MINISTRY OF FINANCE
National Revenue Agency

THE IMPLICATIONS OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS FOR FUTURE TAX POLICY DEVELOPMENT

SECOND MEETING OF THE SEE WORKING GROUP ON TAX POLICY ANALYSIS
16-19 JUNE 2009, DUBROVNIK, CROATIA
### GLOBAL ECONOMIC AND FINANCIAL CRISIS

#### CIT Revenues

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**CIT Revenues (mln BGN)**

- **Report 2008**
- **Report/Forecast 2009**
- **Plan 2009**
GLOBAL ECONOMIC AND FINANCIAL CRISIS

In Bulgaria deterioration of the main macroeconomic indicators was established in 2009 due to the global economic and financial crisis

- Economic growth decline
- Foreign direct investment decline
- Unemployment growth
- Considerable decline of industrial production
- Considerable decline of exports
- Crediting growth has slowed down seriously
- Low productiveness

All these trends are outlining an extremely uncertain standing of the Bulgarian economy and define the development of an anti-crisis plan as a propriety
ANTI-CRISIS PLAN

- The anti-crisis plan developed by the government is based on three major pillars
  - Financial stability
  - Supporting real economy with public investments in order to protect jobs
  - Social protection
- In order to reduce crisis impact on the Bulgarian economy and the society as a whole the plan includes a set of measures related to the following policies:
  - Budgetary policy
  - Infrastructure policy
  - Investments policy
  - Employment policy
  - Tax policy
TAX POLICY

- There are two principal issues related to tax policy
  - How global crisis implications will reflect on tax policy
  - What fiscal measures should be used to reduce the crisis-related risks for the Bulgarian economy
- In terms of tax policy the crisis may be considered also as an opportunity
- An opportunity to establish:
  - Stable
  - Efficient and
  - Fair
  tax system, which shall guarantee the government stable revenue in the future.
- Opportunity to stop using inefficient fiscal measures
FISCAL MEASURES

The following measures may be used as anti-crisis ones:

- Measures for stimulating investments
  - introducing zero-tax on reinvested profit
  - introducing accelerated tax depreciation rates
- Measures for stimulating infrastructure projects over EUR 5 mln.
  - corporate tax remission (from 50 % to 100%) for a period from 5 to 10 years
  - accelerated VAT refund
- Measures for reducing unemployment by keeping the existing jobs and stimulating the creation of new jobs in high unemployment regions
  - reducing the social security burden - currently social security contributions are amounting to 31.3% of the average gross salary of the Bulgarian employees
  - corporate tax remission (from 50 % to 100% ) for a period from 5 to 10 years for high unemployment regions
FISCAL MEASURES (2)

- Measures for stimulating the development of the agriculture
  - corporate tax remission to agricultural producers
- Measures for stimulating innovations and hi-tech production
  - accelerated tax depreciation rates - 50% annual depreciation rate
- Preferential tax regimes for small and medium enterprises
  - Relieving from making advance payments for corporate tax using the income for previous year as a criterion
  - Making quarterly advance payments for corporate tax (currently the companies are making monthly advance payments)
FISCAL MEASURES (3)

- Measures to improve the collection of revenues from taxes and mandatory social security contributions
- Measures for combating tax frauds
THANK YOU FOR THE ATTENTION !