

**REPUBLIC OF BULGARIA
MINISTRY OF FINANCE
NATIONAL REVENUE AGENCY**



Tax implications of the crisis – the case of Bulgaria

**3rd Meeting of the SEE WG on Tax Policy Analysis
OECD**

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June 2010, Sofia

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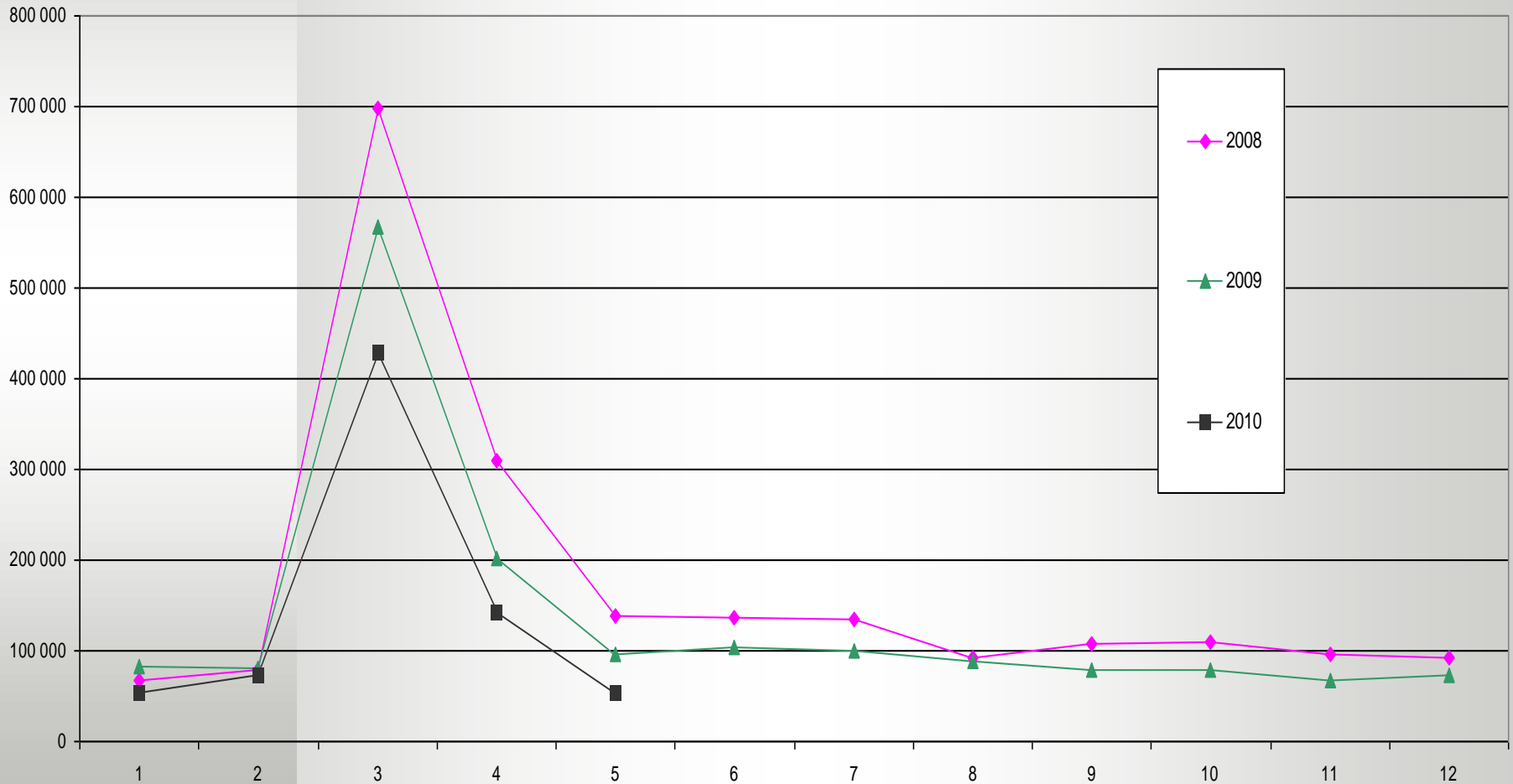
- ✦ Some figures about the crisis
- ✦ Anti-crisis measures dispute
- ✦ “Tax” anti-crisis measures



Some figures about the crisis (1)

- The beginning ...

CIT
(x 1 000 BGN)

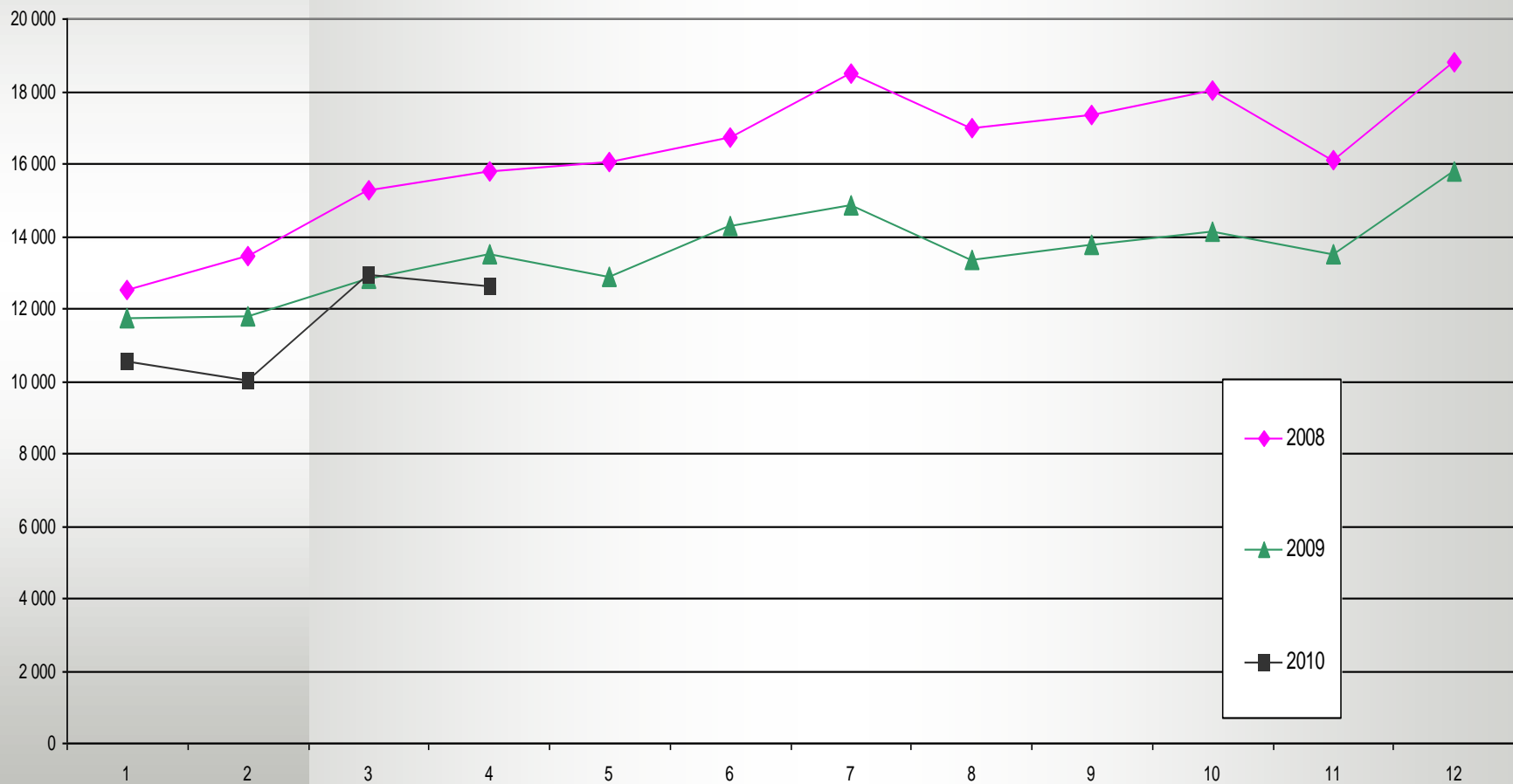




Some figures about the crisis (2)

- The end?

Turnover (VAT)
(x 1 000 000 BGN)





Some figures about the crisis (3)

- ✦ Tax policy changes from 2009 to 2010:
 - ◆ Social security contributions rate – reduced by 2 percentage points
 - ◆ The coefficient used in calculating the tax pre-payment under the Corporate Income Tax Act for 2010 - reduced from 1.1 to 1.0.
 - ◆ VAT deduction term - reduced from 3 to 2 months



Anti-crisis measures dispute (1)

- ✦ The forum: National Council for Tripartite Cooperation (NCTC) - representatives of the government, trade unions and employers' organizations
- ✦ The target: BGN 2 billion
 - ◆ expenditures - BGN 1 billion less
 - ◆ revenues - BGN 1 billion more
- ✦ The challenge:

If no agreement achieved – VAT rate goes up starting from June 2010!



Anti-crisis measures dispute (2)

- ✦ NCTC agreed on a bundle of 60+1 measures.
 - ◆ **Fiscal Support**
 - ◆ Limiting Public Spending
 - ◆ **Financial Discipline**
 - ◆ Additional Financial Resources for Enterprises
 - ◆ Support of Household Income
 - ◆ **Labour Market**
 - ◆ **Social and Health Insurance Systems**



“Tax” anti-crisis measures (1)

✦ Fiscal support

- ◆ 8. Introducing a final tax on merchandize awards and cash prizes from games of chance. (BGN 80 million);
- ◆ 9. Changing the method of taxing the insurance premiums;
- ◆ 10. Restoring to 1.1 (from 1.0) the coefficient used in calculating the tax pre-payment under the CITAct for 2010 (BGN 50 million);
- ◆ 13. Introducing Luxury Tax (BGN 35 million);



“Tax” anti-crisis measures (2)

✦ **Financial Discipline**

- ◆ 23. Recovering VAT and excise duty due to companies within the legal time-limit.
- ◆ 25. Public registers for the funds due on public procurement, VAT, excise duty and European projects.
- ◆ 27. Immediate legislative revisions to guarantee that the period of refunding on behalf of the state to the companies will be declared a period without calculation of interest on due taxes and insurance contributions, as well as access will be granted to European projects and public procurement.
- ◆ 28. Simplified procedures and shorter time-limits of the procedure for declaration of bankruptcy.



“Tax” anti-crisis measures (3)

✦ **Financial Discipline (cont.)**

- ◆ 29. The Ministry of Finance shall publish every month detailed information about:
 - ✓ the execution of the revenue and expenditure sections of the budget, with an attached analysis, including the balance on VAT;
 - ✓ the developments on Bulgaria’s foreign debt with attached economic analysis;
 - ✓ condition of the fiscal reserve, broken down into foreign currencies and current profitability;
- Every quarter the MoF shall collect and publish information about the financial results of all the major state-owned companies.



“Tax” anti-crisis measures (4)

✦ Labour Market

- ◆ 50. Collection by the National Revenue Agency of information about unpaid salaries and provision of summarized quarterly data by economic activity, region and at national level.



“Tax” anti-crisis measures (5)

- ✦ **Social and Health Insurance Systems**
- ✦ 52. Temporary suspension, until the end of 2011, of the reduction of social insurance contributions.
- ✦ 56. Waiver of increasing health insurance contribution. Introduction of electronic patient health card by the end of 2010. Drastic measures for control and increasing the collectability of funds in the budget of the National Health Insurance Fund (NHIF).
- ✦ 57. Persons without health insurance on other grounds shall pay insurance contributions calculated on the income from capital and property.



“Tax” anti-crisis measures (6)

✦ **The 61-st anti-crisis measure**

- ◆ **Prohibition of cash payments over certain amount**



Questions/Comments?