

MINISTRY OF FINANCE
National Revenue Agency



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



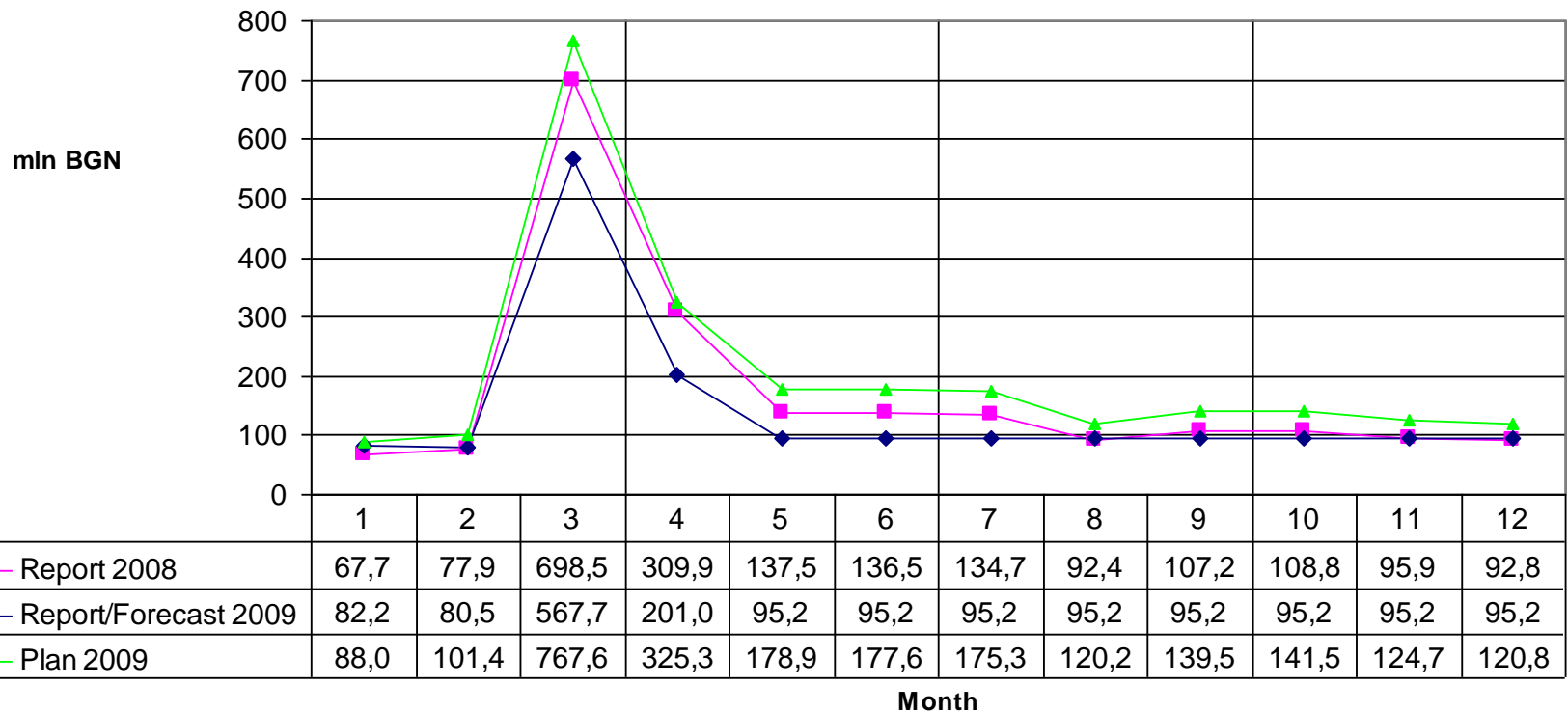
**SECOND MEETING OF THE SEE WORKING GROUP ON TAX POLICY
ANALYSIS**

16-19 JUNE 2009, DUBROVNIK, CROATIA



GLOBAL ECONOMIC AND FINANCIAL CRISIS

CIT revenues





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
 - Fairtax 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 !

