

CbC Reporting in Bulgaria: Are you ready?

Draft Law for Country-by-Country reporting in Bulgaria

On 16 September 2016, the Ministry of Finance lodged a Draft Law* implementing Directive (EU) 2016/881 of 25 May 2016 and introducing in the Bulgarian legislation the automatic exchange of Country-by-Country (CbC) reports between the revenue authorities. The provisions will apply from 2016 onwards.



Which companies would be affected?

The new provisions will apply for multinational groups (“Groups”) and introduce submission of CbC reports in Bulgaria by companies as follows:

- **An ultimate parent company** of a Group which is a Bulgarian tax resident will submit a CbC report in Bulgaria if the total consolidated Group revenue is over EUR 51 million for the year preceding the reporting fiscal year.
- **A Bulgarian subsidiary or a permanent establishment** which is a member of a Group with (i) a foreign (non-Bulgarian) ultimate parent company and (ii) consolidated revenue of over EUR 750 million for the year preceding the reporting fiscal year will submit a CbC report in Bulgaria under certain circumstances.

In cases where the CbC report of a given Group is submitted abroad in a jurisdiction which has introduced the automatic exchange of CbC reports, the Bulgarian member companies and permanent establishments will have to provide information to the Group, respectively. Thus, regardless of whether the Group will submit a report in Bulgaria or in another jurisdiction, it will be necessary to collect the data of all member companies and permanent establishments. Therefore, the Bulgarian companies/permanent establishments would have to process and provide the respective information for the purposes of submitting the Group’s CbC report.

What information should be reported?

The CbC report must contain information on all member companies/permanent establishments of the Group and description of their activity, as well

as aggregated financial data, such as revenues, profit (loss) before income tax, income tax, etc., for each jurisdiction in which the Group operates.

Deadlines for submission of the CbC reports and notification requirements

The CbC report will need to be filed with the National Revenue Agency (NRA) within 12 months of the end of the reporting fiscal year for the Group. The first report must be filed for the year commencing on or after 1 January 2016.

The Bulgarian tax resident companies/permanent establishments which are members of a Group will also have obligations to notify the NRA about their status in the Group (e.g., if they are an ultimate parent company or another entity), as well as about the entity which will submit the CbC report for the Group.

Significant administrative sanctions are set out in case of failure to fulfil the obligations to notify or to submit CbC reports.

What is the role of the CbC reports?

The automatic exchange of CbC reports is an important instrument in the fight of the EU and the OECD against tax fraud, tax avoidance and aggressive tax planning. Its implementation in the Bulgarian legislation should be regarded in the light of OECD's Action Plan on Base Erosion and Profit Shifting (the BEPS Action Plan).

The NRA will automatically exchange the CbC reports submitted by the entities with the other EU Member States and with other jurisdictions with which Bulgaria has signed a special international agreement.

The NRA will also have access to the reports submitted to the foreign revenue authorities by Groups including Bulgarian companies and/or permanent establishments which are tax liable in Bulgaria. Thus, the revenue authorities will be able to analyze how the reported profits of these Groups correspond to their activities and presence in other countries.

How can KPMG in Bulgaria help?

The KPMG team in Bulgaria can offer assistance at every stage of preparation for CbC reporting:

Assistance to Groups obliged to submit CbC reports in Bulgaria

- Analysis and evaluation of obligations
- Assistance with the practical preparation and submission of CbC reports
 - Collection and reconciliation of data
 - Preparation of specific templates
- Communication with the NRA

Assistance to Bulgarian companies/permanent establishments which will provide information to a Group in relation to reports submitted abroad

- Assistance in the process of collecting the required information
- Reconciliation of the data
- Assistance with filling in of internal templates/forms of the Group

We would be happy to discuss with you the application and the impact of the new Draft Law on your business taking into account its specifics.

** Our comments are based on the Draft Law which may be subject to change before becoming effective.*

Contact us

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