

Value Added Tax

Taxation

Value added tax is levied (part one of the VAT Act):

- the recoverable taxable delivery of goods and services with a place of performance on the territory of the country;
- the import of goods;
- recoverable intra-community acquisitions of goods in the country, including new motor vehicles and excise goods.

The taxable turnover for mandatory VAT registration is BGN 100,000 or more than stated amount (Article 96 of VAT Act, amended, SG, issue No. 58 from 2022, effective as of 01.01.2023). It is formed by:

- deliveries taxed at zero rate;
- provision of financial services as per Art. 46 of VAT Act;
- provision of insurance services as per Art. 47 of VAT Act;
- advance payments received on deliveries, with the exception of advance payments received before the occurrence of the tax event as per Intra-community supply of goods;
- in the cases of art. 107, para. 3 of the VAT Act, the turnover formed by the activity as a sole trader until its deletion from the Commercial register (Article 73, paragraph 4).

The taxable turnover also includes the turnover realized by the entity to be reorganised or the alienator, when the latter is a registered person on a basis other than this Article 96 or Article 100, para. 1 of VAT Act, or is an entity not registered as per VAT Act, for a period not longer than the last 12 consecutive months before the reorganisation or transfer in the cases pursuant to Art. 10, para. 1, items 1 and 2 of the same act, as well as in compliance with item 3 only in the case of a non-monetary contribution of an entity or a separate part of it. In the event of separation or demerger, as well as in the case of a non-monetary contribution of a separate part of an entity, the turnover realized during the implementation of the transferred activities by the entity to be reorganised or alienator is taken into account, and should there proved to be impossible to determine the same entity to be determined, depending on the activities, in proportion to the transferred assets.

In the case of consecutive performance of uniform activity in the same commercial establishment by two or more related persons or persons acting in concert, the taxable turnover of each subsequent person shall include the turnover realized in the establishment by all persons who successively carried out the activity in the relevant establishment before it, for a period not longer than the last 12 consecutive months, including the current month, and is considered to be the turnover realized by the relevant person on the first day of starting the uniform activity at the site by that person. An activity is considered to be similar when substantial identity is available with respect to two or more of the following characteristics: the goods or services offered, the assets used, the personnel, the trade mark/name of the site, the suppliers/customers. It is not considered that a continuous performance by two persons of a uniform activity is available, in the event of an interruption of the activity for more than one month from the

activity suspension date by the previous person and the activity commencement date by the person determining its turnover pursuant to this manner.

No taxable turnover for the goods delivery is formed:

of financial and insurance services when they are not related to your main activity;

of fixed tangible or intangible assets used in your business;

for which the tax is payable by the recipient as per Art. 82, para. 2 and 3 of VAT Act.

Registration

Registration under the VAT Act in Bulgaria may be optional or mandatory. Registration becomes mandatory upon reaching a taxable turnover of BGN 100,000 or more than stated amount for a period not longer than the last 12 consecutive months before the current month, and the entity shall be obliged within 7 days of the end of the tax period during which it has reached this turnover, to submit an application for registration in compliance with the VAT Act. When the turnover is reached for a period not longer than two consecutive months, including the current one, the entity shall be obliged to submit the application for registration within 7 days from the date when this turnover has been reached. The application for registration is submitted to the NRA in place or electronically. [VAT Act Registration](#).

Termination of VAT Registration.

Tax base

Tax base is the value on which tax is charged (Article 26 of VAT Act). It is determined in Bulgarian lev (BGN) and stotinki. It does not include the tax pursuant to this act. It includes:

- the remuneration;
- all other taxes, fees and excise duties;
- all subsidies and funding directly related to the delivery;
- the associated costs of the supplier (commission, packaging, transport, insurance and others) directly related to the delivery;
- the usual packaging materials and containers, in the event they are not subject to return or the recipient is not a taxable entity (if the packaging materials or containers are returned by the recipient, the tax base is reduced by their value on return).

The tax base **upon import** is the customs value increased by the relevant taxes, duties, levies, fees and costs (Article 55 of VAT Act).

Tax amount

The applicable tax rate is defined in Chapter Six 'Tax Rates' of the VAT Act as follows:

1. Standard rate - 20% (according to Article 66 of VAT Act) shall be applied to taxable deliveries in the country, import of goods and intra-community acquisitions (except for those expressly indicated as taxable at a zero or reduced rate);
2. **Reduced tax rate - 9%** (according to Art. 66a of the VAT Act (as amended SG, issue No. 102 from 2022, effective as of 01.01.2023) shall be applied to:

- accommodation service provided in hotels and similar establishments, including the provision of holiday accommodation and rental of places for camping sites or caravans, with a place of performance on the territory of the country;
- delivery of books on physical media or electronically, or both (including textbooks, reference books and study sets, children's illustrated, drawing or coloring books, printed or handwritten sheet music editions), periodicals - newspapers and magazines, on physical media or carried out electronically or both, other than publications which are entirely or mainly intended for advertising and other than publications which consist entirely or mainly of video content or audio-musical content;
- deliveries of food suitable for babies or small children, baby diapers and similar baby hygiene items according to Annex No. 4 of the VAT Act;

The reduced tax rate of 9% shall be applied:

by December 31, 2024 for deliveries with a place of performance on the territory of the country of:

- restaurant and catering services consisting in the delivery of prepared or unprepared food, including consisting in the delivery of takeaway food; this shall not apply to restaurant and catering services, which consist in the delivery of beer, wine and spirits, including in the cases under Art. 128 of the VAT Act (§ 15e, paragraph 1, item 2 of Transitional and final provisions of the VAT Act, SG, issue No. 52 from 2022, effective as of 01.07.2022,- supplemented SG, issue No. 106 as of 2023, effective as of 01.01.2024).;

by June 30, 2024 for the following deliveries with a place of performance on the territory of the country:

- delivery of a general tourist service in the cases under Art. 136 of the VAT Act, as well as the excursions organized by tour operators and travel agents with occasional bus transport of passengers (§ 15e, para. 1, item 5 of the Transitional and Final Provisions of the VAT Act, SG, No. 52 from 2022, effective as of 01.07.2022,- supplemented SG, issue No. 106 as of 2023, effective as of 01.01.2024).;
- delivery of a service for the use of sports facilities - (§ 15e, para. 1, item 6 of the Transitional and Final Provisions of VAT Act, SG, issue No. 52 from 2022, effective as of 01.07.2022,- supplemented SG, issue No. 106 as of 2023, effective as of 01.01.2024).

1. Zero rate of tax (according to Art. 66b of VAT Act) (SG, issue No. 52 from 2022, in force as of 01.07.2022), shall be applied for:

- making deliveries with a place of performance on the territory of the country, specified in chapter three, articles 53, 64a, 140, 146 and 173 of the VAT Act.

The zero rate of the tax is applied since 09.07.2022 to 31 December 2024, including for the supply of bread and flour with a place of fulfillment on the territory of the country, upon their import with a place of fulfillment on the territory of the country and with their intra-community acquisitions (§ 15e, para. 3 of the Transitional and Final Provisions of the VAT Act, SG, issue No. 52 from 2022, effective as of 01.07.2022, as amended SG,

issue No. 102 from 2022, effective as of 01.01.2023, as amended SG, issue No. 106 from 2023, amended and supplemented, SG, issue No. 42 from 01.07.2024).

Declaration

As a VAT-registered person, for each tax period you should submit a Reporting declaration with summary information on the deliveries made and received and with the result for the month:

- VAT to be paid - the amount of VAT charged for the deliveries made is bigger than the amount of the tax credit used. You should pay the tax within the deadline for submitting the Reporting declaration. For the last tax period, the deadline is by the end of the calendar month following the calendar month in which the Reporting declaration for this tax period should have been submitted.
- VAT to be refunded - the amount of the used tax credit is bigger than the amount of VAT charged on the deliveries made. VAT Refund.

You also should submit Reporting declaration when you have not made any purchases or sales during the tax period.

The tax period is one month and coincides with the calendar month. In the case you are a newly registered entity, your first tax period covers the time from the date of service of the act of registration, including the date of service, by the end of the tax period, except in cases pursuant to Chapter Eighteen. In the cases by virtue of Art. 132 of the VAT Act, the first tax period covers the time from the date of entry of the circumstance under Art. 10 in the Commercial register and the register of non-profit legal entities or entry in the BULSTAT register, including the date of entry of the event, by the end of the tax period.

When you make deregistration as per the VAT Act, your last tax period starts from the first day of the calendar month until and including the date of deregistration.

Together with the Reporting declaration, you also submit the reporting registers that you use to fill out the Reporting declaration: Template of the sales log book and Template of the purchase log book or Appendices No. 10 and No. 11 to the Regulations for Application of the Value Added Tax Act. The Reporting declaration for value-added tax shall be submitted according to the template of appendix No. 14 to the Regulations for Application of the Value Added Tax Act.

If during the tax period you made intra-community delivery of goods or provision of services as per Art. 21, para. 2 of the VAT Act, including the received advance payments with a place of performance in the territory of another member state, for which recipients are taxable entity, registered for VAT purposes, the entities in another member state, or deliveries as an intermediary in a tripartite operation, together with a reporting declaration, you also submit a VIES declaration according to the template (appendix No. 134 to the Regulations for Application of the Value Added Tax Act.).

You should provide the information electronically, as the parameters, structure and requirements for the file containing the VIES declaration are defined in Appendix No. 15 to the Regulations for Application of the Value Added Tax Act. If during the tax period you transferred goods representing part of your business assets from the territory of the country to the territory of another member state under the regime of storage of goods on demand, together with the Reporting declaration you should also submit a VIES declaration. Also for the tax periods of the occurrence of a change related to the transfer

of goods from the territory of the country to the territory of another member state under the regime of storage of goods on demand, during the 12-month-period from the arrival or completion of the transport, including when replacing the entity under Art. 15a, para. 2, item 3 of the VAT Act, along with the Reporting declaration, you should also submit a VIES declaration.

You should submit the Reporting declaration, together with the reporting registers electronically to the competent territorial directorate of the National Revenue Agency. You should provide the information according to parameters and according to the requirements for the structure of the files, defined in Appendix No. 12 to the Regulations for Application of the Value Added Tax Act. **You may use a software product to generate VAT reporting registers.**

In cases of deregistration, without subsequent registration within one tax period, the Reporting declaration, the VIES declaration and the reporting registers (sales log book and purchase log book) shall be submitted only on paper and technical media to the competent territorial directorate of the National Revenue Agency or electronically according to the parameters and requirements for the structure of the files defined in Appendix No. 12 to the Regulations for Application of the Value Added Tax Act.

Correction of mistakes

If a mistake has been made in a submitted Reporting declaration or VIES declaration, it may be corrected (Art. 126 of the VAT Act).

For Reporting declarations.

If you discover the error **before the filing deadline**, you submit a new Reporting declaration and accounting log book records.

In the event you find the mistake **after submission deadline expiration**:

- for documents not reflected in the reporting registers, include the non-reflected document in the relevant reporting register for the tax period during which the mistake was discovered;
- in the case of documents incorrectly reflected in the reporting registers, you should notify the competent revenue authority in writing.

Concerning VIES declarations

VAT upon transactions in the EU and VIES declarations.

If you discover the mistake **before the submission deadline**, you should submit a new VIES declaration.

If you detect the mistake (documents not reflected in the reporting registers under Article 124 of the VAT Act) after the deadline for submission has expired, make the necessary corrections in the tax period where the mistake was detected and include the unreflected document in the sales journal for the same tax period, respectively submit a VIES declaration, by specifying/entering the tax period when the tax became due in column 6 of the same.

Deadlines

Reporting declaration and all supporting documents (accounting registers (sales log book and purchase log book) and/or VIES declaration) should be submitted monthly, by the 14th of the month following the month (tax period) to which the declaration refers. No provision for extension of the submission deadline is provided.

In the event of the death of a private entity or a sole trader, the Reporting declaration, the VIES declaration and the reporting registers for the last tax period shall be submitted by the heirs or legatees within 2 months of acceptance of the inheritance, but not later than 14th of the month, including the month following the 6th of the month from the date of the legator's death. Additional known circumstances shall be declared, as the heirs shall submit new declarations and reporting registers within one month when they came to know. A declaration submitted by one heir also benefits the other heirs.

Payment

The tax should be paid to the account of the competent territorial directorate of the NRA, which for private entities is those at their permanent address. The tax is considered to have been paid on the date when the amount was received on the NRA account. For unpaid tax due on time, you owe interest according to the Interest on Taxes, Fees and Other Similar Government Charges Act._

Sanctions and penalties

Failure to submit Reporting declaration, VIES declaration, reporting registers (sales log book and purchase log book) within the statutory period shall lead to fine apply - for private entities who are not traders, or a pecuniary sanction - for legal entities and sole traders, in the amount of BGN 500 to BGN 10,000.

Failure to submit an application for registration or an application for termination of registration within the statutory terms shall lead to a fine apply - for private entities who are not traders, or a pecuniary sanction - for legal entities and sole traders, in the amount of BGN 500 to BGN 5,000.

A registered obliged person who does not charge tax within the terms provided for in this Act, shall be sanctioned with a fine - for private entities who are not traders, or a pecuniary sanction - for legal entities and sole traders, in the amount of uncharged tax but not less than BGN 500.