

INFORMATION - Bulgaria

Use and Enjoyment - VAT Directive 2006/112/EC - Article 59a

In Bulgaria, there are no use and enjoyment rules applicable with respect to telecommunications, broadcasting and electronic services provided to non-VAT taxable persons in accordance with Article 59a of Directive 2006/112/EC.

Time of supply / chargeability - Deferment and Cash Accounting Scheme - VAT Directive 2006/112/EC - Article 66

In Bulgaria, telecommunications, broadcasting and electronic services provided to non-VAT taxable persons become taxable when the supply takes place.

Reference to the above may be found in Art. 25, para. 2 of Bulgarian VAT Act.

In Bulgaria, the cash accounting scheme is not available for supplies to non-VAT taxable persons.

Reference to the above may be found in Art. 151a, para. 2, p.4 of Bulgarian VAT Act.

Time of supply / chargeability - Continuous supplies - VAT Directive 2006/112/EC - Article 64(2)

In Bulgaria, for continuous supplies, VAT becomes chargeable when the payment is due. For services provided over a period longer than a year and no payment was due during this period, VAT becomes chargeable at the end of the calendar year.

When there is a supply of service in stages (milestones), the reaching of each milestone is considered a separate supply and VAT becomes chargeable on the date of completion of the stage. (Amendment in p. 4 valid from January 1st 2017).

Reference to the above may be found in Article 25, para. 4 and para. 5 of the Bulgarian VAT Act.

Re-valuation of services at open market value - VAT Directive 2006/112/EC - Article 80

The taxable amount of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons may be deemed to be the open market value for transactions between related parties: "Related parties" include (for instance):

(a) spouses, lineal relatives, collateral relatives up to the third degree of consanguinity, and affines up to the second degree of affinity and in a common household;

(b) employer and employee;

(c) partners;

(d) any two persons, of whom one participates in the management of the other or of a subsidiary thereof;

(e) any persons in whose management or supervisory body one and the same natural or legal person is a member, including where the said natural person represents another person;

(f) a corporation and a person who holds more than 5 per cent of the issued voting participating interests or shares in the corporation;

(g) any two persons, of whom one exercises control over the other;

(h) any persons whose activity is controlled by a third party or by a subsidiary thereof;

(i) any persons who jointly control a third party or a subsidiary thereof and etc.

(j) persons, where one of them is a trade or commercial agent of the other

(k) persons, where one of them has made a donation to the other

(l) persons participating (directly or indirectly) in the management, control or capital of another person or persons, thus being able to negotiate terms which differ from the usual ones.

(m) residents who have concluded a deal with a foreign person under certain circumstances.

The relevant provision in the Bulgarian VAT legislation can be found in art. 27, para. 3 of the Bulgarian VAT Act.

The definition of related parties may be found in para 1, point 3 of Supplementary Provisions of the Bulgarian Tax and Social Security Procedure Code.

Bad Debt relief - VAT Directive 2006/112/EC - Article 90

In Bulgaria, bad debt relief is not available with respect to supplies of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Application of reduced VAT rates - VAT Directive 2006/112/EC - Article 98

In Bulgaria, no reduced VAT rates apply with respect to telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Standard VAT Rate - VAT Directive 2006/112/EC - Article 96-97

In Bulgaria the standard VAT rate is 20%.

Release from payment of insignificant amounts of VAT - VAT Directive 2006/112/EC - Article 212

Bulgaria has not implemented rules under its domestic legislation whereby taxable persons are released from the payment of the VAT where the amount due is insignificant.

Invoicing Obligations - Obligation to issue an invoice - VAT Directive 2006/112/EC - Articles 217-249

In Bulgaria, taxable persons making supplies to non-taxable individuals are not obliged to issue an invoice unless explicitly requested by the individual.

Reference to the above may be found in Article 113, para. 3, point 6 of the Bulgarian VAT Act.

Invoicing Obligations - Content of an invoice - VAT Directive 2006/112/EC - Articles 217-249

If the taxable supplier opts to issue an invoice or the individual asks for an invoice, the invoice should be issued in accordance with Directive 2006/112/EC and contain the mention: "Original" in Bulgarian ("Оригинал"), according to the Implementation Regulations of the Bulgarian VAT Act.

If the supplier is established in Bulgaria, the invoice should be in Bulgarian. It can be issued in several languages provided that one of them is Bulgarian. Reference to this requirement may be found in Article 5 of the Bulgarian Accountancy Act. (Amend. – State Gazette 95/08.12.2015, in force from 01.01.2016).

The amounts in the invoice may be stated in a foreign currency, provided that the taxable amount and the amount of the VAT are stated also in BGN. (article. 114, para. 5 of the Bulgarian VAT Act)

Reference regarding the content of invoices may be found in Article. 114, para. 1 of the Bulgarian VAT Act.

Invoicing Obligations - Time limit for issuing an invoice - VAT Directive 2006/112/EC - Articles 217-249

In Bulgaria, invoices should be issued no later than the fifth day following the chargeable event or after the payment is received in case of advance payment.

Reference to the above may be found in Article 113, para. 4 of the Bulgarian VAT Act.

Invoicing Obligations - Summary Invoices - VAT Directive 2006/112/EC - Articles 217-249

Summary invoices may be issued, but no later than the last day of the month during which the VAT has become chargeable.

Reference to the above may be found in Article 113, para. 13 of the Bulgarian VAT Act.

Invoicing Obligations - Electronic invoices - VAT Directive 2006/112/EC - Articles 217-249

E-invoicing is available in Bulgaria in accordance with the rules laid down in Directive 2006/112/EC.

Reference to the above may be found in Article 114, para. 9, para. 10 and para. 11 of the Bulgarian VAT Act.

Article 114, Para. 9 from the VAT Act: Documenting of supplies with electronic invoices and electronic notifications to invoices shall be carried out, provided that such documenting is accepted by the recipient with a written or tacit consent.

Article 114, Para. 10 of the VAT Act: The taxable person shall ensure the authenticity of origin, the integrity of content and the readability of the invoice or the notification thereto by exercising any type of control over the economic activity, creating a reliable audit trail between the invoice or the notification to the invoice and the supply of the goods or services.

Article. 114, Para. 11 of the VAT Act: In addition to the control over the economic activity under paragraph 10, the authenticity of origin, the integrity of content and the readability of the invoice or the notification thereto shall be provided by qualified electronic signature or the Electronic Data Interchange standard (EDI).

Invoicing Obligations - Batch of electronic invoices - VAT Directive 2006/112/EC - Articles 217-249

There is no provision regarding the issue of batches of electronic invoices in Bulgaria.

Additional obligations deemed necessary for collecting VAT and preventing evasion (anti-avoidance measures) - VAT Directive 2006/112/EC - Article 273

Bulgaria has not implemented any rules or anti-avoidance measures that may directly impact telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Stand-still scheme - Derogations for States which were members of the Community on 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391

N/A

Stand-still scheme - Derogations for States which acceded to the Community after 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391

There are no provisions which are applicable under a Stand-still Scheme in the Bulgarian VAT legislation or subject to common practice in Bulgaria that may be relevant for telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

VAT Treatment of vouchers

There are no specific provisions relating to vouchers in the Bulgarian legislation.

A prepaid voucher is considered as a pre-payment as far as the underlying supply and client (recipient) are identified at the time of sale of the voucher.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (E-learning activities)

The supply of education (i.e., pre-school instruction and character education, school or university education, vocational education and training, post-graduate training, retraining and upgrading of qualifications, training for acquisition of key competences) is exempt if provided by:

- (i) kindergartens, schools or auxiliary units under the Public Education Act, institutions within the vocational education and training system under the Vocational Education and Training Act, suppliers of education for acquisition of key competences included in the list approved by the Executive Director of the Employment Agency or cultural and educational or scientific institutions; or
- (ii) higher schools under the Higher Education Act and etc.

Reference to the above may be found in Article 41 of the Bulgarian VAT Act.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (Gambling activities)

In Bulgaria, the provision of games of chance, within the meaning given by the Gambling Act, is exempt. Games of chance include: lotteries, betting on outcomes of sports competitions and horse and dog races, betting on Chance Events, and betting on guessing of facts, games played with gambling machines and casino games. The manner, technical means and electronic communication means or services, via which a game of chance is organized and offered, does not affect the VAT status of the service.

Reference to the above may be found in Article 48 of the Bulgarian VAT Act and Article 41 of the Gambling Act.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (General)

Insurance and financial services are exempt in Bulgaria, but, in principle, these exemptions should not have an impact on the provision of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Reference to the above may be found in Articles 46 and 47 of the Bulgarian VAT Act.

VAT Registration Process

For non-EU businesses, a registration application form must be submitted to the Territorial Directorate of NRA in Sofia. For EU businesses, the application form must be submitted to the competent Territorial Directorate as per the business's place of establishment.

The application form must be submitted electronically via the web portal of the NRA and at least the following information must be provided:

1. Name, postal address, electronic addresses, incl. web sites of the taxable person;
2. Tax registration Identification number, if any (for the non-Union scheme) or VAT identification numbers in other MS (for the Union scheme);
3. Electronic declaration evidencing that the taxable person is not registered for VAT purposes in a Member State (for the non-Union scheme);
4. Bank account details of the taxable person (Euro bank account for the non- Union scheme);
5. Identification numbers from previous registrations of the taxable person, if any (for both Union and non-Union schemes);
6. Evidence of any fixed establishments in other Member States (for the Union scheme).

Within 14 days, the revenue authority will carry out certain checks of the registration information provided to ensure that the taxable person meets the conditions for using the scheme and either issue a registration certificate or a reasoned refusal decision electronically.

Registration will take effect from the first day of the calendar quarter following the one in which the taxable person applies for the scheme. When the application is submitted before the 10th of the month following the first delivery the registration will take effect from the date of the first delivery.

For registration purposes an official identification number will be issued under Article 84, par. 3 of the Tax and Social Security Procedure Code in front of which the abbreviation EU is added for the non-Union scheme.

The registration procedures for both schemes (Union and non-Union schemes) may be found in Art. 154 and 156 of the Bulgarian VAT Act.

Access to web-portal and contact details of the local VAT Authorities

Web Portal - <http://nap.bg/page?id=319> or <http://nap.bg/en/page?id=529>.

General contact and contact VAT obligations and reimbursements :

National Revenue Agency

e-mail: infocenter@nra.bg.

Phone number 00359 2 9859 6801

Appointment of a VAT Agent

No tax (accredited) representative is required in Bulgaria in relation to registration under the MOSS.

Penalties for non-compliance (Failure to register and late registration)

Those taxable persons not choosing MOSS but supplying telecommunications, broadcasting and electronic services to non-VAT taxable persons in Bulgaria have an obligation to register under the general VAT rules. In this case the penalty for non-registration or late registration is between BGN 500 (EUR 255) and BGN 5,000 (EUR 2,550). The exact amount of the penalty depends on the degree of the offense.

Reference to the above may be found in Article 178 of the Bulgarian VAT Act.

As the registration for MOSS is voluntary, the above general VAT penalties will not apply if a taxable person qualifying for MOSS decides to register within the legal timeframe under the general VAT rules instead of opting for the special scheme.

Penalties for non-compliance (Non-payment and late payment of VAT)

A registered person, who, being obliged, does not charge tax within the terms provided in the Bulgarian VAT Act, shall be punished with a fine (in case of natural persons who are not sole traders), or with proprietary sanction (in case of legal persons and sole traders) in extend of the non-charged tax, but not less than 500 BGN. In case of repeated offence, the fine / sanction is the double of the tax not charged but not less than 1000 BGN.

This shall also be applied when the person has not charged tax, because he/she has not submitted application for registration and has not been registered under this Act in term.

At such violation, when the registered person has charged the tax within 6 months from the end of the month during which the tax was supposed to be charged, the fine, respectively the proprietary sanction shall be in extend of 5 percent of the tax, but not less than 200 BGN, and in the event of repeated offence, not less than 400 BGN.

In case of such violation, where the registered person has charged the tax after the time limit of 6 months has expired, but not later than 18 months from the end of the month, during which the tax was supposed to be charged, the fine or the proprietary sanction shall amount to 10 percent of the tax, and not less than 400 BGN, and in case of repeated offence not less than 800 BGN.

Reference to the above may be found in Article 180 of the Bulgarian VAT Law (amend. – SG 108/07, in force from 19.12.2007; suppl. – SG 95/15, in force from 01.01.2016).

In case of VAT not being charged for supplies of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons taxable in Bulgaria when the offense is committed by a person registered for application of non-EU scheme (whether in Bulgaria or in another EU Member State) or by a person registered for application of the EU scheme in another EU Member State - 25% of the non-charged/ late charged VAT but not less than BGN 250 (EUR 127). Upon a repeated violation the penalty shall be twice the amount of uncharged VAT but not less than BGN 5,000 (EUR 2,550).

Reference to the above may be found in Article 180b of the Bulgarian VAT Law.

Penalties for non-compliance (Non-submission and late submission of VAT returns)

The penalty for non-submission or late submission of VAT returns is between BGN 500 (EUR 255) and BGN 10,000 (EUR 5,100).

Reference to the above may be found in Article 179 of the Bulgarian VAT Act.

Penalties for non-compliance (Incomplete and incorrect VAT returns)

If the mistake leads to underpaid VAT, the penalty is the amount of the underpaid VAT and not less than BGN 1,000 (EUR 510).

Reference to the above may be found in Article 182 of the Bulgarian VAT Act. This provision is not applicable to supplies under MOSS.

Penalties for non-compliance (Non-compliance with invoicing and accounting obligations)

Penalties could be imposed only if the failure to issue an invoice or to include it in the listings leads to underpaid VAT (the penalty is the amount of underpaid VAT).

Reference to the above may be found in Article 182 of the Bulgarian VAT Act. However, this provision is not applicable to supplies under MOSS.

A penalty of BGN 500 to BGN 10,000 will be charged on any MOSS registered user who fails to keep an e-register in accordance with the legislation of their Member State of Identification. In case of repeated violation, the penalty shall be between BGN 1,000 and BGN 20,000.

Reference to the above may be found in Article 181a of the Bulgarian VAT Act.