

Corporate Income Tax Act

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Text in Bulgarian: Закон за корпоративното подоходно облагане

PART ONE

GENERAL DISPOSITIONS

Chapter One

GENERAL PROVISIONS

Scope of Taxation

Article 1. This Act regulates taxation of:

1. the profit accruing to resident legal persons;
2. the profit accruing to resident legal persons which are not merchants, including the organizations of the religious denominations, from any transactions covered under Article 1 of the Commerce Act , as well as from letting movable and immovable property;
3. (supplemented, SG No. 95/2009, effective 1.01.2010) the profit accruing to non-resident legal persons from a permanent establishment in the Republic of Bulgaria or from disposition of property of any such permanent establishment;
4. the income, as specified in this Act, accruing to resident and non-resident legal persons from a source inside the Republic of Bulgaria;
5. the expenses as specified in Part Four herein;
6. (amended, SG No. 1/2014, effective 1.01.2014) the activities of organizers of the games of chance specified in this Act;
7. the income accruing to public-financed enterprises from any transactions covered under Article 1 of the Commerce Act , as well as from letting movable and immovable property;

8. the vessels operation activity of persons which carry out maritime merchant shipping;
9. (new, SG No. 105/2014, effective 1.01.2015) the additional expenses of the National Representatives.

Taxable Persons

Article 2. (1) Taxable persons shall be:

1. the resident legal persons;
2. (supplemented, SG No. 95/2009, effective 1.01.2010) the non-resident legal persons which carry out economic activity in the Republic of Bulgaria through a permanent establishment, which effect disposition of property of any such permanent establishment, or which receive income from a source inside the Republic of Bulgaria;
3. (supplemented, SG No. 31/2011, effective 1.01.2011, amended, SG No. 12/2015) the sole traders as well as the natural persons registered as tobacco manufacturers and farmers who determine their taxable income according to Article 26 of the Income Taxes on Natural Persons Act: in respect of the taxes withheld at source and in the cases specified in the Income Taxes on Natural Persons Act;
4. the natural persons who are merchants within the meaning given by Article 1 (3) of the Commerce Act: in the cases specified in the Income Taxes on Natural Persons Act;
5. the employers and the commissioning entities under contracts for management and control: in respect of the tax on the expenses on fringe benefits, provided for in Part Four herein;
6. (new, SG No. 105/2014, effective 1.01.2015) the National Assembly of the Republic of Bulgaria: in respect of the tax on the additional expenses of the National Representatives.

(2) For the purposes of this Act, the unincorporated associations and the contribution payment centres established in pursuance of Article 8 of the Social Insurance Code shall be treated as equivalent to legal persons.

(3) For the purposes of taxation of income from a source inside the Republic of Bulgaria, any non-resident organizationally and economically distinct formation (trust, fund and other such), which independently carries out economic activity or performs and manages investments, shall likewise be a taxable person where the owner of the income cannot be identified.

Resident Legal Persons

Article 3. (1) "Resident legal persons" shall be:

1. any legal persons incorporated under Bulgarian law;
2. any companies incorporated under Council Regulation (EC) No 2157/2001, and any cooperative society incorporated under Council Regulation (EC) No 1435/2003, where the registered office thereof is situated in the country and they are entered into a Bulgarian register.

(2) Any resident legal persons shall be liable to taxes under this Act in respect of the profits and income accruing thereto from all sources inside and outside the Republic of Bulgaria.

Non-resident Legal Persons

Article 4. (1) "Non-resident legal persons" shall be any persons which are not resident persons.

(2) (Amended, SG No. 95/2009, effective 1.01.2010) Any non-resident legal persons shall be liable to taxes under this Act in respect of the profits realized through a permanent establishment in the Republic of Bulgaria or from disposition of property of any such permanent establishment, as well as in respect of the income as specified in this Act accruing from a source inside the Republic of Bulgaria.

Types of Taxes

Article 5. (1) Profits shall attract a corporation tax.

(2) The income accruing to any resident and non-resident legal persons, as specified in this Act, shall attract a tax withheld at

source.

(3) The expenses, as specified in this Act, shall attract a tax on expenses.

(4) A tax alternative to corporation tax shall be levied on:

1. (amended, SG No. 1/2014, effective 1.01.2014) the activity of organizing the games of chance specified in this Act;
2. the income accruing to public-financed enterprises from any transactions covered under Article 1 of the Commerce Act , as well as from letting movable and immovable property;
3. the vessels operation activity.

Determination of Amount of Tax

Article 6. The amount of tax shall be determined by multiplying the taxable amount by the rate of tax.

Tax Returns

Article 7. The standard forms of returns and of other documents under this Act shall be endorsed by an order of the Minister of Finance and shall be promulgated in the State Gazette.

Remittance of Taxes

Article 8. (1) (Amended, SG No. 105/2014, effective 1.01.2015) The taxes due under this Act shall be remitted by the taxable persons in revenue to the State budget.

(2) The taxes due shall be credited to an account of the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable persons or over the place where the taxable persons are registrable.

(3) (Amended, SG No. 105/2014, effective 1.01.2015) The taxes due shall be deemed to be remitted on the date on which the amounts are received in the State budget on the account of the competent National Revenue Agency territorial directorate.

Default Interest

Article 9. Interest according to the Interest on Taxes, Fees and Other State Receivables Act shall be due on any taxes which are not remitted when due, including any tax prepayments.

Documentary Support

Article 10. (1) An accounting expense shall be recognized for tax purposes where it is supported by an accounting source document within the meaning given by the Accountancy Act.

(2) An accounting expense shall be recognized for tax purposes even where part of the information required under the Accountancy Act is missing in the accounting source document, provided that documents certifying any such missing information are available.

(3) (Amended, SG No. 95/2015, effective 1.01.2016) Outside the cases referred to in Paragraph (2), an accounting expense shall be recognized even where the accounting source document has been issued by a person which is not an enterprise within the meaning given by Article 2 of the Accountancy Act and part of the information required under the Accountancy Act is missing in the document, provided that the said document gives a true view of the business transaction documented.

(4) (Amended, SG No. 23/2013, effective 8.03.2013) The taxable persons shall be obligated to register and account for any sale of goods and services as effected by means of issuing a fiscal cash receipt printed by a fiscal device (fiscal receipt) or by means of issuing a cash receipt from an integrated automated commercial activity management system(system receipt) according to a procedure established by an ordinance of the Minister of Finance, except where the payment is effected by bank transfer or through an offset. The lack of a fiscal cash receipt printed by a fiscal device or of a cash receipt from an integrated automated commercial activity management system(system receipt), where the issuance of such receipts is obligatory, shall be grounds to deny recognition of an accounting expense for tax purposes.

(5) In respect of international air transport, an accounting expense shall be supported by documents where documented by

means of an accounting source document and the boarding pass for the flight executed. Where the accounting source document (protocol) is issued by the person who effects the sale on behalf and for the account of the carrier, the said person shall be deemed to be an issuer of the said document.

(6) (New, SG No. 110/2007, supplemented, SG No. 23/2013, effective 8.03.2013) Documentary support of the expenses referred to in Items 1 and 3 of Article 204 herein, which attract a tax on expenses, shall be available even when the said expenses are documented only by a fiscal cash receipt printed by a fiscal device or by a cash receipt from an integrated automated commercial activity management system (system receipt). The expenses referred to in Item 3 of Article 204 herein, which attract a tax on expenses, shall be recognized for tax purposes even where a transportation control and movement document has not been issued.

Expenses Defined as Compulsory by Statutory Instrument

Article 11. Any expenses defined as compulsory by a statutory instrument shall be recognized for tax purposes and shall not attract a tax on expenses, unless otherwise provided for in this Act.

Chapter Two

SOURCES OF PROFIT AND INCOME

Profit and Income from Sources Inside Republic of Bulgaria

Article 12. (1) (Amended, SG No. 95/2009, effective 1.01.2010) Any profits accruing to non-resident legal persons, derived from economic activity carried out through a permanent establishment in the country or from disposition of property of any such permanent establishment, shall have their source inside the country.

(2) Any income from financial assets issued by resident legal persons, the Bulgarian State and the municipalities, shall have its source inside the country.

(3) Any income from transactions in financial assets referred to in Paragraph (2) shall have its source inside the country.

(4) Any income from dividends and shares in a liquidation surplus, accruing from participating interests in resident legal persons, shall have its source inside the country.

(5) The following income, charged by resident legal persons, resident sole traders or non-resident legal persons and sole traders through a permanent establishment or a fixed base in the country or paid by resident natural persons or by non-resident natural persons who have a fixed base in the country in favour of non-resident legal persons, shall have its source inside the country:

1. any interest payments, including interest within payments under a financial lease contract;
2. any income from rent or other provision for use of movable or immovable property;
3. any copyright and licence royalties;
4. any technical assistance fees;
5. any payments received under franchising agreements and factoring contracts;
6. any compensations for management or control of a Bulgarian legal person.

(6) (Amended, SG No. 110/2007) Any income covered under Paragraph (5), which is charged in favour of non-resident legal persons from a permanent establishment of a resident person or from a fixed base of resident natural persons situated outside the territory of the country, shall not have its source inside the country.

(7) Any income from agriculture, forestry, hunting ground management and fisheries within the territory of the country shall have its source inside the country.

(8) (Amended, SG No. 94/2010, effective 1.01.2011) The following income shall have its source inside the country: