THE OECD TAX-BENEFIT MODEL FOR BULGARIA

Description of policy rules for 2020
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Description of policy rules for 2020

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Directorate for Employment, Labour and Social Affairs Jobs and Income Division
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Preface

The OECD Tax-Benefit model (TaxBEN) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD and EU countries.

Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour market situations. The model includes legal policy rules that are relevant for people of working age (from 18 years old until the statutory retirement age) and their dependent children. The model calculates tax liabilities and benefit entitlements for a broad set of stylised families (“vignettes”), e.g. a married couple of 40 years old adults with two children aged 4 and 6. Users can access the model through an online web calculator, which allows changing many of these family and individual characteristics, including the age and number of children, activity status of adult members, earnings levels, unemployment duration and social contribution records. The OECD has updated the model annually since 2001 for most countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits as well as maternity and parental leaves benefits are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the policy rules that are relevant for family, individual and labour market circumstances that are within the scope of the TaxBEN model. The Annex provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population but are not included in the model.

Reading notes and further details on the scope and content of this report

- The reference date for policy rules described in this report is January 1, 2020.
- Guidelines for updating this report are provided here.
- Further information on the model, model results, and references to reports and analytical uses is available on the project website. A methodology document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: [variable name], for instance: [AW] for the average wage.
- Text coloured in blue describes COVID-19 related measures that Bulgaria implemented after the reference policy date (1st of January 2020). These policies are not part of the TaxBEN model for 2020.
The OECD tax-benefit model for Bulgaria: Policy rules in 2020

1. Reference wages

Average wage \([AW]\) : The average full-time wages used in the OECD tax-benefit model are available here.\(^1\) If the average wage for the current year is not available yet, the OECD uses wage projections obtained by applying forecasted wage growth to the latest available wage.\(^2\)

To date, the latest forecasted average wage available for 2020 is BGN 15357. Final wages for 2020 are published in December of the following year.

The minimum wage \([\text{MIN}]\) in 2020 is BGN 610 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2020) by 12, i.e. BGN 610\*12 = BGN 7320.

2. Unemployment benefits

2.1. Unemployment insurance (Обезщетение за безработица)

Variable names: \([\text{UI}_p; \text{UI}_s]\)

The Unemployment insurance is contributory, not means-tested and not taxable.\(^3\)

2.1.1. Eligibility conditions

Contribution/employment history: At least 12 months of insurance during the last 18 months before the unemployment event.\(^3\)

The same conditions apply irrespective of the number of previous periods of unemployment benefit receipt.

Behavioural requirements and related eligibility conditions: Note: TaxBEN assumes that the following conditions are satisfied when simulating unemployment benefits.\(^4\)

The claimants for unemployment benefit shall:
- be unemployed, either voluntarily or involuntarily;

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\(^1\) Average Wages are calculated in line with the methodology developed by the Centre for Tax Policy and Administration. For more information on methodology, see the latest Taxing Wages publication.

\(^2\) Wage growth projections for EU non-OECD countries are based on the latest EU economic forecasts.

\(^3\) Some absences from employment are considered as equivalent to employment. They includes: paid and unpaid leave for bringing up of a child; paid and unpaid leaves for temporary inability to work and for pregnancy and childbirth; unpaid leaves of up to 30 working days in one calendar year.

\(^4\) Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion OECD reports.
• not work, i.e. not performing any labour activity that requires compulsory insurance, including in another country;\(^5\)
• be registered as unemployed with their territorial branch of the Employment Agency (Агенция по заетостта), be at the disposal of the employment office, and be available and actively searching for work, i.e. to behave in a way which will not cause the termination of the registration at the employment office.
• Not be entitled to an old-age pension, an early old-age pension, also if granted in another country.

2.1.2. Benefit amount

**Calculation base:** previous gross earnings on which social insurance contributions have been paid. The reference calculation base is the average monthly contributory income over the last 24 months during which the person has been subject to compulsory insurance for unemployment. The maximum amount of the monthly contributory income is BGN 3000 per month.

**Benefit amount:** 60% of the average daily contributory income over the last 24 months preceding the month of the termination of the insurance, but not less than the fixed minimum amount. The minimum daily amount of the unemployment benefit in 2020 is BGN 9, which implies an annual amount of BGN 2340.\(^6\) The maximum daily amount of the unemployment benefit in 2020 is BGN 74.29, which implies a maximum annual amount of BGN 19315.4.

Those who have voluntarily terminated their labour contract receive the minimum unemployment benefit amount.

2.1.3. Benefit duration

The unemployment benefit is paid on a monthly basis for a maximum period of 12 months. There is no waiting period. The effective duration depends on the length of the previous employment record:

<table>
<thead>
<tr>
<th>Insurance practice after 31.12.2001(years)</th>
<th>Period for which benefit is received (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 3 years</td>
<td>4</td>
</tr>
<tr>
<td>3 years and 1 day up to 7 years</td>
<td>6</td>
</tr>
<tr>
<td>7 years and 1 day up to 11 years</td>
<td>8</td>
</tr>
<tr>
<td>11 years and 1 day up to 15 years</td>
<td>10</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>12</td>
</tr>
</tbody>
</table>

Those who have voluntarily terminated their labour contract receive the minimum unemployment benefit for maximum 4 months. A jobseeker who claims for a second time unemployment insurance before three years from the previous claim receives the minimum unemployment benefit for 4 months.

2.1.4. Means test

The benefit is not means-tested.

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\(^5\) Subject to obligatory insurance are the workers and the employees hired to work for more than five working days or 40 hours during one calendar month, regardless of the character of the work, of the way of payment and of the source of financing.

\(^6\) TaxBEN uses this annual amount. The annual amount is calculated assuming 5 working days per week and 52 weeks during the year: 9\(\times\)5\(\times\)52.
2.1.5. **Tax treatment**

The benefit is not taxable.

2.1.6. **Interactions with other components of the tax-benefit system**

The following benefits can be cumulated with the unemployment benefit: invalidity pension (Пенсия за инвалидност), all non-contributory benefits, and all family benefits.

2.1.7. **Combining benefit receipt and employment/starting a new job**

Payment of the unemployment benefit is terminated in case of starting a labour activity for which the person is subject to compulsory insurance. However, jobseekers hired part-time during their benefit entitlement period can receive 50% of their remaining unemployment benefit if the remuneration from the new job is less than the minimum national wage. This benefit is called “re-employment allowance” (Обезщетение за безработица на лица наети на непълно работно време). The recipient receives the re-employment allowance **on a monthly basis** until the right to the unemployment benefit expires. During this period, the monthly allowance is equal to 50% of the monthly unemployment benefit entitlement.

**TaxBEN note:** According to the OECD Tax-benefit model methodology, the ‘re-employment allowance’ is a transitional ‘into-work’ benefit. Because this transitional benefit is linked to the unemployment insurance programme, the allowance is included in the Unemployment Benefit (UB) variable of the TaxBEN model.

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**Figure 1. Unemployment insurance by month of receipt and previous earnings**

![Graph showing unemployment insurance by month of receipt and previous earnings]

**Note:** Results for single person of 40 years old without children.

**Source:** OECD tax-benefit model.

2.2. **Unemployment assistance**

There is no unemployment assistance benefit in Bulgaria.

3. **Social assistance**

Variable name: [SA]

3.1. **Social assistance (Социална помощ)**

This is a non-contributory benefit, means-tested and not taxable.
3.1.1. Eligibility conditions

To qualify for SA the unemployed must be registered in the territorial unit of the Employment Agency for at least 6 months before filing the application for social support and not to have refused offered job and their inclusion in qualification courses for qualification and re-qualification organised by the Employment Agency.

Monthly support is granted if the family meets the following additional conditions:

1. Their own home is the only one and it is not bigger than:
   a) for one person - one-room;
   b) for two-member and three-member family - two-room;
   c) for four-member family - three-room;
   d) for five-member and larger family - four-room;
   e) for every co-habitant - one room;

2. Do not have any other property, capitals or assets that might be sources of income.

The property and living conditions of individual or families are testified by means of a Social inquiry carried out by a representative of the directorate “Social Assistance”.

TaxBEN assumes that these compulsory conditions are satisfied when simulating social assistance.

Right to monthly social support in cash shall have persons or families whose income for the preceding month is lower than the determined differentiated minimal income (DMI).

Basis for determining the differentiated minimal income is the guaranteed minimal income (GMI) whose monthly amount is determined by an Act of the Council of Ministers. The monthly level of GMI in 2020 is 75 BGN.

The differentiated minimal income is determined as follows:

1. for persons over 75 years of age, living alone – 165 percent of the GMI;
2. for persons over 65 years of age, living alone – 140 percent of the GMI;
3. for persons over 65 years of age – 100 percent of the GMI;
4. for a person, cohabiting with another person (persons) or family, and for each of the spouses living together – 66 percent of GMI;
5. for a person up to 65 years of age, living alone – 73 percent of GMI;
6. for a child till 16 years of age and if he/she studies – till graduation of secondary education, but not more than 20 years of age – 91 percent of GMI;
7. for an orphan child; for a child accommodated in a family of close friends or relatives or in a receiving family – 100 percent of GMI.
8. for a parent bringing up alone child/children:
   a) up to 3 years of age – 120 percent of GMI;
   b) up to 16 years of age, and if he studies – till graduating of secondary or professional education, but not more than 20 years of age – 100 percent of GMI;

In the presence of more than one of the grounds the higher extent shall be applied.
3.1.2. Benefit amount

The amount of the monthly social assistance is determined as a difference between the differentiated minimal income (DMI), or the sum of the differentiated minimal incomes, and the income of the persons or families for the preceding month.

Example: A family with two children of age less the 16 years.

The differentiated minimum income of the family (DMIf) is calculated as sum of the individual DMI of each family member:

\[
DMIf = DMIp1 + DMIp2 + DMIch1 + DMIch2 = 66\%GMI + 66\%GMI + 91\%GMI +91\%GMI,
\]

Where DMIp1,2 is the differentiated minimum income of both parents and DMIch1,2 stands for differentiated minimum incomes of both children.

Provided that the guaranteed minimum income in 2020 is 75 BGN, the DMIf = 235.50 BGN.

To assume that the family has received an income of 100 BGN in the preceding month and provided all other requirements are met, the amount of the monthly social assistance will be:

\[
SA = 235.50 \text{ BGN} - 100 \text{ BGN} = 135.50 \text{ BGN}
\]

3.1.3. Benefit duration

No limitation.

3.1.4. Means test

The benefit is income tested.

The amount of the social assistance in cash depends on the gross income of the individuals for the month preceding the month of the filing of the application to the local directorate “Social support”.

Income for granting social support by the order of the Regulation for implementation of the Low on Social Support is all the gross income deriving from:

1. labour activity;
2. activity in the field of the agricultural, forest and water farms;
3. sale and/or exchange of chattel or real estates;
4. sale of stocks, shares and other participation in trade companies and other forms of joint activity;
5. rent and lease;
6. copyright and licence remuneration;
7. dividends and income from share holding;
8. bonuses and awards from sport events;
9. indemnifications and benefits;
10. pensions;
11. scholarship;
12. monthly benefits for children;
13. adjudicated alimony;
14. others

The amount of the social assistance received is not considered as income.
The income assessed in TaxBEN includes gross earnings from work, unemployment insurance, re-employment allowance and family benefits.

3.1.5. Tax treatment
The social support shall be exempt from taxes and fees.

3.1.6. Interaction with other components of the tax-benefit system
The social assistance can be received at the same time as others benefits or incomes provided that their lump sum is lower than the corresponding differentiated minimum income(s) of individuals/ families or provided the other benefits are not considered as “income”.

3.2. Social assistance for heating (целева помощ за отопление)
This is a non-contributory benefit, means-tested and not taxable.

3.2.1. Eligibility conditions
Right to receive social assistance for heating shall have persons or families whose average gross income for the preceding 6 months is lower or equal to the determined Differentiated Minimal Income for Heating (DMIH) and who meet property and unemployment registration conditions described in items 3.1.1 for social assistance.

Basic income for heating (BIH) is a planned index, used for the DMIH assessment. In 2020, BIH is equal to the double amount of GMI (2 * 75 BGN =150 BGN).

The DMIH is determined as follows for 2019/2020 heating season:

1. for a person living alone: 1.3 of BIH (i.e. 195 BGN per month);
2. for a single parent bringing up alone child/children up to 18 years of age, and if he/she studies – till graduating of secondary or professional education, but not more than 20 years of age – 1.57 of BIH (235.5 BGN per month);
3. for each of the spouses living together – 1 of BIH (150 BGN per month);
4. for each child until 18 years of age and if he/she studies – till graduation of secondary education or professional high school but not more than 20 years of age – 1.3 of BIH (154.5 BGN per month);
5. for one of the parents who is bringing up a child up to 3 years of age - 1.2 of BIH (180 BGN per month);
6. for persons over 65 years of age, living alone – 1.75 of BIH (262.5 BGN per month).

In the presence of more than one characteristics above, the higher rate applies.

Example 1:
Family with two children of age less the 16 years.

The differentiated minimum income for heating of the family (DMIHF) is calculated as sum of the individual DMIH of each family member:
\[ DMIH_f = DMIH_{p1} + DMIH_{p2} + DMIH_{c1} + DMIH_{c2}, \]

- \( DMIH_{p1,2} \) - the differentiated minimum income for heating of both parents;
- \( DMIH_{c1,2} \) - differentiated minimum incomes for heating of both children.

\[ DMIH_f = 150\text{ BGN} + 150\text{ BGN} + 154.5\text{ BGN} + 154.5\text{ BGN} = 609\text{ BGN} \]

To assume the family has received a gross income of 3600 BGN for the preceding 6 months. It is on average 600 BGN per month which is less than the calculated \( DMIH_f \) of 609 BGN therefore the family qualifies for SA for heating.

**Example 2:**

Family with one parent and one child of 3 years old

\[ DMIH_f = 235.5\text{ BGN} + 154.5\text{ BGN} \]

**Example 3:**

Family with two parents and one child of 3 years old

\[ DMIH_f = 180\text{ BGN} + 150\text{ BGN} + 154.5\text{ BGN} \] (it is assumed that only one of the parents looks after the child)

### 3.2.2. Benefit amount

The amount of the social support for heating is set in an Ordinance of the Minister of Labour and Social Policy. For 2019/2020 heating season the monthly amount of this support is 93.18 BGN and for the whole heating season (from November till March) is 465.9 BGN. It is paid directly to heating companies, electricity companies, providers of fuel or in cash to the beneficiaries.

The amount of the benefit might be changed later depending on the price of the electric energy for private consumers.

### 3.2.3. Benefit duration

No limitation.

### 3.2.4. Means test

The benefit is income tested.

The incomes taken into account is the same as for Social assistance (see 3.1.4).

### 3.2.5. Tax treatment

The social support shall be exempt from taxes and fees.

### 3.2.6. Interaction with other components of the tax-benefit system

The social assistance can be received at the same time as others benefits or incomes provided that their lump sum is lower than the corresponding differentiated minimum income(s) of individuals/ families or provided the other benefits are not considered as “income”.

### 3.3. Housing benefit

Housing benefits are not universally available in Bulgaria. Right to receive monthly benefit have only persons renting public (state or communal) owned accommodations, whose
income for the previous month is by 250% of DMI (75BGN) and if they are: 1) orphans to 25 years of age; 2) lone persons over 70 years of age; 3) lone parents. The claimants who qualify for HB always pay part of the rent themselves and the other part is transferred from social funds to the state/commune budget.

TaxBEN note: the OECD calculations assume that tenants rent private accommodations. As a result, the housing benefit for persons renting public (state or communal) -owned accommodations is not included in the TaxBEN model.

4. Family benefits

Variable name: [FB]

4.1. Family benefit (Месечни помощи за дете)

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

The claimant must expect a child or must have a dependent child aged less than 18 years and until completion of secondary education but not more than 20 years of age.

To qualify for family benefits, the families and the pregnant women must have average gross monthly income\(^7\) per member of the family for the last 12 months lower or equal to the income, determined for this purpose in the Law for the state budget of the Republic of Bulgaria for the respective year. From 1 January 2020, the determined average monthly income is BGN 410. When the average gross monthly income is between BGN 410 and BGN 510 the support is 80% of the amount of the allowance.

4.1.2. Benefit amount

Monthly support for a dependent child until completion of secondary education but not more than 20 years of age: an income-tested benefit.

In 2020, the amount of the allowance is determined as a total amount of allowances for the family depending on the number of children for which it is received:

1. for a family with one child - BGN 40 (80% - BGN 32);
2. for a family with two children - BGN 90 (80% - BGN 72);
3. for a family with three children - BGN 135 (80% - BGN 108);
4. for a family with four children BGN 145 (80% - BGN 116);
5. for each child in excess of four the benefit is increased with BGN 20 (80% - BGN 16).\(^8\)

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\(^7\) “Income” are all gross incomes of the family, which are taxable under the Law on the taxes on the incomes of the individuals, as well as the received pensions, indemnification, support and scholarship except the monthly supplements for children with permanent damages, the scholarships of the students up to graduation of high school but not later than rounding of 20 years of age and all kinds of family benefits.

\(^8\) TaxBEN allows for a maximum of four children so this provision is not implemented.
4.1.3. **Benefit duration**
No limitation.

4.1.4. **Means test**
The benefit is income-tested.
The income includes all gross incomes of the family from labour relationships, other economic activity, rents, pensions, social assistance, allowances and benefits for temporally disability, maternity and unemployment.
The income assessed in TaxBEN includes gross earnings from work, unemployment insurance, re-employment allowance and social assistance.

4.1.5. **Tax treatment**
Family benefits are not taxable. They are accounted as income in the income-test for social assistance.

4.1.6. **Interaction with other components of the tax-benefit system**
The benefit can be received together in any other benefit.

4.1.7. **Combining benefit receipt and employment/starting a new job**
Employment doesn’t affect benefit receipt.

4.2. **First grade school allowance** (Еднократна помощ за деца записани в първи клас)
This is a non-contributory benefit, means-tested and not taxable.

4.2.1. **Eligibility conditions**
This is a lump-sum allowance for families whose children have been registered in first year of state or municipal school, for covering part of the expenses in the beginning of the school year. To be eligible the gross income per family member (including children) should be equal or lower than BGN 450.

4.2.2. **Benefit amount**
The amount of the allowance is BGN 250.

4.2.3. **Benefit duration**
It is a one time purposed support.

4.2.4. **Means test**
The benefit is income tested.
The incomes taken into account is the same as for Family benefit (see 4.1.4).

4.2.5. **Tax treatment**
The benefit is not taxable.
4.2.6. *Interaction with other components of the tax-benefit system* 

The benefit can be received together in any other benefit. It is accounted as income in the income-test for social assistance.

4.2.7. *Combining benefit receipt and employment/starting a new job*

Employment doesn’t affect benefit receipt.

4.3. *Alimony advance payment* (Изплащане на присъдена издръжка от държавата)

This is a non-contributory benefit, not means-tested and non-taxable.

4.3.1. *Eligibility conditions*

In cases where the absent parent does not pay any child support/alimonies, the state shall pay the support when it has been adjudicated with a court decision entered into force in favor of Bulgarian citizen and is not paid regularly by the debtor in the formed executive case. The support shall be paid by the municipality, the sum is transferred every month directly to the claimant.

4.3.2. *Benefit amount*

The payment is in the amount, determined by the judicial decision, but not more than the maximum amount, determined every year by the Law on the State Budget of the Republic of Bulgaria.

The maximum amount set in 2020 is 80 BGN per month.

TaxBEN assumes that maximum amount is paid to every lone parent.

4.3.3. *Benefit duration*

No limitation.

4.3.4. *Means test*

It is not means-tested.

4.3.5. *Tax treatment*

The benefit is not taxable.

4.3.6. *Interaction with other components of the tax-benefit system* 

The adjudicated alimony is considered as income and is included in the reference income of other means tested benefits, including social assistance, the family allowance and the first grade school allowance.
5. Net costs of Early Childhood Education and Care

The nurseries implement bringing up, training and education of children from three months to three years of age and kindergartens of children from 3 till their enrolment in the first grade. Compulsory schooling starts at the age of 7. Attending of kindergarten or special classes in primary schools is obligatory for 5-year-old children (pre-primary education).

5.1. Gross childcare fees

Variable name: [BGcc_cost]

The fees for childcare at nurseries and kindergartens from public sector are set by local governments. Every municipality may establish differentiated fees depending on whether: it is nursery or kindergarten; it is weekly, all day or half-day nursery/kindergarten; place of residence is town or village; etc. In addition, the fee may consist of a monthly lump sum or may have a fixed subscription component and a fee per presence day.

Parents working 40 hours per week pay the commonly established fees for all day nurseries/kindergartens and cannot expect any reductions except in the cases established as exemptions by each municipality.

There is not an official statistics for the average childcare fees paid by parents. In Bulgaria in 2020 the highest are fees for full-time child care in Sofia-city municipality:

1. For ‘weekly’ nurseries and kindergartens - 72 BGN per month;
2. For ‘all day’ nurseries and kindergartens - 60 BGN per month.

These fees are applicable for all nurseries and kindergartens in Sofia irrespective of the age of children.

*TaxBEN note*: the OECD calculations uses the monthly fee for ‘weekly’ nurseries and kindergartens.

The fees for private institutions, that run childcare, are established by themselves. They are vastly higher and are covered fully by parents.

Childcare fees are not tax deductible and are not taken into account when determining entitlement to means tested benefits.

5.1.1. Discounts for part-time usage

There is no discount for part-time usage in Bulgaria.

5.2. Childcare benefits

Variable name: [cc_benefit]

5.2.1. Fee discounts and free provision

Exemptions established by the municipality of Sofia-city:

1. A family with two children enrolled in the same or a different kindergarten has a rebate of 50% for the second child. For lone parents, the rebate applies also for the first child.

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9 In the weekly nurseries the minimum age is 10 months.
2. A family with three or more children enrolled in the same or a different kindergarten has a rebate of 50% for the first child, a rebate of 75% for the second child, and a rebate of 100% for any additional child.

3. For lone parents, the rebates are as follows: for the first child: 50%, for the second child: 75%, for any additional child: 100%.

5.2.2. Child-care allowances for children using centre-based care

There are not any special child care allowances that are conditional to the use of centre-based care.

5.2.3. Child care allowance for children not using centre-based care

There are not special child care allowances that are conditional to NOT using centre-based care.

5.2.4. Tax concessions for childcare expenditures from centre-based care

There are not special tax concessions that are conditional to the use of centre-based care.

<table>
<thead>
<tr>
<th>Table 1. Examples of net childcare costs from the TaxBEN model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross fees (BGN / year)</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Couple with 1 child</td>
</tr>
<tr>
<td>Couple with 2 children</td>
</tr>
<tr>
<td>Couple with 3 children</td>
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<tr>
<td>Couple with 4 children</td>
</tr>
<tr>
<td>Lone parent – 1 child</td>
</tr>
<tr>
<td>Lone parent – 2 children</td>
</tr>
<tr>
<td>Lone parent – 3 children</td>
</tr>
<tr>
<td>Lone parent – 4 children</td>
</tr>
</tbody>
</table>

Note: calculations based on the discounts / rebates applied by the municipality of Sofia. Gross fees are calculated assuming 12 months of use of ’weekly’ nurseries. Children have the following age (where relevant): 2 years for the first child, 3 years for the second child, 4 years for the third and fourth child. Calculations assume that all children of the household use ‘weekly’ nurseries.

6. In-work benefit

None. See Section 2 for the ‘re-employment allowance’.

7. Social security contributions and payroll taxes

Employee’s social contributions and employer’s social contributions are levied on the gross income before any tax deductions.

The income for which are due social security payments shall include all the remunerations, including the accounted and non-paid or non-accounted ones and other incomes from labour activity but not less than the minimum monthly amount of the determined insurance income and not more than the maximum monthly amount of the insurance income.

The lower and upper limits of the insurance income are determined with the Law for the budget of the state public insurance for the calendar year.
The maximum monthly insurance income in 2020 is 3000 BGN. Above this threshold the amount of social security contributions remains the same irrespective of the level of employee’s monthly earnings.

The minimum insurance income is differentiated by 85 groups of economic activities and 9 major occupational groups within these activities.

7.1. **Social security contributions payable by employees and benefit recipients**

Variable names: [SOCSEC_p; SOCSEC_s]

The total contribution rate payable by employees in 2020 is 13.78 %, of which:

1. Pensions – 8.78% , of which 2.2% are contributed to Universal Pension Fund but only for persons born after 31.12.1959;
2. General disease and motherhood – 1.4% ;
3. Unemployment – 0.4%;
4. Health Insurance – 3.2%.

*Example: Employee’s social security contribution for monthly gross earnings of 600 BGN is 13.78% * 600 = 82.68 BGN*

7.2. **Social security contributions payable by employers**

Variable names: [SSCR_p; SSCR_s]

The total contribution rate payable by employers in 2020 is 19.22 %, of which:

1. Pensions – 11.02% , of which 2.8% are contributed to Universal Pension Fund but only for persons born after 31.12.1959;
2. General disease and motherhood – 2.1% ;
3. Unemployment – 0.6%;
4. Labour accident and occupational disease – 0.7% ;
5. Guaranteed receivables of workers and employees – not paid in 2020;
6. Health Insurance – 4.8%.

*Example: Employer’s social security contribution for monthly gross earnings of 600 BGN is 19.22% * 600 = 115.32 BGN.*

8. **Taxes**

Taxes are paid on an individual basis.

8.1. **Personal income tax**

Variable name: [INCTAX_p; INCTAX_s]

8.1.1. **Tax Relief for Children**

The annual tax base for one of the parents is deducted by: 200 BGN for one minor child (till 18 years); 400 BGN for two minor children; 600 BGN for three or more minor children.
8.1.2. **Tax base**

Personal social security contributions are deductible from the taxable income.

Taxable income = Gross earnings – Employee’s social security contributions

*Example:* Taxable income = 600 BGN – 82.68 BGN = 517.32 (see 7.1)

8.1.3. **Income tax schedule**

A flat personal income tax without a tax-free range is applied. Income tax is not differentiated according to the marital status and number of children. The personal income tax rate is 10 percent.

9. **Selected output from the OECD tax-benefit model (TaxBEN)**

This section shows selected output of the TaxBEN model for Bulgaria 2020 (Figure 2). TaxBEN by default produces the following output: 1) net household incomes (black lines) and 2) related income components (coloured stacked areas) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances using the online web calculator). Figure 2 shows outputs for four scenarios:

- By percentage of the average wage (Panel A);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (Panel B);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (Panel C);
- By previous employment record, for a jobseeker claiming unemployment benefits (Panel D).

The stacked areas shows the household income components. Note that each component can contain more than one benefit. The table of content of this report describes which benefit is included in each category.

Results in Figure 1 refer to a couple with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one of the two adult members (the ‘second adult’, using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (so-called ‘first adult’) is employed full-time and full-year at different earnings levels ranging between 0 and 200% of the Average Wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits but claiming social assistance, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x axis in Panel B measures the time of benefit...
receipt, starting from the first month. The x axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

All results assume a private market rent plus other relevant charges amounting to 20% of the full-time average wage in all the four scenarios.

**Figure 2. Selected output from the OECD tax-benefit model**

Couple with two children.

*Source: OECD tax-benefit model, 2020.*
Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Bulgaria that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

One-time financial support at pregnancy (income-tested benefit)

The pregnant women, when they have no right to indemnification for pregnancy and birth under the Code for social insurance, shall be entitled to one-time allowance of 150 BGN.

One-time financial support at birth of a child (universally available)

The mother is entitled to one-time support for birth of a live child, regardless of the income of the family, when the child has not been left for bringing up at specialised institution for children. The level of the benefit for a birth is differentiated as follows: for a first child – 250 BGN, for a second child – 600 BGN; for a third child – 300 BGN and for the fourth and the next ones – 200 BGN.

Monthly support for bringing up of a child till one year of age (income-tested benefit)

The mother who are not insured and do not receive indemnification for pregnancy, childbirth and bringing up of child by the order of the Code for social insurance, are entitled to monthly support for bringing up of child up to one year in extent of 100 BGN.

Entitlement to benefit in case of pregnancy and child-birth (maternity)

Persons insured in respect of common disease and maternity shall have the right to cash benefits for pregnancy and childbirth instead of their earnings, provided that they have at least 12 months of insurance practice in respect of such risk. The amount of daily cash benefit shall be 90 percent of the average daily gross earnings for the period of 24 calendar months preceding the month in which the temporary incapacity to work due to pregnancy and childbirth has occurred. Duration of payment is 410 calendar days, 45 of which shall be before childbirth i.e. until the child gets one year old.

Monthly support for bringing up of a child from 1 till 2 years of age: for socially insured mothers

The amount of the monthly benefit for raising a child during the supplementary period of the paid maternity leave, lasting till the moment the child grows up to 2 years of age is 380 BGN. In case the mother returns to work she is entitled to 50% of the benefit (190 BGN).

One-time financial support for bringing up a child till one year of age by a mother – full time student

The mother – full-time student – is entitled to one-time support of 2 880 BGN for bringing up a child till one year of age, regardless of the income of the family.
Monthly allowance for children with disabilities up to 18 years of age and till completion of secondary education, provided that the child is below 20 years of age

Parents, bringing up a child with ascertained type and degree of disability or degree of permanently reduced working capacity are entitled to monthly allowance as follows:
- For 90% and more degree of disability – BGN 930;
- Between 70 and 90% - BGN 450;
  Between 50 and 70% - BGN 350.

One-time financial support for bringing up twins till one year of age

The mother shall be entitled to one-time financial support for bringing up twins till one year of age regardless of the income of the family. The amount of the benefit is 1 200 BGN per each child.

Purposed support to multiple child mothers for free travel by the railway and bus transport in the country

The multiple child mothers shall be entitled to free return travel once per year by the railway or bus transport in the country.

Tax Relief for Children with Disabilities

For bringing a child up by 50 and more than 50 percent of type and degree of injury, the annual tax base shall be reduced by 2000 BGN.

Tax Relief for Persons of Reduced Capacity for Work

The aggregate annual taxable income for persons whose capacity for work is reduced by 50% or more, this percentage being determined by way of an effective decision of a competent body, shall be decreased by 7920 BGN, this being also applicable to the year in which the reduced capacity for work occurred and the year in which the term of validity of the decision thereon expires.

The monthly taxable income from employment legal relations of persons whose capacity for work is reduced by 50% or more, shall be decreased by 660 BGN, this being also applicable to the month in which the reduced capacity for work occurred and the month in which the term of validity of the decision thereon expires.

Sickness Benefit (Парични обезщетения при временно нетрудоспособност)

Entitlement and eligibility conditions

The insured persons for general disease and motherhood shall have right to cash benefit instead of remuneration for the time of leave due to temporary inability to work and in case of vocational rehabilitation, if they have at least 6 months of insurance coverage of this risk. The 6 months period may be continuous or interrupted, during work at one or more employers.

Issuance of document for sick leave by the authorities of medical expertise.
The insured person is obliged to inform the insurer up to 2 working days about the issuance of document for sick leave. The terms for providing the documents and data required for payment of cash benefit for temporary loss of working capacity by the insurers to the National Security Institute is by the 10th of the month following the month of submission by the insured person of the documents for payment of the compensation to the insurer. National Security Institute pays the sickness benefit within 10 days after receiving the required documents.

**Benefit amounts**

The daily cash benefit for temporary loss of working capacity due to general disease shall be calculated in extent of 80 percent of the average daily insurable income for which have been paid or due insurance payments.

**Benefit duration**

A sick leave document for temporary loss of working capacity is issued to a secured person personally by the responsible doctor/dentist for up to 14 calendar days without interruption for 1 or more complaints, and for no more than 40 calendar days within one calendar year. After the running of this period and in case of need of continuing medical treatment the responsible doctor points the insured person to a medical board for issuing a prolongation of the sick leave document.

The cash benefit for temporary loss of working capacity due to general disease, labour accident and professional disease shall be paid from the first day of occurrence till the restoration of the ability to work or the establishing of disability.

Cash benefits for temporary loss of ability to work due to quarantine shall be paid for the time during which the insured person is under quarantine.

Compensations under the conditions and within the extent of the cash benefit for temporary loss of ability to work due to a general disease shall be paid also for:

- taking care for a child under quarantine up to 18 years of age, ill with infectious disease - till the expiry of the term of the quarantine;
- taking care of an ill child up to 3 years of age, accommodated in an establishment for hospital aid together with the insured person - for the time during which the insured has been at the establishment;
- taking care of a healthy child returned from a children's establishment due to quarantine - till the duration of the quarantine.

**Means test**

No test.

**Tax treatment**

The benefit is not taxable. The recipient doesn’t pay social security contributions on this benefit, as the employer pays contributions for health insurance (4.8%).

**Interactions with other components of the tax-benefit system**

It is considered as income of the benefit receiver.
Combining benefit receipt and employment/starting a new job

The benefit is not compatible with work activities. The benefit is available (or partially available) also in case of temporary suspension / reduction of work activity imposed by the firm or by exceptional circumstances.

**Mandatory employer sick pay (Парични обезщетения при временна нетрудоспособност, дължими от работодателя)**

*Entitlement and eligibility conditions*

The insurer shall pay to the insured person for the first three working days of the temporary inability to work.

*Benefit amounts*

The benefit amount is 70 percent of the average daily insurable income for the month, in which the temporary inability to work has occurred, but not less than 70 percent of the average daily agreed remuneration.

*Benefit duration*

The insured person is entitled to sick leave maximum to 40 calendar days within one year. Depending on the duration of the sick leave and the times it occur within the year, in theory the minimum duration paid by the employer could be 1 day and the maximum could be 40 days. (for example: 1 time for 1 day or 20 times x 2 days)

*Means test*

No test.

*Tax treatment*

The benefit is not taxable. The recipient and the employer pay social security contributions on this benefit.

*Interactions with other components of the tax-benefit system*

It is considered as income of the benefit receiver.

Combining benefit receipt and employment/starting a new job

Benefit recipients cannot work and/or take up new employment. The benefit is available in case of temporary forced suspension / reduction of work activity (e.g. when receiving short-time work compensations).

**COVID MEASURE (A): Compensation to the employers to preserve the employment of the employees of the enterprise – in force from 13.03.2020 to 30.06.2020.**

*Entitlement and eligibility conditions*

The following employers are eligible to apply for compensation:
- employers whose activity has been temporary suspended by an Order of the Public Authority (Minister of Health);
- employers who have decided to suspend temporary their activity;
- employers who have temporary introduced short-time work
All employers shall:
- have no debts for taxes and social security contributions;
- not be in liquidation or insolvency proceedings;
- keep the employment of their employee for the term they receive compensation;
- not have sanctions for a violation of certain provisions of the labour law (undeclared work – work with no employment contract, unpaid wages etc.).

In addition to these requirements, the employers (from all sectors of the Classification of Economic Activities (NACE.BG-2008), with the exception of sectors A, K, O, P, Q, T and U.) which have taken a decision to suspend temporary their activity or introduced short time work are entitled to compensation upon declaration of decrease in sales revenue by no less than 20% in the month preceding the month of submission of the application for compensation, compared to the same month of the previous calendar year. This requirement (declaration of decrease in sales revenue by no less than 20%) is not requested for:

<table>
<thead>
<tr>
<th>Code under the NACE.BG-2008:</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>47</td>
<td>Retail trade, except of motor vehicles and motorcycles, other than: 47.11 Retail sale in non-specialised stores with food, beverages or tobacco predominating 47.2 Retail sale of food, beverages and tobacco in specialised stores; 47.73 Dispensing chemist in specialised stores; 47.74 Retail sale of medical and orthopaedic goods in specialised stores; 47.8 Retail sale via stalls and markets; 47.9 Retail trade not in stores, stalls or markets</td>
</tr>
<tr>
<td>49.3</td>
<td>Other passenger land transport</td>
</tr>
<tr>
<td>51.1</td>
<td>Passenger air transport</td>
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<td>55</td>
<td>Accommodation</td>
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<tr>
<td>56.1</td>
<td>Restaurants and mobile food service activities</td>
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<td>56.3</td>
<td>Beverage serving activities</td>
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<td>59.14</td>
<td>Motion picture projection activities</td>
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<td>79</td>
<td>Travel agency, tour operator and other reservation service and related activities</td>
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<tr>
<td>82.30</td>
<td>Organisation of conventions and trade shows</td>
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<tr>
<td>85.10</td>
<td>Pre-school education (private sector)</td>
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<td>85.53</td>
<td>Driving school activities</td>
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<tr>
<td>88.91</td>
<td>Day-care activities for young children (Private Sector)</td>
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<td>90</td>
<td>Creative, arts and entertainment activities</td>
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<td>91</td>
<td>Libraries, archives, museums and other cultural activities</td>
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<td>93</td>
<td>Sports activities and amusement and recreational activities</td>
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<tr>
<td>96.04</td>
<td>Physical well-being activities</td>
</tr>
</tbody>
</table>

The employers have to maintain the employment of persons for whom compensation has been granted for a period not less than the compensation period was introduced in order to ensure a lasting effect of the measure on employment. For those employers who fail to comply with the obligations, a sanction is imposed to recover the compensation paid.
Benefit amounts
The compensation is in amount of 60% of the contributory income of the employee for January 2020 and the social security contributions due by the employer.

Benefit duration
The compensation will be paid for the whole period or part of the period from 13 March 2020 to 30 June 2020, but for no longer than 3 months.

Means test
No

Tax treatment
Taxable. Recipients and employers pay social security contributions.

Interactions with other components of the tax-benefit system
As this benefit has a nature of replacement/addition of the wages and salaries, the income from this benefit is regarded as wages and salaries.

As COVID MEASURE (A) benefit has a nature of income it interacts with all means tested benefits.

Combining benefit receipt and employment/starting a new job
COVID MEASURE (A) is available during temporary complete suspension of work activity, and also in case of temporary working-time reduction.

It is not possible for benefit recipients to take up employment with another employer while receiving full or a part of COVID MEASURE (A). Benefit payments are terminated in case of incompatible work activities.

COVID MEASURE (B) - Provision of wage subsidies for employees and workers for support of employment preservation after the state of emergency and the epidemic emergency situation introduced as measures for reduction of corona virus contamination – in force from 01.07.2020 to 30.09.2020.

Entitlement and eligibility conditions
Temporary measure for employment preservation. Employers from all sectors of the Classification of Economic Activities (NACE.BG-2008), with the exception of sectors A, K, O, P (without economic activity with code 85.10-private sector and code 85.5 which are eligible), Q (without economic activities with code 86.23, code 86.90 and code 88.91-private sector which are eligible), T and U, may apply for wage subsidies for maintaining the employment.

The scope of scheme includes the groups of workers and employees eligible under the scheme for employment preservation under the MEASURE A and new groups as follows:

1. workers and employees who have taken leave during the period of the state of emergency or the epidemic emergency;
2. workers and employees whose employment has been retained after a notification of mass dismissals has been submitted pursuant to Art. 130a of the Labour Code and Art. 24 of the Employment Promotion Act during the period 13 March 2020 till 30 June 2020;
3. workers and employees, who are insured in sector I Accommodation and food service activities of the Classification of Economic Activities (NACE.BG-2008)

The condition for at least 20% of revenue reduction of the undertakings as a qualifying condition for receiving wage subsidies has been determined in order to cover businesses in need.
All employers shall:
- have no debts for taxes and social security contributions;
- not be in liquidation or insolvency proceedings;
- keep the employment of their employee for the term they receive compensation;
- not have sanctions for a violation of certain provisions of the labour law (undeclared work – work with no employment contract, unpaid wages etc.).

**Benefit amounts**

The compensation is in amount 60 per cent of the amount of the insurable income for May 2020 and of the due social security contributions for the account of the employer for each worker or employee who is insured and to whom employment will be retained for an additional period equal to the period for which the wage subsidies are paid.

**Benefit duration**

Subsidies to be provided for no more than 3 months during the period from 1 July 2020 to 30 September 2020. Could be prolonged till the end of 2020.

**Means test**

No.

**Tax treatment**

Taxable. Recipients and employers pay social security contributions.

**Interactions with other components of the tax-benefit system**

As this benefit has a nature of replacement/addition of the wages and salaries, the income from this benefit is regarded as wages and salaries.

The receipt does not gives automatic entitlement to other benefits. As COVID MEASURE (B) benefit has a nature of income it interacts with all means tested benefits.

**Combining benefit receipt and employment/starting a new job**

COVID MEASURE (B) is available during temporary complete suspension of work activity, and also in case of temporary working-time reduction.

It is not possible for benefit recipients to take up employment with another employer while receiving full or a part of the benefit. Benefit payments are terminated in case of incompatible work activities.