

MINISTRY OF FINANCE
National Revenue Agency



**BULGARIAN CORPORATE INCOME TAX
REFORM**

**SECOND MEETING OF THE SEE WORKING GROUP ON TAX POLICY
ANALYSIS**

16-19 JUNE 2009, DUBROVNIK, CROATIA



CORPORATE INCOME TAX IN THE REPUBLIC OF BULGARIA

- In the end of the 1990s the economic analyses of country's standing showed that the economic conditions of doing business in Bulgaria needed improvement.
- One of the major factors the business is interested in is the fiscal rate of taxation.
- Like in other countries of Central and Eastern Europe, in Bulgaria a decision was taken to decrease the corporate income tax with the objective to secure higher and sustainable economic growth of the Bulgarian economy.



OBJECTIVES OF THE TAX REFORM

- To decrease the share of the gray (informal) economy in Bulgaria and to secure greater transparency in the income taxes
- To decrease the costs of taxes administration and servicing
- To increase the income from corporate taxes in the budget, by eliminating the stimulus for concealing income and non-payment of taxes



CORPORATE INCOME TAX REFORM

- NEW CORPORATE INCOME TAX ACT – YEAR 2007
- DECREASE OF THE CORPORATE INCOME TAX RATE

In the **FY1997 ÷ FY 2007** period five decreases have been made in the tax rate of the CIT

FISCAL YEAR 1997

- Tax rate 40 % - large taxpayers
- Tax rate 30 % - small taxpayers

FISCAL YEAR 2007 and 2008

- Tax rate 10 % - all taxpayers



CORPORATE INCOME TAX REFORM (2)

- Clear rules for the formation of the corporate tax base
- Removal of the tax incentives and relieves
- Tax losses carry forward rules
- Thin capitalization rules
- Decrease of the withholding tax rates (5 % for dividends, 10 % for interest payments, royalties and technical services)

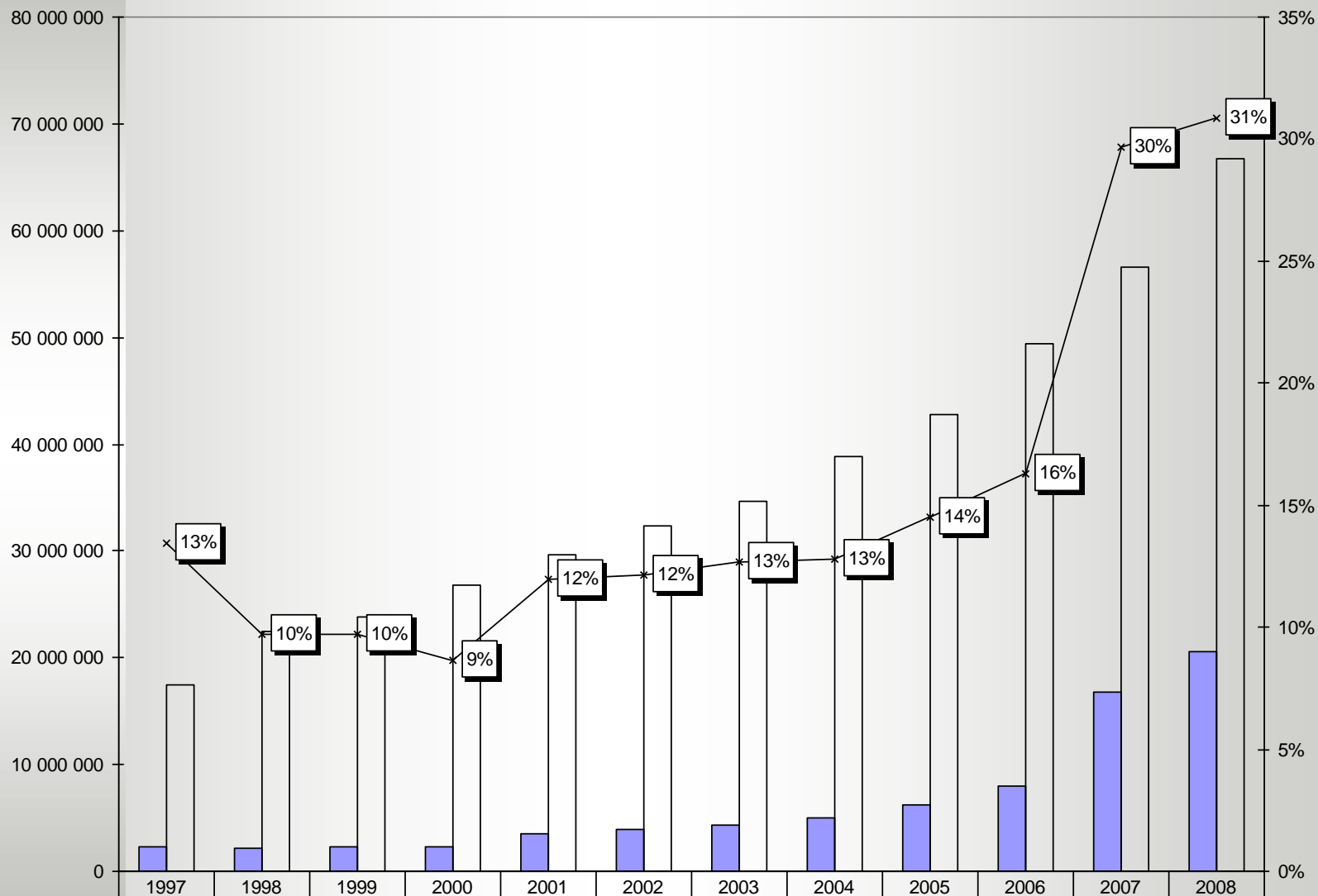


EFFECTS OF THE CORPORATE INCOME TAX REFORM

- Decreasing the relative share of the gray economy
- Increasing the share of the corporate taxes in the budget revenue
- Notwithstanding the decrease in the tax rate from 40 % to 10%, the budget revenue share of the corporate tax during that period has increased twice



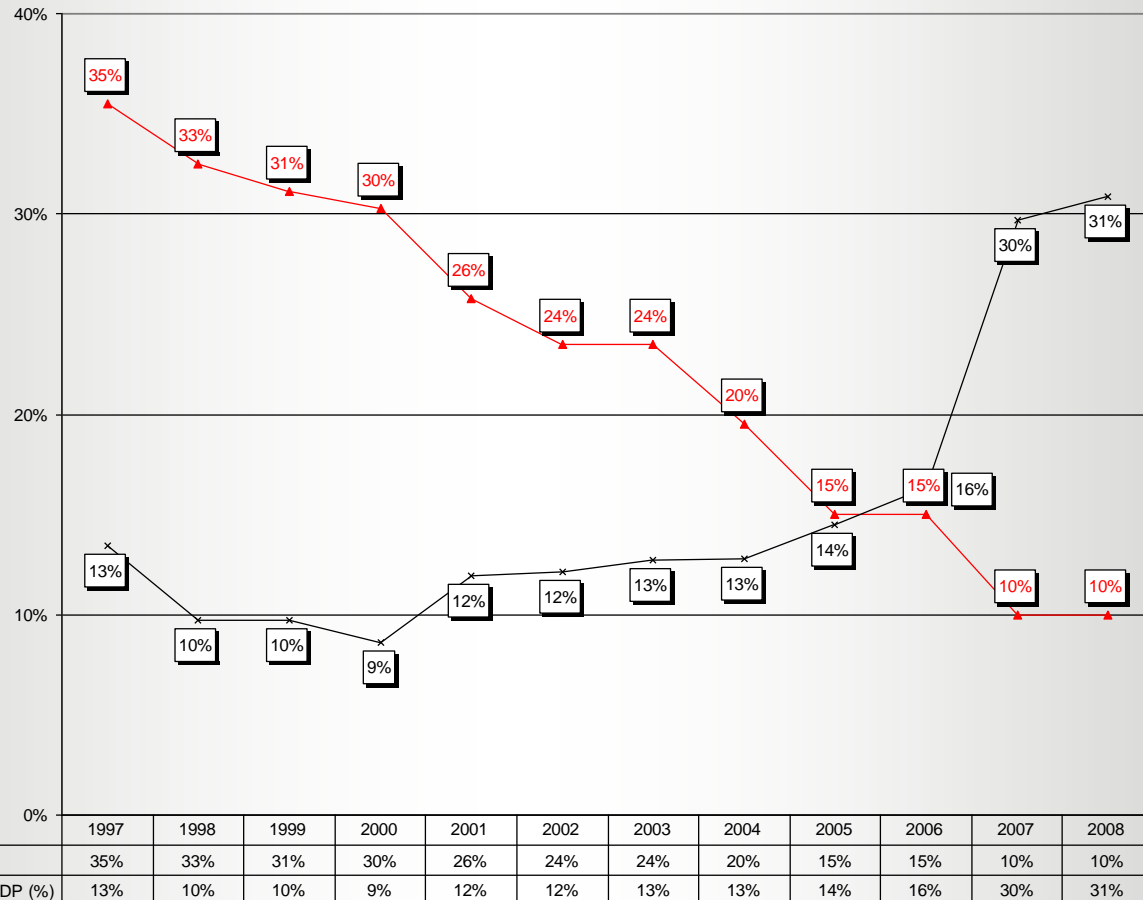
CIT base / GDP



■ CIT base (m. BGN)	2 342 863	2 176 256	2 316 459	2 308 751	3 550 808	3 928 030	4 398 199	4 975 547	6 201 255	8 042 597	16 766 038	20 597 298
□ GDP (m. BGN)	17 432 554	22 421 142	23 790 440	26 752 833	29 709 210	32 401 613	34 627 545	38 822 636	42 797 407	49 360 950	56 519 800	66 728 103
—x— CIT base / GDP (%)	13%	10%	10%	9%	12%	12%	13%	13%	14%	16%	30%	31%



CIT rate vs. (CIT base / GDP)





THANK YOU FOR YOUR ATTENTION !