

BULGARIAN PROPERTY TAX INFORMATION

*The information provided herein is intended as a guide only. While **Property Tax International Limited** makes every effort to ensure the accuracy of the information we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.*

Non Residents

Non-residents are taxed in Bulgaria on income arising from Bulgarian sources only and are liable to a number of other property related taxes outlined below.

An individual is considered resident in Bulgaria if s/he spends 183 days or more in any tax year (calendar year) in Bulgaria. Non-residents may also be liable for tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

In Bulgaria, land cannot be purchased by a non-resident, only buildings. Where a foreigner wishes to purchase land, s/he must do so in a Bulgarian registered company. The building can be acquired in an individual's own name or through a Bulgarian company. The legal structure adopted when purchasing property will determine what Bulgarian property taxes apply.

Bulgarian BULSTAT Identification code

Foreign individuals, who do not have Personal Identification Number (PIN) or Personal Foreigner's Number (PFN) and own property in Bulgaria, are obliged to register in the BULSTAT Register to get an Identification code within 7 days of purchasing the property. Individuals are issued a Registration certificate.

When a Bulgarian company is set up, within 7 days of the issuance of the Court registration, a BULSTAT registration should be made to receive an Identification code (code under BULSTAT). The Company is issued an Identification card.

Bulgarian property taxes payable when purchasing a property are as follows:

Bulgarian Transfer fees Upon the Notary verification of the property purchase deal you will be required to pay Local tax/transfer fees @ 2% and State Entry fee @ 0.1% of the purchase price (Per Notary deeds). VAT on buildings purchased in Bulgaria is calculated @ 20%. **VAT** applies when you purchase a property from a company that is registered for VAT.

Ongoing Bulgarian property taxes payable are as follows:

Bulgarian income Tax on rents for a non-resident landlord is subject to 10% withholding tax on gross rents as of January 1st 2007 (15% previous years.) No deductions are allowed for costs incurred. If the tenant is: a BG company, a permanently established foreign company or a property management company is managing the unit(s), then the onus is on the tenant/management company to submit a Bulgarian withholding tax return with tax deducted from the rents received.

Bulgarian Corporate Income Tax is payable if property is purchased through a company and is calculated @ 10% as of January 1st 2007 (15% previous years) on the company profits. Full deductions will be given for eligible costs incurred in connection with the property.

A corporate income tax return **must** be filed every year even in cases where a Nil return has occurred.

Bulgarian Local Property taxes (rates) are also payable quarterly and vary per location. Inhabited house duty is calculated @ 0.16% of the Tax evaluation of the property (defined each year) and a Waste Collection Duty applies; it differs from municipality and property location. In general it varies from 0.20% to 0.80% of the property's tax evaluation value.

N.B.: A corporate income tax return is required to be filed every year. When there is no income activity a Nil return must still be lodged.

Other applicable taxes are as follows:

Bulgarian Capital Gains Tax is payable on any increase in value since acquisition @ 10% as of January 1st 2007 (15% previous years.) The gain is calculated on the difference between the sale price and the higher of the tax estimation and the price of acquisition (Notary Deeds), corrected by an inflation index. No Bulgarian CGT is payable if you are the owner of only one residential property which is held for more than 3 years or if you own 2 properties /residential or agricultural land) which are held for more than 5 years.

Bulgarian Inheritance Tax is payable by non-resident beneficiaries on certain transferred assets. The tax rate depends on the relationship between the parties and the size of the inheritance. The lineal heirs are completely exempt from this tax. For all other beneficiaries the tax rate will apply only on property with tax evaluation above €125,000. Brothers and sisters pay 0.7% Bulgarian IHT on the amount above €125,000; any other person pays 5%.

Bulgarian Property Tax filling deadline. The taxpayer is obliged to submit a withholding tax return and pay Bulgarian withholding tax to the Tax Authorities by the end of the month, following the month, when any income has been received. If the tenant is a BG company or a foreign company with PE in Bulgaria, then the tenant submits Bulgarian withholding tax return, deducts tax from the rent and pays it. The annual corporate income tax return should be filed by 31 March of the year following the respective calendar year.

Worldwide income

Rental income received in Bulgaria will first have to be declared before the Bulgarian tax authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Bulgaria in your annual resident tax return. There is a double taxation agreement between Bulgaria, Ireland and the UK so double taxation relief applies in some cases.

Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

Property Tax International can organise the completion and filing of all necessary Bulgarian tax returns in addition to advising on your property tax obligations in your home country.

CONTACT: Property Tax International can organise the completion and filing of all necessary Bulgarian tax returns in addition to advising on your property tax obligations in your home country:

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