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
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 rate vs. (CIT base / GDP)
THANK YOU FOR YOUR ATTENTION!