**ANNEX-A**

What are the phases entailed for establishing a business in Bulgaria?

**a)      Permissions for establishing a business in Bulgaria**

The requirements for the registration of each type of commercial company or branch are set forth in the Commerce Act. The registration procedure itself and the documents required for such registration are set forth in the Commercial Register Act and the secondary legislation in implementation thereof.

How much time does the procedure take?

**b)      Time required for set up**

The registration procedure varies depending on the type of company that is to be registered, whereas for example, currently registration of a JSC (as well as an LLC) takes approximately up to five business days as of filing the relevant documents, registration of a branch of a foreign company takes about two weeks, etc. The incorporated company or branch becomes a capable legal entity as of the date of its entry in the Commercial Register.

Can an individual start a business without having to visit Bulgaria in person?

**c) An individual can start a business without visiting Bulgaria with written authorization empowering another person.**

The nature and number of approvals to be obtained?

**d)      Government fees for setting up a new project**

The state fee for company registration in Bulgaria is €28 if you file the documents online. Apart from that you will need to prepare €3 for a local notary and €5 bank fee for opening an account. If you chose a remote registration you have to consider that the embassy may charge something ~€40 for notary services and you will also need to mail the signed documents to Bulgarian which can add up to €30 In total for the registration of your company shouldn’t cost more than €100 with all fees and taxes combined.

**Any other information which could help in new projects in Bulgaria**

Under the articles of Investment Promotion Act the certified investors can apply for the following investment incentives covered by the State:

1. Acquisition of public real estate preferentially and at prices lower than the market, applicable in the whole region:
   * without the competition of the highest bidder;
2. Financial support for construction of technical infrastructure elements to the borders of the project site, applicable in the whole region;
3. Reimbursement of labor costs for social security paid by the employer (≈ 19,2 % of the gross salary and paid additionally by the employer):
   * For 12 months in the areas with unemployment rate lower or equal then the country’s average;
   * For 24 months in the areas with an unemployment rate 25 % higher than the country’s average;
4. Financial support for the vocational training for obtaining professional qualifications of the employees – 25 % reimbursement of the training cost, but not more than 2 million Euro, applicable in the whole region.

What incentives are guaranteed by the state for investment in Bulgaria?

**e)**      **Investment incentives in Bulgaria**

The Investment has to be related to the setting up of a new establishment, expansion, output diversification into new additional products or a fundamental change in the overall production process of existing establishments.

 The investment is to be made in the following economic activities:

* Manufacturing industry
* Services sector including: high-tech activities in the field of ICT, R&D, outsourcing of business processes, activities of head offices, education, human health care, warehousing and support activities for transportation, accounting and auditing, architecture and engineering

**Criteria – Investment value, (€ m)                      Number of jobs created (+ Investment value)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region or Sector** | **Class B** | **Class A** | **Region or Sector** | **Class B** | **Class A** |
| Activities in the manufacturing industry | 2.5 | 5 | General case:  **Manufacturing industry** | €1m and  100 jobs | €2m and  150 jobs |
| In municipalities with unemployment rate equal or more than the country average | 1 | 2 | General case:  **Services sector** | €0.25m and  100 jobs | €0.5m and  150 jobs |
| High-tech activities in the manufacturing industry for the entire country | 1 | 2 | In municipalities with unemployment rate equal or more than the country average | 10 jobs | 25 jobs |
| Activities in the service sector such as:  - warehousing and support activities for transportation  - outsourcing of business processes (for administrative and office activities) | 0.75 | 1.5 | High-tech activities in the manufacturing industry for the entire country | 10 jobs | 25 jobs |
| High-tech activities in the service sector such as:  - ICT and computer technologies, BPO  - R&D  - activities of head offices  - education  - human health care  - accounting and auditing  - architecture and engineering | 0.5 | 1 | High-tech activities in the service sector such as:  - ICT and computer technologies, BPO  - R&D  - activities of head offices  - education  - human health care  - accounting and auditing  - architecture and engineering | 25 jobs | 50 jobs |

**Class A and B investment incentives**

- Information services;

- Shortened administrative procedures - The central and local government authorities will provide administrative services shortened with one-third of the time period established by the law;

- Financial support of up to 25% for the vocational training for obtaining professional qualifications;

- Reimbursement of labor costs paid by the employer;

- On the request of certified investor, the corresponding authorities may transfer ownership rights or establish a limited ownership right over real estate (private state or private municipal property) without a tender.

**Only for class A investment incentive**

Consulting and individual administrative services. Investors will be able to authorize Agency officials to obtain from the corresponding competent bodies on investors’ behalf and for investors’ account any documents for implementation of the corresponding investment project as may be required under the existing legislation.

Financial support for construction of technical infrastructure elements to the borders of the project site, needed for implementation of one or more investment projects.

**Tax Incentives**

**Law on value added tax (VAT)**

VAT exempt for import of equipment for investment projects implemented within a period of two years:

* Amount of the investment - over 5 million BGN for a period not longer than two years
* 20 new jobs created
* Ability of the entity to finance the project

The approval of those projects is issued by the Ministry of Finance

**Law on income tax of physical persons**

          10% personal income tax rate (flat rate) as of 01.01.2008

**Law on corporate income tax levying**

          10% corporate tax (flat rate);

          0% corporate tax in areas with high unemployment;

        (25% higher than the country average, when the following conditions are fulfilled):

- during the all fiscal period the taxable person maintains not less than 10 job positions, and 50 per cent of them are being occupied directly in the carried out production activity;

- during the all fiscal period, not less than 30 per cent of the staff are persons, who have their permanent address in the municipality in which the unemployment rate was at least 25 % higher than the country’s average;

- the assets are located entirely within the administrative boundaries of the municipality with high unemployment;

- tax has been invested in acquiring tangible and intangible assets necessary for the production activity for a period of up to four years after the year for which the cession is used;

- the amount of the admissible expenses for intangible assets in the initial investment shall not exceed 50 per cent of the amount of the admissible expenses for tangible and intangible assets in the initial investment.

**Incentive/subsidy grant by EU or Bulgaria**

The EU awards grants to organizations and, occasionally, individuals, to help them carry out projects that further its policies. The EU provides funding for a broad range of projects and programs covering areas such as:

* regional & urban development
* employment & social inclusion
* agriculture & rural development
* maritime & fisheries policies
* research & innovation
* humanitarian aid.

The EU rarely finances projects up to 100%. Rather, grants are a form of complementary financing, and the beneficiary organization will also put up a percentage of the funding for their project.

You can find more information about the EU funds in Bulgaria on Invest Bulgaria Agency website:

[**https://www.investbg.government.bg/en/pages/eu-funds-in-bulgaria-216.html**](https://www.investbg.government.bg/en/pages/eu-funds-in-bulgaria-216.html)

Does Bulgaria permit investment in 17+1project by third countries?

**f)**        **Bulgaria is a member of 17+1 Group.** There is no established by the law for investment. Council of Ministers of Republic of Bulgaria take the decision at hoc.

The category and frequency of taxes levied?

**g)      Taxes**

**Corporate tax**

Corporate tax on the annual tax returns in Bulgaria is set at 10%. Taxable persons are local entities, including unincorporated entities, conducting business in the country for the profits and income from all sources in Bulgaria and abroad. Foreign entities are taxed for the profits earned through a permanent establishment in Bulgaria or for the sale or transfer of property as well as for the income from a source in Bulgaria.

**VAT tax/ custom duty on import of plant/machinery and Raw material**

According to the Bulgarian legislation the following transactions are subject to VAT:

* any taxable supply of a good or service;
* any intra-Community acquisition of a place of performance within the territory of the country by a person registered under this Act or by a person for whom an obligation to register has arisen;
* any intra-Community acquisition of new vehicles with a place of performance within the territory of the country;
* the importation of goods;
* any intra-Community acquisition of a place of performance in the territory of the country of excise goods for consideration where the recipient is a taxable person, or a taxable legal person not registered under this Act.

The tax rate is 20% and applies to:

* any taxable supply of a good or service, except for those expressly stated in the law, that they are taxed at 0%;
* the import of goods into the territory of the country;
* any intra-Community acquisition with a venue on the territory of the country.

**Customs procedure for import of machinery and raw material.**

National Customs Agency of the Republic of Bulgaria

Information on the link below

<https://customs.bg/wps/portal/agency-en/home>

**Any VAT and customs duty exemptions for new project of investments.**

There is option for 0% corporate taxation in regions with high unemployment if you reinvest the profit.

This exemption is in force till 2020 when the new financial program period with EU funds starts/2020-2027.