



Changes in the VAT Act for 2022

KPMG in Bulgaria

KPMG Tax News presents a summary of the promulgated amendments to the VAT Act applicable for 2022.

February 2022

Correction of invoices with wrong treatment of supplies in case of entered-into-force administrative act, issued by the revenue authorities

Food vouchers

Supplies subject to zero VAT rate

Other changes

The current issue of Tax News presents a summary of the most important changes in the Value Added Tax Act (the VAT Act), promulgated in State Gazette Issue No 14 dated 18 February 2022 and entering into force from the date of its promulgation, except for certain provisions which have a different entry-into-force date.

Correction of invoices with wrong treatment of supplies in case of entered-into-force administrative act, issued by the revenue authorities

- A possibility to correct wrongly issued tax documents even if there is a stable tax assessment act for the period in which the invoices were issued or reported is introduced.
- The change aims to implement case law of the Court of Justice of the European Union addressing the principal of neutrality of VAT and to introduce in the Bulgarian VAT legislation a legal mechanism for making adjustments where a supply is incorrectly treated from a VAT perspective, even if there is a tax assessment act which has entered into force.
- Typical situations where the new provision may find practical implementation include: 1) correction of VAT charged by the supplier where the recipient is denied the corresponding input VAT deduction and 2) correction of omission of the supplier to charge output VAT, established with a tax assessment act, so that the recipient could deduct input VAT on the reissued invoice.
- The correction is to be performed under the general rules for correction of incorrect tax documents and requires a correction protocol to be signed.

- There is no temporal limitation attached to the provision. This provides the possibility for correction of invoices covered by already issued tax assessment acts within the general statute of limitations.



Food vouchers

- The provision, according to which food vouchers were explicitly excluded from the scope of the VAT Act, is abolished.
- The change is introduced to address the incompliance of the Bulgarian legislation with the European VAT rules relating to vouchers, as identified by the European Commission. As a result, food vouchers will be treated as any other voucher and their taxation will depend on their classification for VAT purposes.
- The existence of different VAT rates for food products which the vouchers may be used for (e.g. 9% VAT rate for baby food) implies that food vouchers would be classified as multipurpose vouchers since, at the time of their issuing, the amount of the VAT due cannot be determined. In this case, the sale to be performed by voucher operators to employers will not be subject to VAT. Instead, VAT will be chargeable upon the sale of the underlying goods for the purchase of which the vouchers are used.
- In practical terms, in 2022 the VAT treatment of food vouchers will not change and they will continue to be treated as means of payment. Thus, VAT will be charged upon using the vouchers for buying food and related services in restaurants and commercial sides, as it is the case under the current practice.



Supplies subject to zero VAT rate

- Zero VAT rate will be applied on the importation of goods by the European Commission or other bodies of the EU, as well as to supplies of goods and services to these bodies, when the purchase is made in relation to the execution of tasks in response to the COVID-19 pandemic.
- The VAT exemption will not apply if the imported goods, respectively the received goods or services, are used, either immediately or at a later stage, for the purposes of subsequent supplies for consideration.
- The change enters into force as of 1 January 2021, whereas there is a mechanism for refund of VAT already paid by the EU bodies for the affected transactions – they need to submit claims for refund until 31 March 2022.
- Zero VAT rate will be applied to supplies of goods and services whose recipients are the armed forces of a Member State of the EU, including on importation of goods and intra-Community acquisitions of goods, when the armed forces take part in a defence effort carried out for the implementation of a Union activity under the common security and defence policy in another Member State of the EU. The change enters into force from 1 July 2022.



Other changes

- A new “Chapter twenty one “a” of the VAT Act is created regulating supplies to and from the United Kingdom of Great Britain and Northern Ireland, where specific provisions in respect to the VAT treatment of different types of supplies are outlined.

- Some of the provisions of the VAT Act related to taxation of electronically supplied goods and services to non-taxable persons, including in relation to the special schemes (Union scheme, non-Union scheme and the scheme for distance sales of goods imported from third countries) are refined.
- The scope of baby food, for which the reduced 9% VAT rate will apply, is extended with the items included in Annex 4 of the VAT Act.



For information

Ivan Vargoulev

Director, Tax

Tel.: +359 (2) 9697 700

ivargoulev@kpmg.com

Desislava Ilieva

Senior manager, Tax

Tel: +359 (2) 9697 700

dilieva@kpmg.com



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