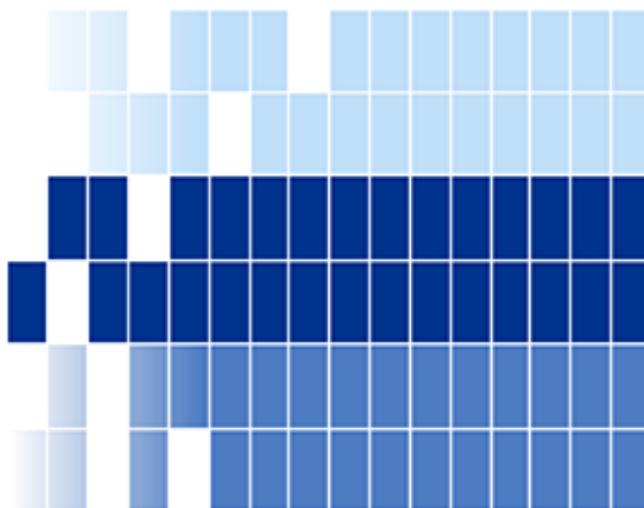




Tax News

KPMG in Bulgaria



Corporate Income Tax Act

December 2020

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Changes in relation to the advance installments for CIT

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In this publication of Tax News for 2020 we summarize the more substantial amendments in the Corporate Income Tax Act (CITA) introduced by the Act amending and supplementing the Value Added Tax Act published in the Bulgarian State Gazette No. 104 of December 8, 2020. The Act enters into force on 1 January 2020.

New deadlines for declaring and payment of corporate income tax and other tax liabilities

The annual tax return under art. 92 of CITA shall be submitted in the period 1 March – 30 June of the year following the year to which it relates. The deadline for payment of the annual corporate income tax (CIT) liability and the taxes on expenses is 30 June.

The deadlines for submission of declarations and payment of the respective tax liabilities by the budgetary enterprises, the persons performing gambling activities, taxable under the CITA, persons engaged in the operation of ships, etc. are aligned with the deadline for submission of

the annual tax return under art. 92 of CITA and for the payment of the corporate income tax.

The changes regarding the submission of the tax returns and the payment of the respective tax liabilities apply also in respect of 2020.



Changes in relation to the advance installments for CIT

A separate tax return for declaring the advance installments for CIT for the current year is introduced, which is submitted from 1 March to 15 April.

The obligation for payment of advance installments for CIT and their type is determined based on a new criterion which is the net sales revenues for the year before the previous year. Newly incorporated entities do not make advance installments also for the year following the year in which they are established. The provisions in respect of entities which are subject to transformation are similar.

A deadline is introduced in which the advance installments for CIT can be changed - until 15 November of the current year.

The deadline for payment of the last advance installment for CIT (monthly or quarterly) is 1 December of the respective year.

The threshold of the admissible excess of the CIT liability over the determined advance installments for the respective year is increased to 25%.



Increasing the exempt social expenses for food vouchers. Change in the provision on coercively enforceable public obligations

Effective 1 January 2021 the amount of the social expenses for food vouchers exempt from one-off tax is increased to BGN 80 per month.

In relation to the exemption from one-off tax of certain social expenses provided in kind, a clarifying provision is introduced, according to which the absence of coercively enforceable public obligations means that such obligations are not recorded/reflected in the single tax account or are not recorded as filed for enforcement to the NRA as at the end of the month in which the respective social expenses are accrued.



Annual tax depreciation rate for assets from category IV

A specific provision is introduced regarding the tax depreciation of assets related to the so-called approved software for management of the sales on commercial sites in the meaning of the VATA. Such software or the right to use it, as well as computers, peripherals or mobile phones on which such software is installed, may be depreciated with annual tax depreciation rate not exceeding 100% (i.e. within 12 months).

These provisions apply also when determining the financial result for tax purposes for 2020.



Changes in the definition and scope of the transactions that constitute disposal of financial instruments

The scope of the definition for disposal of financial instruments is extended to include transactions performed on a regulated market outside the EU and the EEA. According to the new definition, share disposal transactions made in a third country market, which is considered to be the equivalent of a regulated market and for which the European Commission has adopted a decision on the equivalence of the legal and supervisory framework of the third country in accordance with the applicable directives¹, fall within the scope of transactions whose result is exempt from CIT and withholding tax.

Until 31 December 2025, the scope of the definition for disposal of financial instruments will include transactions with units and shares of collective investment schemes and supranational investment funds, shares, rights and government securities, executed on growth markets within the meaning of art. 122, paragraph 1 of the Markets in Financial Instruments Act. The result of such transactions is also not subject to CIT and withholding tax. In relation to this provision, the law extends the scope of interest income exempt from withholding tax in Bulgaria with interest on bonds issued by a local legal entity, the state and municipalities and traded on growth markets in the country, in a EU or EEA Member State as well as interest on loans granted by a foreign person issuing such bonds.

¹ Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU



Extension of tax relief measures which represent de minimis aid and state aid for regional development and retention of CIT for agricultural producers

The possibility for applying retention of CIT by entities carrying out production activities in municipalities with unemployment rate higher than the average for the country is extended in the cases of de minimis aid. The deadline for the use of the tax relief is extended until 31 December 2023, including in respect of the CIT for 2023.

The tax relief, representing state aid for regional development, will be available until the end of 2021 after the European Commission issues a decision.

The retained CIT for 2019 and 2020 has to be invested by the agricultural producers in new buildings and new agricultural machinery by the end of the second year following the year of the retention. This tax relief will apply after the adoption of the amendments to the applicable acts of the EU and after Bulgaria has received the relevant notifications.



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