at your service

FIT Sofia Office is always at your disposal to answer any of your further questions and to provide you with the necessary assistance, so please do not hesitate to get in touch with us.

Address: 40 Tsarigradsko Shosse Blvd, Europark Business Center Fl.4, Sofia, Bulgaria

E-mail: sofia@fitagency.com; M: + 359 894 72 90 28,

Mrs. Velichka Terzieva – Trade & Investment Commission

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