BULGARIA

BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile
With a GDP per capita of USD 7,350 (World Bank), the Bulgarian consumer is the poorest in the EU, but wealthier than most other nations in the Balkans. Bulgaria has an ageing and shrinking population as youth aged 0-24 accounts for 23% of the total population and the natural growth rate is -0.61% (CIA World Factbook). The consumer market is characterised by significant income inequalities with Bulgaria having the highest Gini index score among EU member states (37 points, 85th worldwide).

Consumer Behaviour
Strong wage increases coupled with a steady economic growth have reshaped spending habits of the Bulgarian consumer over the recent years. City-dwellers in particular show growing interest in dining out as well as healthy and organic products (17% of Bulgarians state they have strong interest in healthy lifestyles according to a national representative study - Noema 2016). Bulgarian consumers prefer buying from local stores near where they live or work, despite the increasing presence of hypermarkets and general retailers (mostly of German origin). Online shopping is also increasingly popular among Bulgarian consumers and is expected to grow at an annual rate of 8.8% from USD 571 million to USD 800 million in 2022. More than half of the online population (54%) is expected to shop online. Nonetheless, e-commerce has a considerable growth potential as its share in enterprises’ revenues is only 5%, second lowest in the EU after Greece (Eurostat - 2018).

Consumers
Associations
Bulgarian National Consumers Association (BNACC)

IMPORTING & DISTRIBUTING

Import Procedures
Importation processes require:
- A customs declaration document
- A post-clearance examination of relevant documents or data
- Submission of an invoice or Pro-Forma invoice, a certificate of origin or a
certificate of the movement of the goods in order to take advantage of preferential customs treatment, transport documents, an insurance policy, a specification, an Economic Operators Registration and Identification number (EORI) and a packing list
- A veterinary or physio-sanitary certificate for goods of animal or plant origin
- Other documents or laboratory analyses
- An EC Safety & Security regulation and the Advance Cargo Declaration are mandatory for all goods leaving, arriving or moving through the EC

A Bulgarian decree is required for non-automatic license of nuclear materials, explosives, arms, dual-use commodities, plant protection products, and pharmaceuticals for human medicine. Bulgarian Customs exercises control over the export, import, re-export and transit of arms and dual-use goods and technologies. Bulgarian regulations follow the EU list of dual-use goods.

For more information, please visit the website of Bulgarian Customs.

Distribution market players
According to Euromonitor International, the Bulgarian distribution market continues to be supported mainly by traditional and often independent grocery stores and stores, which are estimated at around 35,000. The more modern chain stores are growing slowly and there were about 4,200 in 2016. The market is quite competitive, and the main distributors are:
- Kaufland - market share estimated at 13.2% in 2016 (55 stores)
- Metro - market share estimated at 7.1% in 2016 (15 stores)
- Lidl - estimated market share of 6.3% in 2016 (79 stores)
- Billa - market share estimated at 5.5% in 2016 (100 stores)

OPERATING A BUSINESS

Type of companies

**Ednolichen Tatgovetz or E.T. (sole proprietorship)**

**Number of partners:** 1 person

**Capital (max/min):** no minimum required

**Shareholders and liability:** No distinction between the individual and the society. The responsibility of the entrepreneur extends to his personal patrimony.

**Druzhestvo s ogranicena otgovornost or O.O.D. (Private Limited Company)**

**Number of partners:** Minimum 2 partners. 1 member for a sole proprietorship.

**Capital (max/min):** Minimum capital of BGN 50,000 (shares of minimum BGN 500).

**Shareholders and liability:** Liability is limited to the amount contributed.
or A.D (Joint-stock company)

**Number of partners:** Minimum 2 shareholders.

**Capital (max/min):** Minimum BGN 1 million (5 million in case of public subscription).

**Shareholders and liability:** Liability on assets of the company and up to their value towards creditors.

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Sabiratelnno Druzhestvo
ou S.D. (General partnership)

**Number of partners:** Minimum 2 partners.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Partners' liability is joint and unlimited

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Komanditno druzhestvo
ou K.D. (Limited partnership)

**Number of partners:** Minimum 2 partners, a sleeping partner and an active partner.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Active partners' liability is joint and indefinite. Sleeping partners' liability is limited to the amount contributed.

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<table>
<thead>
<tr>
<th>Setting Up a Company</th>
<th>Bulgaria</th>
<th>Eastern Europe &amp; Central Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures (number)</td>
<td>7.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Time (days)</td>
<td>23.0</td>
<td>10.2</td>
</tr>
</tbody>
</table>

*Source: Doing Business.*

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**Cost of Labour**

**Minimum Wage**
The minimum wage is BGN 510 per month in 2018 according to Eurostat.

**Average Wage**
In 2015, the gross average monthly wage was BGN 878 according to the ILO (latest data available). According to data from the Bulgarian government, it was BGN 1,123 in December 2017.

**Social Contributions**
Social Security Contributions Paid By Employers: Between 31% and 51% of wages according to the category to which employees belong.
Social Security Contributions Paid By Employees: About 22% of gross earnings.
Intellectual Property

National Organisations
The organization for the protection of trademarks and patents is the Bulgarian Patent Office.
Since 1993, there is a law on copyrights and intellectual property. There is also a law on patents but it is not very reliable.
Bulgaria signed the Paris Convention concerning the protection of industrial property and the agreement which establishes the World Organization of Intellectual property (WIPO). Concerning patents, Bulgaria ratified the treaty of co-operation on patents.

Regional Organisations
The European Patent Office

International Membership
Member of the WIPO (World Intellectual Property Organization)
Signatory to the Paris Convention For the Protection of Intellectual Property

TAX RATES

Consumption Taxes

Nature of the Tax
VAT (value added tax) or данък върху добавената стойност

Tax Rate
20%

Reduced Tax Rate
A 9% rate applies to certain tourist services.
Zero-rated supplies include: exportation of goods; international transport and related services; intra-Community supplies; services related to the international traffic of goods; inward processing of goods (under certain conditions); supplies related to duty-free trade; intermediary services of agents, brokers or other intermediaries related to zero-rated supplies.
Exempt items include: certain real estate transactions; leasing of residential buildings to individuals; financial services; insurance and reinsurance services; medical care services; education, cultural and sports services; betting and gambling; intermediary services related to international adoption procedures under the Family Code in Bulgaria.

Other Consumption Taxes
Bulgaria applies excise duty to alcohol (except for wine), tobacco and cigarettes, money games, petroleum, natural gas, kerosene and electricity (zero rate for electricity used by households).
For further information on excise duty consult the EU comparison table. A tourist tax is levied at rates between BGN 0.20 and BGN 3 per night, depending on the type of accommodation.

Corporate Taxes

Company Tax
10%

Tax Rate For Foreign Companies
Bulgarian residents are taxed on their worldwide income whereas non-residents are only taxed on their Bulgaria-sourced income.

Capital Gains Taxation
Capital gains are included in the taxable income of a company and taxed at the standard corporate income tax rate of 10%. Capital gains arising from the sale of publicly listed shares (on the Bulgarian stock exchange or any other European/EEA stock exchange) are exempt.

Main Allowable Deductions and Tax Credits
Depreciation of tangible and intangible assets is tax deductible at rates ranging from 4% to 50%. Goodwill cannot be amortised for tax purposes. Start-up costs can be deducted in the first year of business activity. Interest costs and bad debt are also deductible. As of 1 January 2019, deduction provided for borrowing expenses is limited to 30% of the company’s tax-adjusted EBITDA (the limit only applies to net borrowing costs exceeding EUR 3 million per year). Donations to charities are deductible up to 10% of the company’s profit. Fines cannot be deducted from taxes, unlike taxes (except for corporation tax). Bad debt impairment costs can be deducted upon expiration of the statute of limitation period. Tax losses can be carried forward up to five years. Tax losses of foreign origin can only be offset by income from the same source (except losses of European origin which can be offset by any type of income). The carryback of losses is only allowed in certain cases.

Other Corporate Taxes
Social security contributions payable by the employer are between 14.12% and 14.82% (the rate varies according to the coefficient of the work injury insurance). Contributions for health insurance payable by the employer amount to 4.8% of salary. The base for the contribution is total income, up to a limit of BGN 3,000 per month. Minimum thresholds per position and industry also apply. A tax on insurance premiums is collected at a rate of 2% (life insurance, reinsurance, transport insurance are exempt). The city tax due per night is between BGN 0.20 and BGN 3 (the amount varies depending on the type of accommodation). The payroll tax is levied on remuneration, bonuses and certain benefits in kind at a rate of 10% (the amount retained by the employer). The property tax varies between 0.01% and 0.45% of the taxable value of the
property (the rate is determined by the municipalities). A garbage collection tax also applies since 2020 (at varying fees calculated by local municipalities). The transfer of real estate or vehicles is taxed at rates varying between 0.1% and 3% (rate determined at the municipal level).

**Other Domestic Resources**

Consult Doing Business Website, to obtain a summary of the taxes and mandatory contributions.

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**Double Taxation Treaties**

**Countries With Whom a Double Taxation Treaty Have Been Signed**

See the list of the double taxation agreements signed by Bulgaria.

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**Withholding Taxes**

Dividends: 5%, Interest: 10%, Royalties: 10%