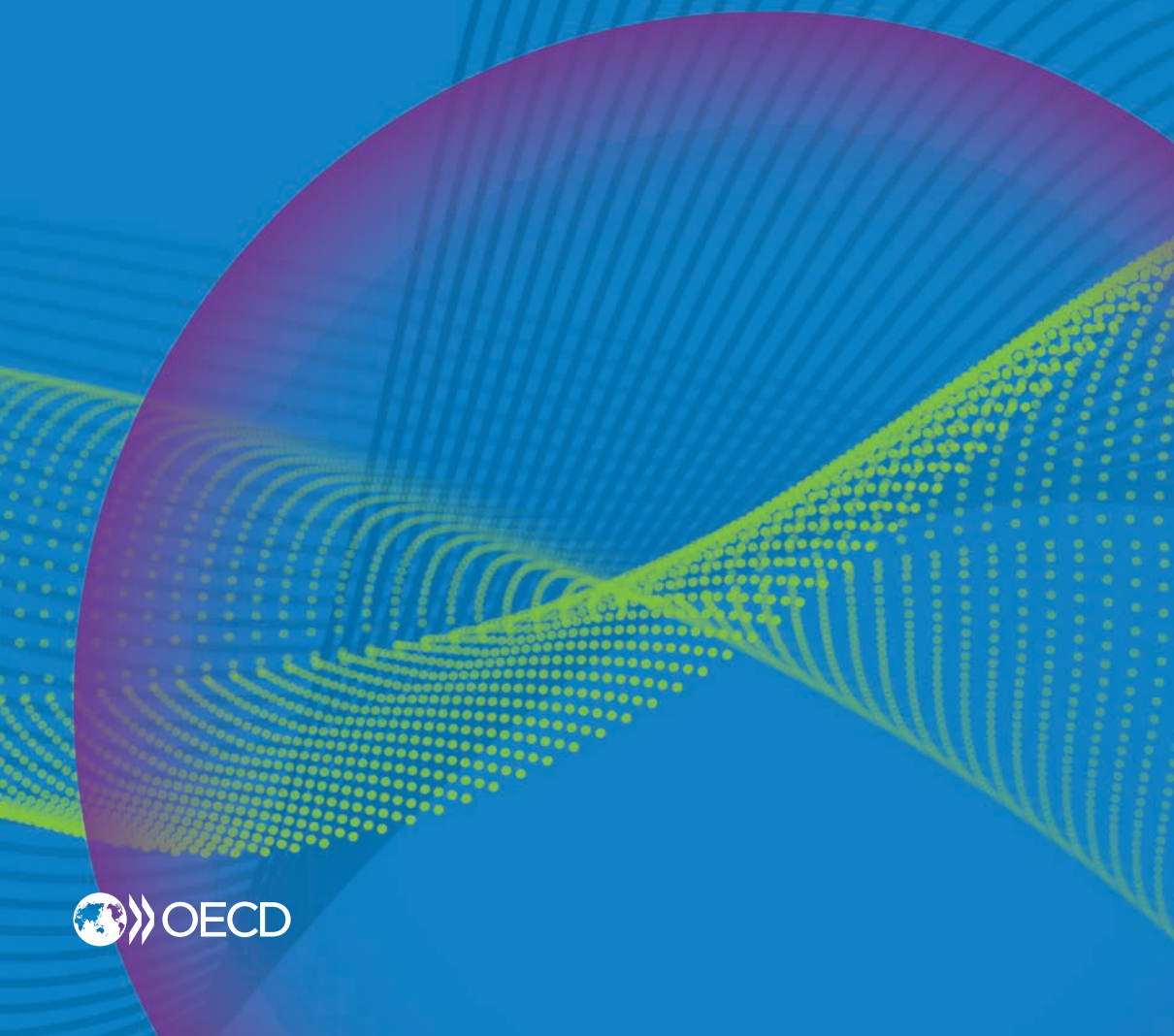
GLOBAL FORUM ON
TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information on Request

BULGARIA

2024 (Second Round)



OECD

Global Forum on Transparency and Exchange of Information for Tax Purposes: Bulgaria 2024 (Second Round)

PEER REVIEW REPORT ON THE EXCHANGE OF INFORMATION ON REQUEST



BETTER POLICIES FOR BETTER LIVES

This peer review report was approved by the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) on 27 February 2024 and adopted by the Global Forum members on 27 March 2024. The report was prepared for publication by the Global Forum Secretariat.

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Please cite this publication as:
OECD (2024), *Global Forum on Transparency and Exchange of Information for Tax Purposes: Bulgaria 2024 (Second Round): Peer Review Report on the Exchange of Information on Request*, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD Publishing, Paris, https://doi.org/10.1787/62fefba0-en.

ISBN 978-92-64-68934-3 (print)
ISBN 978-92-64-44753-0 (PDF)

Global Forum on Transparency and Exchange of Information for Tax Purposes
ISSN 2219-4681 (print)
ISSN 2219-469X (online)

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Reader's guide

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 160 jurisdictions that participate in the Global Forum on an equal footing. The Global Forum is charged with the in-depth monitoring and peer review of the implementation of the international standards of transparency and exchange of information for tax purposes (both on request and automatic).

Sources of the Exchange of Information on Request standards and Methodology for the peer reviews

The international standard of exchange of information on request (EOIR) is primarily reflected in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters and its commentary, Article 26 of the OECD Model Tax Convention on Income and on Capital and its commentary and Article 26 of the United Nations Model Double Taxation Convention between Developed and Developing Countries and its commentary. The EOIR standard provides for exchange on request of information foreseeably relevant for carrying out the provisions of the applicable instrument or to the administration or enforcement of the domestic tax laws of a requesting jurisdiction. Fishing expeditions are not authorised but all foreseeably relevant information must be provided, including ownership, accounting and banking information.

All Global Forum members, as well as non-members that are relevant to the Global Forum's work, are assessed through a peer review process for their implementation of the EOIR standard as set out in the 2016 Terms of Reference (ToR), which break down the standard into 10 essential elements under three categories: (A) availability of ownership, accounting and banking information; (B) access to information by the competent authority; and (C) exchanging information.

The assessment results in recommendations for improvements where appropriate and an overall rating of the jurisdiction's compliance with the EOIR standard based on:

1. The implementation of the EOIR standard in the legal and regulatory framework, with each of the element of the standard determined to be either (i) in place, (ii) in place but certain aspects need improvement, or (iii) not in place.
2. The implementation of that framework in practice with each element being rated (i) compliant, (ii) largely compliant, (iii) partially compliant, or (iv) non-compliant.

The response of the assessed jurisdiction to the report is available in an annex. Reviewed jurisdictions are expected to address any recommendations made, and progress is monitored by the Global Forum.

A first round of reviews was conducted over 2010-16. The Global Forum started a second round of reviews in 2016 based on enhanced Terms of Reference, which notably include new principles agreed in the 2012 update to Article 26 of the OECD Model Tax Convention and its commentary, the availability of and access to beneficial ownership information, and completeness and quality of outgoing EOI requests. Clarifications were also made on a few other aspects of the pre-existing Terms of Reference (on foreign companies, record keeping periods, etc.).

Whereas the first round of reviews was generally conducted in two phases for assessing the legal and regulatory framework (Phase 1) and EOIR in practice (Phase 2), the second round of reviews combine both assessment phases into a single review. For the sake of brevity, on those topics where there has not been any material change in the assessed jurisdictions or in the requirements of the Terms of Reference since the first round, the second round review does not repeat the analysis already conducted. Instead, it summarises the conclusions and includes cross-references to the analysis in the previous report(s). Information on the Methodology used for this review is set out in Annex 3 to this report.

Consideration of the Financial Action Task Force Evaluations and Ratings

The Financial Action Task Force (FATF) evaluates jurisdictions for compliance with anti-money laundering and combating terrorist financing (AML/CFT) standards. Its reviews are based on a jurisdiction's compliance with 40 different technical recommendations and the effectiveness regarding 11 immediate outcomes, which cover a broad array of money-laundering issues.

The definition of beneficial owner included in the 2012 FATF standards has been incorporated into elements A.1, A.3 and B.1 of the 2016 ToR. The 2016 ToR also recognises that FATF materials can be relevant for carrying out EOIR assessments to the extent they deal with the definition of beneficial ownership, as the FATF definition is used in the 2016 ToR (see 2016 ToR, Annex 1, part I.D). It is also noted that the purpose for which the FATF materials have been produced (combating money-laundering and terrorist financing) is different from the purpose of the EOIR standard (ensuring effective exchange of information for tax purposes), and care should be taken to ensure that assessments under the ToR do not evaluate issues that are outside the scope of the Global Forum's mandate.

While on a case-by-case basis an EOIR assessment may take into account some of the findings made by the FATF, the Global Forum recognises that the evaluations of the FATF cover issues that are not relevant for the purposes of ensuring effective exchange of information on beneficial ownership for tax purposes. In addition, EOIR assessments may find that deficiencies identified by the FATF do not have an impact on the availability of beneficial ownership information for tax purposes; for example, because mechanisms other than those that are relevant for AML/CFT purposes exist within that jurisdiction to ensure that beneficial ownership information is available for tax purposes.

These differences in the scope of reviews and in the approach used may result in differing conclusions and ratings.

More information

All reports are published once adopted by the Global Forum. For more information on the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and for copies of the published reports, please refer to www.oecd.org/tax/transparency and http://dx.doi.org/10.1787/2219469x.

Abbreviations and acronyms

2016 Terms of Reference	Terms of Reference related to EOIR, as approved by the Global Forum on 29-30 October 2015
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
AML Act	Measure Against Money Laundering Act
BGN	Bulgarian Lev
BNB	Bulgarian National Bank
BRA	BULSTAT Register Act
CCN	Common Communication Network
CDD	Customer Due Diligence
CIA	Credit Institutions Act
CITA	Corporate Income Tax Act
CRRNPLE Act	Commercial Register and Register of Non-Profit Legal Entities Act
CVC	Company with Variable Capital
DTC	Double Taxation Convention
eFCA	e-Forms Central Application
EOI	Exchange of information
EOIR	Exchange of Information on Request
EC	European Company
EEIG	European Economic Interest Grouping
EU	European Union
EUR	Euro

FID-SANS	Financial Intelligence Directorate of State Agency for National Security
FSC	Financial Supervision Commission
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
JSC	Joint Stock Company
LLC	Limited Liability Company
Multilateral Convention	Convention on Mutual Administrative Assistance in Tax Matters, as amended in 2010
NRA	National Revenue Agency
NPLE	Non-Profit Legal Entities
PLbS	Partnership Limited by Shares
TSSPC	Tax and Social Security Procedure Code
TIEA	Tax Information Exchange Agreement
VAT	Value Added Tax

Executive summary

1. This report analyses the implementation of the standard of transparency and exchange of information on request in Bulgaria on the second round of reviews conducted by the Global Forum. It assesses both the legal and regulatory framework in force as at 28 November 2023 and the practical implementation of this framework against the 2016 Terms of Reference, including in respect of EOI requests received and sent during the review period from 1 July 2019 to 30 June 2022. This report concludes that Bulgaria continues to be rated overall **Largely Compliant** with the standard.

2. In 2016, the Global Forum evaluated Bulgaria in a combined review against the 2010 Terms of Reference for both the legal implementation of the EOIR standard as well as its operation in practice. The report of that evaluation (the 2016 Report) concluded that Bulgaria was rated Largely Compliant overall.

Comparison of ratings for First Round Report and Second Round Report

Element		First Round Report (2016)	Second Round Report (2024)
A.1	Availability of ownership and identity information	Partially Compliant	Largely Compliant
A.2	Availability of accounting information	Compliant	Largely Compliant
A.3	Availability of banking information	Compliant	Largely Compliant
B.1	Access to information	Compliant	Compliant
B.2	Rights and Safeguards	Compliant	Compliant
C.1	EOIR Mechanisms	Compliant	Compliant
C.2	Network of EOIR Mechanisms	Compliant	Compliant
C.3	Confidentiality	Compliant	Compliant
C.4	Rights and safeguards	Compliant	Compliant
C.5	Quality and timeliness of responses	Largely Compliant	Largely Compliant
	OVERALL RATING	**Largely Compliant**	**Largely Compliant**

Note: the four-scale ratings are Compliant, Largely Compliant, Partially Compliant, and Non-Compliant

Progress made since previous review

3. The 2016 Report rated Bulgaria as Partially Compliant with the Element of the 2010 Terms of Reference related to the availability of legal ownership and identity information on relevant entities and arrangements. Since then, Bulgaria addressed the recommendations issued on this aspect, by making amendments to its legal framework to:

- Prohibit the issuance of bearer shares and require the ones previously issued to be registered.
- Require all foreign companies and partnerships with a sufficient nexus with Bulgaria to file relevant legal ownership information with their annual tax returns.
- Require the registration of trustees of foreign trusts in the BULSTAT Register.[1]

4. In terms of practical application of the standard, Bulgaria reinforced the measures to monitor and ensure the availability of legal ownership information in practice, and addressed a related recommendation issued in the 2016 Report.

5. To ensure the availability of beneficial ownership information in respect of all relevant legal entities and arrangements, Bulgaria introduced obligations to file beneficial ownership information with its Business and BULSTAT registers in 2019, and required all relevant legal entities and arrangements to file their beneficial ownership information to the Business and BULSTAT Registers. Such amendments were introduced under the Bulgarian anti-money laundering (AML) legal framework. AML-obliged persons are also obliged to identify the beneficial owners of their clients through Customer Due Diligence (CDD).

6. The EOI network of Bulgaria continued developing, mainly as more jurisdictions joined the multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention).

Key recommendations

7. In Bulgaria, the main sources of beneficial ownership information are the Business and BULSTAT Registers and some AML-obliged persons, mainly banks. The Bulgarian legal and regulatory framework does not specify a frequency under which beneficial ownership information must be

1. The term BULSTAT is a legacy term (not an acronym), that had been used since before the creation of the Commercial Register and the Register of NPLE and which has remained as such since then.

updated and the effectiveness of the compensatory mechanisms in place to require such information to be updated depends on their applicability in practice. A recommendation has been issued for Bulgaria to address this deficiency. It is uncertain whether the beneficial ownership registers have been fully populated as many legal entities and arrangements benefit from exemptions to file their beneficial ownership information with the Registers if it corresponds to information already available on legal owners. The Bulgarian authorities have not yet performed a comprehensive evaluation on whether these exemptions have been applied properly. Furthermore, although recent changes to the AML Law provide for partial mechanisms for the beneficial ownership information in the Registers to be accurate, adequate and up to date, such mechanisms are yet to be tested in practice. The outreach of the supervisory activities on AML-obliged persons has been low and the number of violations found has not decreased, despite the application of sanctions in most of the cases. Bulgaria is recommended to put in place mechanisms and comprehensive and effective supervision of the beneficial ownership requirements.

8. Many companies have filed inactivity declarations during the review period. Such companies are exempted of their obligation to file annual financial statements and tax returns. Bulgaria has not actively monitored that such companies are indeed inactive and comply with the other filing obligations, notably filing and updating of legal and beneficial ownership information. Bulgaria should address this issue.

9. Although annual financial statements must be filed with the Commercial Register, accounting records and underlying documentation for relevant legal entities and arrangements that cease to exist are not required to be maintained for a period of at least five years after liquidation. There is also a relatively low rate of filing of tax returns and Bulgaria has been recommended to strengthen its supervisory and enforcement actions in this regard.

Exchange of information in practice

10. During the three-year review period from 1 July 2019 to 30 June 2022, Bulgaria received 493 requests for information and sent 429 requests to its EOI partners. Communication with partners was positive and peers consider that the Bulgarian Competent Authority was easily accessible.

11. In 2016, Bulgaria was rated Largely Compliant with the effectiveness of exchange of information. Since then, the Bulgarian Competent Authority has improved the timeliness of response to EOI requests. The Bulgarian Competent Authority also improved its processes to ensure the provision of status updates within 90 days when it had been unable to provide a response

within 90 days, but this was not always done. Bulgaria was recommended to systematically provide status updates to its partners.

12. Furthermore, a few peers indicated issues with respect to the quality of EOI requests sent by Bulgaria, in particular on the application of the principle of foreseeable relevance. Bulgaria has received a recommendation to ensure the quality of EOI requests in all cases.

Overall rating

13. Bulgaria is rated Compliant for Elements B.1, B.2, C.1, C.2, C.3 and C.4, and Largely Compliant for Elements A.1, A.2, A.3 and C.5. Overall, Bulgaria is rated Largely Compliant with the standard, based on a global consideration of its compliance with the individual elements.

14. This report was approved at the Peer Review Group of the Global Forum on 27 February 2024 and was adopted by the Global Forum on 27 March 2024. A self-assessment report on the steps undertaken by Bulgaria to address the recommendations made in this report should be provided to the Peer Review Group, in accordance with the methodology for enhanced monitoring as per the schedule laid out in Annex 2 of the methodology. The first such self-assessment report from Bulgaria will be expected in 2026, and thereafter, once every two years.

Summary of determinations, ratings and recommendations

Determinations and ratings	Factors underlying recommendations	Recommendations
Jurisdictions should ensure that ownership and identity information, including information on legal and beneficial owners, for all relevant entities and arrangements is available to their competent authorities (Element A.1)		
The legal and regulatory framework is in place but needs improvement	Complete legal ownership and identity information is not available in Bulgaria for all relevant non-EU foreign companies and partnerships carrying out business in Bulgaria through a branch, as the information filed with the Commercial Register does not in all cases include legal ownership information and they must file in their tax returns information of ownership of only 10% or more. In practice, for around 61% of such branches of foreign companies and partnerships, information is available to the Bulgarian authorities on an e-justice platform (shared with other European authorities).	Bulgaria is recommended to ensure that legal ownership information on branches of foreign companies and partnerships with a sufficient nexus to Bulgaria is available and up to date in line with the standard in all cases.

Determinations and ratings	Factors underlying recommendations	Recommendations
	Bulgaria has recently introduced obligations on beneficial owners to provide their information to legal entities and arrangements and sanctions are applicable for failure to do so. It is not yet clear how these sanctions will be applied and enforced in practice in all cases and there are no other mechanisms to ensure that the entities or arrangements become aware of changes in their beneficial ownership. There is also no backstop of periodically reviewing or updating the information held with the registers. Anti-money laundering obliged persons are now required to report any discrepancy detected in the beneficial ownership information of their customers. However, as there is no specified frequency in the legal and regulatory framework for them to carry out customer due diligence to update the beneficial ownership information, it cannot be ensured that accurate and up-to-date beneficial ownership information is always available in line with the standard.	Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard.
EOIR Rating Largely Compliant	The number of companies and partnerships with legal personality that have filed inactivity declarations between 2019 and 2022 is large (around 25% and 51% of the total population, respectively). For inactive companies other than Limited Liability Companies, up-to-date legal ownership information is kept by the companies themselves, which has not been verified in practice. Up-to-date beneficial ownership information on inactive companies and partnerships with legal personality might not be available, as they might not comply with their requirements towards the Commercial Register, and they are not actively monitored to verify their status and their compliance with this legal obligation.	Bulgaria is recommended to review its system, whereby a number of inactive companies and partnerships remain with legal personality on the Commercial Register and should implement appropriate supervision to ensure that legal and beneficial ownership information on inactive companies and partnerships with legal personality is always available in line with the standard.

Determinations and ratings	Factors underlying recommendations	Recommendations
	Bulgaria follows a multi-pronged approach to ensure the availability of beneficial ownership information. A key source of beneficial ownership information is its two beneficial ownership registers, operational since 2019. Legal entities and arrangements must obtain and maintain information on their beneficial owners and file this information with the registers. The filing rate is very low. This may be because legal entities and arrangements are exempted from filing such information into the registers when the information is already listed therein (for instance, where the only one legal owner is a natural person and also the sole beneficial owner). It would be difficult to know whether no beneficial ownership information has been filed because the entity/arrangement benefits from an exemption, or because it has failed to make the necessary declaration. So far, the Bulgarian authorities have not comprehensively verified the correct application of the exemptions, to ascertain if they are the reason for the low filing rate of the beneficial ownership declarations. Furthermore, the Registry Agency has only recently introduced mechanisms and legal powers to ensure that the information in the register is accurate, adequate and up to date, such as discrepancy reporting by anti-money laundering-obliged persons, which will only come into force in 2024. Discrepancies have nevertheless been reported informally in some cases and actions were taken. Anti-money laundering obliged persons are another source of beneficial ownership information although there is room for improvement in their supervision. Finally, the supervision and enforcement of beneficial ownership obligations have not yet considered the possible use of informal nominee shareholding arrangements in Bulgaria.	Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.

Determinations and ratings	Factors underlying recommendations	Recommendations
Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements (Element A.2)		
The legal and regulatory framework is in place but needs improvement	Annual financial statements must be filed with the Commercial Register and remain publicly available even after companies cease to exist. However, other accounting records and underlying documentation for relevant legal entities and arrangements that cease to exist are not required to be maintained for a period of at least five years after liquidation.	Bulgaria is recommended to ensure that accounting records and underlying documentation are maintained as required by the standard for all liquidated entities for a period of at least five years.
EOIR Rating Largely Compliant	The compliance rates with the obligations to file annual financial statements and tax returns are relatively low. Furthermore, around 25% of companies and 51% of partnerships with legal personality have filed inactivity declarations between 2019 and 2022. Compliance with their accounting records and underlying documentation obligations is not actively monitored. These factors raise concerns on the availability of accounting records of all relevant legal entities and arrangements in Bulgaria.	Bulgaria is recommended to strengthen its supervisory and enforcement actions to ensure that the accounting records and related underlying documentation of all relevant entities and arrangements, including inactive companies and partnerships with legal personality, are always available in line with the standard.
Banking information and beneficial ownership information should be available for all account-holders (Element A.3)		
The legal and regulatory framework is in place but needs improvement	Banks are required to update the beneficial ownership information of their clients based on the client's level of risk. The Bulgarian legal and regulatory framework does not specify a frequency to do such updates. Therefore, there could be cases where the available beneficial ownership information is not up to date.	Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information on all bank accounts is available in line with the standard.
EOIR Rating Largely Compliant		

Determinations and ratings	Factors underlying recommendations	Recommendations
Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information) (Element B.1)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		
The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information (Element B.2)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		
Exchange of information mechanisms should provide for effective exchange of information (Element C.1)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		
The jurisdictions' network of information exchange mechanisms should cover all relevant partners (Element C.2)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		

Determinations and ratings	Factors underlying recommendations	Recommendations
The jurisdictions' mechanisms for exchange of information should have adequate provisions to ensure the confidentiality of information received (Element C.3)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		
The exchange of information mechanisms should respect the rights and safeguards of taxpayers and third parties (Element C.4)		
The legal and regulatory framework is in place		
EOIR Rating Compliant		
The jurisdiction should request and provide information under its network of agreements in an effective manner (Element C.5)		
Legal and regulatory framework:	This element involves issues of practice. Accordingly, no determination on the legal and regulatory framework has been made.	
EOIR Rating Largely Compliant	Bulgaria has improved its processes to provide status updates within 90 days when the competent authority was not able to provide a substantive response within that timeframe. However, this was not systematically monitored and status updates were not provided in some cases.	Bulgaria is recommended to systematically provide a status update to its partners when the competent authority is unable to provide a response within 90 days.
	Some peers have indicated issues with respect to the quality of EOI requests received from Bulgaria, in particular regarding the demonstration of foreseeable relevance of the EOI requests.	Bulgaria is recommended to ensure the quality of the EOI requests sent to its EOI partners in all cases.

Overview of Bulgaria

15. This overview provides some basic information about Bulgaria that serves as context for understanding the analysis in the main body of the report.

16. Bulgaria is a member State of the European Union (EU). It has a population of 6.8 million people. With a GDP of approximately USD 84 billion (EUR 81 billion) and a per capita income of approximately EUR 11 900, Bulgaria is an upper-middle-income economy.[2] The official currency is the Bulgarian Lev (BGN).[3] The main contributors to Bulgaria's GDP are services and industry.

Legal system

17. Bulgaria is a parliamentary democratic republic, and its legal system is based on the civil law tradition. The Bulgarian Constitution is the supreme internal legislative act. It provides for the basic rights of citizens and stipulates the form of the state government and structure, functions and collaboration between the branches of government.

18. The legislative power is represented by the unicameral parliament, the National Assembly, which enacts, amends and supplements laws, establishes the types and rate of state taxes, approves budget and ratifies international agreements. The executive power is vested in the Council of Ministers, which consists of the Prime Minister, Deputy Prime Minister and ministers. The Council of Ministers directs and implements the domestic and foreign policy and is entitled to initiate the adoption of laws by drafting, deliberating and forwarding bills to the National Assembly.

2. World Bank Data (https://data.worldbank.org/country/bulgaria), accessed on 14 May 2023.
3. The Bulgarian Lev (BGN) is pegged to the euro (EUR) at a rate of 0.51 EUR/BGN. Source: Bulgarian National Bank (https://www.bnb.bg/Statistics/StExternalSector/StExchangeRates/StERFixed/index.htm).

19. The judicial power is independent from the legislative and executive branches and consists of a system of civil, criminal and administrative courts. Judicial proceedings in civil and criminal cases are conducted in three instances: i) trial courts, which are local (regional) and district courts, ii) appellate courts and iii) the Supreme Court of Cassation. Judicial proceedings in administrative matters are conducted in two instances: i) first instance (administrative courts) and ii) cassation instance, in the Supreme Administrative Court. Tax matters are within the jurisdiction of administrative courts.

20. Bulgaria is divided into 28 regions, which are separate administrative divisions. Matters of taxation are subject to the national laws and only local taxes and fees can be regulated by decisions of the administrative divisions.

21. The relevant sources of law in Bulgaria are: i) EU Law, ii) the Bulgarian Constitution, iii) decisions of the Constitutional Court, iv) international treaties, v) acts passed by the National Assembly, vi) delegated legislation, vii) practice of the courts and viii) legal customs. International treaties ratified in accordance with the constitutional procedure have primacy over any conflicting provision in the domestic law (art. 5(4) of the Bulgarian Constitution). This includes DTCs, TIEAs and the Multilateral Convention.

Tax system

22. The Bulgarian tax system is governed by rules established in the substantive and procedural tax law and laws relating to mandatory social security and health insurance. The Corporate Income Tax Act (CITA) and the Value Added Tax Act are some of the substantive tax laws. More detailed rules are contained in by-law regulations and ordinances or decisions issued by the Council of Ministers, the Ministry of Finance or the tax authorities.

23. The body in charge of administering taxes in Bulgaria, both direct and indirect taxes, is the National Revenue Agency (NRA).

24. The tax system consists of direct taxes (corporate and personal income tax), indirect taxes (e.g. VAT, excise duties) and local taxes and fees (e.g. real state tax, inheritance tax). The corporate income tax applies to all companies and partnerships established under Bulgarian law or with permanent establishments in Bulgaria. The rate of corporate income tax is 10%. Income subject to withholding tax includes dividends, interests, royalties, franchising and factoring fees. All legal persons established under Bulgarian law are considered tax residents in Bulgaria and taxed on their worldwide income. Non-resident legal persons (e.g. foreign companies

deriving income from a permanent establishment in Bulgaria) are liable to tax from profits realised through the permanent establishment (which includes profits realised outside of Bulgaria), from disposition of property of the permanent establishment and from income accruing from a source in Bulgaria (art. 4 CITA).

25. Natural persons are taxed at a rate of 10%. This rate is applicable to residents and non-residents. In general, individuals are considered Bulgarian tax residents if they have stayed in Bulgaria for more than 183 days in any 12-month period or if they have the centre of vital interests in Bulgaria (determined according to personal and economic ties such as having a permanent address in Bulgaria, family, employment, possession of property).

Financial services sector

26. The Bulgarian financial system consists of four main sectors: i) banking, ii) capital market (investment firms, management companies, investment fund manager), iii) insurances (insurance and reinsurance companies and intermediaries), and iv) private pensions (pension insurance companies, private pension funds and funds for benefit payments).

27. The banking sector is the most important part of the financial system and consists of traditional banks and licensed investment firms which underwrite financial instruments or place financial instruments on a commitment basis, the total value of which equals or exceeds EUR 30 billion (this second type of banks was created in March 2022) (art. 2 Credit Institutions Act, CIA). As of September 2023, the assets under management of the banking sector amounted to BGN 155 billion (around EUR 79 billion), which represent around 94% of Bulgaria's GDP. There were 18 banks licensed in Bulgaria (including foreign-owned banks, mainly from other EU member states) and 7 branches of foreign banks.

28. The Bulgarian financial sector mainly plays a domestic role, although there is participation of foreign investments. Bulgaria is not an international financial centre, as the bulk of financial sector activity is domestic.

29. Several authorities supervise the activities of the financial sector, including the Bulgarian National Bank (BNB), the Financial Intelligence Directorate of State Agency for National Security (FID-SANS) and the Financial Supervision Commission (FSC). Since 2020, the BNB has increased its co-operation with the European Central Bank to strengthen the supervision of banks in Bulgaria.

Anti-money laundering framework

30. Bulgaria, being an EU Member State, has its domestic anti-money laundering (AML) law harmonised with EU legislation. The essential pieces of the AML law are the Measures against Money Laundering Act (AML Act) and Rules for its implementation, and the Measures Against the Financing of Terrorism Act. The Bulgarian AML framework is further complemented by different provisions of sectoral laws, providing for the functions and powers of supervisory authorities and licensing and registration requirements for AML-obliged persons.

31. The total population of AML-obliged persons is around 100 000, spread across 30 categories (AML Act, art. 4). These include:

- Accountants (almost 13 000 accountants by the end of 2021)[4]
- auditors
- financial institutions
- lawyers (more than 13 000 lawyers by the end of 2022), when providing certain services[5]
- notaries
- tax advisors
- trust and company service providers (these activities are usually carried out by lawyers or accountants in Bulgaria[6]).

32. The FID-SANS is the main supervisory body of the implementation of requirements under the AML Act. It is also the Bulgarian Financial Intelligence Unit, playing an active role in the development of AML/CFT policy in Bulgaria and being involved in various working groups and projects, including for the development of AML/CFT legislation and leading the process of conducting the National Risk Assessment. The FID-SANS carries out individual as well as joint supervisory inspections with the other supervisory bodies (including BNB, FSC and NRA). FID-SANS has the power to impose financial sanctions for non-compliance with the AML Act. The NRA, BNB and FSC also have the power to impose sanctions for non-compliance with the AML requirements.

4. There is no register of accountants in Bulgaria and this estimated number is based on analysis made of income declared from certain activities, among other information, which is undertaken by the National Statistics Institute of Bulgaria.
5. Not all identified lawyers would be AML-obliged persons, as the AML Act defines the specific types of services that lawyers provide that would be covered by the AML Act.
6. Recent amendments to the AML Act provide for the creation of a Trust and Company Service Providers Register. Registration of professionals will be required to carry out such services.

33. Bulgaria was reviewed by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) in 2022. In the Fifth Round Mutual Evaluation Report (MER), Bulgaria was rated Partially Compliant with Recommendations 10 (Financial Institutions: Customer Due Diligence), 22 (Designated Non-Financial Businesses and Professions: Customer due diligence), 24 (Transparency and beneficial ownership of legal persons) and 25 (Transparency and beneficial ownership of legal arrangements). The main deficiencies identified referred to the use of informal nominees, the limited actions taken to supervise the conversion of bearer shares into registered shares, the lack of a comprehensive risk assessment and the lack of sufficient regulatory measures to ensure the accuracy of beneficial ownership information.

34. Furthermore, Bulgaria's 2022 MER rated Immediate Outcome 3 (IO 3) concerning the supervision of Financial Institutions and non-financial AML-obliged persons at a moderate level of effectiveness. The number of inspections carried out by the AML authorities on non-financial AML-obliged persons was found very low and sanctions not proportionate or dissuasive and seldom applied. Further, there was a shortage of resources (human, financial and technological) in the supervision activities. Immediate Outcome 5 (IO 5) concerning the implementation of rules ensuring availability of beneficial ownership information for legal persons and arrangements was rated at a low level of effectiveness. The report highlighted the lack of detailed risk understanding in the country regarding the use of legal persons and arrangements for ML/TF purposes and deficiencies in implementation and supervision concerning mechanisms to ensure adequate, accurate and up-to-date beneficial information entered into the relevant Registers (see A.1.1 Availability of Beneficial Ownership Information).

35. Since 2022, Bulgaria has been working to address the recommendations made, notably strengthening its supervisory activities, increasing co-operation among the different supervisory authorities and working on amendments to its AML Law.

Recent developments

36. The main relevant developments occurred in the Bulgarian legal and regulatory framework since the adoption of the 2016 Report are the following:

- The abolition of bearer shares, introduced by the Act on Amendment of the Commerce Act, on 23 October 2018 (see paragraphs 162 et seq.).
- The implementation of a beneficial ownership register since 2019 (see paragraphs 117 et seq.).

- The use of e-Forms Central Application (eFCA), developed by the European Commission, to ease the exchange of information between Member States of the EU.
- Amendments to the Commercial Register and Register of Non-Profit Legal Entities Act (CRRNPLE Act) require managers, liquidators and trustees in bankruptcy to keep all documentation related to the establishment of the legal entities or arrangements and to any changes therein for a period of five years after the date the entity or arrangement ceases to exist. These amendments came into force on 10 October 2023.
- Amendments to the AML Act give explicit powers to the Registry Agency to request documentation to companies when establishing their beneficial owners (book of shareholders/members, resolutions of general assembly and any other documents that could be used to identify beneficial owner(s) of a company). These amendments came into force on 14 July 2023.
- The amendments to the AML Act also require AML-obliged persons to report to the Registry Agency any discrepancies identified in the beneficial ownership information available in the Registers compared to what is identified and collected by the AML-obliged person. These amendments will come into force on 16 July 2024.
- The AML Act was also amended to provide for a stricter sanctioning regime concerning non-compliance with the beneficial ownership requirements, including imposing sanctions not only for failure to file beneficial ownership information to the Registers, but also to sanction cases of non-compliance with the statutory deadline. Furthermore, the amendments establish that failure to provide beneficial ownership information to the Registers will always be subject to pecuniary sanctions.
- The publication after the cut-off date of an updated version of the Guidelines on the identification of beneficial owners of legal persons and other legal arrangements in the FID-SANS website, to correct a previous inaccuracy.
- An updated EOI Manual has been drafted after the cut-off date to guide the work of the Bulgarian EOI Unit and is undergoing internal approval.

Part A: Availability of information

37. Sections A.1, A.2 and A.3 evaluate the availability of ownership and identity information for relevant entities and arrangements, the availability of accounting information and the availability of banking information.

A.1. Legal and beneficial ownership and identity information

Jurisdictions should ensure that legal and beneficial ownership and identity information for all relevant entities and arrangements is available to their competent authorities.

38. The 2016 Report concluded that legal ownership information on legal entities and arrangements was required to be kept under Bulgarian commercial law. The legal and regulatory framework was in place, but certain aspects needed improvement. Bulgaria was rated Partially Compliant with this element of the standard. The recommendations issued in 2016 have been addressed as follows:

- Bulgarian law did not require the identification of holders of bearer shares in all cases. Bulgaria amended its Commerce Act to prohibit the issuance of bearer shares and to require the replacement of issued bearer shares with registered ones. Non-compliance with the requirements resulted in companies being terminated by the Prosecutor's Office. As of the cut-off date, only 10 companies that have previously issued bearer shares have not been terminated by a court's decision and the Bulgarian authorities are actively monitoring the situation to ensure their termination.
- Trustees were not required to identify settlors, trustees and beneficiaries of foreign trusts. Bulgaria now requires all trustees of foreign trusts to register in the BULSTAT Register and to keep all relevant information related to the foreign trust. So far, no such cases have been registered in the BULSTAT Register.
- Bulgaria was recommended to strengthen the supervisory and enforcement measures taken by the Registry Agency to ensure the accuracy of the legal ownership information filed therein. Bulgaria

has put in place measures to verify the information filed with the Business and BULSTAT Register and provided more power to the registration officials to detect and notify any non-compliance. This has resulted in stronger verifications and more entities complying with the requirements after being notified by the Registry Agency of information/documentation missing or being incorrect.

39. The recommendation on foreign companies and partnerships from the 2016 Report is maintained, although its scope has been narrowed after Bulgaria introduced an obligation for foreign companies and partnerships to disclose in their tax returns the identity of the owners of at least 10% of their shares.

40. The standard was strengthened in 2016 to require the availability of beneficial ownership information for all relevant legal entities and arrangements. Bulgaria obtains this information through a multi-pronged approach which includes obligations on legal entities and arrangements to file their beneficial ownership information in the Business and BULSTAT Registers, obligations on relevant legal entities and arrangements themselves to hold and maintain beneficial ownership information and obligations on AML-obliged persons to identify beneficial owners of their clients through customer due diligence (CDD) measures. Bulgaria's multi-pronged approach covers all relevant legal entities and arrangements.

41. The Bulgarian legal and regulatory framework does not specify a frequency under which beneficial ownership information must be updated. The compensatory mechanisms in place in Bulgaria, such as obligations on beneficial owners to provide the entities and arrangements with their information and sanctions applicable for failure to do so, depend on their applicability in practice. Bulgaria has been recommended to address this deficiency.

42. Deficiencies have been identified on the practical implementation of the requirements. It is uncertain whether the register of beneficial owners has been fully populated and the mechanisms available to the Registry Agency to ensure that the information kept and reported by entities is accurate, adequate and up to date have yet to be tested in practice. Compliance by legal entities and arrangements with their obligations to keep information on their beneficial owners is mainly reviewed through their obligations to populate the register, although such reviews so far have been limited. The supervision of AML-obliged persons is uneven. Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.

43. Finally, a large number of companies filed inactivity declarations between 2019 and 2021, which exempted them from filing annual financial statements with the Registry Agency and annual tax returns with the NRA. Inactive companies have not been actively monitored to ensure that they are indeed inactive and that they comply with other obligations, such as updating their legal ownership information in their books of shareholders (for companies other than Limited Liability Companies) or filing beneficial ownership information. Bulgaria is recommended to address this deficiency.

44. During the review period, Bulgaria satisfactorily responded to requests for the legal ownership and beneficial ownership information of companies.

45. The conclusions are as follows:

Legal and Regulatory Framework: in place, but certain aspects of the legal implementation of the element need improvement

Deficiencies identified/Underlying factor	Recommendations
Complete legal ownership and identity information is not available in Bulgaria for all relevant non-EU foreign companies and partnerships carrying out business in Bulgaria through a branch, as the information filed with the Commercial Register does not in all cases include legal ownership information and they must file in their tax returns information of ownership of only 10% or more. In practice, for around 61% of such branches of foreign companies and partnerships, information is available to the Bulgarian authorities on an e-justice platform (shared with other European authorities).	Bulgaria is recommended to ensure that legal ownership information on branches of foreign companies and partnerships with a sufficient nexus to Bulgaria is available and up to date in line with the standard in all cases.
Bulgaria has recently introduced obligations on beneficial owners to provide their information to legal entities and arrangements and sanctions are applicable for failure to do so. It is not yet clear how these sanctions will be applied and enforced in practice in all cases and there are no other mechanisms to ensure that the entities or arrangements become aware of changes in their beneficial ownership. There is also no backstop of periodically reviewing or updating the information held with the registers. Anti-money laundering-obliged persons are now required to report any discrepancy detected in the beneficial ownership information of their customers. However, as there is no specified frequency in the legal and regulatory framework for them to carry out customer due diligence to update the beneficial ownership information, it cannot be ensured that accurate and up-to-date beneficial ownership information is always available in line with the standard.	Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard.

Practical Implementation of the Standard: Largely Compliant

Deficiencies identified/Underlying factor	Recommendations
The number of companies and partnerships with legal personality that have filed inactivity declarations between 2019 and 2022 is large (around 25% and 51% of the total population, respectively). For inactive companies other than Limited Liability Companies, up-to-date legal ownership information is kept by the companies themselves, which has not been verified in practice. Up-to-date beneficial ownership information on inactive companies and partnerships with legal personality might not be available, as they might not comply with their requirements towards the Commercial Register, and they are not actively monitored to verify their status and their compliance with this legal obligation.	Bulgaria is recommended to review its system, whereby a number of inactive companies and partnerships remain with legal personality on the Commercial Register and should implement appropriate supervision to ensure that legal and beneficial ownership information on inactive companies and partnerships with legal personality is always available in line with the standard.
Bulgaria follows a multi-pronged approach to ensure the availability of beneficial ownership information. A key source of beneficial ownership information is its two beneficial ownership registers, operational since 2019. Legal entities and arrangements must obtain and maintain information on their beneficial owners and file this information with the registers. The filing rate is very low. This may be because legal entities and arrangements are exempted from filing such information into the registers when the information is already listed therein (for instance, where the only one legal owner is a natural person and also the sole beneficial owner). It would be difficult to know whether no beneficial ownership information has been filed because the entity/arrangement benefits from an exemption, or because it has failed to make the necessary declaration. So far, the Bulgarian authorities have not comprehensively verified the correct application of the exemptions, to ascertain if they are the reason for the low filing rate of beneficial ownership declarations. Furthermore, the Registry Agency has only recently introduced mechanisms and legal powers to ensure that the information in the register is accurate, adequate and up to date, such as discrepancy reporting by anti-money laundering-obliged persons, which will only come into force in 2024. Discrepancies have nevertheless been reported informally in some cases and actions were taken.	Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements.

Deficiencies identified/Underlying factor	Recommendations
Anti-money laundering-obliged persons are another source of beneficial ownership information although there is room for improvement in their supervision. Finally, the supervision and enforcement of beneficial ownership obligations have not yet considered the possible use of informal nominee shareholding arrangements in Bulgaria.	

A.1.1. Availability of legal and beneficial ownership information for companies

46. The types of companies that can be incorporated in Bulgaria and their incorporation procedures have not substantially changed from what was described in the 2016 Report. The Commercial Act recognises four types of companies:

- **Limited Liability Companies (LLCs)**: LLCs are the most used type of entity in Bulgaria. LLCs are created by one or more legal or natural persons who are liable for the company's liabilities up to the amount of their contribution to its capital (art. 113 Commerce Act), which consists of the shares of the partners. The minimum registered capital of an LLC is BGN 2 (EUR 1) (art. 117(1) Commerce Act). LLCs are not publicly traded. The company's affairs are administered by the manager(s) and by the general meeting of shareholders. As of 30 June 2022, there were 185 718 LLCs held by several partners and 597 366 LLCs held by one single member, for a total of 783 084 LLCs.[7]
- **Joint Stock Companies (JSCs)**: JSCs are companies whose capital is divided by shares. JSCs are formed by one or more natural or legal persons who are liable for the company's liabilities up to the amount of their capital contribution (art. 158(1) Commerce Act). The minimum capital is BGN 50 000 (around EUR 25 000) (arts. 159(1) and 161(2) Commerce Act). As of 30 June 2022, there were 9 175 JCSs held by several shareholders, 3 317 JSCs held by one single member and 58 JSCs with special investment purpose,[8] for a total of 12 550 JSCs.

7. The 2016 Report noted that 513 617 LLCs existed on 31 December 2015. The Bulgarian authorities explain that the significant increase in the number of LLCs registered in Bulgaria can be attributed to their ease of creation: i) partners in an LLC are only liable up to the amount of their contributions; ii) the minimum capital to establish an LLC is low; iii) LLCs can be owned by only one person; iv) LLCs have a simplified organisational and management structure. The rate of increase of LLCs registered in Bulgaria has remained stable over the last years.
8. JSCs with special investment purpose invest their funds by issuing securities, in real estate or in receivables (receivables securitisation).

- **Partnership Limited by Shares (PLbSs)**: PLbSs are hybrid companies between limited partnerships and JSCs. PLbSs are formed by a deed and are incorporated by their general partners. Limited partners must be at least three and are issued with shares in proportion to their contribution to the capital (arts. 253(1) Commerce Act). A PLbS is managed by its board of directors, which includes only the general partners (art. 258 Commerce Act). Only limited partners have voting rights in the general meetings of a PLbS (art. 257(1) Commerce Act). Provisions applicable to JSCs apply mutatis mutandis to PLbSs (art. 253(2) Commerce Act). As of 30 June 2022, there were 27 PLbSs.
- **European Company (EC):** ECs are regulated by Council Regulation (EC) 2157/2001 on Statute for a European Company. ECs are incorporated through merger or transformation of a JSC, which has its registered office in Bulgaria (art. 281 Commerce Act). The rules that apply to ECs are the same as applicable to JSCs in Bulgaria (art. 10 of the Council Regulation (EC) 2157/2001). As of 30 June 2022, there were 3 ECs.

47. In August 2023, Bulgaria incorporated into its Commerce Act a new type of company called **Company with Variable Capital (CVC)**. CVCs are generally dedicated to incentivising the establishment of start-ups in Bulgaria. CVCs can be established by one or more natural or legal persons. A CVC must only have an average number of employees of less than 50 and its annual turnover or value of its assets do not exceed BGN 4 000 000 (EUR 2 040 000). The capital of CVCs is divided into shares and the minimum nominal value of one share is BGN 0.01 (EUR 0.0051). A CVC may issue preferred shares, which may provide for more than one vote in the general meeting of partners. Although the amendments related to CVCs have already entered into force (on 5 August 2023), § 107 of the Transitional and concluding provisions of the Commerce Act establish that the Registry Agency must provide the necessary technical infrastructure for their registration by 30 June 2024, which in practice postpones the entry into effect of the new provisions to this date.

48. There are two registers in Bulgaria: i) the Business Register,[9] which in turn has two sub-registers, the Commercial Register and the Non-Profit Legal Entities (NPLE) Register, and ii) the BULSTAT Register, in which foreign entities and trustees of foreign trusts, among others, are required to register. Both Registers are maintained by the Registry Agency, which is an

9. The term Business Register does not exist as a legal term in Bulgaria, although it is used for convenience when referring to both the Commercial Register and the NPLE Register.

executive agency of the Ministry of Justice. The Registers are publicly available[10] and access to them is unrestricted, including for all public authorities.

49. Companies are deemed incorporated upon registration in the Commercial Register (art. 67 Commerce Act). Public notaries do not have a major involvement in the process of incorporation of companies and their only role is to certify the consent and signature of the manager for LLCs and the consent of the board of directors and the signature of its executive member for JSCs and PLbSs. The use of Trust and Company Service Providers is also limited in Bulgaria. The incorporation of companies is usually carried out by the directors or shareholders of the company, assisted by their accountants and lawyers. Registration officials verify the identity information of applicants against identity documentation provided and/or against a notarised or an electronic signature.

Availability of legal ownership and identity information

50. The legal ownership and identity requirements for companies are found mainly in the Commerce Act, which ensures the availability of information on all companies for EOI purposes. The Bulgarian tax law does not contain explicit requirements for companies to register their legal ownership information, although in some cases this information is contained in the NRA databases. The identification of beneficial owners of a company under the AML Law may result in the identification of legal owners only in some cases. The following table shows a summary of the legal requirements to maintain legal ownership information in respect of companies:

Companies covered by legislation regulating legal ownership information[11]

Type	Company Law	Tax Law	AML Law
LLC	All	Some	Some
JSC	All	Some	Some
PLbS	All	Some	Some
EC	All	Some	Some
CVC	All	Some	Some
Foreign companies (tax resident)	All	All	Some

10. Commercial Register and NPLE Register: https://portal.registryagency.bg/en/home-cr. BULSTAT Register: https://www.bulstat.bg/.

11. The table shows each type of entity and whether the various rules applicable require availability of information for "all" such entities, "some" or "none". "All" means that the legislation, whether or not it meets the standard, contains requirements on the availability of ownership information for every entity of this type. "Some" means that an entity will be covered by these requirements if certain conditions are met.

Companies Law requirements

51. Company law requires the availability of full legal ownership information on all Bulgarian companies. Under the Commerce Act, all companies are required to register in the Commercial Register (art. 67, Commerce Act). The Registry Agency has 27 local registration offices in the country and is staffed with around 622 officials, of which 119 work specifically with the Commercial Register.

52. LLCs are required to submit to the Commercial Register their memorandum of association, which includes information on the company's name, address, business purpose, capital amount and the name(s) or business name(s) of the members and their unified identification codes (Bulgarian equivalent to Tax Identification Numbers) (arts. 115, 119(1) and (2), Commerce Act). LLCs must also submit to the Registry Agency all changes in their memorandum of association and accompanying documents within seven days after the change occurs (art. 119(4), Commerce Act and art. 6(2) CRRNPLE Act). Any changes in ownership of LLCs become legally effective only through amendment of the memorandum of association by resolution of the general meeting and subsequent entry into the Commercial Register (arts. 122, 129, 137(1) and 140(4), Commerce Act).

53. In the case of JSCs and PLbSs, upon registration in the Commercial Register, the list of persons that have subscribed shares must be submitted with the application, which contains information about the founding shareholders (arts. 174(2) and 253(2) Commerce Act). A similar requirement is introduced for ECs pursuant to article 33k of the Ordinance No. 1 of 14 February 2007 on the Keeping, Maintenance and Access to the Commercial Register and to the Non-Profit Legal Entities Register (hereinafter Ordinance No. 1). For CVCs, although not explicitly mentioned in the law (art. 260c Commerce Act), the Bulgarian authorities explained that the company agreement must be signed by all founding shareholders and therefore their names are included in the agreement.

54. JSCs, PLbSs, CVCs and ECs must file with the Commercial Register the minutes of the meetings indicating all the shareholders/members that attended such meetings (arts. 24(3) and 26(1) of Ordinance No. 1, art. 260u Commerce Act). All these companies must hold general meetings of shareholders/members at least once a year. This source of information is not complete, as it is not mandatory for all shareholders to attend general meetings.

55. All these companies are also required to keep registers of shareholders/members' books (see paragraphs 64 and 65).

56. Incorporation of a company is considered complete when it has been registered in the Commercial Register which, according to article 2

of the CRRNPLE Act, is an electronic database containing information provided by registered entities. The Commercial Register is public. Information submitted to the Commercial Register by companies is kept in electronic form and is kept indefinitely (art. 100, Ordinance No. 1).

Foreign companies

57. There are two main ways to conduct business in Bulgaria as a foreign company: i) by establishing a branch office which does not constitute a separate entity or ii) by carrying out business through another type of permanent establishment in Bulgaria.[12] Branches of foreign companies always constitute a permanent establishment in Bulgaria but not all permanent establishments are branches. Normally, branches are used to carry out business in Bulgaria on a more permanent basis, while other types of permanent establishments are used for carrying on business with a temporary nature (e.g. the performance of business activities in Bulgaria for more than six months on the basis of a contract with a Bulgarian assignor). Branches and other types of permanent establishments have different registration requirements (see next paragraphs).

58. Foreign companies conducting business in Bulgaria through a branch (i.e. item i) of paragraph 57) are required to register in the Commercial Register (art. 4 CRRNPLE Act) and must file the following information: i) the registered office and business of the branch, ii) the identity of the manager and the legal representative of the branch, iii) the memorandum or articles of association, as well as all its subsequent amendments, among others (arts. 17(2) and 17a Commerce Act). As of 30 June 2022, there were 659 branches of foreign entities (including companies) registered with the Commercial Register.

59. Foreign companies conducting business in Bulgaria other than through a branch (i.e. all the other types of permanent establishments), including where such a company has its place of effective management in Bulgaria, must register into the BULSTAT Register (art. 3 of the BULSTAT Register Act, BRA) and file the following information: i) acts of incorporation, change and closure, ii) legal organisation form, iii) name, iv) address(es) of

12. Permanent establishment includes a fixed place (owned, rented or used) through which the foreign person carries on business activity in the country (such as a place of management, a branch, a representative office, an office, among others), conducting business inside Bulgaria by persons authorised to contract on behalf of non-resident persons or carrying out commercial transactions with a place of performance inside Bulgaria, even where the non-resident person has no permanent representative or fixed base in Bulgaria (§ 1(5) of the Supplementary Provisions of the Tax and Social Security Procedure Code).

management, correspondence, location of activities, v) ownership structure and identification of all partners (art. 7(1) BRA). Changes in the provided information must be reported by representatives of the foreign entity within seven days after they occur (art. 12(4) BRA). As of 30 June 2022, there were 321 foreign entities (including companies) carrying out businesses in Bulgaria through a permanent establishment (but not a branch) registered with the BULSTAT Register. Of these, 14 had their place of effective management in Bulgaria.

60. The 2016 Report included a recommendation for Bulgaria to ensure the availability of legal ownership information on foreign companies with a sufficient nexus with Bulgaria. This recommendation was directed to foreign companies conducting business in Bulgaria through a branch (i.e. foreign companies as described in item i) of paragraph 57), (see paragraph 100 of the 2016 Report) as their memorandum or articles of association do not necessarily include information on the legal owners of the entity and/or changes therein. For foreign companies carrying out business in Bulgaria other than through a branch (item ii) of paragraph 57), complete and updated legal ownership information is available in the BULSTAT Register.

61. To address the gap, Bulgaria has amended its CITA (arts. 92(7), 239(3), 246(3) and 259(4)) to require all foreign legal entities carrying out activities in Bulgaria through a permanent establishment (which includes branches) to identify in their annual income tax returns their owners or shareholders with a participation in the entity of more than 10%.[13] Income tax returns must be filed on an annual basis if the entity carried out economic activity, irrespective of the result of the activity (i.e. irrespective of whether the result was profit or loss). Branches of foreign companies do not attain tax residence in Bulgaria, although some of them would have a sufficient nexus to Bulgaria when their main place of management is located therein. If they have economic activity, they are required to file a tax return, which must indicate the legal ownership of more than 10%. For some of them, complete legal ownership information would be available in the CRRNPLE in their articles of association. Furthermore, for those branches of companies from other EU-jurisdictions, ownership information is available to the Bulgarian Competent Authority through the e-justice platform.[14] The Bulgarian authorities estimate that around 61% of the branches registered

13. Specific thresholds for the identification of legal owners of foreign companies have been previously considered to be in line with the standard, where the jurisdiction's specific requirements coupled with other features of the jurisdiction's legal and regulatory framework in combination provide substantial assurance that the ownership information will be available in response to an EOI request.

14. The e-justice platform interconnects the business registers of all EU countries since June 2017 and is searchable online.

in Bulgaria are from other EU-jurisdictions, on which legal ownership information is available to them. Nevertheless, there would still be branches of foreign companies from non-EU jurisdictions that have a sufficient nexus to Bulgaria for which not complete legal ownership information would be available. The recommendation from the 2016 Report remains, although its scope has been narrowed. Its materiality is still considered low, taking into account the mitigating factors mentioned in this paragraph. **Bulgaria is recommended to ensure that legal ownership information on branches of foreign companies with a sufficient nexus to Bulgaria is available and up to date in line with the standard in all cases**.

62. The number of foreign entities (including companies) that have submitted ownership information in their annual tax return was 772 in 2021 and 758 in 2022. This represents 88% and 77% of those foreign entities that are registered in the Commercial or BULSTAT Registers that carry out business in Bulgaria (880 in 2021 and 980 in 2022). Information on foreign entities carrying out business in Bulgaria other than through a branch that have their place of effective management is available in the BULSTAT Register (14 in total), but similar information is not available for the branches registered in the Commercial Register, as information on the place of effective management is not required to be provided.

63. As stated in paragraph 56, information submitted to the Commercial Register is kept indefinitely. Regarding the BULSTAT Register, all written documents presented are kept by the Registry Agency for a period of 10 years from the date of entry, deletion or publication (art. 14(3), BRA).

Information maintained by the companies

64. LLCs must keep a members' book reflecting the share size of each member and the contributions made. Any changes in the membership of the LLC must be recorded in the book (art. 143(2) Commerce Act). In addition, any changes in ownership of LLCs become legally effective only through amendment of the memorandum of association and subsequent entry into the Commercial Register (arts. 137(1) and 140(4) Commerce Act, see paragraph 52). Although Bulgarian law does not explicitly prescribe where and for how long these documents should be kept, it is the responsibility of the management of the company to make them available to members of the company for inspection (arts. 123 and 143(3) Commerce Act). Books of members always contain historical information of previous members of an LLC, together with all the transfer of ownership that have occurred.

65. JSCs, PLbSs, CVCs and ECs must also keep a book of shareholders, indicating the name, addresses and unified identification codes of the shareholders, as well as the type and number of shares of each shareholder.

The legal representatives of these entities are responsible for fulfilling the obligations related to the book of shareholders and any change must be recorded within seven days of it taking place (arts. 179 and 260g Commerce Act). Transfer of shares becomes legally effective in respect of the company upon entry in the register of shareholders (art. 185(2) Commerce Act). Bulgarian law does not explicitly prescribe where and for how long the register of shareholders should be kept. However, the register must be available to members of the company for general meetings (art. 224 Commerce Act). Shareholders of JSCs, PLbSs, CVCs and ECs are allowed to inspect the book of shareholders to ensure their correct entrance therein, as it is such entrance which generates legal rights on them. Books of members always contain historical information of previous shareholders of JSCs, PLbSs, CVCs and ECs, together with all the transfer of ownership that have occurred.

Tax Law requirements

66. The NRA maintains a register of all obliged entities under the Bulgaria tax law (art. 80(1) of the Tax and Social Security Procedure Code, TSSPC). The register contains the following information: i) name or business name of the registered person, ii) the identification code as assigned by the Registry Agency or the BULSTAT identification code, iii) address, among others. Although there is no legal requirement to register legal ownership information with the NRA, the Bulgarian authorities explained that the tax databases of the NRA contain many additional details and information on the status and the dealings of the taxpayers, including in some cases ownership information.

67. For instance, any taxable person with obligation to pay corporate tax must submit an annual tax return to the NRA. An annual activity report must be filed together with the annual tax return (art. 92 CITA). The annual activity report contains some accounting information coming from the annual financial report and has to include identification of related parties and ownership structure. Persons that did not carry out activities within the meaning of the Accountancy Act are not required to submit an annual tax return or activity report.

68. Tax law requirements are not a source of legal ownership information to the Bulgarian Competent Authority, as this information is accessed from the Commercial and BULSTAT Registers (see paragraph 289). The NRA has direct access to both Registers and it receives a file indicating the companies' registrations on a daily basis. This information is added to the NRA databases.

Anti-money laundering law requirements

69. There is no legal requirement for domestic or foreign companies to engage an AML-obliged person on an ongoing basis. The Bulgarian authorities explained that, although there is no legal requirement to have a bank account in Bulgaria, they are confident it is the case in practice as it is not possible to operate without one. In practice, entities cannot be registered in the Registers without a bank account, as registration officials request proof of the initial capital paid to the company.

70. The Bulgarian AML Act provides for obligations on the availability of beneficial ownership information that could also lead to the identification of legal owners in some cases, as it relies on an identification threshold to identify beneficial owners (see below the section on Availability of beneficial ownership information, paragraph 97 et seq.). AML-obliged persons must identify their customers legal persons by means of producing an original or a notarised copy of the entity's registration (i.e. either in the Commercial Register or in the BULSTAT Register) and a copy of its current status, as well as a certified copy of its memorandum of association (art. 54(1), AML Act). These documents will provide the identity of the founders of all companies and of the current owners of LLCs. AML-obliged persons must also take reasonable measures to understand the ownership and control structure of their clients. This allows identifying all legal owners in simple structures but not in all cases. Although the identification of beneficial owners may lead, in some cases, to the identification of legal owners, the AML-obliged persons are not a privileged source for obtaining legal ownership information in Bulgaria.

Legal ownership information – Implementation in practice, enforcement measures and oversight

71. Companies' compliance with their requirement to keep legal ownership information themselves is ensured mainly through legal safeguards, filing requirements with the Commercial Register and tax supervision. As described in paragraphs 52 and 54, LLCs are required to submit to the Commercial Register their memorandums of association and any changes therein, and JSCs, PLbSs, CVCs and ECs must submit minutes of the meetings indicating all the shareholders/members that attended the meeting. Supervision of filing requirements with the Commercial Register includes supervision of the companies' compliance with their obligations to keep legal ownership information. Further, for JSCs, PLbSs, CVCs and ECs, non-compliance with the requirements to keep books of shareholders are sanctioned with penalties between BGN 100 and BGN 500 (around EUR 51 and EUR 255) (art. 284(5), Commerce Act). The Bulgarian authorities indicated that during the review period, no indications of non-compliance

with the obligation to keep up-to-date shareholders' books were detected by the Registry Agency and no related penalties were imposed due to the lack of violations. During tax supervision by the NRA, the keeping of legal ownership information is verified, as well as the submission of annual tax returns (see paragraphs 245 et seq. for more details on tax supervisions undertaken by the NRA).

72. Applications to the Commercial Register can be submitted on paper or electronically. In practice, around 80% of the registrations are made electronically. JSCs and PLbSs submit applications for registration only electronically (art. 17(2) CRRNPLE Act). Each application must be accompanied by declaration signed by the applicant on the authenticity of the stated circumstances. The documents must be submitted in original, a copy certified by the applicant or a notarised copy (art. 13(4) and (6), CRRNPLE Act). Usually, a notarised authorisation by the manager of the entity which provides consent of the registration is attached to the application. Registrations are mostly made by the manager(s) of the companies, or by lawyers and accountants on some occasions.

73. Applications to the BULSTAT Register by foreign companies are submitted via an application form, which can be electronic or in paper. A declaration of the authenticity of the stated circumstances signed by the applicant must be submitted at the time of application (art. 9 BRA).

74. Non-compliance with the registration requirements in the Commercial Register is sanctioned with penalties between BGN 1 000 and BGN 5 000 (EUR 510 and EUR 2 550). Continued non-compliance with the requirements will result in penalties being imposed monthly until the non-compliance is addressed (art. 40(1) and (3), CRRNLPE Act). In case of failure to register in the BULSTAT Register, the penalties applicable are between BGN 1 000 (for natural persons) and BGN 5 000 (for legal persons) (EUR 510 and EUR 2 550). In case the non-compliance continues, the penalties can be increased by BGN 5 000 to BGN 10 000 (EUR 2 550 to EUR 5 100). Supervision and enforcement of obligations towards the Commercial Register and the BULSTAT Register is the responsibility of the Registry Agency.

75. The 2016 Report found that, even if there were several safeguards in the Bulgarian legal framework to ensure compliance with the registration requirements, there was room for improvement in respect of the supervisory and enforcement measures (see paragraph 65 of the 2016 Report). The safeguards included: entries to the Commercial Register have legal constitutive effect (which is the case also for establishing a legal person, transfers of membership in LLCs and identification of the entity's representatives); for entries that have declarative effect, third parties are entitled to rely on the information in the Commercial Register and consider the facts which

are not entered as if they have not occurred; and any concerned person as well as the prosecutor may request deletion or correction of the information contained in the Commercial Register through a court order. The Bulgarian authorities confirmed that LLCs adhere strictly to the requirement in the law and compliance of LLCs with the registration of change in membership is very high, as new members have no rights until such registration is done.

76. Since 2016, Bulgaria has strengthened its supervision and enforcement of registration requirements. The Registry Agency issued three internal rules to strengthen the procedures for officials performing registrations in the Commercial and BULSTAT Registers. Registration officials now monitor the legal deadlines under which information to the Registers must be provided (under art. 6(2) CRRNPLE Act) and received powers to detect non-compliance.

77. In 2022, over 600 000 applications to the Registers were processed. Each registration official handles around 20 registrations per day, all of which must be processed no later than the next day of submission. Officials undertake several verifications when doing new registrations, including on whether:

- applications are submitted by an authorised person according to the law
- all documents required to be submitted are attached to the application
- when a lawyer is registering a company, the lawyer is registered to carry out such a profession in Bulgaria; the person registering the company is alive; the signature and consent of the manager and its notarisation are provided
- the capital is paid in a bank account of the company itself.

78. More detailed statistics are provided in the following table, that shows the total number of applications to the Registers (including applications for first-time registration, for entry of changes of information already in the Registers and for announcing acts (annual financial reports, amended statutes, invitations for general meetings, among others)), along with the number of deficient applications. It can be observed that the proportion of deficient applications is decreasing over years, and among these, the proportion of corrections is also increasing, which suggests that the monitoring of the registration officials has increasingly positive effects.

Monitoring and supervision of registration requirements by the Registry Agency

	Total number of applications to the Registers	Number of deficient applications	Out of deficient initial applications, number of registrations corrected and finalised	% of cases in which deficiencies were corrected and registrations finalised
2019	860 785	58 000 (6.7%)	30 485	53%
2020	797 324	57 554 (7.2%)	38 966	68%
2021	658 754	24 728 (3.8%)	19 656	79%
2022	652 247	21 040 (3.2%)	17 308	82%

79. Overall, Bulgaria has taken measures to reinforce the monitoring and supervision of the Commercial Register and BULSTAT Register. Registration officials during the onsite visit showed sound knowledge and understanding of their obligations and of the procedures they must follow to verify and ensure the information entered into the Registers is accurate. The majority of the instructions given by registration officials are followed to resolve deficiencies and the rates of compliance with the instructions have increased over time.

80. In case of inconsistencies, the registration official instructs the registrant that documents are missing and/or there are inconsistencies to be reconciled. Corrections must be made within three working days starting from the moment of instruction (arts. 19(2) and 22(5) CRRNPLE Act). If the instructions are not executed, the registration official issues a refusal and the entity is not registered. Refusals are subject to appeal.

81. If such deadlines are not complied with, the registration official must notify the director of the Legal Services, Human Resources and Records, which in its turn can initiate administrative or criminal proceedings when violations are established. Penalties might also be imposed (see paragraph 74). The following table summarises the actions taken with regards to violations, written warnings and sanctions imposed during the review period.

Violations and penalties imposed on registration requirements with the Registry Agency

	Number of acts issued that establish a violation of the deadline for submitting information to the Registers	Number of written warnings issued	Number of decisions issued imposing administrative penalties	Number of sanctions imposed	Penalty amounts imposed
2019	591	192	8	0	0
2020	318	270	3	0	0
2021	53	0	0	0	0
2022	116	15	4	4	BGN 2 000 (EUR 1 020)

82. Violations have decreased over time. The number of written warnings issued is lower when compared to the number of acts establishing a violation issued as in many cases, the information is submitted as soon as the violation is established and it is therefore not needed to issue a written warning. A similar analysis can be made for the decisions issued to impose penalties.

83. The recommendation is therefore considered addressed.

Companies that cease to exist

84. LLCs, JSCs and PLbSs are dissolved: i) upon expiration of the term specified in the memorandum of association, ii) upon decision by the partners/members/shareholders, iii) by decision of a court, iv) through a merger or acquisition, or v) upon bankruptcy (arts. 154, 252 and 253, Commerce Act). When LLCs, JSCs and PLbSs are dissolved by any of the means herein mentioned except for bankruptcy, a liquidation process starts, and a liquidator must be appointed (arts. 156(1), 221(9) and 253 Commerce Act). In the case of LLCs, the liquidator is the managing director, unless another liquidator(s) is(are) appointed in the memorandum of association or the shareholders/members meeting minutes (arts. 156(2)). In all cases, the start of the liquidation process must be notified to the Commercial Register, together with the identity of the liquidator(s) (art. 266(2) and (3) Commerce Act). For the liquidation process to proceed, the liquidator must declare to the Register that there are no claims against the company. Additionally, the liquidator is obliged to inform the NRA of the start of the liquidation process (art. 268(3) Commerce Act).

85. ECs are dissolved and liquidated only by decision of a court upon request by a public prosecutor, if they no longer have their registered offices in Bulgaria (art. 283 Commerce Act). As rules applicable to JSCs in Bulgaria

apply to ECs, ECs are also required to appoint liquidators and comply with the requirements described in the preceding paragraph. A CVC is terminated upon expiration of its terms, by decision of the partners, by decision of a district court or by other grounds stipulated in the company agreement (art. 260ab Commerce Act). A liquidator must be appointed to dissolve and liquidate the CVC (arts. 64(1), 260u and 266 Commerce Act).

86. In case of bankruptcy, a district court to which the bankruptcy proceedings have been filed must appoint a trustee in bankruptcy, elected by the creditors of the company. Trustees in bankruptcy are professionals in economics or law and must be included in a list of trustees in bankruptcy endorsed by the Ministry of Justice (art. 655(2) and 656(2) Commerce Act).

87. At the time of the 2016 Report, there were no specific requirements under Bulgarian law establishing the documentation that had to be kept by the liquidators or the retention period. Bulgaria was invited to clarify its law with respect to the liquidators' obligations. Recent amendments to the CRRNPLE Act require liquidators and trustees in bankruptcy to keep all documentation related to the constitution of the legal entity or arrangement and any changes therein for a period of no less than five years starting from the date of liquidation of the legal entity or arrangement (arts. 6(4) and (5) CRRNPLE Act, in force from 10 October 2023). The in-text recommendation is therefore considered addressed.

88. In practice, the Bulgarian authorities explained that legal ownership information is kept indefinitely in the Commercial Register. When a company is liquidated or undergoes bankruptcy, after completing all the legal requirements and administrative procedures, the company is labelled in the Commercial Register as "deleted" and all the information related to it remains stored in the Commercial Register and accessible to the public. All the supporting documentation also remains available in the electronic file of the company. This includes all the documents filed to support original registrations in the Register, as well as any changes in such information, for example decisions of the general assembly of a company, notarised consents, declarations of a new manager required under the law. Furthermore, a tax audit or examination is mandatorily conducted before liquidation or bankruptcy of a company, during which all relevant documentation on the company is verified, including documentation containing legal ownership information (e.g. shareholders/members book). In case of voluntary liquidation, documentation related to the liquidation proceedings must be filed into the Commercial Register, including decisions by the general assembly/sole owner of the capital on the distribution of the company's assets, which always includes information about the shareholders/members of the company (arts. 21(3), 24(3) and 27(3) Ordinance No. 1). In case of bankruptcy, the application must contain the most recent financial statements and

balance sheet, an inventory of the assets and liabilities of the bankrupt entity and a list of creditors (art. 628 Commerce Act). The application is submitted *ex-officio* to the Register by the court. The documents that must be kept by the trustee in bankruptcy include the decisions of the general assembly of the company for any changes into the Register, together with the list of shareholders that attended the meetings and the book of shareholders/ members.

Inactive companies

89. Under the Bulgarian Accountancy Act, companies that have not carried out commercial activities in a particular year must declare such circumstance to the Commercial Register. During the period of inactivity, these companies are exempted from the obligations to file annual financial statements with the Registry Agency and annual tax returns with the NRA. The inactivity declaration must be filed no later than 30 June of the year following the inactivity year (art. 38(9)) and remains valid indefinitely. These companies maintain their legal personality, as they are not removed from the Commercial Register and there is no clear indication of their inactivity status, although the inactivity declarations are part of the file of the companies in the Register. The Bulgarian authorities explained that the obligations to submit inactivity declarations and the derived exemptions were introduced in the law in 2017 (becoming effective from 2018 with first submissions in 2019), to ease the burden for some companies which were not undertaking commercial activities in Bulgaria in a certain year. Inactivity declarations were originally required to be submitted for every accounting period (i.e. yearly), a requirement that was subsequently changed in 2019 (in force from 2020) to only require a one-off declaration that remains valid indefinitely.

90. Every year the Registry Agency monitors compliance with the requirement to file annual financial statements and it is required by law to compile information about the non-compliant entities and to send such information to the NRA. Likewise, since 2021 the Registry Agency is required to send to the NRA the list of entities that have filed an inactivity declaration (art. 38(13) and (14) Accountancy Act). To compile the list of inactive entities, the Registry Agency monitors the inactivity declarations filed since 2020.[15]

15. For example, in 2022, an entity was considered inactive in any of the following cases: i) the entity submitted an inactivity declaration in 2022; ii) the entity did not submit an inactivity declaration in 2022 but did submit an inactivity declaration in 2021 and did not file its financial statements in 2022; iii) the entity did not submit an inactivity declaration in 2022 but did submit an inactivity declaration in 2020 and did not file its financial statements in 2021 and 2022.

91. Upon reception of the lists, the NRA is required to carry out checks and establish violations (art. 38(15) Accountancy Act). In practice, the NRA does not have specific verification activities on inactive companies. The way of verifying that such companies are indeed inactive is through risk assessment, which might highlight cases where the inactivity declaration does not coincide with other information held by the NRA, or through actual verification activities (including checks of randomly selected cases). Where the taxpayers are subject to audits, the NRA has mechanisms to determine the taxes due, including specific mechanisms to determine the tax liability of a taxpayer when proper accounting records have not been kept.

92. The following table indicates the number of entities registered with the Commercial Register that are considered inactive on basis of their inactivity declarations:

Number and proportion of inactive companies

Year	Number of inactive companies	% of the total population (approximate)[16]
2019	168 768	21.2%
2020	198 952	25%
2021	227 467	28.5%
2022	254 573	32%

93. The percentage of entities filing inactivity declarations is non-negligible and has grown since the introduction of such declarations, which might be explained by the fact that some companies have still been submitting "repeated" inactivity declarations despite the current requirement to submit them only once. Furthermore, the Bulgarian authorities clarify that the proportion of inactive companies might also be overestimated for 2022, as some companies might still submit their financial statements or inactivity declaration for the year in a delayed manner, which would mean they are not inactive. The Bulgarian authorities were unable to provide statistics on how many inactive companies have been audited to verify non-compliance, as it has only been done on a case-by-case basis. Although to determine inactivity the Registry Agency verifies the inactivity declarations for previous years, there are no follow-up actions taken after a certain number of years, such as striking the entities off from the Registers. At present, there is no legislation permitting and/or regulating the striking off of inactive companies from the Registers.

16. The percentages calculated are approximate, as the total population of companies considered is as of 30 June 2022 (see paragraph 46).

94. As noted earlier, legal ownership information of all companies at the time of incorporation is available with the Commercial Register. Inactive LLCs maintain their obligations to submit any changes to their legal ownership information to the Commercial Register and any changes in ownership will only have legal effect upon registration with the Commercial Register (see paragraph 52). Legal ownership information on inactive LLCs is therefore readily available to the Bulgarian Competent Authority.

95. On the other hand, for JSCs, PLbSs, ECs and CVCs (see paragraph 65), the information is only held by the companies themselves. As the companies are inactive, they are likely not to maintain their management addresses that were registered with the Commercial Register, which might pose practical challenges for the book of shareholders to be available to the Competent Authority. Moreover, there is no explicit requirement for the book to be kept in Bulgaria, although it must be made available to the shareholders for the general meetings (see paragraph 65). As long as such companies maintain their legal personality, it is uncertain whether up-to-date legal ownership information on JSCs, PLbSs, ECs and CVCs that have filed inactivity declarations would always be available in Bulgaria. Although Bulgaria has not received requests related to inactive companies yet, there is a potential risk that legal ownership information on JSCs, PLbSs, ECs and CVCs may not be readily available to the Competent Authority in all cases. **Bulgaria is recommended to review its system, whereby a number of inactive companies remain with legal personality on the Commercial Register and should implement appropriate supervision to ensure that legal ownership information is always available in line with the standard**.

Availability of legal ownership information in EOIR practice

96. During the review period, Bulgaria received 161 requests related to legal ownership information and responded to all of them. Peers did not raise concerns about the availability of legal ownership information and were satisfied with responses provided.

Availability of beneficial ownership information

97. The standard was strengthened in 2016 to require that beneficial ownership information be available on companies. In Bulgaria, this aspect of the standard is met through the AML Act which sets out a multi-pronged approach that includes:

- the establishment of a Register of Beneficial Owners kept by the Business and BULSTAT Registers

- Company law and AML law obligations on the companies themselves to hold and maintain beneficial ownership information on their beneficial owners
- obligations for AML-obliged persons to avail beneficial ownership information obtained under CDD.

98. There are no obligations relating to beneficial ownership information under the tax law.

Companies covered by legislation regulating beneficial ownership information

Type	AML Law/Legal entity	AML Law/CDD	Company Law	Tax Law
LLC	All	Some	All	None
JSC	All	Some	All	None
PLbS	All	Some	All	None
EC	All	Some	All	None
CVC	All	Some	All	None
Foreign companies (tax resident)	All	All[17]	None	None

Anti-money laundering law requirements

99. The Bulgarian AML Act establishes three different, although interconnected, obligations related to beneficial ownership information. First, it introduces an obligation for all legal persons incorporated within the territory of Bulgaria to obtain, maintain and provide adequate, accurate and current information on the natural persons who are their beneficial owners. Second, the AML Act establishes obligations for all AML-obliged persons to collect information on the beneficial owners of their clients as part of their due diligence procedures and to take reasonable measures to verify their identity. Finally, there are obligations for legal entities to provide information on their beneficial ownership to the Commercial and BULSTAT Registers. This section analyses the definition of beneficial owner, as well as the three sets of obligations under the AML Act.

17. Where a foreign company has a sufficient nexus, then the availability of beneficial ownership information is required to the extent the company has a relationship with an AML-obligated service provider that is relevant for the purposes of EOIR. (Terms of Reference A.1.1 Footnote 9).

Definition of beneficial owner

100. The definition of beneficial owner and the method for identification of beneficial owners of companies, are introduced in § 2(1) of the Supplementary Provisions of the AML Act:

> (1) "Beneficial owner" shall be any natural person or persons who ultimately owns or controls a legal person or other legal entity, and/or any natural person or natural persons on whose behalf and/or for whose account an operation, transaction or activity is being conducted and who complies with at least one of the following conditions:[18]
>
> 1. In the case of corporate legal persons and other legal arrangements, the beneficial owner shall be the person who directly or indirectly owns 25% or more of the shares, ownership interest or voting rights in that legal person or other legal entity, including through bearer shareholdings, or through control via other means, with the exception of the cases of a company listed on a regulated market that is subject to disclosure requirements consistent with European Union law or subject to equivalent international standards which ensure adequate transparency of ownership information.

101. An indication of indirect ownership shall be in place where shareholding or ownership interest in a legal person or other legal arrangement belongs to a legal person or other legal arrangement which is under the control of the same natural person or persons, or by multiple legal persons and/or legal entities, which are ultimately under the control of the same natural person/persons.The definition covers the situation of a natural person holding, directly or indirectly, 25% or more of the shares of the legal entity. Indirect control is referred to by reference of having shareholding or ownership interest in the legal entity through another (or a chain of other) corporate vehicle(s).

102. The Bulgarian authorities confirmed that the definition follows a simultaneous approach, as the person(s) exercising control through ownership (direct or indirect) and the person(s) exercising control through other means must be identified in all cases. The Guidelines on the identification of beneficial owners of legal persons and other legal arrangements (hereinafter the Guidelines), issued by FID-SANS, also refer to the identification of

18. In this paragraph only the first condition of the definition is included, as the second condition relates to beneficial owners of trusts (see paragraph ⁋191) and the third condition relates to beneficial owners of foundations or similar legal arrangements (see paragraph ⁋203).

beneficial owners under the two methods. The Guidelines have informative character and are used as a supplementary source of information for the identification of beneficial owners.

103. The Supplementary Provisions of the AML Act continue by defining the concept of control (§ 2(3)):

> "Control" shall be the control within the meaning given by § 1c of the Supplementary Provisions of the Commerce Act, as well as any opportunity which, without being an indication of direct or indirect ownership, confers the possibility of exercising decisive influence on a legal person or other legal entity in the decision-making process for determining the composition of the bodies responsible for the management and supervision, the transformation of the legal person, the cessation of the activity thereof and other matters essential for the activity thereof.

104. The provision contains two parts. First, the term "control" is defined in the Supplementary Provisions of the Commerce Act, and relates to cases where a person: i) holds more than 50% of the votes in the general meeting of the legal entity, ii) has the right to appoint more than 50% of the members of the management or supervisory body of a legal entity, iii) has the right to exercise a dominant influence over a legal entity by virtue of a contract concluded with the legal entity or by virtue of the memorandum of association, iv) is a shareholder or a partner of a legal entity and by virtue of a contract with other shareholders or partners controls more than 50% of the votes in the general meeting of the legal entity. This definition of "control" limits the identification of beneficial owners to situations where the natural person has a legal tie with the legal entity. This leaves aside situations that are supposed to be covered for the definition to be in line with the standard, such as natural persons exercising control through personal connections (such as close and intimate family relationships) or by participating in the finance of the legal entity.

105. Second, the provision relates to "the possibility of exercising decisive influence". The Bulgarian authorities explained that control exercised through other means includes situations where a natural person controls a legal entity through personal connection, financing, historical or contractual association or where a natural person enjoys, uses or benefits from the entity's assets. This interpretation has been included in the Guidelines, according to which "control through other means" could be exercised by exercising voting rights, having rights to appoint senior managerial positions, having debt instruments or financial arrangements towards the entity, exercising control by informal means such as close personal relationships.

106. Finally, § 2(5) establishes that, if no beneficial owner has been identified under § 2(1) after exhausting all means and provided there are no grounds for suspicion, the natural person who holds the senior manager position in the legal entity shall be identified as the beneficial owner. The Guidelines have complemented this requirement by introducing a definition of the concept of "senior management", establishing this position as an officer or employee with sufficient knowledge of AML/CFT risks of the legal entity and who is not necessarily a member of the management board of the legal person. This definition is narrower than what is envisaged by the standard, although the Bulgarian authorities have already updated the Guidelines to correct the inconsistency, which are going to be published shortly.[19] The Guidelines also confirm that the identification of the senior managing official is provided as a back stop option.

107. Representatives from the AML-obliged persons remarked that they are familiar with the concept of beneficial owner and that they have an obligation of understanding the ownership structure of their clients.

Beneficial ownership obligations on AML-obliged persons

108. Article 10(2) of the AML Act requires all AML-obliged persons to identify the beneficial owners of their customers as part of the due diligence procedures, which must be applied when establishing a business relationship with a client or carrying out an occasional transaction falling under certain conditions (art. 11 AML Act). The identification of beneficial owners includes taking reasonable measures to understand the ownership and control structure of the client. The following information must be collected on beneficial owners (art. 53(2) and 59(2), AML Act):

- name
- date and place of birth
- official personal identification number or another unique identifier stated in the official identity document, which must be valid and include a photograph of the person
- citizenship
- place of permanent residence and address.

109. AML-obliged persons are required to obtain official identification documents of the beneficial owners of their clients, such as passports or driving licences, and make a copy of such documents (art. 53(1), AML Act). When another legal entity or arrangement is part of the ownership chain of

19. They have been published after the cut-off date for this review.

the client, the AML-obliged person is required to obtain original or notarised copies of the constitutive document of the entity or arrangement, as well as of the memorandum of association or any other document containing information regarding its establishment, location, management body, among others (arts. 54(1) and 59(2)). All documentation obtained by the AML-obliged persons under the AML Act must be kept throughout the business relationship and for a period of five years after termination of the business relationship (art. 67 AML Act).

110. Additionally, AML-obliged persons must consult the information of beneficial ownership of their clients filed with the Business or BULSTAT Registers as part of the process for verifying the beneficial owners (art. 59(1), AML Act). An amendment to the AML Act has been recently enacted to require AML-obliged persons to report to the Registry Agency any discrepancies identified in the beneficial ownership information, together with supporting documentation, which must be notified within 14 days of it being detected. Upon reception of a discrepancy report, the Registry Agency must make an entry into the file of the legal person or arrangement to note the discrepancy and must send a written notification to the legal person or arrangement to inform about the discrepancy reported. The legal person or arrangement must submit within seven days the updated information or supporting documentation to oppose the discrepancy (art. 63a AML Act). The amendment will only come into force on 16 July 2024 due to new functionalities in the systems that need to be implemented.

111. All AML-obliged persons must keep and document internal rules for the performance of CDD procedures and compliance with the AML Act in general. The internal rules must contain, among others, criteria for recognising suspicious transactions, possibility of carrying out internal audits, internal system for risk assessment and identification of the risk profile of the customers (art. 101(1) and (2) AML Act). FID-SANS has issued guidelines for the identification of high-risk customers, which is followed in practice, as confirmed by representatives from the private sector.

112. AML-obliged persons are required to apply enhanced CDD in particular circumstances, including where customers are Politically Exposed Persons, on customers coming from high-risk countries, with respect to transactions that might favour anonymity or above certain values (art. 35 AML Act). Enhanced CDD includes gathering additional information on the customer, conducting enhanced monitoring of the business relationship, obtaining approval from the senior managing official of the AML-obliged person in certain cases (arts. 36-49 AML Act). According to representatives of the banking sector, high risk clients are not often encountered in practice, although they were clear in the additional CDD procedures they must follow with such clients.

113. Conversely, the AML Act provides for the possibility to carry out simplified CDD, where the customer, the transaction or the business relationship are considered to pose low risk for the application of the AML measures, normally low-risk clients (art. 25 AML Act). Simplified CDD requires AML-obliged persons to follow the same procedures for the identification on natural persons as regular CDD, which covers the identification of beneficial owners (art. 25(3) AML Act). Simplified CDD is only carried out under strict conditions, including the obligation to notify FID-SANS of the customers, products and services identified as presenting low risk (art. 26 AML Act). Representatives from the banking sector confirmed the application of these rules in practice.

114. The AML Law requires AML-obliged persons to keep the information collected through CDD up to date and to periodically review and, where necessary, update the CDD of their clients. The AML Act also indicates that the CDD of high-risk clients should be updated at shorter intervals of time (arts. 16(1) and (2) AML Act). The updating of beneficial ownership information depends on the level of risk of the client. The Bulgarian authorities explained that each AML-obliged person must define in its internal rules the frequency with which beneficial ownership information must be updated depending on the risk profile of each client, and in practice such frequency is usually 6-12 months for high-risk clients, 12-24 months for medium-risk clients and 2-3 years for low-risk clients, although this might vary at the discretion of the AML-obliged person.

115. The following AML-obliged persons are allowed to rely on CDD performed by a credit institution (art. 56(1) AML Act):

- financial institutions (e.g. banks)
- insurance companies
- investment intermediaries, collective investment schemes and management companies (companies managing alternative investment funds)
- pension insurance companies.

116. Only under strict conditions these AML-obliged persons are allowed to rely on CDD performed by a credit institution: i) the head office of the credit institution carrying out the identification is situated in Bulgaria, in another EU Member State or in another country with measures to fight against AML/CFT similar to the Bulgarian rules; ii) identity information of the client must be available to the AML-obliged person and underlying documentation must be provided upon request and within three days of them being requested. The responsibility of identification of customers remains on the AML-obliged person (art. 56(1) and (3) AML Act). These measures conform

to the standard. In practice, representatives from the private sector indicated that they review the CDD documentation collected by the credit institution.

Legal requirements on legal entities and beneficial owner register

117. All legal persons incorporated under the laws of Bulgaria are required to obtain, maintain and provide adequate, accurate and current information on the natural persons who are their beneficial owners (art. 61(1) AML Act). Branches of foreign entities are considered as *de facto* incorporated in Bulgaria and therefore the Bulgarian authorities consider that they are also covered by this requirement.[20] The information that must be collected on the beneficial owners is the following:

- name
- citizenship
- Standard Public Registry Personal Number (i.e. personal identification number)
- date of birth
- country of residence, if different from Bulgaria
- nature and extent of the beneficial interest held (art. 63(4) AML Act)
- an address (obtained as part of the declaration under art. 63(4) AML Act), although this information is not made publicly available.

118. Furthermore, all legal persons incorporated in Bulgaria must provide information on their beneficial owners to AML-obliged persons of which they are clients for their completion of the CDD procedures (art. 61(2) AML Act).

119. In 2018, Bulgaria introduced an obligation for legal entities, including branches of foreign entities, to register their beneficial ownership information with the Business and BULSTAT Registers (art. 63(1) AML Act). The obligations towards the BULSTAT Register apply to foreign entities that are registered therein (art. 7(1) BRA), which includes foreign companies carrying out activities in Bulgaria other than through a branch (see paragraph 57). The beneficial ownership registers became operational on 1 February 2019 (see section on Population of beneficial ownership information registers, paragraph 125 et seq.).

20. Although they do not have separate legal personality, branches of foreign entities are considered as *de facto* incorporated in Bulgaria. Branches of foreign entities are subject to entry in the CRRNPLE. Upon its registration, the branch of a foreign entity receives a unified identification code. Its seat and place of management entered in the CRRNPLE are always in Bulgaria.

120. In cases where beneficial ownership is exercised directly or indirectly through another legal entity or arrangement, information on such legal entities or arrangements is also required to be submitted to the Registers, together with supporting documentation demonstrating the means through which beneficial ownership is exercised (art. 63(4), item 2 AML Act). Supporting documentation includes certificates of good standing of the legal entities or arrangements and certificates of constitution.

121. Additionally, information of a natural contact person is also required to be registered when no other contact person is already available in the Registers (e.g. the manager of the entity is outside of Bulgaria). The information required to be registered on the natural contact person is name, citizenship, Standard Public Registry Personal Number (i.e. personal identification number) and date of birth (art. 63(4), item 3 AML Act).

122. Submission of beneficial ownership information to the Registers must be made under the same timeframes as other information submitted to them (art. 63(3) AML Act), meaning that it must be submitted within seven days after registering of the company. Any changes on the beneficial ownership information must also be submitted to the Registers within seven days after they have occurred. For companies existing before the introduction of the beneficial ownership requirements, a transitional period was granted for them to comply with the obligation to submit their beneficial ownership information to the Commercial Register (see paragraphs 136 and 137).

123. The AML Act was amended in July 2023 to include an obligation on the beneficial owners to provide the Bulgarian entities and arrangements with the necessary information in order to fulfil the obligations relating to maintaining and providing their beneficial ownership information (art. 63(8) AML Act). The Bulgarian authorities advised that non-co-operation by the beneficial owner(s) would be subject to the sanctions available under the AML Act, i.e. a fine of BGN 500 to BGN 5 000 (EUR 255 to EUR 2 550), which may increase to BGN 1 000 to BGN 10 000 (EUR 510 to EUR 5 100) for repeated violation and BGN 2 000 to BGN 20 000 (EUR 1 020 to EUR 10 200) for systematic violations (art. 118 AML Act).It is not clear how these sanctions will be applied and enforced in all cases, for example, when the beneficial owner is located outside of Bulgaria. The Bulgarian authorities explain that, in such a case, they will be applied through agreements for international legal assistance. However, this would be contingent on an agreement being in place and the applicability of the agreement to each specific case. There are no other mechanisms available to ensure that the Bulgarian entity or arrangement becomes aware of changes in its beneficial ownership. There is also no requirement to periodically update or verify the beneficial ownership information held in the Registers, which may compel Bulgarian entities and arrangements to contact the beneficial owners for a

confirmation of their status or report the non-co-operation of the beneficial owner(s) to the Registers. As a result, the accuracy and up-to-datedness of the beneficial ownership information held by the company and by extension, the Registers, is contingent on the voluntary compliance of the beneficial owners themselves. While the discrepancy reporting mechanism may be useful to verify the information held in the Registers, the information held by the AML-obliged persons themselves may not always be up to date due to the lack of a specified frequency (see paragraph 114). As a result, the accuracy and up to date nature of the beneficial ownership information held in the Registers is not assured in all cases. Therefore, **Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard**.

Companies Law requirements

124. Pursuant to article 65a of the Commerce Act, all LLCs, JSCs, PLbSs, ECs and CVCs are required to identify their beneficial owners. This requirement is to be fulfilled in accordance with the requirements of the Bulgarian AML Act, including the obligation to submit the beneficial ownership information to the Commercial Register, as described in the preceding section of this report.

Population of beneficial ownership information registers and exemptions

125. All companies must obtain and maintain their beneficial ownership information with themselves by applying the definition of beneficial owners as provided in the AML Act (see paragraph 100 et seq.). Further, they are required to submit this information to the Registers. However, there are some exemptions in article 63(6) of the AML Act to the obligation to declare the beneficial ownership information to the Registers for companies, where such information is already listed in the Registers.

126. First, declaration exemptions apply to companies whose beneficial owners are already listed in the Registers as partners or sole owners of the capital of the entity – the beneficial owners are the legal owners of the entities and are natural persons. If a beneficial owner is identifiable based on control through means than other than ownership, the exemption does not apply and the information must be filed with the Registers.

127. Second, exemptions also apply to companies whose beneficial owners are listed in the Registers as partners or sole owners of the capital of legal entities participating in the chain of ownership of the company on which the beneficial ownership is being determined. In these cases where

other legal entities or arrangements are part of the chain of ownership of the company, the documents of each of the entities or arrangements are available in the electronic file of the company on which beneficial ownership information is being searched under the beneficial ownership information section. When the legal entities or arrangements that are part of the ownership chain of a company are not established in the territory of Bulgaria, the exemptions do not apply and the beneficial ownership information must be submitted to the Registers.

128. According to the Bulgarian authorities, as of 30 June 2022, 19 438 legal entities registered in the Business Register submitted beneficial ownership information and 2 045 legal entities or other legal arrangements registered in the BULSTAT Register submitted beneficial ownership information to it. These numbers are low when compared to the total population of entities registered with the Registers. There are about 800 000 entities registered with the Registers, meaning that less than 3% of them have filed beneficial ownership information. In practice, it might be difficult for the supervisory authorities to determine whether no declaration was submitted because the beneficial owners are also legal owners (directly or indirectly), in which case the beneficial ownership information is already available in the Registers, or because the company failed to make the necessary declaration on beneficial owners (beneficial owners through other means or through foreign entities).

129. The Bulgarian authorities explained that most of the companies that have not filed their beneficial ownership information fall under the exemption categories described in the preceding paragraphs. The number of LLCs and JSCs that are single-owned are 597 366 and 3 317 respectively (representing 75.5% of the total population), and in most cases the legal owner is an individual, meaning that most of them are exempted. Additionally, 185 718 LLCs have the identification of their partners listed in the Commercial Register, and when the partners are individuals or Bulgarian entities, and no other individual can be considered as beneficial owner through other means than direct or indirect ownership, then the LLCs are exempted from the obligations to file beneficial ownership information. The Bulgarian authorities consider that only about 13 300 entities would clearly not benefit from any exemption, and thus the population of the Registers so far is good. Nevertheless, it remains uncertain in how many of these cases beneficial owners are identifiable due to control exercised through means other than ownership, which would make the exemption not applicable.

130. The assumption of the Bulgarian authorities has been that most of the entities that have not filed any beneficial owners into the Registers benefit from the exemptions in the law, which needs to be checked in practice The measures taken by the Bulgarian authorities to ensure that

beneficial ownership information is populated into the Registers have been limited. Although according to the Bulgarian authorities the majority of the companies fall within the exemption categories, verifications to ensure this is the case have been scarce. The Bulgarian authorities explained that they performed a communicational campaign to inform companies about the exemptions and in their opinion, the rules and exemptions have been correctly applied as per what has been observed so far in practice. More recently, the Bulgarian authorities have updated the beneficial ownership information declaration form, which was published on the website of the Registry Agency. Registration officials often receive questions (via the Registry Agency's email or support phone) from companies about their beneficial ownership obligations, to which they always reply.

131. The Bulgarian authorities were unable to indicate precise statistics on the number of entities that have been examined so far on the correct application of the exemptions and how many of them accurately applied them. As the population of the beneficial ownership registers is a crucial step to ensure the availability of beneficial ownership information, **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Beneficial ownership registration and controls in practice

132. The main source of beneficial ownership information for the Bulgarian Competent Authority are the Commercial and BULSTAT Registers. Beneficial ownership information in these Registers is filed by the legal representatives of companies (art. 15(1) CRRNPLE Act), on which the legal obligation for filing the corresponding information relies (or by lawyers authorised by them). The beneficial ownership information submitted is added to the already existing electronic file of the company in the Registers. When the structure of the company is simple (e.g. when there are no legal entities or arrangements in the ownership chain of the company), the information of the legal/beneficial owner(s) is directly saved and labelled as such in the electronic file. When a more complex structure is involved, the beneficial ownership information is reflected by means of saving all related documents of the legal entities or arrangements (see paragraph 120) that are part of the ownership chain of the company in its electronic file. The file indicates the percentage held by the entities that are part of the ownership chain and the final beneficial owner(s). All layers of ownership are registered into the electronic file. As such, when the Bulgarian Competent Authority is accessing information on beneficial owner(s) of a company that involves other entities in the company's chain of ownership, it must go through the

supporting documentation to get the information on the beneficial owner(s). The Bulgarian Competent Authority confirmed that they understand and are used to this procedure and that it has not caused any difficulties or delays to obtain the information in practice.

133. The registration officials must perform a series of verifications when beneficial ownership information is submitted into the Registers and discussions during the onsite visit revealed that registration officials have sound knowledge and understanding of their obligations and of the procedures they must follow. As mentioned in paragraph 77, verifications include that the registration is performed by an authorised person, that all documents required to be submitted are attached to the application, that a declaration of the authenticity of the stated circumstances has been submitted (art. 21 CRRNPLE Act, art. 16(3) BRA). Registration officials monitor that new entities that have been registered with the Registers comply with the deadline to submit their beneficial ownership information (i.e. seven days). Such monitoring is made based on the supporting documentation submitted by the entities, which would allow the registration official to know, in some cases, if the entities fall within the exemptions to file their beneficial ownership information (e.g. when the entity is a sole-owned LLC). In case of non-compliance with the deadline or any inconsistencies found through the verifications, the registration official has powers to issue instructions to the person making registrations as described in paragraph 80, including where companies have incorrectly considered themselves to be exempted of the requirements to file such information. If the instructions are not executed, the registration official issues a refusal and the information is not registered. The non-compliance is reported to the Legal Services, Human Resources and Records Directorate, which thereafter takes actions to initiate administrative proceedings.

134. The Bulgarian authorities added that, in the course of any registration in relation to a company (e.g. registration of changes in shareholding, filing of financial statements), registration officials check whether the entity falls *a priori* under any of the exemptions to file beneficial ownership information. The Bulgarian authorities estimate that the registration officials handle around 600 000 applications per year. Any suspicion of non-compliance detected through the checks carried out, including for example through the repeated use of third-persons making decisions on behalf of the legal owners (i.e. numbers in the second column of the table below) is reviewed in more detail and, if there are identifiable issues, such non-compliance is referred to the Legal Services, Human Resources and Records Directorate (i.e. numbers in the third column of the table below).

135. The table below shows detailed statistics on the number of warnings issued and the administrative penalties imposed.

Violations and penalties imposed on registration requirements with the Registry Agency related to beneficial ownership information

	Number of signals/ reports issued on possible violations of the requirements to submit beneficial ownership information under the AML Act	Number of acts issued that established a violation of the requirements to submit beneficial ownership information under the AML Act*	Number of written warnings issued in relation to established violations	Number of administrative penalties issued in relation to established violations	Penalty amounts imposed
2019	460	24	0	0	0
2020	182	296	265	18	BGN 18 000 (EUR 9 180)
2021	0	0	0	0	0
2022	131	115	20	27	BGN 27 000 (EUR 13 770)
2023	369	182	6	62	BGN 48 200 (EUR 24 582)
Jan-Feb 2024	47	71	0	28	BGN 22 000 (EUR 11 220)
Total	**1 189**	**688 (58%)**	**291 (42% of the number of acts issued)**	**135 (20% of the number of acts issued)**	**Average amount per penalty of EUR 435**

*The number of acts issued in a year may exceed the signals/reports for that year as there can be a lag between identification of an issue and taking penal action.

136. The Bulgarian authorities explained that the beneficial ownership Registers became operational on 31 January 2019 (§ 9(1) and (2) of the Supplementary Provisions of the AML Act). The deadline to populate the Registers was 31 May 2019. The number of applications received in 2019 was large and this created a backlog in the processing of the applications. In 2020 to 2022, the number of registrations decreased significantly due to the Covid-19 pandemic and increased again in 2023.

137. The initial approach in 2019 was to not impose sanctions for non-compliance, as the obligations were new and legal entities were learning about them. Following the same approach, in 2020, the number of warnings was much higher than the number of sanctions. The numbers of violations established, and written warnings issued, in 2020 are related to the large number of registrations in 2019 as the first year of population of the Registers. In 2021, no violations were detected or sanctioned as registration officials were focusing on other priorities created by the Covid-19 pandemic.

Since May 2022, a new administration of the Registry Agency has resumed controls and put more emphasis on the activities related to detecting non-compliance with the submission of beneficial ownership information and the imposition of related sanctions. Since 2022, sanctions are more frequent than warnings. The increased efforts implemented since May 2022 are ongoing and have contributed to detect non-compliance in some cases, which resulted in the imposition of some sanctions.

138. To date, checks remain based on the information available to the registration officials, who would not be able to determine whether an exemption applies in cases where beneficial ownership is exercised through means other than ownership. There is also no obligation for the entity to self-declare that it benefits from the exemptions, which would assist the monitoring task by the registration official.

139. The explicit powers in the AML law for registration officials to request documents to the company when inaccuracies in the beneficial ownership information filed with the Registers are suspected have only come into force very recently (on 14 July 2023). The Bulgarian authorities explained that so far, only in cases where information had become available to the Registry Agency (e.g. in the course of registering notices to update information in the Registers), it had become aware of potential inconsistencies or updates in the beneficial ownership information, including where companies have incorrectly considered themselves to be exempted of the requirements to file such information. In such cases, the Registry Agency has contacted the company to verify the differing information. If inconsistencies were confirmed, the Registry Agency has asked the company to submit the corresponding information and documentation to update the beneficial ownership information. In 13 cases, violations have been established when companies have incorrectly considered themselves to be exempted of the requirements to file beneficial ownership information into the Registers and subsequent enforcement procedures were initiated.

140. Notwithstanding the lack of legal requirements until now for AML-obliged persons to report any discrepancies detected in the beneficial ownership information, such discrepancies have been reported in practice in some cases. Representatives of the banking sector mentioned that they have the practice of identifying the beneficial owners of their clients themselves and to subsequently verify the information available in the Registers. Any inconsistencies detected are reported thereafter. Other representatives of the private sector, such as lawyers, mentioned that they have never identified a discrepancy so far. The Bulgarian authorities mentioned during the onsite visit that in some cases the discrepancy reports had been submitted to FID-SANS and in some cases to the Registry Agency. So far, there had been no defined procedures to be taken thereafter, although in cases where

the discrepancies have been reported to the Registry Agency, it has contacted the company. One of the informal discrepancy reports received by the Registry Agency referred to a company incorrectly considering itself as falling into the exemptions to file beneficial ownership information. Enforcement procedures were initiated, a pecuniary sanction was imposed and the non-compliance was subsequently corrected.

141. The increased efforts to detect non-compliance with the requirements to submit beneficial ownership information to the Registers are ongoing and have contributed to the detection of non-compliance and the application of penalties in some cases. The amendments to the AML Law establishing obligations to report discrepancies to the Registry Agency are not yet in force. Such obligations will increase Bulgaria's ability to maintain accurate and up-to-date beneficial ownership information in the Registers. However, the effectiveness of such obligations in practice and their correct implementation remains unconfirmed. **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Beneficial ownership information – Enforcement measures and oversight by the Financial Intelligence Unit

142. Pursuant to article 118 of the AML Act, any violation of the requirements under the AML Act related to the collection of beneficial ownership information, to the filing of such information with the Registers or to the discrepancy reporting requirements, are sanctionable with a fixed amount of BGN 5 000 (EUR 2 550). The sanctions are to be imposed repeatedly every month until the non-compliance is rectified (art. 118(4) and (5) AML Act, the provisions to come into effect from 16 July 2024). Violations of the requirements under article 10(2) related to the carrying out of CDD by AML-obliged persons, is sanctionable with the following penalties:

- From BGN 500 to BGN 5 000 (EUR 255 to EUR 2 550) when the offender is a natural person. Upon a repeated violation, the penalty increases to between BGN 1 000 and BGN 10 000 (EUR 510 to EUR 5 100).
- From BGN 1 000 to BGN 10 000 (EUR 510 to EUR 5 100), when the offender is a legal person or a sole trader.[21] Upon a repeated

21. Sole traders are natural persons who conduct business activities as traders without creating a separate legal entity (art. 56 Commerce Act).

violation, the penalty increases to between BGN 2 000 and BGN 20 000 (EUR 1 020 to EUR 10 200).

- From BGN 2 000 to BGN 20 000 (EUR 1 020 to EUR 10 200), when the offender is a bank, insurance company, investment entity, among others. Upon a repeated violation, the penalty increases to between BGN 5 000 and BGN 50 000 (EUR 2 550 to EUR 25 500).

143. Additionally, article 103(8) of the AML Act establishes that, when the internal rules required to be kept by AML-obliged persons (see paragraph 111) are not in line with the requirements or that such rules are not sufficient for the AML Act to be complied with, the director of FID-SANS issues a binding instruction to the AML-obliged person to remedy the non-compliance. The instruction must be complied with within one month of receipt.

144. Upon application of a penalty, beneficial ownership information must be submitted to the Registers within seven days. In case of continuous non-compliance, penalties will be applied monthly until the non-compliance is addressed (art. 118(4) AML Act).

145. FID-SANS is the main authority with powers to verify compliance with the requirements under the AML Act. It has the powers to perform off-site and on-site inspections, which might be carried out jointly with other authorities or solely by FID-SANS (art. 108 AML Act). FID-SANS imposes sanctions for non-compliance with the requirements under the AML Act and other authorities also have powers to do so, such as the BNB, NRA and the FSC (art. 123(1)).

146. To perform its verification activities, FID-SANS carries out risk assessments. Separate methodologies are defined to carry out risk assessments on banks (more details are provided under Section A.3 on banking information, see paragraphs 270 et seq.) and on other AML-obliged persons. For the latter, risk factors include information retrieved from public information sources, information received from other supervisory or competent authorities, cross-matching of the retrieved/received information with other available information. FID-SANS selects the number of entities that are going to be inspected every six months and performs inspections throughout the year. Inspections include review of the CDD procedures carried out, including obligations related to beneficial ownership. Inspectors are equipped with a manual to perform inspections, as well as a checklist they must follow.

147. The total number of staff working on supervision of AML-obliged persons is around 15. During the review period, FID-SANS carried out 183 off-site and on-site inspections. The following table provides more detailed information about the verification activities carried out during the review period.

Verification activities on AML-obliged persons

	2019 (July to December)	2020	2021	2022 (January to July)
On-site inspections	**14**	**31**	**32**	**29**
including				
• Banks	4	11	2	1
• Other financial institutions	5	10	9	11
• Accountants	0	5	0	0
• Service providers	0	1	0	0
• Lawyers	0	0	6	0
• Notaries	0	0	0	3
• Others	5	4	15	14
Off-site inspections	**1**	**0**	**45**	**31**
• Financial institutions	0	0	3	4
• Others	1	0	42	27
Number of violations found	**38**	**66**	**93**	**54**

148. Only 6 of the violations were related to beneficial ownership requirements. In all cases, a statement of the violation has been issued and sent to the relevant AML-obliged person. In addition, 55 instructions have been issued regarding the internal rules required to be kept by AML-obliged persons (see paragraph 143).

149. In total, FID-SANS imposed 240 sanctions during the review period, amounting to BGN 883 100 (EUR 450 381). For violations related to beneficial ownership, 6 sanctions were imposed, amounting to BGN 30 000 (EUR 15 300). In 11 cases, no sanctions were imposed but warnings were issued.

150. The supervision of banks is analysed in more detail under Section A.3 (paragraph 269 et seq.).

151. Although the supervisions undertaken by FID-SANS is based on a risk assessment, the outreach of the activities seems to be low when considering the population of AML-obliged persons (see paragraph 31). Although the number of supervisory activities has increased over the years, the number of violations found has not decreased, despite the application of sanctions in most of the cases.

152. Starting from September 2021, FID-SANS increased efforts to enhance its supervisory activities. Actions taken include modernisation of software in co-ordination with the BNB and the FSC to unify models; hiring of additional employees to reinforce the workforce; organisation of seminars, workshops and trainings with international experts, in co-ordination

with the Council of Europe, as well as numerous other trainings with relevant bodies from other countries within the EU; and performing trainings to the AML-obliged persons to raise awareness of their obligations. Nevertheless, increased efforts and actions need to be maintained to ensure a broader coverage of the Bulgarian AML-obliged persons population, also considering the new legal requirements on AML-obliged persons to report any discrepancies on the beneficial ownership identified on their clients, which is one of the key mechanisms to ensure an accurate population of the beneficial ownership Registers. **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Nominees

153. The concept of nominee shareholder is not recognised by Bulgarian law. According to Bulgarian law, a person entered in the Commercial Register as the shareholder is the legal owner of the shares and there is no legally enforceable basis for any other person to claim ownership of the respective shares. Furthermore, Bulgarian law establishes that a contract which contravenes or circumvents the law, as well as a contract which infringes upon good morals shall be null and void (art. 26 Obligations and Contracts Act). According to the Bulgarian authorities, a nominee contract is considered as a contract that circumvents the CRRNPLE Act and therefore should be considered null and void and cannot create legal consequences. Accordingly, they confirmed it is impossible to enforce such a contract in the court and a person behind the shareholder (i.e. the nominator) cannot claim any rights on the property of the entity.

154. Bulgarian law provides for a mandate contract (arts. 280-292 Obligation and Contracts Act). A mandate contract is defined as a contract under which a person, called “mandatary”, carries out on behalf of a “mandator” acts for which he/she is commissioned by the mandator. A mandate contract can be used to buy shares in the name of another person in Bulgaria. The Bulgarian authorities believe that the use of a mandate contract for such purposes would not hide the identity of the mandator, as the transfer of materialised shares is carried out by endorsement and must be entered in the book of shareholders in order to have effect against the company (art. 185(2) Commerce Act). The endorsement legally transfers the ownership and rights of the shares to the acquirer. The contract for the transfer of shares might be concluded by the mandatary on behalf of the mandator, although the name of the mandator as the endorsee of the shares will be indicated in the endorsement document for the mandator to be considered the owner of the shares, which must be entered in the book of shareholders of the company. For dematerialised shares, the transfer

is carried out through an assignment contract and only has constitutive effect upon registration in the central securities register (art. 127(1) Public Offerings of Securities Act). The assignment contract must indicate the name of the mandator for he/she to have legal rights against the company as shareholder.

155. The 2016 Report indicated that some AML-obliged persons providing fiduciary property management services or fiduciary services could be considered as acting under nominee or similar arrangements and were subject to record keeping requirements on the identity of the person on whose behalf they acted. The law was not clear in this respect and an in-text recommendation was included for Bulgaria to clarify its law in this respect. Since then, Bulgaria has amended its AML law. The AML Act defines in article 4(15) and (16) AML-obliged persons that could act in a fiduciary capacity to i) by way of their business, act for the account and/or on behalf of a client in any financial operation whatsoever and ii) provide fiduciary property management services or fiduciary services for legal entities. As AML-obliged persons, they are obliged to identify their customers (i.e. the person on whose behalf they act) and perform CDD at the moment of establishing the business relationship. As the law has been clarified in this respect, the in-text recommendation is removed. Furthermore, the AML Act establishes that customers that are legal persons or arrangements with nominee shareholder(s) through a contract or another valid document under the legislation of another jurisdiction must present such contract or document identifying their beneficial owners (art. 64 AML Act). This provision reinforces the understanding that nominee shareholding does not exist under Bulgarian law and that they must be looked-through by AML-obliged persons when identifying the beneficial owners of their clients. Nominee shareholders must also not be considered beneficial owners if another beneficial owner is identified (§ 2(2) of the Supplementary Provisions of the AML Act).

156. Although the concept of nominee shareholder is not recognised in Bulgarian law and there are several legal safeguards to prevent or mitigate the use of such concept, the Bulgarian authorities indicated that the use of informal nominee arrangements (straw men) has been identified as a risk factor in the AML framework. In the context of the AML/CFT risk assessment, the use of straw men has been related to various risks, including to conceal in certain cases the ownership structure of a company. The Bulgarian authorities further explained that this risk is monitored and tackled through actions derived from the AML risk assessment and that FID-SANS is well aware of the risk and analysis in its daily work, for example when prioritising the analysis of Suspicious Transaction Reports. It has also carried out awareness-raising activities, such as publishing information and guidance material and carrying out trainings to AML-obliged persons.

157. The identification of informal nominees under an informal nominee shareholding arrangement would be captured to a certain extent by the identification of beneficial owners of companies. When identifying beneficial owners of a company based on supporting documentation, the identity of a nominator under an informal nominee shareholding arrangement would need to be identified. However, as described in previous sections, the supervision and enforcement of the legal obligations under the AML Act to identify beneficial owners needs to be improved. This issue regarding informal nominee arrangement would then fall under the purview of the supervision and enforcement recommendation on beneficial ownership obligations.

158. If the informal nominee shareholder does not own more than the shareholding threshold for the identification of beneficial ownership interest or does not exercise control through other means over the company (see paragraphs 100 to 106), the person for whom the informal nominee is acting would not be identified as beneficial owner of the company. FID-SANS analysed the likelihood of such a risk materialising in the Bulgarian AML/CFT context and carried out some activities to mitigate the occurrence of such risk in practice as explained in paragraph 156. In the opinion of the Bulgarian authorities, the use of informal nominee arrangements is limited in Bulgaria. Nevertheless, there is room for improvement in terms of the actions taken by Bulgaria to monitor and prevent the use of informal nominee arrangements when nominators are not beneficial owners of companies. Bulgaria should monitor the risk of the use of informal nominee arrangements in practice, to ensure such use does not prevent the availability of accurate, adequate and up-to-date ownership information (see Annex 1).

Companies that cease to exist and inactive companies

159. Companies that cease to exist must appoint liquidators, who are required to inform the NRA of the start of the liquidation process. In the case of bankruptcy, a trustee in bankruptcy must be appointed. Recent amendments to the AML Act require liquidators and trustees in bankruptcy to keep beneficial ownership information for a period of five years after the termination of the legal entity. Furthermore, as beneficial ownership information is required to be filed in the Commercial Register and is kept indefinitely therein, the information remains available even after a company ceases to exist. Although there are exemptions to requirements to file beneficial ownership information to the Register, the information is in any case available in the Register through the information on related entities (see paragraph 125 for more detailed explanations).

160. As explained under paragraphs 89 et seq., companies that did not have commercial activity in a certain year must submit an inactivity declaration to the Commercial Register. They are then exempted of the obligations

to file annual financial statements with the Registry Agency and annual tax returns with the NRA and there is no supervisory activity to ensure that changes to beneficial ownership will be reported by the companies. Contrary to the case of legal ownership information, there is uncertainty as to whether up-to-date beneficial ownership information on inactive companies, including LLCs, would be available. Beneficial ownership does not trigger any legal rights over a company, for example when it is exercised via control through other means. As such, beneficial owners would not always have an incentive to make a self-declaration of their status to the company or to the Commercial Register itself. Furthermore, there is no requirement for companies to periodically update their beneficial ownership information and file it to the Commercial Register (see paragraph 123). So far, there has been no monitoring of compliance by inactive companies with their obligation to update their beneficial ownership information with the Commercial Register and therefore there is a risk of beneficial ownership information not being readily available to the competent Authority in all cases. **Bulgaria is recommended to review its system, whereby a number of inactive companies remain with legal personality on the Commercial Register and should implement appropriate supervision to ensure that beneficial ownership information is always available in line with the standard**.

Availability of beneficial ownership information in EOIR practice

161. During the review period, Bulgaria received 34 requests related to beneficial ownership information and responded to all of them. Peers have not raised concerns about the availability of beneficial ownership information and were satisfied with responses provided.

A.1.2. Bearer shares

162. The 2016 Report described the possibility for JSCs and PLbSs to issue bearer shares. Such shares were transferrable by delivery of the physical certificates, and holders of the bearer shares were not entered into the register of shareholders kept by the companies (see paragraph 104 of the 2016 Report). Although Bulgarian law included measures to allow for some identification of holders of bearer shares and the impact of bearer shares on the availability of information was considered limited at the time, Bulgaria was recommended to ensure the identification of holders of bearer shares in all cases.

163. With effect from 23 October 2018, Bulgaria amended the Commerce Act[22] to prohibit the issuance of bearer shares. According to paragraph 11 of the amending act, all companies that had issued bearer shares prior to 23 October 2018 were obliged, by 23 July 2019, to:

- amend their memoranda of association, to establish that their shares are registered
- replace their bearer shares with registered shares and note the identity of the legal owners in the book of shareholders/members
- submit the updated memoranda of association to the Commercial Register, together with an extract of the book of shareholders.

164. Pursuant to paragraph 13 of the amending act, companies that have not complied with the requirements under paragraph 11 must be terminated by decision of a district court upon a claim filed by the Prosecutor's Office, unless there are pending proceedings with the Commercial Register to convert their bearer shares into registered ones (i.e. where an application to transform bearer shares has been submitted to the Commercial Register but it has not been processed yet).

165. The Bulgarian authorities explained that the approach taken right after the date of entry into force of the amending act was to provide companies with time to comply with the requirements. The process was also delayed by the Covid-19 pandemic in 2020. Then, to check compliance, the Registry Agency obtained from the Commercial Register the information of companies that had not yet converted their bearer shares into registered ones and that had no pending proceedings for such conversion. As of October 2021, there were 638 companies that had issued bearer shares. The Registry Agency updated and sent the list to the Prosecutor's Office every six months. Based on the list, the Prosecutor's Office filed a claim for termination of the non-complying companies before the court. The decision of the district court to terminate the company could be appealed within two weeks of its issuing. The decision of the court of appeal could also be appealed before the Supreme Court of Cassation within one month of its issuing to the parties. The period of appealing must have expired for the decision to terminate the company to enter into force. After the termination by court decision and the completion of the following liquidation proceedings, the companies are struck off from the Business Register. According to the Bulgarian authorities, the whole process took around six months.

166. The latest lists sent to the Prosecutor's Office included 525 companies in April 2022, 149 in October 2022 and 52 in April 2023, which show

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that the numbers have reduced significantly. In May 2023, the Registry Agency contacted the Prosecutor's Office to know the status of companies included on the lists that had been submitted to it. Claims for liquidation have been filed for all companies with seat in Sofia and for the majority of those outside of Sofia.

167. As of 21 September 2023, 113 companies converted their bearer shares into registered shares, 9 companies were voluntarily terminated and 506 were terminated by virtue of a court's decision. The remaining 10 companies have not yet been terminated by a court's decision, but their files have been submitted to the Prosecutor's office for termination.[23] The Bulgarian authorities indicated that 3 of them are single-member JSCs, meaning that only one shares certificate has been issued to a person whose information is available in the Commercial Register.

168. As Bulgaria has amended its law to prohibit the issuance of bearer shares, the in-box recommendation from the 2016 Report is removed. The number of companies that still have bearer shares has reduced considerably. The Bulgarian authorities have well-established procedures to identify them and have recently been proactive in doing so and in sending the information to the Prosecutor's Office for termination. Bulgaria has never received an EOI request related to bearer shares in practice. Bulgaria should nevertheless continue to monitor the implementation of the abolition of bearer shares introduced on 23 October 2018 to ensure that all companies with previously issued bearer shares are liquidated or conform to the legislation, to ensure that full legal and beneficial ownership information is available for all companies in line with the standard (see Annex 1).

A.1.3. Partnerships

169. Bulgarian law recognises four types of partnerships:

- **General partnerships** are legal persons created by two or more persons for the purposes of carrying out business activities under a common business name. All partners of a general partnership are jointly, severally and unlimitedly liable for the debt/obligations of the partnership (art. 76 Commerce Act). General partnerships do not have established management bodies and all partners are entitled to participate in their management, except when one of the partners or a third party has been appointed to manage the general

23. After the cut-off date of this report, 4 out of the 10 companies were terminated by court's decision, lowering the number of remaining companies with bearer shares to 6.

partnership in the memorandum of association (art. 84 Commerce Act). As of 30 June 2022, there were 5 840 general partnerships.

- **Limited partnerships** are legal persons created by two or more persons for the purposes of carrying out business activities under a common business name. Limited partnerships have one or more partners with liability for the obligations of the partnership limited to their contributions (limited partners) and one or more partners with unlimited liability for the obligations of the partnership (general partners). Unless provided otherwise, the provisions applicable to general partnerships apply to limited partnerships (art. 99 Commerce Act). Limited partnerships are managed and represented by the general partners (art. 105 Commerce Act). As of 30 June 2022, there were 232 limited partnerships.
- **European Economic Interest Grouping (EEIG)** is a European form of partnership, in which companies or partnerships from different European countries (the partners in the EEIG) can co-operate. EEIGs must be registered in the EU Member State in which they have their official address. EEIGs are regulated under Council Regulation (EEC) No. 2137/85. Members of EEIGs registered in Bulgaria are liable for their obligations according to the rules applicable to general partnerships, unless otherwise provided in the Council Regulation (EEC) No. 2137/85 (art. 280a(3) Commerce Act). As of 30 June 2022, there were 21 EEIGs.
- **Civil partnerships** are legal arrangements without legal personality, where two or more persons agree to unite their activities for achieving a common business objective. For achieving the common objective, partners agree to contribute cash or other property. Assets contributed to or newly acquired by the partnership are jointly owned by the partners. The liability of the partners is unlimited and any losses from the partnership are distributed among the partners, none of which can be excluded. The decisions concerning the partnership's affairs need the consent of all partners, except if the memorandum of association provides for a majority vote (arts. 357-361 Obligations and Contract Act). As of 30 June 2022, there were 26 094 civil partnerships.

Identity information

170. For general and limited partnerships, the articles of associations must be created in writing with notarised signatures. It must contain, *inter alia*, information on the identity of the partners, type and amount of their

contributions and the manner of distribution of profits and losses among the partners (arts. 78 and 102 Commerce Act).

171. General and limited partnerships are considered companies under the Commerce Act (art. 64). As such, they acquire legal personality upon registration with the Commercial Register (art. 67 Commerce Act). EEIGs are also considered legal persons and acquire legal personality upon registration in the Commercial Register (art. 280a(1) Commerce Act). The three types of partnerships must submit their articles of association to the Commercial Register at the moment of registration, which means that legal ownership information is available on them with the Commercial Register (arts. 79(1), 103 and 280a(3) Commerce Act).

172. Civil partnerships must register in the BULSTAT Register (art. 3(1) BRA). Information about the ownership structure of the partnership must be filed with the BULSTAT Register, as described in paragraph 59.

173. Changes in the information provided to the Commercial Register or the BULSTAT Register must be filed within seven days of occurrence of the change (art. 6(2) CRRNPLE Act and art. 12(4) BRA). This ensures that up-to-date legal ownership information on general, limited and civil partnerships, as well as on EEIGs is available in the Registers.

174. General and limited partnerships must comply with the same requirements as companies when they cease to exist, including appointing a liquidator or a trustee in bankruptcy in case of bankruptcy and notifying the Commercial Register of the initiation of the liquidation process (see paragraphs 84 to 88). EEIGs are concerned by the same rules applicable to general partnership. EEIGs are dissolved by a district court on the grounds provided for in article 32 of the Council Regulation (EEC) No. 2137/85 (art. 280b(1) Commerce Act). As these types of partnerships are registered in the Commercial Register, information on them is kept indefinitely.

175. Civil partnerships are dissolved for various reasons, among them when the objective of the partnership has been achieved or when the period for which the partnership had been established has expired (art. 363 Obligations and Contract Act). Identity information on the partners remains available in the BULSTAT Register for a period of 10 years after dissolution (see paragraph 63).

Foreign partnerships

176. Partnerships established under the laws of another jurisdiction can conduct commercial activities in Bulgaria as branches or through other permanent establishments. As in the case of foreign companies, foreign partnerships carrying out business in Bulgaria through a branch must register in the Commercial Register and foreign partnerships carrying out business

in Bulgaria through another type of permanent establishment must register in the BULSTAT Register (see paragraphs 58 and 59). The recommendation included in the 2016 Report related to the availability of legal ownership information on foreign companies also covered foreign partnerships carrying out business in Bulgaria. Bulgaria has amended the CITA (arts. 92(7), 239(3), 246(3) and 259(4)) to require all foreign legal persons carrying out activities in Bulgaria through a permanent establishment (including through branches) to identify in their annual income tax returns their owners, shareholders or partners with a participation in the entity of more than 10%. Legal arrangements (partnerships) are considered as legal persons under the CITA and are therefore covered by this requirement. As in the case of foreign companies, foreign partnerships that carry out business activities in Bulgaria through a permanent establishment other than branch are registered in the BULSTAT Register, on which complete ownership information is available. For those foreign partnerships conducting business in Bulgaria through a branch, the same analysis as in paragraph 61 is applicable for those partnerships having sufficient nexus to Bulgaria (because they have deductions or credits for tax purposes therein or because they carry out business therein), as complete ownership information would not be available for all of them. The same mitigating factors as in the case of companies are also applicable to partnerships. **Bulgaria is recommended to ensure that legal ownership information on branches of foreign partnerships with a sufficient nexus to Bulgaria is available and up to date in line with the standard in all cases.** The statistics indicated in paragraph 62 of entities that have filed legal ownership information in their annual tax returns also cover partnerships.

Beneficial ownership information

177. Beneficial ownership information of general and limited partnerships, as well as of EEIGs must be filed with the respective Register with which the partnership is registered (i.e. the Commercial or the BULSTAT Register). Civil partnerships are required to submit beneficial ownership information to the BULSTAT Register (art. 7(1) BRA). The same requirements, procedures and deadlines to file and maintain beneficial ownership information with the Registers as described for companies are applicable for partnerships. The exemptions to the obligations to file beneficial ownership information to the Registers also apply for partnerships (see paragraphs 125 to 127). According to the Bulgarian authorities, most of the general, limited and civil partnerships fall under the exemptions provided for in the law, although they were unable to indicate precisely the number of partnerships for which the beneficial ownership information of the entities in the ownership chain is fully available in the Registers and for which the beneficial ownership is therefore available. The statistics provided show that this interpretation is a plausible one.

Partnerships exempted of the obligation to file beneficial ownership information into the Registers

	Number of registered partnerships[24]	Partnerships with only natural persons as partners (i.e. exempted to file beneficial ownership information unless another person is a beneficial owner through other means than ownership)	Entities in the ownership chain that have their beneficial ownership information already available in the Register (2nd exemption)	Number of partnerships that have filed BO information
General partnerships	5 740	5 685 (99%)	"most" of the remaining 55 (1%)	3 (< 0.1%)
Limited partnerships	254	44 (17%)	"most" of the remaining 210 (83%)	55 (22%)
Civil partnerships	26 263	15 352 (58%)	"most" of the remaining 10 911 (42%)	415 (2%)

178. The definition of beneficial owner applicable to partnerships is the same as the one applicable to companies (see paragraphs 100 to 103). § 2(3) of the Supplementary Provisions of the AML Act refers to control that is exercised through having decisive influence on the decision-making process of a legal person or legal arrangement. Natural persons exercising such control must be identified as beneficial owners, which in the case of partnerships would allow for the identification of all partners that have a decisive influence over the partnership. Furthermore, the simultaneous approach of the definition (i.e. instead of the cascading approach) ensures that the presumption of effective control is never limited to the sole step of "control through ownership". Although the Guidelines do not make specific reference to the identification of beneficial owners of partnerships, its contents are broad enough to ensure they are correctly identified through the simultaneous approach and the application of the concept of "control through other means".

179. As in the case of companies, the Bulgarian legal and regulatory framework does not have a specified frequency for updating beneficial ownership information on partnerships – any change must be notified to the Register within seven days, but the partnerships have no obligation to check currency of the information previously collected. This is only partly compensated by the recent amendments to the AML Act, which impose an obligation on beneficial owners to provide legal arrangements with all the information relevant to fulfil their beneficial ownership obligations and sanctions under

24. Numbers as of January 2024 (the differences with the numbers in paragraph 169 are due to the different dates used to retrieve the information).

the AML Act are applicable to beneficial owners that fail to comply with the obligation (see paragraph 122). Again, this would be efficient only to the extent controls are performed and the sanction would be efficient only towards Bulgarian beneficial owners. Therefore, **Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard**.

Oversight and enforcement

180. The same measures of oversight and enforcement as described for companies apply to partnerships. Therefore, in terms of the oversight and enforcement of the beneficial ownership obligations, the recommendation of paragraphs 131 and 141 apply to partnerships. **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Inactive partnerships

181. General and limited partnerships and EEIGs are companies within the meaning of the Commerce Act. As such, the analysis made on inactive companies on Section A.1.1 is applicable to these three types of partnerships, in particular the analysis applicable to LLCs (see paragraph 94). The number of general and limited partnerships and EEIGs that have filed inactivity declarations is depicted in the following table.

Number and proportion of inactive general and limited partnerships and EEIGs

Year	Number of inactive partnerships	% of the total population (approximate)[25]
2019	2 738	45%
2020	2 635	43%
2021	3 176	52%
2022	3 488	57%
2023	3 685	60%

25. The percentages calculated are approximate, as the total population of general and limited partnerships and EEIGs considered is as of 30 June 2022 (see paragraph ↱169). Additionally, for 2021-23, the information available to the Bulgarian authorities are the new inactivity declarations submitted to the Registry Agency, which are to be added to the stock of partnerships that had previously submitted an inactivity declaration. The number of inactive partnerships that have subsequently filed financial statements and that are therefore not inactive anymore is unknown.

182. Similar to LLCs, general and limited partnerships and EEIGs are compelled to submit any changes to their legal ownership information to the Commercial Register (art. 89 Commerce Act). Consequently, similar to the case of LLCs, legal ownership information on inactive partnerships with legal personality (general and limited partnerships and EEIGs) is available in the Commercial Register.

183. Civil partnerships are considered as obliged persons under the Accountancy Act and as such they are also covered by the analysis on inactive companies on Section A.1.1. Inactivity declarations in the case of civil partnerships are published in an economic publication or on the internet (art. 38(9) Accountancy Act). Legal ownership information on civil partnerships is available in the BULSTAT Register and must be kept up to date.

184. As in the case of companies, there has been no supervision on whether inactive partnerships have filed beneficial ownership to the Register (see analysis on paragraph 177). Contrary to the case of legal ownership information, there is uncertainty as to whether up-to-date beneficial ownership information on inactive partnerships would be available, as beneficial ownership does not trigger any legal rights over the partnership. The recommendation in paragraph 160 is also applicable in the context of partnerships with legal personality. **Bulgaria is recommended to review its system, whereby a number of inactive partnerships remain with legal personality on the Commercial Register and should implement appropriate supervision to ensure that beneficial ownership information is always available in line with the standard**.

Availability of partnership information in EOIR practice

185. Bulgaria received two requests for information related to Bulgarian partnerships. Bulgaria responded to both requests and the peer was satisfied with the response. No peers raised any concerns about partnership information.

A.1.4. Trusts

186. Bulgarian law does not recognise the concept of trusts and Bulgaria is not a party to the Hague Convention on the Law Applicable to Trusts and on their Recognition. However, there are no restrictions for a resident of Bulgaria to act as trustee, protector or administrator of a trust formed under foreign law.

187. The 2016 Report explained that, as Bulgarian law does not recognise the concept of trusts, there is no split in the legal framework between legal and beneficial ownership as stipulated by the trust deed. Consequently,

the Bulgarian authorities explained that when determining the taxation of a foreign trust, the trustee would be taxed in respect of the income generated by the foreign trust as the legal owner of the assets and income of the trust, regardless of the deed or any other documentation identifying the parties of the trust. Further, the report mentioned that trustees in the majority of cases would be AML-obliged persons, which would be obliged to carry out CDD on the foreign trust and identify its settlor(s) and beneficiary(ies). However, there was no practical evidence to support the opinion of the Bulgarian authorities and therefore an in-box recommendation was made for Bulgaria to ensure that information on beneficiaries and settlors of all foreign trusts with trustee(s) resident(s) in Bulgaria is available.

188. To address this gap, Bulgaria amended the BRA and introduced an obligation for all natural and legal persons and other legal arrangements acting in Bulgaria in the capacity of trustees of foreign trusts to register in the BULSTAT Register (art. 3(3) BRA). They must file with the BULSTAT Register the trust deed, the ownership structure and details on the management bodies and representation (art. 7 BRA). Entries to the BULSTAT Register must be supported by documents, including a declaration regarding the identification data of the beneficial owners and the data on the legal persons or other entities where through direct or indirect control is exercised, according to the requirements of the AML Act (art. 11(1)(g) BRA).

189. Furthermore, persons acting in Bulgaria in the capacity of trustees of foreign trusts must obtain and hold information on the beneficial owners of the trust (art. 62(1) AML Act). The recommendation is therefore addressed.

190. Additionally, despite the lack of a legal basis for the establishment and functioning of trusts in Bulgaria, the Bulgarian AML Act includes persons acting as trustees of foreign trusts as AML-obliged persons (art. 4, item 16(bb) AML Act). This means that trustees of foreign trusts would be obliged to carry out CDD on such foreign trusts. The beneficial ownership information must be entered into the BULSTAT Register (art. 63(2) AML Act).

191. Beneficial owners of a trust must be identified according to the following definition (§ 2(1) of the Supplementary Provisions of the AML Act):

> 2. In the case of trusts, including trusts, escrow funds and other similar foreign legal entities incorporated and existing under the law of the jurisdictions providing for such forms of trusts, the beneficial owner shall be:
>
> (a) the settlor;
>
> (b) the trustee;
>
> (c) the protector, if any;

(d) the beneficiary or the class of beneficiaries, or

(e) the person in whose main interest the trust is set up or operates, where the individual benefiting from the said trust has yet to be determined;

(f) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means.

192. When identifying beneficial owners of trusts, any legal persons or arrangements that are part of the ownership chain of the trust must be looked-through and relevant information on them must also be filed into the BULSTAT Register (art 63(4)(2) AML Act). This definition conforms the standard.

193. Recent amendments to the AML Act impose an obligation on beneficial owners to provide legal arrangements with all the information relevant to fulfil their beneficial ownership obligations and sanctions under the AML Act are applicable to beneficial owners that fail to comply with the obligation (see paragraph 123).

Oversight and enforcement

194. Compliance with the requirements for trustees to register with the BULSTAT Register is supervised in the same manner as for the requirements to register any other information in the Register (see paragraphs 76 to 82) and the same penalties for failure to register in the BULSTAT Register as described in paragraph 74 apply. Additionally, sanctions for failure to file beneficial ownership information as described in paragraph 142 are applicable.

195. So far, there have been no cases of registration of beneficial owners/foreign trusts in the BULSTAT Register. The Bulgarian authorities indicated that the concept of trust is not well-understood in Bulgaria and that being part of a trust is not a common practice. Although Bulgaria has been recommended to effectively supervise the population of the beneficial ownership information in the Registers (see paragraphs 131 and 141), in the case of foreign trusts, as they are not commonly used in practice in Bulgaria and so far there has been no registration of any trustees/beneficial owners in the BULSTAT Register, the need of a particular supervision on their registration is less prominent. Bulgaria has never received a request where a Bulgarian resident acts as a trustee of a foreign trust. Even though the situation where a trust formed under foreign law seems to be rare in practice and a particular supervision on the registration of foreign trusts does not appear to be needed, Bulgaria should monitor the possible existence of trustees of foreign trusts to ensure the availability of identity information (see Annex 1).

Availability of trust information in EOIR practice

196. During the peer review period, Bulgaria did not receive any request for information with respect to trusts.

A.1.5. Foundations

197. Bulgarian law provides for two types of Non-Profit Legal Entities (NPLE): foundations and associations (art. 1(2) NPLE Act).

- A **foundation** is established based on a will or a deed of its founders, does not have members and is run by a managing board obliged to administer it in accordance with the foundation deed or will (arts. 33 and 35 NPLE Act). As of 30 June 2022, there were 3 732 foundations, including 2 368 public benefit foundations.
- An **association** is established by at least three members through articles of association and an association defined for pursuing activities for public benefit must be established by at least seven capable natural persons or three legal persons (art. 19 NPLE Act). Members of the association are liable for its obligations to the amount of their contributions (art. 21(4) NPLE Act). As of 30 June 2022, there were 17 972 associations, of which 12 227 are for public benefit.

198. NPLEs conduct business activities in accordance with their founding documents and can be established for public or private benefit purposes (art. 3 NPLE Act). As explained in the 2016 Report, public benefit purposes are defined by law and include health care, education, science, culture (art. 38 NPLE Act). Upon dissolution, NPLEs established for public benefit cannot distribute their assets in any way to their current or former members, founders or representatives (art. 43(2) NPLE Act). Public benefit NPLEs are entitled to tax benefits in accordance with certain conditions in the law (art. 4(1) NPLE Act). They are not of relevance for the current assessment, contrary to foundations and associations established for private benefit purposes.

199. The Bulgarian legal framework establishing the registration requirements for foundations and associations has changed since the 2016 Report. Currently, to acquire legal personality, foundations and associations must register in the NPLE Register (art. 6(1) NLPE Act). Existing NPLEs were obliged to re-register from the district court to the NPLE Register until 31 December 2022. This process is still ongoing as some NPLEs did not comply with the statutory deadline.

200. The following information must be filed with the NPLE Register: i) name, objectives and means to achieve them; ii) address; iii) names of the members of the management bodies of the foundation or association, among others. Together with this information, the statutes of association in

the case of associations and the memorandum of association in the case of foundations must be filed (art. 18(2) NPLE Act). For foundations, the constitutive act of the foundation with notarised signatures or a notarised copy of the will and death certificate of the testator (when the foundation is established because of death) must be attached, as well as a document establishing the legal existence of the foundation, which includes the identity of the founders and the members of the foundation council (art. 33r Ordinance No. 1). For associations, the decision on the establishment of the association signed by the chairperson of the meeting and the person who drew up the minutes, and a list of the founders with a handwritten signature of each person must be submitted (art. 33p Ordinance No. 1). Where the founders of a foundation participate in their executive body, they must be entered as such in the electronic file in the NPLE Register.

201. The same requirements as in the case of companies when they cease to exist apply to NPLEs (art. 14 NPLE Act), including appointing a liquidator or a trustee in bankruptcy in the case of bankruptcy and notifying the NPLE Register of the initiation of the liquidation process. As foundations and associations are registered in the NPLE Register, information on them is kept indefinitely (art. 100 Ordinance No. 1).

Beneficial ownership information

202. All NPLEs are classified as AML-obliged persons (art. 4(28) AML Act). Additionally, as legal persons, NPLEs are required to obtain, hold and provide adequate, accurate and up-to-date information on their beneficial owners (art. 61(1) AML Act). The same requirements, procedures and deadlines to file and maintain beneficial ownership information with the NPLE Register as described for companies are applicable for foundations and associations.

203. The definition of beneficial owner applicable to foundations is a continuation of the definition as described in paragraphs 100 and 103 as follows:

> 3. In the case of foundations and legal arrangements similar to trusts, the natural person or persons holding equivalent or similar positions to those referred to in Item 2.[26]

204. As the definition refers specifically to the case of foundations and legal arrangements similar to trusts (which cover associations), beneficial owners of foundations and associations need to be identified according to this part of the definition, notwithstanding the fact that they are considered legal persons in Bulgaria. Persons in similar positions to the settlor of a trust would

26. Item 2 refers to the definition of beneficial owner of trusts (see paragraph 191).

be the founder in the case of a foundation or an association and person in similar positions to the trustee of a trust would be the council of a foundation or an association. Additionally, beneficiaries of a trust, of a foundation or of an association (where applicable) would all have similar roles.

205. As in the case of companies, the Bulgarian legal and regulatory framework does not have a specified frequency for updating beneficial ownership information on foundations and associations. This is only partly compensated by the recent amendments to the AML Act, which impose an obligation on beneficial owners to provide legal arrangements with all the information relevant to fulfil their beneficial ownership obligations and sanctions under the AML Act are applicable to beneficial owners that fail to comply with the obligation, and the related limitations (see paragraph 123). Therefore, **Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard**.

Oversight and enforcement

206. The same measures of oversight and enforcement as described for companies are applied to foundations and associations. Therefore, in terms of the oversight and enforcement of the beneficial ownership obligations, the recommendation of paragraphs 131 and 141 is also applicable to foundations and associations. **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision and enforcement programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Availability of foundations and associations information in EOIR practice

207. Bulgaria received one request for information related to foundations. Bulgaria responded to the request and the peer was satisfied with the response.

Other relevant entities and arrangements – co-operatives

208. Bulgarian law provides for the establishment of European Co-operative Societies (European co-operative) and co-operatives. Rules governing European co-operatives are contained in the Council Regulation No. 1435/2003 on the Statute for a European Co-operative Society and are similar to those governing domestic co-operatives. As of 30 June 2022, there was 1 European co-operative and 3 405 co-operatives registered in Bulgaria.

209. Co-operatives under Bulgarian law are legal persons defined as a voluntary association of natural persons with variable equity and a variable number of members who carry out commercial activities through mutual assistance and co-operation to fulfil economic, social and cultural interests. Members of a co-operative are liable for their obligations to the extent of their equity contributions. A co-operative obtains legal personality upon entry into the Commercial Register (arts. 1, 4 and 32(2) Co-operatives Act).

210. When registering with the Commercial Register, co-operatives must attach their memorandum of constitution and statutes and a notarised document with the signatures of the persons representing the co-operative (art. 3(1) Co-operatives Act). The statutes of a co-operative must include information on: i) its name and registered address, as well as its subject of activity, ii) the size of the members' entry contributions, iii) bodies of the co-operative and their scope of rights and obligations (art. 2(3) Co-operatives Act). Any changes to this information must be filed with the Commercial Register within 14 days since they occur (art. 3(4) Co-operatives Act).

211. Co-operatives must keep a register of members. The register has to contain the name and address of each member, the date of beginning and termination of his/her membership, the grounds for termination, as well as the type and the amount of his/her contributions (art. 8(5) Co-operatives Act). Each member of a co-operative has the right to inspect the register of members, as well as any information that may affect his/her interests or the interests of the co-operative (art. 9 Co-operative Act). Therefore, it can be inferred that the register of members and other relevant information must be kept in Bulgaria. This requirement ensures the availability of identity information on co-operatives in Bulgaria.

212. Co-operatives are liquidated for several reasons, including by decision of their general meetings, by decision of a district court, upon expiry of the term for which they have been set up (art. 40 Co-operative Act). Upon termination of activities, the general meeting of a co-operative must appoint a liquidator or have a three-member board of liquidators, which are not required to be members of the co-operative (art. 41(1) Co-operative Act). As co-operatives are registered in the Commercial Register, information on them is kept indefinitely.

Beneficial ownership information

213. As co-operatives are considered legal persons, the identification of their beneficial owners is made in a similar manner as for companies. The applicable definition is the same as described in paragraphs 100 to 106, which is in line with the standard.

214. As in the case of companies, beneficial ownership information of co-operatives must be filed with the Commercial Register. The same requirements, procedures and deadlines to file and maintain beneficial ownership information with the Commercial Register as described for companies are applicable for co-operatives. Similarly, the Bulgarian legal and regulatory framework does not have a specified frequency for updating beneficial ownership information on co-operatives. This is only partly compensated by the recent amendments to the AML Act, which impose an obligation on beneficial owners to provide legal arrangements with all the information relevant to fulfil their beneficial ownership obligations and sanctions under the AML Act are applicable to beneficial owners that fail to comply with the obligation, and the related limitations (see paragraph 123). Therefore, **Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information is available for all relevant legal entities and arrangements in line with the standard**.

Oversight and enforcement

215. The same measures of oversight and enforcement as described for companies are applicable to co-operatives. Therefore, in terms of the oversight and enforcement of the beneficial ownership obligations, the recommendation of paragraphs 131 and 141 is also applicable to co-operatives. **Bulgaria is recommended to put in place mechanisms and a comprehensive and effective supervision programme to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for all relevant entities and arrangements**.

Availability of co-operatives information in EOIR practice

216. During the review period, Bulgaria did not receive requests related to co-operatives.

A.2. Accounting records

Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements.

217. The 2016 Report concluded that the legal and regulatory framework on the availability of accounting records and underlying documentation was in place in respect of all relevant legal entities and arrangements and Bulgaria was rated Compliant with this element of the standard.

218. All the accounting obligations remain in place, requiring legal entities and arrangements to keep reliable accounting records and underlying

documentation. However, the Bulgarian legal framework does not establish obligations for keeping accounting records and underlying documentation after legal entities and arrangements cease to exist. Additionally, the compliance rates with the obligations to file annual financial statements and tax returns are relatively low, together with the large number of inactive companies in Bulgaria on which compliance with their obligations related to accounting records and underlying documentation has not been monitored. Bulgaria is recommended to address these deficiencies.

219. Peers were generally satisfied with Bulgaria's responses to requests related to accounting information.

220. The conclusions are as follows:

Legal and Regulatory Framework: in place, but certain aspects of the legal implementation of the element need improvement

Deficiencies identified/ Underlying factor	Recommendations
Annual financial statements must be filed with the Commercial Register and remain publicly available even after companies cease to exist. However, other accounting records and underlying documentation for relevant legal entities and arrangements that cease to exist are not required to be maintained for a period of at least five years after liquidation.	Bulgaria is recommended to ensure that accounting records and underlying documentation are maintained as required by the standard for all liquidated entities for a period of at least five years.

Practical Implementation of the Standard: Largely Compliant

Deficiencies identified/ Underlying factor	Recommendations
The compliance rates with the obligations to file annual financial statements and tax returns are relatively low. Furthermore, around 25% of companies and 51% of partnerships with legal personality have filed inactivity declarations between 2019 and 2022. Compliance with their accounting records and underlying documentation obligations is not actively monitored. These factors raise concerns on the availability of accounting records of all relevant legal entities and arrangements in Bulgaria.	Bulgaria is recommended to strengthen its supervisory and enforcement actions to ensure that the accounting records and related underlying documentation of all relevant entities and arrangements, including inactive companies and inactive partnerships with legal personality, are always available in line with the standard.

A.2.1. General requirements

221. In Bulgaria, the standard is generally met by requirements under the Accountancy Act combined with provisions in the tax law.

Accountancy Act

222. The Accountancy Act applies to all domestic legal entities, civil partnerships and other persons present in Bulgaria, including foreign entities carrying out business through a branch or through another permanent establishment, with exception of entities established in another EU Member State or in another state which is a party to the Agreement on the European Economic Area and which pursue business activities in Bulgaria solely under the terms of free provision of services under the agreement (art. 2 Accountancy Act). These entities are nevertheless covered by the requirements under tax law as described below.

223. All persons obliged under the Accountancy Act must keep accounts of i) all business transactions resulting in changes in their property and financial position and ii) financial results of their operations. They also have to be able to prepare financial statements which give a true and fair view of the property and financial position and financial performance of the enterprise, its cash flows and equity. Accounts must be kept based on documentary justification of business transactions and facts. Accounting information must be stored on paper and/or on technical devices in the premises of the company or entity in Bulgaria (arts. 3, 12 and 24 Accountancy Act).

224. The Bulgarian Accountancy Act classifies accounting documentation into three categories (art. 4 Accountancy Act):

- Primary documentation records business transactions for the first time, such as contracts and invoices.
- Secondary documentation contains processed information (e.g. summarised or differentiated) derived from primary accounting documentation. This category includes documents such as annual financial statements.
- Ledgers contain chronologically systematised information about business transactions derived from primary and/or secondary accounting documents. They are documents such as chronological journals in which all accounting transactions are recorded in the order in which they occur, the general ledger, which contains information on the corresponding accounts and the trial balance.

225. In establishing and maintaining its accounting system, obliged persons under the Accountancy Act must ensure a comprehensive and chronological registration of all accounting transactions, preparation of

analytical and summary information representing most accurately and appropriately its financial position and interim and annual closing of accounting records (art. 11 Accountancy Act).

226. Accounting information must be kept in accordance with principles and requirements of the National Accounting Standards or the International Accounting Standards (art. 34 Accountancy Act). The annual financial statements comprise at least a balance sheet, an income statement and explanatory notes (art. 29(1) Accountancy Act). All JSCs, all PLbSs, and other obliged persons under the Accountancy Act except for certain small enterprises[27] and certain small NPLEs established for public benefit, must have their annual financial statements independently audited by registered auditors (art. 37 Accountancy Act).

227. All obliged persons under the Accountancy Act must submit their annual and consolidated financial statements adopted by the general meeting of partners or shareholders. Bulgarian entities and NPLEs, as well as foreign entities and foreign NPLEs operating in Bulgaria through a branch must submit their financial statements to the Commercial or NPLE Registers by 30 September of the following year. Civil partnerships and entities operating in Bulgaria through a permanent establishment other than a branch must publish their statements in a business publication or on the internet and must provide upon request the information on the site where the annual statements were published (arts. 38(1) and 38(8) Accountancy Act). The only exception applies to persons that have not carried out commercial activities during the reporting period, which instead must submit an inactivity declaration (art. 38(9), item 2 Accountancy Act) (see further details below on inactive entities).

228. Article 12 of the Accountancy Act requires accounting records and financial statements, including documents for tax control, audit and subsequent financial inspections, to be kept for 10 years starting from 1 January of the reporting period, following the accounting period to which they refer. This retention period is applicable to primary and secondary documentation as described in paragraph 224, as well as to accounting ledgers. Internal documentation of the company, such as internal reports by employees on the expenditure of money or monthly inventory statements, must be retained for a period of 3 years starting from 1 January of the reporting period. Payroll documentation must be kept for 50 years. Additionally, annual financial statements filed with the Commercial Register are kept in the Register indefinitely (see paragraph 56).

27. Exception applies if two of the following three thresholds are not met: a) book value of the assets – BGN 2 000 000 (EUR 1 020 000); b) net sales revenue – BGN 4 000 000 (EUR 2 040 000); c) average number of employees for the reporting period: 50.

Partnerships, foundations, co-operatives and trustees of foreign trusts

229. General and limited partnerships and EEIGs are considered as companies under the Commerce Act and are therefore covered by the requirements described above related to accounting records. Finally, civil partnerships are also considered obliged under the Accountancy Act.

230. NPLEs (i.e. foundations and associations) acquire legal personality upon registration in the NPLE Register. As such, they must comply with the requirements related to accounting records. The same is applicable to co-operatives, as they are legal persons registered with the Commercial Register.

231. The accounting obligations described above apply also to trustees who act in a business capacity. Acting as a trustee represents economic activity under the Commerce Act and therefore a Bulgarian trustee of a foreign trust is required to keep full accounting records and underlying documents for all operations of the trust (not simply for his/her own income derived from the trust) in line with the accounting standards. Furthermore, as explained in paragraph 187, all resident trustees have to keep the necessary accounting records to substantiate their tax liability for income from assets of the trust. So far, there have been no cases of trustees of foreign trusts registered in the BULSTAT Register (see paragraph 195).

Tax Law

232. Taxable income of taxpayers (tax residents and non-resident entities with a permanent establishment in Bulgaria) is based on the amount of profit or loss, prior to the calculation of corporate income tax, as set out in the accounting financial result drawn up in accordance with the accounting rules (art. 18(1) CITA). Taxpayers are required to maintain accounting records of business revenues and expenditures to substantiate their tax liability (arts. 37 and 38 TSSPC). Such records must include all three categories of accounting documentation as required by accounting law (art. 10 CITA). Accounting results must also be filed in the taxpayer's tax returns (arts. 18(1) and 92(1) CITA).

233. Accounting records such as payrolls must be kept for 50 years and books of accounts and financial statements must be kept for ten years (art. 38 TSSPC).

A.2.2. Underlying documentation

234. All persons obliged under the Accountancy Act are required to keep accounting underlying documentation. As described in paragraph 224, the underlying documentation includes contracts, invoices and other documents used to prepare financial statements. Furthermore, Bulgarian tax law requires taxpayers to keep evidence of information regarding income and expenses, as well as assets and liabilities (see paragraph 232).

235. As explained in paragraph 228, underlying documentation must be kept for a period of ten years starting from 1 January of the reporting period, following the accounting period to which they refer.

Entities that cease to exist and retention period

236. As explained in paragraphs 84 to 88, 174, 201 and 212 upon liquidation of an entity (company, partnership, NPLE or co-operative) a liquidator must be appointed. The Bulgarian legislation has recently been amended to define the documents that liquidators must keep on entities and their retention period. Although there is an obligation for annual financial statements to be filed with the Commercial or NPLE Registers (see paragraph 227) and that this information is kept in the Registers indefinitely, this obligation does not cover accounting underlying documentation and the obligations on liquidators do not specifically require accounting underlying documentation to be kept. **Bulgaria is recommended to ensure that accounting records and underlying documentation are maintained as required by the standard for all liquidated entities for a period of at least five years**.

Oversight and enforcement of requirements to maintain accounting records

237. Compliance with the accounting requirements of all persons obliged under the Accountancy Act is the responsibility of their management (art. 16 Accountancy Act). The Accountancy Act provides for various penalties applicable for failure to comply with the accounting requirements (arts. 68-78 Accountancy Act), including:

- Persons that fail to comply with the requirements of keeping accounting information are subject to fines between BGN 500 and BGN 3 500 (EUR 255 and EUR 1 785) and companies are subject to fines from BGN 2 000 to BGN 7 000 (EUR 1 020 and EUR 3 570). Where a violation has been made for the second time, a sanction of double the amount is imposed.
- A manager who records transactions outside accounting books or records fictitious or insufficiently identified transactions is subject

to penalties between BGN 500 and BGN 5 000 (EUR 255 and EUR 2 550) and the company will be subject to penalties between BGN 2 000 and BGN 10 000 (EUR 1 020 and EUR 5 100).

- Failure to publish financial statements is penalised by a fine from BGN 200 to BGN 3 000 (EUR 102 to EUR 1 530) applicable in respect of the responsible individual and the company is penalised by a sanction ranging from 0.1% to 0.5% of the net sales revenue for the reporting period.

238. Supervision of accounting obligations is carried out on several levels, mainly through obligations to file financial statements with the Commercial Register and through verification of tax obligations during tax audits, in addition to the controls made by external auditors. The NRA supervises compliance with the accounting requirements and applies penalties in case of non-compliance (art. 79 Accountancy Act).

Supervision by the Registry Agency in collaboration with the NRA

239. First, every year the Registry Agency carries out a communicational campaign to inform the public about the nature and deadlines for the obligations to file annual financial statements and inactivity declarations. The campaign consists of regular publications on the official website of the Registry Agency. In November 2021, a dedicated phone line was opened for an expert of the Registry Agency to respond to questions, including in relation to the obligation to file annual financial statements.

240. Then, the Registry Agency monitors compliance with the requirement to file financial statements and it is required by law to compile information about the non-compliant entities and to send such information to the NRA (art. 38(13) and (14) Accountancy Act). The NRA is then required to carry out checks and establish violations (art. 38(15) Accountancy Act). In practice, once the NRA receives the list from the Registry Agency, it starts the procedures to verify any non-compliance. As a first step, the NRA verifies whether the non-compliant entities have filed an inactivity report, which is another list that must be provided by the Registry Agency to the NRA (see paragraphs 89 and 90).

241. In 2019 and 2020, the number of non-compliant entities with the requirements to file annual financial statements or an inactivity declaration were as described in the following table. The statistics of annual financial statements published by civil partnerships and of entities operating in Bulgaria through a permanent establishment other than a branch are not available.

Number and proportion of non-compliant entities with the requirements to file annual financial statements or inactivity declarations

Type of entity	2019	2020	Average rate of non-compliant entities (2019-20)[28]
LLCs	191 002	195 281	24.6%
JSCs	2 237	2 131	17.4%
PLbSs	4	3	13%
General and limited partnerships	1 490	1 411	23.8%
NPLE	3 616	5 044	20%
Co-operatives	1 065	1 000	30%
Branches of foreign entities	245	279	40%

242. On average, the rate of compliance with the requirement to file annual financial statements with the Registry Agency is 73%.

243. The list of the non-compliant entities has been communicated to the NRA each year. Thereafter, the NRA sends invitations to the non-compliant entities to appear before the NRA to establish whether a violation has occurred (concerning the filing requirement). If non-compliance is established, penalties are applied. In 2019, 2020 and 2021, 13 090, 7 716 and 1 839 penalty decrees related to non-compliance with the filing of financial statements or inactivity declarations were issued respectively. The Bulgarian authorities explained that in many cases the financial statements or inactivity declarations were filed with small delay and penalties were not applied in those cases.

244. In addition to the activities carried out in collaboration with the Registry Agency, the NRA performs controls based on the tax situation of entities and arrangements.

Supervision by the NRA

245. The rates of compliance with the obligations to file annual tax returns under the CITA were 62% in 2019, 64% in 2020 and 73% in 2021.[29] The NRA takes several actions to increase tax filing compliance, including sending reminders to taxpayers and applying sanctions. Sanctions applicable range from BGN 500 to BGN 3 000 (EUR 255 to EUR 1 539) (art. 261(1) CITA). Checks and tax audits are launched in respect of taxpayers who do not file their tax returns on a risk-analysis basis. The NRA uses

28. The rate of non-compliance has been calculated by taking the average of the number of non-compliant entities in 2019 and 2020 and dividing it by the total number of entities present in Bulgaria (as presented in Section A.1 of this report).

29. The statistics on tax return filing rates for 2022 are not yet available to the Bulgarian authorities (as of the moment of publication of this report).

two main approaches to identify taxpayers that have failed to file tax returns: i) regular comprehensive campaigns carried out after the expiration of the deadlines and ii) tax investigations carried out on a case-by-case basis. Information on noncompliant taxpayers is also gathered in the course of control proceedings.

246. The NRA carries out a risk assessment to perform its supervisory activities, which includes certain indicators related to the accounting obligations. The risk assessment consists of strategic risks, which are usually those identified to be transversal to different sectors and industries, and tactical risks, which are specific to a sector or industry. Examples of risk factors are types of activities carried out, specific taxation regime, historical behaviour. Case selection for tax audits is made at group and individual level.

247. The NRA has issued specified instructions related to accounting requirements for tax auditors to follow in a tax audit. During the review period, on average, 1.6% of legal entities that have filed a tax return have been subject to tax audits. Additionally, the NRA has carried out tax checks/examinations on over 200 000 individuals and entities. Regarding those that have not filed tax returns, the Bulgarian authorities were unable to provide specific statistics on how many of them have been audited, but confirmed that they can be selected for audit based on the risk assessment.

248. The table below depicts the number of violations related to tax filing obligations established by the NRA through tax audits, tax examinations and other administrative proceedings on legal persons, and the corresponding penalties imposed.

Violations and penalties imposed by the NRA related to tax filing obligations

	Number of acts establishing an administrative violation	Number of penalty decrees issued	Penalty amounts
2019	7 271	2 328	BGN 1 039 582 (EUR 530 186)
2020	0*	2 294	BGN 865 091 (EUR 441 196)
2021	7 828	2 970	BGN 1 092 147 (EUR 556 994)
2022	4 361	316	BGN 1 437 077 (EUR 732 909)

*In 2020 no violation acts were established due to the Covid-19 pandemic, that affected the working arrangements of the NRA.

249. The application of penalties has decreased in 2022, which is consistent with the increase in the tax return filing rate until 2021. Nevertheless, penalties seem to be applied in very few cases, in comparison with the total number of non-compliant cases.

250. Overall, although they have been consistently improving over time, the proportion of filing rates of tax returns remain relatively low. The filing of consolidated financial statements is also relatively low. Although the Bulgarian authorities have an established supervisory framework related to tax compliance, which is risk based, the coverage of taxpayers remain relatively low and there is no particular focus on non-compliant entities. **Bulgaria is recommended to strengthen its supervisory and enforcement actions to ensure that the accounting records and related underlying documentation of all relevant entities and arrangements are always available in line with the standard**.

Inactive companies and partnerships

251. As explained under Section A.1, companies and partnerships with legal personality that have not carried out commercial activities in a particular year must declare such circumstance to the Commercial Register. Such companies and partnerships are considered inactive and are exempted of their obligations to file annual financial statements with the Registry Agency and annual tax returns with the NRA. The Registry Agency has the obligation to compile a list of entities that have filed inactivity declarations and communicate this information to the NRA on a yearly basis, for it to verify compliance with the requirements (i.e. that the entity has actually been commercially inactive during the previous year in Bulgaria). Civil partnerships, without legal personality, that do not carry out commercial activities in a particular year must publish an inactivity declaration in an economic publication or on the internet (see paragraph 183).

252. The number of companies that have filed inactivity declarations since 2019 is large, representing around 25% of the total population of companies (see paragraph 92). The number of inactive partnerships with legal personality that have filed inactivity declarations since 2019 is also large, around 51% (see paragraph 181). Inactive companies and partnerships with legal personality do not have obligations to file financial statements or annual tax returns and there is therefore a concern that other obligations are not being complied with, such as obligations to keep accounting records and underlying documentation. Compliance with the requirements is verified by the NRA, although the Bulgarian authorities explained that so far, the inactivity status has been monitored through risk assessments and that no verifications have been targeted to verify the status of inactive entities. The Bulgarian authorities were unable to indicate how many inactive entities have been audited to verify their status. Furthermore, it is not defined yet if companies or partnerships with legal personality will be struck off from the Commercial Register after a number of years of inactivity. **Bulgaria is recommended to strengthen its supervisory and enforcement actions to**

ensure the accounting records and related underlying documentation of all relevant entities and arrangements, including inactive companies and partnerships with legal personality, are always available in line with the standard.

Availability of accounting information in EOIR practice

253. During the review period, Bulgaria received 154 requests pertaining to accounting information related to both legal entities and individuals. All peers were satisfied with the responses provided to requests related to accounting information. The Bulgarian authorities also indicated that they have provided information on 9 cases related to companies that have not complied with their obligations to file financial statements (i.e. non-compliant companies). In such cases, the Bulgarian Competent Authority had contacted a representative or former or current accountant of the company. If it was unable to establish contact, it had provided the information collected under previous tax proceedings (e.g. financial statements, annual tax returns). Bulgaria did not receive any requests for accounting information related to inactive companies or to information held by liquidators.

A.3. Banking information

Banking information and beneficial ownership information should be available for all account holders.

254. The 2016 Report concluded that the requirements under Bulgarian AML law and the Credit Institutions Act ensured that all records related to bank accounts and their associated financial and transactional information were available. These requirements remain in place.

255. The standard was strengthened in 2016 to require the availability of beneficial ownership information of bank accounts. Bulgaria's AML law requires banks to collect beneficial ownership information as part of their CDD activities when onboarding clients. A deficiency has been identified related to the requirements to keep beneficial ownership information on bank accounts up to date, as the Bulgarian legal and regulatory framework does not specify a frequency for updating the information collected through CDD procedures for all accounts and it is therefore not ensured that beneficial ownership information is up to date in all cases. Bulgaria is recommended to address this deficiency.

256. Peers were generally satisfied with Bulgaria's responses to requests related to banking information.

257. The conclusions are as follows:

Legal and Regulatory Framework: in place, but certain aspects of the legal implementation of the element need improvement

Deficiencies identified/ Underlying factor	Recommendations
Banks are required to update the beneficial ownership information of their clients based on the client's level of risk. The Bulgarian legal and regulatory framework does not specify a frequency to do such updates. Therefore, there could be cases where the available beneficial ownership information is not up to date.	Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information on all bank accounts is available in line with the standard.

Practical Implementation of the Standard: Largely Compliant

No issues have been identified in the implementation of the existing legal framework on the availability of banking information. However, once the recommendation on the legal framework is addressed, Bulgaria should ensure that they are applied and enforced in practice.

A.3.1. Record-keeping requirements

Availability of banking information

258. Banks are required to create, maintain and update an information system containing, among others: i) accounting information showing clearly and accurately the type, amount and grounds of any transactions; ii) information on clients, including information of any transactions concluded with them or on their account and the corresponding balances; iii) files on each credit contract stating particulars of the client, the grounds, the terms and conditions and amount of the loan (arts. 67 and 68 Credit Institutions Act or CIA).

259. The BNB maintains an electronic information system containing bank account information (i.e. a register of bank accounts), including information on the bank account number, the name of the account holder(s), as well as on the beneficial owners of the accounts (see following section). Banks are required to provide information to the BNB register on a weekly basis. The information contained in the register is made available to certain institutions, including the NRA (art. 56a CIA).

260. Banks are prohibited from opening and keeping anonymous bank accounts or accounts opened under fictitious names (art. 18 AML Act). When establishing a business relationship with a customer (e.g. opening an account), banks must identify their customers based on documents, data or information obtained from reliable or independent sources (art. 10(1) AML Act). Where it is not possible to comply with the CDD requirement under the AML Act, banks must refuse to carry out the operation or transaction with the client, or to establish a business relationship with it (art. 17 AML Act).

261. Banks must keep information on all operations and transactions carried out by customers (art. 16(1) AML Act). All documentation obtained by the banks under the AML Act must be kept for a period of five years after termination of the business relationship (art. 67 AML Act).

262. Non-compliance with the requirements to identify customers is subject to penalties between BGN 500 and BGN 20 000 (EUR 255 to EUR 10 200). Non-compliance with any of the other requirements under the AML Law mentioned in this section is subject to penalties from BGN 1 000 to BGN 50 000 (EUR 510 and EUR 25 5000) (arts. 116 and 118 AML Act).

263. When banks are being liquidated or are under a bankruptcy proceeding, they remain required to comply with obligations under the AML Act (art. 5 AML Act). Upon termination of bankruptcy proceedings of a bank, the trustee in bankruptcy must submit the books of the bank to the Bank Deposit Insurance Fund (art. 107(2) of the Bank Bankruptcy Act). This includes branches of foreign banks operating in Bulgaria. All data and documentation obtained to comply with requirements under the AML Act must be retained to be available to FID-SANS, to other relevant supervisory authorities and to auditors (art. 68(1) AML Act). The Bulgarian authorities explain that all documentation must be kept even after the bank ceases to exist and must be retained for a period of five years (see paragraph 261).

Beneficial ownership information on bank account holders

264. The standard was strengthened in 2016 to specifically require that beneficial ownership information be available in respect of all account holders.

265. In the case of Bulgaria, this aspect of the standard is covered under the AML framework. As explained above, banks are considered AML-obliged persons and are therefore required to identify the beneficial owners of all bank account holders (art. 10(2) AML Act). Information required to be collected includes name, place and date of birth, citizenship and address (art. 53(2) AML Act). Banks are required to obtain official identification documents of the beneficial owners of their clients, such as passports or driving licences, and make a copy of such documents (art. 53(1) AML Act). Additionally, banks must keep

and document internal rules for the performance of the CDD procedures. The internal rules must contain an internal system for risk assessment and identification of the risk profile of the clients (art. 101(2) AML Act). Banks usually classify clients in low, medium and high risk.

266. The AML Law requires banks to keep the information collected through CDD up to date and to periodically review, and where necessary, update the CDD on their clients. The AML Law also indicates that the CDD of high-risk clients should be updated at shorter intervals of time (arts. 16(1) and (2) AML Act). Banks must define in their internal rules the frequency for updating beneficial ownership information according to the level of risk of the client. In practice, such frequency is normally 6-12 months for high-risk clients, 12-24 months for medium-risk clients and 2-3 years for low-risk clients, as was confirmed by representatives of banks during the onsite visit. However, as explained in paragraph 114, the frequency might vary from one bank to another and it is not specified in the Bulgarian legal and regulatory framework, which might lead to the beneficial ownership information not being up to date in all cases. **Bulgaria is recommended to ensure that adequate, accurate and up-to-date beneficial ownership information on all bank accounts is available in line with the standard**.

267. Banks are allowed to perform simplified CDD on certain clients according to the level of risk (art. 25 AML Act), normally clients classified as low risk. Simplified CDD requires in any case banks to identify natural persons as part of CDD, which covers the identification of beneficial owners (art. 25(3) AML Act). Simplified CDD is only carried out under strict conditions, including the obligation to notify FID-SANS of the customers, products and services identified as presenting low risk (art. 26 AML Act). During the on-site visit, representatives of the banks confirmed that they always identify beneficial owner(s) of their clients and verify their identity. Representatives of the banks also mentioned that simplified CDD is only carried out when FID-SANS has given approval and that they must demonstrate the validations and controls in place when identifying the risk level of the client to receive such approval. During the review period, FID-SANS received five notifications from banks to carry out simplified CDD, which related to public or listed companies.

268. As described in paragraphs 115 and 116, banks are allowed to rely on CDD carried out by another credit institution. Such reliance is only carried out under very strict conditions which conform to the standard, such as the head office of the credit institution having to be in Bulgaria, in another EU Member State or in another country with measures to fight against AML/CFT similar to the Bulgarian rules and information having to be available to the bank within three days upon being requested. Representatives from the banking sector indicated that CDD is generally performed by the banks themselves, including the identification of beneficial owners.

Implementation in practice, oversight and enforcement

269. There are 18 Bulgarian banks and 7 branches of foreign banks operating in Bulgaria. As explained under Section A.1 (paragraph 145), FID-SANS is the main authority verifying compliance with the AML obligations by banks. In addition, banks are subject to supervision by the BNB, which supervises the activities of banks more generally although its supervision also includes verifications of AML compliance. On some occasions, FID-SANS and the BNB carry out joint supervisory activities on banks.

270. FID-SANS carries out its supervisory activities based on a risk assessment. The methodology to carry out risk assessment of banks includes elements such as the ownership of the bank, the types of customers, the products and services provided. The verifications include reviewing the internal rules implemented by the banks and their risk assessment, as well as a sample of the underlying documentation and records. FID-SANS also has powers to impose sanctions for non-compliance with the AML obligations described in paragraph 142. The number of employees in FID-SANS that supervise AML-obliged persons (i.e. not only banks) is around 15 (see paragraph 147).

271. As indicated in paragraph 147, during the review period, FID-SANS carried out 18 on-site inspections on banks and identified 25 violations. It imposed penalties amounting to BGN 106 000 (EUR 54 060).

272. Bank supervision by the BNB is also based on an annual risk assessment, which comprises risk factors such as adequacy and effectiveness of the systems in place, reports and findings of the banks' internal audit functions, findings from FID-SANS. A total of 11 employees of the BNB are dedicated to the supervision of banks. The BNB also has powers to apply sanctions on banks (art. 103 CIA).

273. Inspections of banks normally review their risk assessment policies, internal rules and policies, compliance with record keeping requirements, CDD through sample checks, software and systems, among others. Follow-up inspections are made to check whether previously made recommendations have been properly addressed. In the calendar years 2019-22, the BNB performed 24 sole on-site inspections to banks and 11 joint on-site inspections together with FID-SANS. In 2022, one thematic off-site inspection (related to remote on-boarding of clients) was carried out by the BNB, covering all 25 banks and 72 desk-based inspections related to AML/CFT issues. A total of 5 sanctions (supervisory measures) were imposed during the review period.

274. In practice, representatives from the banking sector interviewed during the on-site visit were largely familiar with their AML obligations with respect to identifying the beneficial owners of their customers.

Representatives from the banking sector indicated that there is a group of compliance officers in the Association of Banks, who work together and consult among themselves when there are any changes in the legislation and where there are questions on the application of the law. The Association of Banks also helps its members to comply with their AML obligations and communicates any legislative changes.

275. Banks have dedicated compliance officers for AML purposes and any changes therein are communicated to FID-SANS. For the identification of beneficial owner(s) of clients, officers are aware of the process they must follow and the documentation they must collect. In case of legal entities with complex structures, representatives from the banking sector indicated that the identification of beneficial owners is undertaken centrally by officers specialised in the subject. Furthermore, as indicated in paragraph 110, banks must consult the beneficial ownership information of their clients filed with the Business or BULSTAT Register, which representatives of the banking sector confirm they do in practice. Although there are currently no obligations in the AML Law yet in force to report discrepancies between the beneficial ownership information identified by the AML-obliged persons and that filed with the Registers, representatives from the banking sector indicated they report such discrepancies in practice.

276. Overall, considering the oversight and enforcement activities carried out by FID-SANS and the BNB, the implementation of the requirements for banks to keep banking and beneficial ownership information on all bank account holders and of the corresponding enforcement measures in the case of non-compliance appears appropriate.

Availability of banking information in EOI practice

277. During the peer review period, Bulgaria received 190 requests for banking information. Peers were generally satisfied with the responses provided and no issues were identified with respect to availability of banking information in practice.

Part B: Access to information

278. Sections B.1 and B.2 evaluate whether competent authorities have the power to obtain and provide information that is the subject of a request under an EOI arrangement from any person within their territorial jurisdiction who is in possession or control of such information, and whether rights and safeguards are compatible with effective EOI.

B.1. Competent authority's ability to obtain and provide information

Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information).

279. The 2016 Report found that Bulgaria's tax authorities had broad enough gathering and compulsory powers to access ownership, identity, banking and accounting information, and such powers were effectively used in practice. The legal and regulatory framework was considered to be in place and Bulgaria was rated as compliant with this element of the standard.

280. The conclusions are maintained for this review. The broad gathering and compulsory access powers continue to be in place and, where needed, the Bulgarian Competent Authority exercises such powers to obtain and exchange the information pursuant to its EOI instruments.

281. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the legislation of Bulgaria in relation to access powers of the competent authority.

Practical Implementation of the Standard: Compliant

No issues in the implementation of access powers have been identified that would affect EOIR in practice

B.1.1. Ownership, identity and banking information and B.1.2. Accounting records

Accessing information generally

282. According to the Bulgaria legislation, there are different Competent Authorities in Bulgaria depending on the underlying instrument used for exchange of information, but ultimately delegations of powers have been issued to the same department in all cases. In practice, the Tax Treaties Directorate of the NRA has been delegated as the Competent Authority for EOI.

283. The 2016 Report described the procedures for obtaining information generally and those specific to obtaining banking information. The access powers and practices to access information remain the same.

284. The NRA has wide information gathering powers under article 12(1) of the Tax and Social Security Procedure Code (TSSPC). Accordingly, it is entitled to, among others, the following:

- conduct examinations and audits.
- require from any person or governmental authorities to provide data, information, documents, papers, materials, items of property, statements of account, information sheets and other data as necessary for the performance of the NRA responsibilities.
- access the premises of audited subjects.
- check the books and records of subjects under control.
- require a person to declare their bank accounts in the country or abroad and to request the disclosure of official,[30] bank or insurance secrets according to a procedure provided for by a law.
- gain access to public registers.

30. "Official secret" refers to facts and circumstances that have come to the knowledge of an official in the course of or in connection with the performance of his/her duties. For example, information obtained through official duties under the Customs Act, that should be kept secret but should be disclosed to the NRA authorities upon request.

285. These powers allow requests for information from any person. The general powers are further detailed in articles 37, 56 and 57 of the TSSPC. The tax administration has rights to require in writing any person to present the requested information within 14 days (art. 37(3) and (5) TSSPC). There are also powers to request written explanations on facts and circumstances relevant for the performance of the tax administration's responsibilities (arts. 56 and 57 TSSPC).

286. In addition to the powers described in the preceding paragraphs, for the purposes of EOI with other states,[31] the NRA also has access to i) information collected through CDD under the AML Act, including the information on beneficial ownership of clients, ii) the mechanisms and procedures applied to perform CDD under the AML Act and iii) beneficial ownership information obtained by legal entities and arrangements under the AML Act, as well as the beneficial ownership information filed with the Business and BULSTAT Registers (art. 12(9) TSSPC).

287. In practice, the most common means to access the information requested by EOI partners is access to the Business and BULSTAT Registers, from which legal and beneficial ownership information is accessible and publicly available. The information already at the disposal of the Bulgarian Competent Authority is broad and includes ownership information through the Registers, accounting information (tax returns, financial statements, other tax declarations, results of tax audits), real estate property information through the Property Register and information contained in the civil register database.

288. Thereafter, accessing information directly from taxpayers subject to EOI requests, with the assistance of local revenue authorities, is the second most common way to access information, through a written notice under article 37 of the TSSPC, invoking the powers under article 12. In this case, a formal examination normally needs to be launched.

289. The vast majority of requests relate to LLCs, on which up-to-date legal ownership information is obtained from the Commercial Register. When legal ownership information on companies other than LLCs is requested, as the information available with the Commercial Register is not always up to date (see paragraph 54), the Bulgarian Competent Authority requests the information directly from the company.

290. Other access powers are used if specific or more complex information is requested.

291. Bulgaria notes that, in practice, it encountered no difficulties in the application of its access power during the review period and that it was able to access information to reply to EOI requests. This was supported by peer input.

31. Bulgaria considers the word "states" also covers jurisdictions.

Accessing beneficial ownership information

292. In practice, the Bulgarian Competent Authority verifies if the beneficial ownership information is available with the Registers. If the information is not available with the Registers or if the EOI request also asks for banking information, the beneficial ownership information is then requested from AML-obliged persons, mainly banks (see next section). As described in paragraph 286, the NRA has clear access power to the information gathered by AML-obliged persons under the AML Act. Alternatively, the information could also be accessed directly from the relevant entity through a written notice sent by the local revenue office.

Accessing banking information

293. Access to banking information for tax purposes and EOI is regulated under the TSSPC and the Credit Institutions Act (CIA). The TSSPC provides general access powers to banking information under section 37(6) which states that, upon request by the NRA and in accordance with article 12(1), the requested persons are obliged to disclose the requested banking information.

294. The procedure to access banking information requires a court order. Upon receipt of a valid EOI request from another jurisdiction, the Competent Authority may approach the court to request the disclosure of information constituting a bank secret within the meaning of the CIA (arts. 143(4) and 143f TSSPC). The court shall rule on the disclosure request by delivering a reasoned decision within 24 hours after submission of the application. The decision must include a deadline for disclosure of the requested information and cannot be appealed (art. 62(7) CIA).

295. Article 62(2) of the CIA defines bank secrecy as the facts and circumstances concerning balances and operations of accounts and deposits held by bank's clients. Information such as the name of the account holder, the bank account number, the date of account opening and the account opening documentation are not considered bank secrecy and do not need a court order to be accessed.

296. There are two registers of bank accounts in Bulgaria maintained by the NRA and by the BNB respectively. The NRA register of bank accounts contains information on the opening and closing of accounts held by legal persons, NPLEs, non-resident legal persons acting through a branch or another permanent establishment in Bulgaria, among others (art. 25 NRA Act). The BNB register of bank accounts includes more comprehensive information on all bank accounts. The information in the BNB register includes the name of the account holder, type and currency of the account, dates of opening and closing, among others. From September 2020, for accounts held by legal persons, the beneficial ownership information of

the account holder is also required to be submitted to the BNB register (Ordinance No. 12 of the BNB). These registers allow the Competent Authority to identify all the bank accounts for a given taxpayer and to identify the account holder in cases where the EOI request only mentions an account number.

Accessing banking information in practice

297. EOI requests that relate only to banking information are treated directly by the EOI Unit. Requests that relate to banking and other type of information are split, with the EOI Unit always being responsible for responding to the banking information part of the request, whereas other types of information might be collected by the local offices.

298. When the requested banking information is already at the disposal of the Bulgarian Competent Authority, i.e. information on existence of bank accounts of legal persons through the NRA register of bank accounts, the information is directly provided to the requesting jurisdiction. The Competent Authority rarely makes use of the BNB register of bank accounts, as access to it requires paying a fee and the search criteria are limited. In some cases when the information has not been found in either of the bank account registers, the Competent Authority sends a letter to the bank to verify the existence of a bank account (as the identification of the account holder upon provision of a bank account number or vice versa is not covered by bank secrecy).

299. If further information is requested (i.e. information covered by bank secrecy), the Competent Authority sends a disclosure request to a district court; very often to the Sofia City Court. The court then provides a decision to the request, evaluating the legal basis for the disclosure of the information and whether the request is in conformity to the requirements of the EOI instrument. As the legal basis for requesting disclosure by the Competent Authority is always EOI, which is one of the exceptions provided for banking secrecy under the CIA, the disclosure requests are usually approved by the court. Furthermore, the letter sent to the court always explains the conformance with the requirements of the EOI instrument.

300. The courts approved 96% of requests for disclosure of banking information.

301. Only on 8 occasions the court has rejected disclosure requests. The Bulgarian authorities explained that these rejections were usually due to form issues, rather than substance issues. For example, the court rejected requests when some documents had not been translated into Bulgarian (for which the Bulgarian Competent Authority was responsible). On one occasion, the court considered there were deficiencies in demonstrating the attributions of the Competent Authority because the request was submitted

electronically without a certified copy. Whenever a disclosure request had been rejected, the Competent Authority resubmitted the request through a new application. In all cases, the Bulgarian Competent Authority resubmitted the application to the court and received a favourable response to the resubmission (without need for clarification from the requesting jurisdiction).

302. In terms of timelines, the Bulgarian authorities indicated that the process to access banking information through a court does not result in delays in accessing the relevant information. The average time periods of the process are depicted in the following table.

Process to access banking information through a court order

Dedicated step in the process	Average time
1. Analysis/preparation of the EOI request upon reception	7 days
2. Inquiry in the NRA or BNB bank account registers	1 day
a. Preparation of letter to the bank (when information not found on NRA or BNB bank account registers)	14 days
3. Preparation of disclosure request letter to the court	7 days
4. Reception of the court's decision	7 days
a. Repetition of steps 3 and 4 in case of rejection of the disclosure request	7 days*
5. Preparation of letter to the bank requesting information	7 days
6. Reception of banking information	14 days
7. Preparation of reply to EOI request	7 days

*The disclosure request letter is based on the letter originally sent. Therefore, the time taken in repetition of steps 3 and 4 is less than the sum of both steps (i.e. less than 14 days).

303. The table presents average times, and the Bulgarian authorities also indicated that in some cases, the court's decision comes only two days after having sent the disclosure request. The process has become more expeditious in recent years, as the disclosure requests are now sent electronically to the court. Standard cases take on average 50 days.

304. The process used by the Bulgarian Competent Authority to access banking information is effective and does not cause delays to respond to EOI requests. The Bulgarian Competent Authority is used and familiar to the process of requesting disclosure of banking information through a court, which it considers as a business-as-usual process. During the review period, Bulgaria received 190 requests for banking information. Peers were generally satisfied with the responses provided and none of them raised issues with respect to delays in receiving responses to their EOI requests.

B.1.3. Use of information gathering measures absent domestic tax interest

305. The use of domestic access powers for EOI is explicitly provided for in article 143 of the TSSPC for EOI under international treaties and article 143f of the TSSPC for EOI with EU Member States under the EU Council Directive 2011/16/EU.

306. These provisions are supported by articles 12, 37, 56 and 57 of the TSSPC, which detail the NRA access powers to request information. The use of the access powers is broad and is not limited to cases with domestic tax interest as they do not refer to a taxpayer, taxes or obligations under the TSSPC.

307. During the review period, the majority of requests received and responded by Bulgaria did not involve any Bulgarian taxpayer, i.e. Bulgaria had no tax interest in the information exchanged.

B.1.4. Effective enforcement provisions to compel the production of information

308. If a person refuses to comply with a request for information from the NRA, the NRA has powers to use compulsory measures such as imposing penalties, securing evidence, asking for assistance from other governmental institutions, asking for search and seizure by the police authorities or using the presumption that if no evidence is provided, facts and circumstances may be deemed to exist or not to exist.

309. Any person that refuses to co-operate with the NRA is liable to a fine between BGN 500 and BGN 1 000 (EUR 255 and EUR 510). In the event of a repeated violation, the sanction is doubled (art. 273 TSSPC). If a person refuses to provide written explanations requested by the NRA, the person may be summoned to testify before a court (art. 56(1) and 57(3) TSSPC). The 2016 Report suggested in the text that Bulgaria increased the amount of the sanctions applicable in case of refusal to co-operate with the tax authorities (see paragraph 230). In effect from 2021, Bulgaria doubled the amount of the penalties applicable for violations as well as for repeated offences.

310. Refusal by a bank to disclose the information requested by a court order is subject to penalties between BGN 50 000 and BGN 200 000 (EUR 25 500 and EUR 102 000), which are increased to BGN 200 000 and BGN 500 000 (EUR 102 000 and EUR 255 000) in case of repeated violation (art 152(1) and (2) CIA).

311. When a person refuses to provide the NRA access to a facility subject to control or to present papers or other data as requested, the NRA may request co-operation from the authorities of the Ministry of Interior,

including conducting a search or seizure in accordance with the procedure established in the Criminal Procedure Code (art. 42 TSSPC). The search and seizure powers can be used in the course of any audit or examination under the TSSPC, including in relation to EOIR cases. There are no specific conditions or requirements under the TSSPC for the search and seizure powers to apply. If the person continues to refuse to provide the relevant information, criminal sanctions are applicable.

312. The Bulgarian authorities indicated that, in practice, taxpayers and information holders co-operate, and the requested information is normally accessed and provided as expected. During the review period, Bulgaria did not need to apply any penalties in order to obtain the information in relation to EOI cases, although the NRA applied penalties in relation to non-EOI cases.

B.1.5. Secrecy provisions

Bank secrecy

313. As described in Section B.1.1, the CIA provides for exceptions to the obligation to keep bank secrecy pursuant to a court order (art. 62(6), item 2 and 9 CIA). Such exceptions cover, under specific conditions, requests from the Minister of Finance, the Executive Director of the NRA or a person authorised thereby (articles 143(4) and from 143f(6) of the TSSPC). These exceptions cover EOI requests. Accessibility of information subject to banking secrecy was also confirmed in practice. During the review period, Bulgaria received 190 requests for banking information and there was no case where the requested banking information was not accessible. Representatives from the banking sector confirmed that the procedure to provide information subject to banking secrecy is clear and that it is commonly used in practice.

314. Bulgarian law provides for access to information held by actors of the financial sector other than banks under the same procedure as in the case of banking information, since information held by such actors is also considered secret. These are insurers, investment firms and the Central Depository.[32] The 2016 Report analysed that in all cases, the TSSPC and the respective law regulating the activities of the sector provided that EOI is an exception to their professional secrecy and that any information could be requested by the Minister or Finance or the Executive Director of the NRA or their representative to be disclosed through a court order, except for insurers. An in-text recommendation was included for Bulgaria to clarify the situation of the insurance sector. In 2017, Bulgaria addressed the

32. The Central Depository is one of the two central securities depositories operating in Bulgaria.

recommendation and amended its Insurance Code to explicitly state that any requests for information under articles 143(4) or 143f(6) of the TSSPC, which cover EOI, would constitute an exception to their professional secrecy and could be accessed through a court order (art. 150 Insurance Code). During the review period, Bulgaria did not receive any requests asking for insurance information.

Professional secrecy

315. The professional privileges described in the 2016 Report have not changed. In the case of lawyers, the attorney-client privilege is framed in the Bar Act (art. 45). Accordingly, lawyers acting in their capacity as legal representatives in court proceedings or similar instances are obliged to keep the secrets of their clients. The attorney-client privilege therefore covers only information provided to a lawyer acting in his/her capacity of an admitted legal representative of a client or providing legal advice.

316. The Bar Association has issued guidance with instructions for the interpretation and application of the attorney-client privilege, to state that it should only cover cases where information has been obtained when the attorney is acting in this capacity to represent a client or to provide him/her with legal advice. Representatives of the Bar Association met during the onsite visit were familiar with this interpretation and application.

317. Lawyers are not a main source of information for EOI purposes. During the review period, no requests for information for EOI purposes were made to lawyers. A representative of the Bar Association met during the onsite visit mentioned that he only received one request from the NRA some years ago, and that the information was provided as requested.

318. Based on the Law on Notaries, a notary must safeguard the secrecy of any circumstances which come to his/her knowledge in connection with his/her practice as notary and may not use such knowledge to his/her or someone else's advantage (art. 26(1) Notaries and Notarial Practices Act). This professional secrecy covers only information obtained while acting in their capacity as notaries and does not cover factual information such as accounting records or ownership information, which is required to be provided to government registers or other third parties under Bulgarian law. Representatives of the Bulgarian Notary Chamber met during the onsite visit indicated that the professional secrecy applicable to notaries covers specific information related to their profession and that information obtained under the AML Law is not covered by the professional secrecy, which would be provided to the NRA upon request. Additionally, the NRA has a co-operation agreement with the Notary Chamber under which it receives information electronically, mainly in relation to notarised powers of attorney. Notaries

are not a main source of information for EOI purposes. During the review period, no requests for information for EOI purposes were made to notaries.

319. Registered auditors are subject to professional secrecy of the information that came to their knowledge in the course of an audit engagement, unless the disclosure of this information is required for the purposes of court proceedings or by law (art. 11 Independent Financial Audit Act). There is an exception provided for in the Independent Financial Audit Act, which allows the disclosure of information before a competent authority to exercise oversight over the public interest (art. 82(5)). As the NRA has several oversight responsibilities in respect of taxes and social security contributions, the disclosure of information relevant to tax matters would therefore fall under this category. The 2016 Report included an in-text recommendation for Bulgaria to clarify the law in this respect, as there was no practical basis to confirm this interpretation. During the present review, the Bulgarian authorities reiterated the interpretation. Although no further clarifications were made to this aspect of the Bulgarian legislation, an auditors' representative met during the onsite visit further confirmed this interpretation, indicating that any request from the NRA is a clear reason for requested information to be provided. Auditors are not a main source of information for EOI purposes, and no information was requested from them during the review period. No adverse peer input was raised in this regard. The in-text recommendation from the 2016 Report is therefore considered no longer applicable.

B.2. Notification requirements, rights and safeguards

The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information.

320. The 2016 Report found that the rights and safeguards applicable to persons in Bulgaria were compatible with effective exchange of information. There were no notification requirements (pre or post exchange) and rights and safeguards were found to be in line with the standard. The element was determined to be in place and rated Compliant. The situation for the current review remains in line with the standard.

321. The conclusions are as follows:

Legal and Regulatory Framework: in place

The rights and safeguards that apply to persons in Bulgaria are compatible with effective exchange of information.

Practical Implementation of the Standard: Compliant

The application of the rights and safeguards in Bulgaria is compatible with effective exchange of information.

B.2.1. Rights and safeguards should not unduly prevent or delay effective exchange of information

Notification

322. There is no obligation under Bulgarian domestic law for the competent authority to give notice to the person who is the object of the request for information, either before or after the information is exchanged with the requesting foreign authority.

323. In the majority of cases, information requested under EOI is accessed from sources directly available to the Bulgarian Competent Authority. When information needs to be requested from another authority or directly from the taxpayer, the letter requesting the information refers to article 37 of the TSSPC and describes the information and documentation requested. The letter never mentions that information is being requested for EOI purposes, nor the content or basis for the EOI request.

324. Concerning banking information, the EOI purpose to request its disclosure is mentioned in the letter sent to the court. The court decision mentions the EOI purpose when ordering disclosure of information, which thereafter becomes known to the bank as the court decision must be attached to the letter the Competent Authority sends to the bank to request information. Although there is no requirement under the law to prevent a bank from informing its clients (i.e. there is no anti-tipping off provision), representatives of the banking sector, during the onsite visit, indicated that they maintain strict confidentiality whenever there is request for any information on their clients from public authorities and that they never inform the taxpayer of such requests. Furthermore, the Bulgarian Competent Authority always informs the requesting jurisdiction about the procedures followed in relation to banking information covered by bank secrecy and discusses the possible options. The requesting jurisdiction can opt to withdraw the request to avoid the taxpayer being indirectly or informally informed of it.

325. These measures conform to the standard.

Appeal rights

326. Obtaining and providing the requested information cannot be appealed unless a tax decision concerning tax liability in Bulgaria or on application of sanctions is issued. Consequently, information gathering measures under article 37 of the TSSPC cannot be appealed (art. 144 TSSPC). Appealing a tax audit is possible within 14 days after receipt of the audit report (art. 152 TSSPC). Nevertheless, access powers other than a tax audit can always be used to obtain the requested information, such as written notice under article 37 of the TSSPC. For EOIR purposes, conducting a tax audit is not required and a tax examination is sufficient to collect the information requested. In some cases, a tax audit is initiated after the EOI procedure if irregularities or problems are found with the Bulgarian taxpayer, although such audits are not directly related to the EOI procedure. As such, no appeals occurred during the review period related to EOIR cases. The use of an appeal procedure would not suspend the EOI with the requesting partner, as the findings of the audit could be shared with the partner.

Part C: Exchange of information

327. Sections C.1 to C.5 evaluate the effectiveness of Bulgaria's network of EOI mechanisms – whether these EOI mechanisms provide for exchange of the right scope of information, cover all Bulgaria's relevant partners, whether there were adequate provisions to ensure the confidentiality of information received, whether Bulgaria's network of EOI mechanisms respects the rights and safeguards of taxpayers and whether Bulgaria can provide the information requested in an effective manner.

C.1. Exchange of information mechanisms

Exchange of information mechanisms should provide for effective exchange of information.

328. At the time of the 2016 assessment, Bulgaria had an extensive EOI network covering 118 partner jurisdictions. Most of the relationships were based on EOI instruments in line with the standard and Bulgaria was rated Compliant with this element.

329. At present, Bulgaria's EOI network comprises 154 partner jurisdictions, including through the Multilateral Convention on Mutual Administrative Assistance on Tax Matters (the Multilateral Convention), 71 DTCs,[33] 1 TIEA and the EU Council Directive 2011/16/EU on Administrative Co-operation in the field of taxation (see Annex 2).

330. The Multilateral Convention covers most of the EOIR network of Bulgaria (146 jurisdictions or 95% of the exchange partners), and the instrument is in accordance with the standard.[34]

33. The DTCs with Montenegro and Serbia derived from one Tax Treaty signed with the former Republic of Yugoslavia. They are counted separately in this report, see Annex 2 for more details.

34. Since the 2016 Report, Bulgaria signed three new DTCs with participants in the Multilateral Convention: the Netherlands, Pakistan and Saudi Arabia. They are in line with the standard and in force.

331. At the time of the 2016 Report, 16 relationships were based only on bilateral agreements, whose conformity to the standard was questioned. Today, seven of the concerned jurisdictions are also Parties to the Multilateral Convention and thus the relationship meets the standard.[35] The other eight still do not meet the standard.[36] Bulgaria has taken steps to renegotiate some of its DTCs and for one of them, the renegotiations have already started. For some others, the Bulgarian authorities reported that the partner jurisdictions are undergoing situations that have impeded the renegotiation of DTCs. These were partners with which there was no EOI during the review period.

332. Overall, the network of EOI instruments of Bulgaria continues to provide for effective exchange of information and the Bulgarian authorities implement it in compliance with the standard.

333. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the EOI mechanisms of Bulgaria.

Practical Implementation of the Standard: Compliant

No issues have been identified that would affect EOIR in practice.

Other forms of exchange of information

334. Apart from EOIR, Bulgaria also carries out the following types of exchange of information:

- automatic exchange of information on financial accounts under the AEOI Standard since 2017
- automatic exchange of information on income derived through digital platforms
- spontaneous exchange of information
- country by country reports information exchanges.

35. Armenia, Jordan, Kuwait, Mongolia, Montenegro, Serbia and Thailand.
36. Algeria, Belarus, Democratic People's Republic of Korea, Iran, Syrian Arab Republic, Uzbekistan, Zimbabwe. The relationship with Viet Nam meets the standard since 1 December 2023, after the cut-off date, when the Multilateral Convention entered into force there (see Annex 2).

C.1.1. Standard of foreseeable relevance

335. All the EOI relationships of Bulgaria meet the standard of "foreseeable relevance", as they used either the wording "foreseeably relevant", "necessary" or "relevant", which is in line with the standard.[37]

336. Furthermore, in transposition of the last amendment to the EU Directive on Mutual Administrative Assistance in the Field of Taxation (DAC 7), a definition of the concept of foreseeable relevance was introduced in Bulgaria's domestic legislation (in force from 1 January 2023), more specifically in article 143f1 of the TSSPC. The definition establishes that the requesting jurisdiction should provide the requested jurisdiction (i.e. Bulgaria) with at least the tax purpose for which the information is requested and an indication of the information needed to establish tax liabilities and to apply its national legislation in the area of taxation. This definition does not contradict the standard.

Clarifications and foreseeable relevance in practice

337. The officials of the Tax Treaties Directorate, which is the administrative unit managing the EOI requests, were familiar with the criteria of foreseeable relevance. The Guidance for Exchange of Information (the EOI Manual), although briefly, mentions that for each incoming request, it must be analysed that the information requested is foreseeably relevant to the requesting jurisdiction. The interpretation of the concept of foreseeable relevance is based on the Commentary to Article 26 of the OECD Model Tax Convention.

338. Generally, in practice, there are no particular elements that the Bulgarian Competent Authority expects the requesting jurisdictions to include in their requests regarding foreseeable relevance. While the recent transposition into domestic law of DAC 7 requires certain elements to be mentioned in the requests in relation to foreseeable relevance, the Bulgarian Competent Authority confirmed such elements were already normally incorporated to the requests in practice.

37. The 2016 Report noted that three of Bulgaria's DTCs allowed EOI only to the extent that it related to the application of the treaty, which is not to be in line with the standard (Luxembourg, Malta and the Netherlands) but all three partners are covered by the Multilateral Convention, which meets the standard. Since then, a new DTC has been signed with the Netherlands, another one has undergone a first round of renegotiations and on the third one, no renegotiation has started yet. An issue was also found in the TIEA with Guernsey, as the parties were not requested to provide information that was "not obtainable by" persons in their territorial jurisdiction (instead of information "in control of" such persons, as stated in Article 2 of the OECD Model TIEA). However, this issue is compensated by the Multilateral Convention and EOIR exchanges can take place in line with the standard.

339. The Bulgarian Competent Authority indicates that in the majority of requests, the explanations provided are sufficient to assess their foreseeable relevance. If there is lack of clarity as to the foreseeable relevance of a request, the practice of the Bulgarian Competent Authority is to contact the requesting jurisdiction to ask for additional information or explanations, which happened in practice in very few occasions during the review period without affecting the response time of the requests. No peer reported issues related to the interpretation of foreseeable relevance of requests sent to Bulgaria.

340. During the review period, Bulgaria did not decline any cases for failure to meet the foreseeable relevance standard.

Group requests

341. The EOI instruments of Bulgaria do not impede the sending or the receipt of group requests as long as the foreseeable relevance of the information requested is sufficiently demonstrated.

342. Although not explicitly covered in the Bulgarian EOI Manual, officials of the Tax Treaties Directorate were familiar with group requests. The Bulgarian Competent Authority explained that for assessing the foreseeable relevance of a group request, it would analyse elements such as the group's description, the grounds on which the requesting jurisdiction believes the taxpayers in the group have not complied with their tax obligations, the applicable tax law and the explanations on how the requested information would be useful for determining the tax obligations of the taxpayers. These elements are mentioned in the definition of foreseeable relevance in the Bulgarian TSSPC (see paragraph 336) as the minimum elements to be provided to demonstrate the foreseeable relevance of a group request.

343. Bulgaria received one group request on banking information, although outside of the review period. The request was responded to by Bulgaria within four months, with information obtained from a financial institution regarding almost 1 000 individuals and entities.

C.1.2. Provide for exchange of information in respect of all persons

344. Bulgaria is allowed to exchange information in respect of all persons and exchange is not limited to residents or nationals of the contracting states.

345. During the review period, Bulgaria received 158 requests of information with respect to persons who were not tax residents in Bulgaria but were residents in the requesting jurisdiction. Additionally, Bulgaria received 11 requests with respect to persons who were not residents in Bulgaria nor in the requesting jurisdiction. Bulgaria responded to all of these requests.

C.1.3. Obligation to exchange all types of information

346. Not all EOI relationships of Bulgaria can take place based on an instrument that clearly allows for exchange of banking information. The 2016 Report included an in-text recommendation for Bulgaria to update its DTCs that did not include a provision corresponding to Article 26(5) of the OECD Model Tax Convention. Although there are no limitations in Bulgaria's domestic laws with respect to accessing information held by banks, nominees, and ownership and identity information, there may be domestic limitations in some of Bulgaria's treaty partners. The 2016 Report identified 16 partners with which bilateral relationships were not supplemented by the Multilateral Convention. Currently, 8 of the 16 partners are covered by the Multilateral Convention.[38] There remain therefore 8 relationships where the DTCs have not been renegotiated: Algeria, Belarus, Democratic People's Republic of Korea, Egypt, Iran, Syrian Arab Republic, Uzbekistan and Zimbabwe. Among these, Egypt has solved issues in its domestic legislation that prevented the DTC to meet the standard. In addition, the Bulgarian authorities explain that some of these countries are undergoing internal situations that have impeded the renegotiation of DTCs and that they only received one request from one of these partners. As the situation in these jurisdictions is still uncertain, the in-text recommendation remains applicable, for Bulgaria to continue its efforts to bring the EOI relationships with these seven partners in line with the standard (see Annex 1).

347. During the review period, Bulgaria did not decline any of the requests received because it was held by a bank or other financial institution nor because it related to ownership interest, nominees or persons acting in an agency or fiduciary capacity. No requests related to banking information were received from any of the eight partners mentioned in the preceding paragraph.

C.1.4. Absence of domestic tax interest

348. There are no restrictions in the Bulgarian access powers for the Competent Authority to access information for EOI purposes. Furthermore, Bulgaria does not require reciprocity in respect to exchange of information regardless of domestic tax interest, except when requesting information covered by bank secrecy (i.e. information that must be obtained through a court order) (arts. 143(1) and (4) TSSCP). Bulgaria is able to provide the requested information in line with the standard, even in application of DTCs that do not contain a provision akin to Article 26(4) of the OECD Model Tax Convention.

38. Armenia, Jordan, Kuwait, Mongolia, Montenegro, Serbia and Thailand. The relationship with Viet Nam will meet the standard once the Multilateral Convention enters into force in this country on 1 December 2023 (see also paragraph 272 and footnote 14 of the 2016 Report).

349. In practice, Bulgaria uses its domestic information gathering powers for EOI purposes regardless of whether it needs the information for its own tax purposes. During the review period, the majority of requests received by Bulgaria did not involve any Bulgaria taxpayers. Peers did not raise any concerns in this regard.

C.1.5 and C.1.6. Civil and criminal tax matters

350. There are no provisions in any of Bulgaria's EOI instruments which would indicate dual criminality principles to be applied and none of Bulgaria's EOI instruments limit the exchange of information only to criminal or civil tax matters. The Competent Authority's faculties to access information are the same for criminal and civil tax matters.[39]

351. In practice, Bulgaria has received 19 requests related to criminal matters and has responded to all of them.

C.1.7. Provide information in specific form requested

352. There are no restrictions in the EOI provisions in Bulgaria's agreements that would prevent it from providing information in a specific form requested, to the extent possible under Bulgaria's domestic laws.

353. One peer highlighted that Bulgaria was not able to provide certifications/affidavits in the form requested by the peer due to applicable internal legislation. The peer and the Bulgarian authorities further explained that it held meetings with Bulgaria and alternative solutions were proposed by Bulgaria, such as providing a declaration of the authenticity of the records submitted in the response to the request. The peer was satisfied with the proposed solution.

C.1. 8 and C.1.9. Signed agreements should be in force and be given effect through domestic law

354. Under the Bulgarian Constitution, all EOI agreements must be ratified by the National Assembly (art. 85). When the agreement is subject to ratification according to the Constitution, the Council of Ministers shall propose to the National Assembly to ratify the agreement by an Act. The

39. The 2016 Report indicated that the DTCs with Japan, Montenegro and Serbia limit the disclosure of exchanged information only to persons or authorities involved in assessment or collection of taxes, which may be interpreted to prohibit use of exchanged information for criminal tax purposes. All three jurisdictions are now parties to the Multilateral Convention and EOIR exchanges can take place with them under this instrument and in line with the standard.

procedures for the preparation and conclusion of international agreements by Bulgaria is regulated by the International Agreements of the Republic of Bulgaria Act. To commence, sign and ratify a tax treaty, approval of the government is needed. Once the agreement has been drafted, a report is prepared by the Ministry of Finance and presented to the Council of Ministers. The draft agreement undergoes consultation within the Council of Ministers, which issues a decision. This process takes about 2 months. The Council of Ministers, after a second internal procedure, then proposes the National Assembly to ratify the agreement. If approved, the National Assembly endorses a law of ratification in two hearings, which is finally promulgated in the State Gazette within 15 days of its final approval. This ratification process lasts for around 3-6 months. The Ministry of Foreign Affairs subsequently informs the agreement party.

355. All EOI agreements have entered into force in Bulgaria. At the time of the 2016 Report, the TIEA with Guernsey was not in force yet. The agreement has come into force since then. All new EOI instrument signed since the 2016 Report are in force.

EOI mechanisms

Total EOI relationships, including bilateral and multilateral or regional mechanisms	**154**
In force	148
In line with the standard	140
Not in line with the standard	8
Signed but not in force	6*
In line with the standard	6
Not in line with the standard	0
Total bilateral EOI relationships not supplemented with multilateral or regional mechanisms	**8****
In force	8
In line with the standard	0
Not in line with the standard	7
Signed but not in force	0

* The Multilateral Convention is not yet in force in Gabon, Honduras, Madagascar, Papua New Guinea (entry into force on 1 December 2023), Philippines and Togo. The Multilateral Convention entered into force in Viet Nam on 1 December 2023, after the cut-off date, and in the meantime the relationship was based on the DTC that does not meet the standard, thus covered in the previous line.

** Algeria, Belarus, Democratic People's Republic of Korea, Iran, Syrian Arab Republic, Uzbekistan, Zimbabwe

C.2. Exchange of information mechanisms with all relevant partners

The jurisdiction's network of information exchange should cover all relevant partners, meaning those jurisdictions who are interested in entering into an information exchange arrangement.

356. The 2016 Report found that Bulgaria's network of exchange of information mechanisms covered all its relevant partners. Element C.2 was in place and Bulgaria was rated as Compliant. There was a recommendation for Bulgaria to continue to develop its EOI network with all relevant partners.

357. Since 2016, Bulgaria has expanded its EOI network as the number of jurisdictions participating in the Multilateral Convention increased. Further, Bulgaria has signed three new DTCs. Bulgaria also has EOI agreements covering its main trading partners (Germany, Romania, Italy, Greece and Türkiye).

358. During the current review, no Global Forum members indicated that Bulgaria refused to negotiate or sign an EOI instrument with it. As the standard ultimately requires that jurisdictions establish an EOI relationship up to the standard with all partners who are interested in entering into such relationship, Bulgaria should continue to conclude EOI agreements with any new relevant partner who would so require (see Annex 1).

359. The conclusions are as follows:

Legal and Regulatory Framework: in place

The network of information exchange mechanisms of Bulgaria covers all relevant partners.

Practical Implementation of the Standard: Compliant

The network of information exchange mechanisms of Bulgaria covers all relevant partners.

C.3. Confidentiality

The jurisdiction's information exchange mechanisms should have adequate provisions to ensure the confidentiality of information received.

360. The 2016 Report concluded that the confidentiality provisions in Bulgaria's EOI instruments and domestic laws were in line with the standard. This continues to be the case. The practice in respect to confidentiality in the current review period also continues to be in line with the standard.

361. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the EOI mechanisms and legislation of Bulgaria concerning confidentiality.

Practical Implementation of the Standard: Compliant

No material deficiencies have been identified and the confidentiality of information exchanged is effective.

C.3.1. Information received: disclosure, use and safeguards

International instruments

362. All the Bulgaria's EOI agreements, including those concluded after the 2016 Report, have confidentiality provisions to ensure that the information exchanged will be disclosed only to persons authorised by the agreements. While the articles in some of the Bulgarian DTCs concluded before the 2016 Report vary slightly in wording, the provisions contained all the essential aspects of Article 26(2) of the OECD Model Tax Convention and the Report concluded that the impact of such different wordings would be rather limited. Nevertheless, it included an in-text recommendation for Bulgaria to renegotiate the provisions to avoid unnecessary uncertainty or disputes. Although the corresponding EOI agreements have not been renegotiated, currently all the concerned partners are covered by the Multilateral Convention, which allows for exchanges of information in line with the standard.[40] The in-text recommendation is therefore considered no longer applicable.

Domestic legislation

363. The term "tax and social security information" is defined in the Bulgarian TSSPC, which includes any information exchanged under the EOI instruments. Disclosure of such information is only allowed under the terms and provisions of the EOI instruments under which it is being exchanged or under the terms defined in Bulgarian law to carry out EOI (art. 72(3)). Officials of the NRA and all other persons who have been provided or have become familiar with any tax and social security information are obligated to respect the confidentiality of such information and not to use it for any purposes other than the direct discharge of their official duties (art. 73(1)).

40. At the time of the 2016 Report, only Serbia and Montenegro were not covered by the Multilateral Convention. Now, both jurisdictions are parties thereof.

364. Any violation of the tax and social security information secrecy is subject to administrative or criminal prosecution, depending on the particularities of the violation itself. Penalties between BGN 1 000 and BGN 5 000 (EUR 510 and EUR 2 550) are applicable for any such violation, and where the circumstances are aggravated, the penalties can be increased up to BGN 10 000 (EUR 5 100). Furthermore, NRA employees could be disqualified from occupying their position for a period of one to three years (art. 270 TSSPC). The penalties are applicable to current or former employees and/or contractors of the NRA. When employees of the NRA leave their position, they must sign a declaration by which they commit to keep confidential all the information obtained/used while being employees. Additionally, intentional breach of the confidentiality rules can be sanctioned under the Penal Code by imprisonment of up to two years or probation period (art. 284(1) Penal Code). During the period under review, 9 cases of breaches of these obligations were identified, 5 of which were considered minor cases and in 4 cases sanctions were applied. None of these cases related to information exchanged with an EOIR partner.

365. The domestic confidentiality rules contain exceptions where protected information can be disclosed to other bodies or authorities or through a court order, and for EOI purposes (art. 73(2)(3) TSSPC). Some exceptions go beyond the disclosure of information provided under the Article 26(2) OECD Model Tax Convention, for example, use of information for social security purposes, criminal investigation not related to tax crimes or disclosure of information upon a request from the Bulgarian president (arts. 74 and 75 TSSPC). However, these exceptions are not applicable for information exchanged under Bulgarian EOI agreements, as the agreements' limitations for the use of the information override provisions of the domestic law which are in contradiction with them. The treaty prevails principle is set out in article 5(4) of the Bulgarian Constitution (see paragraph 21) and restated in article 2(2) of the TSSPC. The principle is also explicitly reproduced in article 72(3) of the TSSPC which indicates that information exchange pursuant to an EOIR instrument "may be disclosed only in accordance with the terms and procedure set out in an international treaty to which the Republic of Bulgaria is a signatory".

366. The Terms of Reference, as amended in 2016, clarified that although it remains the rule that information exchanged cannot be used for purposes other than tax purposes, an exception applies where the EOI agreement provides that the information may be used for such other purposes under the laws of both contracting parties and the competent authority supplying the information authorises the use of information for purposes other than tax purposes. The Multilateral Convention provides for this possibility and therefore for the majority of Bulgaria's EOI relationships. The eight EOI relationships not covered by the Multilateral Convention do not contain such a provision.

367. The Bulgarian authorities indicated that they always request authorisation from the partner jurisdiction to use information exchanged under EOIR for purposes other than tax purposes. In the period under review Bulgaria reported that the requesting partners sought Bulgaria's consent to utilise the information for non-tax purposes in nine cases, and similarly Bulgaria did four requests to its partners to use information received for non-tax purposes. In all cases, Bulgaria provided the consent requested by the partners.

368. Taxpayers have the right to inspect and object evidence forming basis of a tax decision (art. 17(2) TSSPC). However, according to the Bulgarian authorities, communications between competent authorities, including EOI requests and supporting documentation which does not contain evidence, are considered internal communication and are not part of the taxpayer file. As such, the taxpayer does not have access to such information at any stage of EOI process.

369. The standard provides that all information is confidential but allows the Competent Authority to disclose the minimum amount of information necessary to the information holder to obtain the information requested. In Bulgaria, the law does not specify information that has to be included in the information gathering notices sent to information holders. The Bulgarian authorities confirmed that information holders are provided only with minimum information necessary to obtaining it, i.e. the notice contains reference to provisions of the domestic Bulgarian law and a description of the requested information. The EOI request letter is not included in the information gathering notices, nor the name of the requesting jurisdiction. The only case in which the EOI request letter is included is when requesting banking information from banks, where the EOI request letter is included to request the disclosure of information to the court (see paragraphs 299 to 304). When doing so, all the documents submitted to the court are treaty stamped and remain confidential. The decision of the court regarding the disclosure of the banking information is not public and it is communicated only to the bank. These measures conform to the standard.

C.3.2. Confidentiality of other information

370. The confidentiality provisions in Bulgaria's EOI instruments and domestic law do not draw a distinction between information received in response to requests and information forming part of the requests themselves. As such, these provisions apply equally to requests for information, background documents to such requests, and any other document reflecting such information, including communications between the requesting and requested jurisdictions and communications within the tax authorities of either jurisdiction.

371. No issues were raised by peers regarding concerns with respect of confidentiality of other information, such as communications between competent authorities and no such issues were identified during the peer review.

Confidentiality in practice

Confidentiality policy

372. The NRA has a comprehensive confidentiality policy, the Network and Information Security Policy, which sets out the principles and processes to handle confidential information. Such policy has been enhanced and further elaborated since 2014, to comply with the International Security Management standards. The policy consists of two main groups: organisational elements and technical elements. One of the chapters is dedicated to risk management, which is updated two times per year. Risk treatment measures are indicated of each risk.

Human resources

373. The recruitment of new employees of the NRA is carried out in accordance with the provisions of the Civil Servants Act, which is applicable to all civil servants. Prior to any appointment with the NRA, candidates undergo comprehensive background and security checks performed by the Human Resources department. The Civil Servants Act establishes requirements for holding a civil servant position, for example, having a clean criminal record and not having been deprived of the right to hold certain public position. As part of the entry process, every new employee of the NRA signs a declaration that he/she will keep the confidentiality of all tax and social security information under the TSSPC and will follow the information security policies of the NRA (art. 14(3) NRA Act). The declaration contains a warning about the confidentiality of information and points out the responsibilities and consequences for the employee in case of violation.

374. Every new NRA employee undergoes a six-month induction programme, one module of which is related to confidentiality. The NRA has an annual training programme on network and information security management, including the use of equipment and technologies and raising awareness on related threats and risks. E-learning tools are also available to employees. Additionally, every employee of the NRA must participate in a cybersecurity training developed by the Network and Information Security Systems Directorate. So far, almost 100% of the employees have undertaken such training.

375. Regarding external contractors, their good tax standing and criminal records are also checked before entering into a contract. The employees

of the contractor are obliged to sign a declaration of the secrecy and confidentiality of the information. The contractor receives rights and access only to those systems/programmes necessary for the execution of the contract. Since 2020, the NRA has sought to simplify the processes of external contractors and only one of them carries out 90% of the developments related to information management.

376. There is an Internal Audit Department at the NRA, which investigates and audits compliance by other areas of the NRA, including NRA local offices, with the relevant laws and internal regulations. Among other aspects, the Internal Audit Department considers the Information Security Management System when carrying out its audits. The Tax Treaties Directorate was audited in 2022. Several aspects were reviewed during the audit, including documentation of procedures, internal control activities and definition of responsibilities. One of the findings was to increase control activities when the NRA headquarters interact with local offices. There were no negative findings related to information security or confidentiality aspects more generally.

Labelling and handling of confidential information within the tax administration

377. All EOIR correspondences in paper form are physically delivered to the EOI Unit and stored at its offices in locked metal cabinets, whose key is kept by the technical assistants of the EOI Unit (there are currently two of them). Every time a file is taken out of the cabinet, one of the technical assistants registers such action in a dedicated document. Only members of the Tax Treaties Directorate have access to the offices where the cabinets are located. Additionally, the NRA has introduced a clean desk and a clear screen policy, and offices are always locked when they are empty. Compliance checks are the responsibility of the line manager.

378. The technical assistants are responsible for regularly monitoring the documents stored in the cabinets. Files of cases that have started six years ago at the moment of review are required to be archived with the NRA Archive Department. The technical assistants draw up an inventory of all files and notes a storage code for each file, which determines for how long each file must be kept and the procedure for its destruction.

379. EOIR requests received via electronic means are all kept in a file registering system, which has a separate module only accessible to employees of the Tax Treaties Directorate. Access to the system is only granted with a username and a password. The system allows for user roles to be predetermined and employees only have access to tasks assigned to them.

380. All documentation related to EOIR requests (i.e. in paper and electronic form) is treaty stamped. When received by the Bulgarian Competent

Authority, EOI request letters usually come already treaty stamped. If it is not the case, the Competent Authority treaty stamps the letter. Subsequently, all documentation related to the request is also treaty stamped. Additionally, the EOI Unit has adopted a new naming convention for files related to EOI requests, which requests adding the label "EOI Confidential" in all file names.

381. When information needs to be requested to local offices of the NRA, all related information is sent via the file registering system after having been treaty-stamped. All documentation is password protected and is shared only on a need-to-know basis and after the approval of the head of the Tax Treaties Directorate.

382. Overall, over 90% of the requests received by Bulgaria are from EU Member States, with which exchanges take place through the e-Forms Central Application (e-CFA) via the Common Communication Network (CCN). The rest of the requests, with non-EU jurisdictions, is undertaken via encrypted emails and rarely in paper form through certified mail.

Physical security and access

383. The access control to the NRA premises is regulated by the "Granting access to the premises of the National Revenue Agency" policy, which defines the duties and actions of the employees responsible for controlling access to the NRA buildings. Access to the buildings has several levels of security, such as keys for restricted access, entry points for the personnel, special security locks including such with electronic access cards, register of the access, alarms, video surveillance cameras for real time monitoring (CCTV), fire extinguishing system. Employees can access the buildings only with access cards. For the NRA headquarters, which is where the EOI Unit is located, zones have been defined with different access permits.

IT Security

384. EOIR information is always exchanged using secure communication methods such as encryption or password protection. All electronic information managed by the NRA is stored in various applications, which have different levels of access according to their roles. The access granted to employees is linked to these roles and they are provided minimum access, as necessary for the performance of their tasks. Applications are accessed using a strong password and, in some cases, more complex methods such as multifactor authentication. Access is reviewed periodically and discontinued if necessary.

385. The NRA also has an endpoint security system, which protects all devices (e.g. laptops) and reduces the risk of losing or leaking information to end-users working with the data. Additionally, a Data Loss Prevention system

is in place to prevent data leaks, which monitors the use and transmission of information in real time, both inside and outside the NRA's systems.

386. USB ports are not disabled in the laptops of the EOI Unit personnel. However, under the Data Loss Prevention system, the use of USB drives is only allowed for NRA-owned USB drives and all information stored in them is encrypted by the system. The content in the USB drives can only be read by NRA-owned laptops. Additionally, every time an employee of the EOI Unit uses a USB drive, a notification is sent to the Network and Information Security of the Systems Directorate to inform of such use and of the information stored in the USB drive. The employee must delete any information stored in the USB drive once it has been used.

Incident/breach management

387. The Network and Information Security Policy of the NRA includes procedures for reporting and managing accidents and security breaches. In case of high-risk situations for the activity of the NRA or a cyber-attack, immediate actions are taken to activate the Policy for action in cybersecurity incidents. The Policy requires reviewing vulnerabilities in the network and information security and to take actions to eliminate them and prevent possible consequences. The Policy allows the NRA to request collaboration of other state agencies such as the State Agency for National Security, to ensure a timely response to the incident. The Policy also includes a continuity policy, that allows the NRA to continue to function in case of attacks.

388. According to the Policy, any cybersecurity incident must be notified to the competent state authorities, the parties to the agreements and contracts whose data are affected by the incident, as well as international partners, organisations and institutions. Incidents that must be notified are such with the following characteristics:

- unauthorised access to the system
- disclosure of personal data
- misuse of content
- unauthorised disclosure of information about the system
- vulnerabilities and/or threats to the system

389. If a cybersecurity incident is detected, the Cyber Security Incident Response Policy is triggered. The information security officers immediately perform initial assessment of the level of risk. In case of high risk, a meeting of all relevant directors of the NRA is held. An order is issued by the Executive Director of the NRA to determine the areas/employees responsible for different tasks, including notifying other authorities/partners and documenting the incident.

390. A report with findings, conclusions and recommendations of actions to minimise the consequences of the incident and prevent new similar incidents is prepared. The report must be approved by the Executive Director of the NRA and sent to the responsible Directorates for implementation of the recommendations with specified deadline. After the deadline, a progress report or additional information on the status of implementation is requested. The control of the performed actions is carried out during follow-up inspections of the network and information security. The incidents are recorded into the Incident Register.

391. Bulgaria was subject to a cyberattack against the IT systems of the NRA in 2019. The attack compromised financial accounts information exchanged under the Automatic Exchange of Information Standard but no information exchanged under EOIR was compromised. After the attack, the Bulgarian authorities took immediate actions to eliminate the risks. In the medium term, the NRA enhanced and made more comprehensive and robust its policies to deal with IT security incidents and cyberattacks.

392. Overall, the confidentiality measures present in Bulgaria comply with the standard.

C.4. Rights and safeguards of taxpayers and third parties

The information exchange mechanisms should respect the rights and safeguards of taxpayers and third parties.

C.4.1. Exceptions to the requirement to provide information

393. The 2016 Report concluded that Bulgaria was compliant with this element of the standard, and the situation remains the same in this review. Only one of Bulgaria's DTCs (with Luxembourg) did not contain a provision equivalent to the exception provided for in Article 26(3)(c) of the OECD Model Taxation Convention. The Report nevertheless noted that EOI with Luxembourg was possible under the EU Directive and the Multilateral Convention.

394. All the other Bulgarian EOI instruments ensure that the contracting parties are not obliged to provide information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or the disclosure of which would be contrary to public policy (*ordre public*). The terms "professional secret" or "legal professional privilege" are not defined in the DTCs and therefore, they would derive their meaning from the Bulgarian domestic laws. As described in Section B.1.5, protection of information held by attorneys, notaries, or auditors under Bulgaria's domestic law is in line with the standard and therefore does not unduly restrict effective EOI.

395. During the review period, there were no cases where the Competent Authority had to request information from attorneys, lawyers or other legal representatives where professional privilege could have been claimed. No peers raised concerns concerning professional secrecy.

396. The conclusions are as follows:

Legal and Regulatory Framework: in place

No material deficiencies have been identified in the information exchange mechanisms of Bulgaria in respect of the rights and safeguards of taxpayers and third parties.

Practical Implementation of the Standard: Compliant

No material deficiencies have been identified in respect of the rights and safeguards of taxpayers and third parties.

C.5. Requesting and providing information in an effective manner

The jurisdiction should request and provide information under its network of agreements in an effective manner.

397. This element was assessed as Largely Compliant in the 2016 Report. The Report concluded that Bulgaria had in place organisational procedures to respond to EOI requests, although there was room for improvement on monitoring the deadlines, on the provision of status updates and on the response time in cases where the requested information was obtained from local tax offices. Since the 2016 Report, Bulgaria has significantly improved the response time to EOI requests. During the review period, 58% of the requests were responded within 90 days, 84% within 180 days and only 1.2% of the requests were responded in more than one year. This includes cases where the information was obtained by local tax offices. These two aspects of the recommendations are therefore considered addressed.

398. Since 2016, Bulgaria has made efforts to improve the monitoring to systematically provide status updates within 90 days when the competent authority was not able to provide a substantive response within that timeframe. However, some peers indicated status updates were not always provided. This aspect of the recommendation from the 2016 Report is therefore not considered to be addressed.

399. Finally, regarding the requests sent by the Bulgarian Competent Authority, some peers indicated issues with the quality of the requests, in

particular regarding their foreseeable relevance. Bulgaria has been recommended to ensure the quality of the EOI requests sent in all cases.

400. The conclusions are as follows:

Legal and Regulatory Framework

This element involves issues of practice. Accordingly, no determination has been made.

Practical Implementation of the Standard: Largely Compliant

Deficiencies identified/ Underlying factor	Recommendations
Bulgaria has improved its processes to provide status updates within 90 days when the competent authority was not able to provide a substantive response within that timeframe. However, this was not systematically monitored and status updates were not provided in some cases.	Bulgaria is recommended to systematically provide a status update to its partners when the competent authority is unable to provide a response within 90 days.
Some peers have indicated issues with respect to the quality of EOI requests received from Bulgaria, in particular regarding the demonstration of foreseeable relevance of the EOI requests.	Bulgaria is recommended to ensure the quality of the EOI requests sent to its EOI partners in all cases.

C.5.1. Timeliness of responses to requests for information

401. The procedure for exchange of information set forth in Bulgarian laws and regulations permit the competent authority to gather and exchange information in a proper timeframe. In particular, no provision would prevent the Bulgarian authorities from responding to a request for information by providing the information requested or providing a status update within 90 days of receipt of the request.

402. During the three-year period under review (1 July 2019 to 30 June 2022), Bulgaria received 493 requests on direct taxation matters. Of these, 91% were from EU Member States, mainly Greece, France, Germany and Italy. Overall, the requests related to both entities and individuals and requested mainly banking information (190 requests) and other types of information, such as taxpayers' addresses and residency status, and to a lesser extent accounting information (154 requests), legal

ownership information (161 requests) and beneficial ownership information (34 requests).

403. The following table relates to the requests received during the period under review and gives an overview of response times of Bulgaria in providing a final response to these requests, together with a summary of other relevant factors affecting the effectiveness of Bulgaria's practice during the period reviewed.

Statistics on response time and other relevant factors

		Jul 2019-Jun 2020		Jul 2020-Jun 2021		Jul 2021-Jun 2022		Total	
		Num.	%	Num.	%	Num.	%	Num.	%
Total number of requests received [A+B+C+D+E]		123	100	153	100	217	100	493	100
Full response: ≤90 days		61	49.6	78	51	146	67.3	285	58
≤180 days (cumulative)		102	83	118	77.1	194	89.4	414	84
≤1 year (cumulative)	[A]	118	96	149	97.4	216	99.5	483	98
>1 year	[B]	3	2.4	3	2	0	0	6	1.2
Declined for valid reasons		0	0	0	0	0	0	0	0
Requests withdrawn by requesting jurisdiction	[C]	2	1.6	1	0.6	0	0	3	0.6
Failure to obtain and provide information requested	[D]	0	0	0	0	0	0	0	0
Requests still pending at date of review	[E]	0	0	0	0	1	0.5	1	0.2
Outstanding cases after 90 days		62		75		71		208	
Out of which, status update provided within 90 days		19	30.6	22	29.3	22	31	63	30

Notes: Bulgaria counts each taxpayer mentioned in a request letter as a separate request. Generally, if Bulgaria receives a further request for information that relates to a previous request, with the original request still active, Bulgaria will append the additional request to the original and continue to count it as the same request (in some cases where the requesting jurisdiction requests further information under a new request, Bulgaria would count it as a new request although the Bulgarian authorities confirmed this is rare in practice).

The time periods in this table are counted from the date of receipt of the request to the date on which the final and complete response was issued.

404. As indicated in the table above, Bulgaria responds to almost 60% of the request within 90 days. The Bulgarian authorities explained that the requests that were dealt within 90 days were normally less complex and requested more limited information. The requests that needed more time to be responded were generally more complex ones with a broad range of information asked, for which the requested information was not directly at the disposal of the NRA and could not be obtained without contacting

the resident taxpayer. For such requests, the Competent Authority usually needed to launch a formal investigation through local tax offices or contact other governmental institutions to gather the necessary information, which must respond to the NRA within 14 days.

405. The 2016 Report included a recommendation for improvement on, among others, the response times to requests, in particular in cases where information needed to be obtained from local tax offices. Although the Bulgarian authorities indicate that these are still cases for which the response time would normally be longer, the overall response time has improved considerably since the previous review, considering also that the number of requests received has increased since the 2016 Report.

406. The EOI Unit has improved the monitoring of deadlines and the provision of responses in a timely manner. A new file registering system was implemented at the beginning of 2018, which introduced several functionalities, among them:

- faster and more comprehensive registration of the EOI requests
- enhanced file search and report capabilities
- monitoring of time periods and deadlines
- email notifications
- detailed statistics capabilities.

407. The EOI Unit uses the tool to monitor the deadlines of each ongoing request. Each month, the director of the Tax Treaties Directorate receives a report on EOI requests with approaching deadlines and instructs the responsible case officers of the actions needed. The tool has also allowed the response times of the local tax authorities to improve, as they are also part of the system and get reminders from the responsible case officers to obtain and forward the information to the EOI Unit in a timely manner. Such reminders are sent on a case-by-case basis, if the responsible officer is notified about an approaching deadline or on his/her own initiative.

408. As a result of the implementation of these measures, during the current review period, Bulgaria responded 58% of the requests within 90 days, compared to 44% in the previous review. Responses provided within 180 days during the current review period were 84%, compared to 76% for the previous review. Finally, only 1.2% of the responses are provided in more than one year for this review, versus 4% in the previous review. The part of the in-box recommendation in the 2016 Report related to the timeliness of request response is therefore considered addressed.

409. There were no cases during the period under review in which the Bulgarian Competent Authority failed to provide the information requested.[41]

410. Three requests were withdrawn by the requesting jurisdiction during the review period. The Bulgarian Competent Authority explained that in such cases, it was unable to identify the taxpayers (individuals) with the information provided by the requesting jurisdictions and that additional information was asked to them. As the requesting jurisdictions were unable to provide the additional information, they opted for withdrawing the requests.

411. In relation to requests for clarification, Bulgaria indicated that these are sought only rarely (only in 26 requests did the Bulgarian Competent Authority seek clarifications from the requesting jurisdictions, representing around 5% of the requests). In the majority of the cases, clarifications were sought because of translation issues and/or because the description of the case was unclear. In some other cases, additional information was asked to be able to identify the taxpayer. The search for clarification did not result in delays in responding to the request and peers did not raise any issues in this regard.

Status updates and communication with partners

412. The 2016 Report noted that Bulgaria did not systematically provide status updates in cases where the requested information was not provided within 90 days and an in-box recommendation was issued for Bulgaria to address this deficiency.

413. Since the 2016 Report, the Bulgarian Competent Authority has made some efforts to improve the provision of status updates systematically and in a timely manner. In particular, the new file registering system is used to monitor the provision of status updates. Nevertheless, peers provided uneven input, with some of them reporting that Bulgaria did not provide status updates in most cases, and some others reporting that status updates were often provided. One of Bulgaria's most significant EOIR partners said status updates were always provided and the other most significant partner indicated that it was done only in some cases.

414. The Bulgarian authorities explained that during the review period, the monitoring for the provision of status updates was using a six-month period,

41. Three peers highlighted that some requests had not been responded by Bulgaria. In all cases, the Bulgarian Competent Authority took prompt action to clarify the issue. For two of the peers, the responses were not received due to technical issues on their side. For the third peer, the information was initially overlooked by the recipient authority, resent by the Bulgarian Competent Authority and reception was confirmed thereafter.

which was the deadline used for exchanges with other EU Member States for responding to requests when the information was not in possession of the requested authorities (in the latter case, the response should be provided within two months).[42] Bulgaria's practice is to provide status updates within six months when the requests have not been responded in this timeframe. Nevertheless, the Bulgarian authorities acknowledged that in some cases the systematic provision of status updates was not monitored as the EOI Unit staff had other priorities, although they tried to provide partial responses to the requests with information that they had already available and inform the partner that the rest of the information will be sent after. For exchanges with EU jurisdictions, the majority of responses were provided within 180 days although status updates were provided in less than half of the cases when the requests were pending after 180 days (48%). For exchanges with non-EU jurisdictions, in around 33% of the cases, status updates were not provided at all when the requests were outstanding after 90 days. The Bulgarian Competent Authority uses the functionalities of the eFCA to monitor the provision of status updates more closely. Overall, Bulgaria provided status updates in 30% of the cases where it should have been provided.

415. In light of this analysis, the part of the recommendation of the 2016 Report related to the timely provision of status updates is maintained. **Bulgaria is recommended to systematically provide a status update to its partners when the competent authority is unable to provide a response within 90 days**.

416. Regarding the communication with partners, the Bulgarian Competent Authority reported that it maintains good communication with its EOI partners and peers confirmed that communication is generally easy.

C.5.2. Organisational processes and resources

Organisation of the competent authority

417. The Minister of Finance or a person authorised by him/her is the Bulgarian Competent Authority for exchange of information under DTCs (art. 143(1) TSSPC). The Executive Director of the National Revenue Agency is the Competent Authority under EU Directives on administrative co-operation in the field of taxation or officials authorised by him/her

42. As from 1 January 2023, the Council Directive 2011/16/EU was amended to change the deadline to provide responses from six to three months. Furthermore, it is established that "where the requested authority is unable to respond to the request by the relevant time limit, it shall inform the requesting authority immediately and in any event within three months of the receipt of the request, of the reasons for its failure to do so, and the date by which it considers it might be able to respond".

(art. 143c TSSPC). Both of them are the Competent Authority under the Multilateral Convention (Annex B of the Convention). In practice, the Tax Treaties Directorate of the NRA has been delegated as the Competent Authority for EOI through authorisation orders issued by the Minister of Finance and the Director of the NRA.

418. The Tax Treaties Directorate is administering all types of exchange of information in respect of direct taxes under Bulgaria's EOI instruments. The Directorate is seated at the NRA headquarters in Sofia and is staffed with 14 employees, 13 of which are directly involved in EOI (i.e. they constitute the EOI Unit). Three positions are currently opened to hire new employees and reinforce the capacity of the EOI Unit. All employees have a master's degree in law or economics or both. Only two of the employees have less than one year experience in EOI, all the rest have more than seven years of experience in the field. The director of the Tax Treaties Directorate is directly subordinated to the Deputy Executive Director of the National Revenue Agency.

419. Contact details of Bulgarian Competent Authority are available at the NRA's website,[43] the Global Forum's Competent Authority secure database and the European CIRCABC (Communication and Information Resource Centre for Administrations, Businesses and Citizens) website, accessible to EU Member States.

420. All EOI requests are received by the Tax Treaties Directorate. Several NRA departments or other government authorities may be involved in preparation of responses to EOI requests. In the majority of cases, the requested information is already at the disposal of the NRA or other government authority and can be accessed/requested directly by the Competent Authority (e.g. through the Commercial Register). If obtaining the requested information requires direct contact with a taxpayer, in the vast majority of the cases the information is obtained through a local NRA office, which requests the information through a written notice or takes other information gathering measures, including launching a tax audit (see Element B.1 above).

Resources and training

421. When starting their career at the NRA, employees are trained on the basic principles of EOI, the applicable procedures and sources of information, the secrecy of the information exchanged and the limitations for the use and disclosure of such information. All new members of the EOI Unit are supervised and trained on the job, the first six months, by a senior colleague. Members of the EOI Unit regularly attend seminars, trainings and

43. Available here: https://old.nra.bg/en/page?id=530 (accessed on 16 October 2023).

workshops related to EOI, double tax treaties or transfer pricing organised by the OECD, Global Forum, European Union and other organisations.

422. The EOI Manual sets out the main principles and procedures for EOI Unit officials to follow when dealing with EOI requests. The Manual has not been updated in the last years and some concepts are not included, such as group requests (see paragraphs 341 to 343). During the onsite visit, EOI Unit officials seemed nonetheless familiar with group requests and how to deal with them. Furthermore, Bulgaria responded to one group request and the peer was satisfied with the response. Although the majority of EOI Unit officials are well versed on EOI matters, the EOI Manual serves as guidance for new employees and for EOI Unit documentation purposes and therefore Bulgaria should maintain its EOI Manual up to date, including concepts such as group requests and procedures to handle them in line with the standard (see Annex 1).

Incoming requests

423. Procedures for handling incoming EOI requests are detailed in the internal document "Procedure for exchange of information in tax matters at the request of a foreign tax administration", which is a separate document from the EOI Manual. It is approved by the NRA Executive Director and provides binding rules for all staff processing EOI requests.

424. Most incoming requests (91%) are received through the eFCA/CCN-mail from EU member states. The remaining requests are received by email or certified mail. Once a new request is received, the Director of the Tax Treaties Directorate decides the responsible officer for that case based on the complexity of the request, workload of the employees, specific knowledge on certain areas, among others. The responsible officer acknowledges receipt of the request to the sending partner. The received requests are registered into the file registering system and a reference number is assigned. All actions related to requests must always be registered in the system. Requests from EU Member States are managed through the eFCA system, which has similar functionalities, allowing EOIR file registering and tracking of all related actions.

425. To assess the validity of requests, the Director of the Tax Treaties Directorate verifies whether the request is received from a Competent Authority listed in the competent authorities' databases (from the Global Forum or the European CIRCABC website), preliminary analyses if the request meets the foreseeable relevance standard and provides specific instructions to the responsible officer on how to deal with the request if necessary. The responsible officer then verifies that the request is based on an EOI instrument in force and for which periods, if it meets the foreseeable relevance standard, among others.

426. If the information (or part of it) could be retrieved from the tax registers or other databases accessible to the Competent Authority (e.g. the Commercial Register) or the request relates only to banking information (see Section B.1.1 for the procedures to access banking information), the responsible official directly gathers the information and prepares a reply for approval by the Director of Tax Treaties Directorate. In other cases, the responsible official prepares a letter to the local NRA office with instructions of what information should be collected and a deadline to provide the information. The letter is approved by the Director and signed by the NRA Deputy Executive Director. Based on the letter, the local revenue officers carry out the necessary information gathering measures to obtain the information. After obtaining the information, a response is prepared by the local officer and registered in the file system. After receipt of the response, the responsible EOI official verifies whether it is complete and additional information is requested if it is not the case. If the information is complete, the responsible officer prepares a reply which is submitted for approval to the Director. After approval and signature by the Director, it is registered into the system and sent to the requesting jurisdiction via the eFCA/CCN, encrypted email or certified mail.

427. Deadlines for obtaining and providing the requested information are contained in the internal document detailing the procedures to deal with EOI requests (see paragraph 423). If the information is already at the disposal of the tax administration, the responsible officer is expected to prepare the reply as soon as possible and no later than two months after receipt of the request. If the information is held by another governmental body or institution, the prescribed deadline in which the information should be provided to the EOI Unit officer is 14 days. If the information is held by a taxpayer, the response time should not be longer than three months, although longer deadlines may be allowed in complex cases. Local NRA offices usually provide a 14-day deadline for the taxpayer to respond.

Outgoing requests

428. Procedures for preparing, processing and sending EOI requests are detailed in the internal document “Procedure for exchange of information in tax matters with a foreign tax administration at the request of a local revenue officer”.

429. After receiving a demand from a local revenue officer to formulate an EOI request to a foreign jurisdiction, the Director of the Tax Treaties Directorate assigns the case to a responsible officer and requests its registration in the file registering system. A reference number is automatically created.

430. When sending an EOI request, the EOI Unit official analyses several aspects, including:

- Information relevant to determine the tax obligations of the taxpayer is included.
- All domestic mechanisms for collecting the necessary information by local revenue officers have been exhausted.
- There is justification that the requested jurisdiction may have the information and the information is foreseeably relevant to the implementation of the provisions of the domestic legislation and/or the provisions of the international treaties in Bulgaria.
- There is clarity as to why the requested information is needed, why specific questions are being asked and how the information will be used upon reception.

431. After completing the analysis, the officer prepares the EOI request, including translating it into English, considering the basic principles described in the internal guidance. The EOI Unit uses a standard form, which includes all relevant elements such as the relevant EOI instrument under which the information is requested, the identification of the person on which a request is being made, the description of the case indicating the need and justification for making the request. The prepared EOI request must be approved and signed by the Director of the Tax Treaties Directorate. After sending of the EOI request, the responsible officer prepares a notification letter to the local revenue office, to inform that the EOI procedure has been started.

432. The Bulgarian Competent Authority sends outgoing EOI requests via the eFCA to EU Member States or by encrypted email or registered mail to non-EU partners. During the review period, Bulgaria sent 429 requests. On 40 cases, the Bulgarian Competent Authority received requests for clarifications on the requests sent, which typically related to complex cases.

433. Three peers indicated that they received a request from Bulgaria during the review period that did not meet the foreseeable relevance standard, as it was not possible to determine the connection between the individual on which information was requested and their jurisdiction. All three peers requested clarifications from Bulgaria, but the Bulgarian Competent Authority was not able to provide more clarity as to the foreseeable relevance of the requests. The Bulgarian Competent Authority explained that these requests related to a same Bulgarian taxpayer that was being internally investigated and were sent between 1 July 2020 and 30 June 2021 to all of Bulgaria's exchange partners. The Bulgarian Competent Authority acknowledged in the request letters that it did not possess information on

the connection between the taxpayers and the requested jurisdictions. As these requests did not demonstrate their foreseeable relevance, they were not in line with the standard. **Bulgaria is recommended to ensure the quality of the EOI requests sent to its EOI partners in all cases**.

C.5.3. Unreasonable, disproportionate or unduly restrictive conditions for EOI

434. Other than what is identified earlier in this report, there are no aspects of the Bulgarian domestic laws and practice that impose restrictive conditions on exchange of information.

Annex 1. List of in-text recommendations

The Global Forum may identify issues that have not had and are unlikely in the current circumstances to have more than a negligible impact on EOIR in practice. Nevertheless, the circumstances may change, and the relevance of the issue may increase. In these cases, a recommendation may be made; however, it should not be placed in the same box as more substantive recommendations. Rather, these recommendations can be stated in the text of the report. A list of such recommendations is reproduced below for convenience.

- **Element A.1.1:** Bulgaria should monitor the risk of the use of informal nominee arrangements in practice, to ensure such use does not prevent the availability of accurate, adequate and up-to-date ownership information (paragraph 158).
- **Element A.1.2:** Bulgaria should continue to monitor the implementation of the abolition of bearer shares introduced on 23 October 2018 to ensure that all companies with previously issued bearer shares are liquidated or conform to the legislation, to ensure that full legal and beneficial ownership information is available for all companies in line with the standard (paragraph 168).
- **Element A.1.4:** Bulgaria should monitor the possible existence of trustees of foreign trusts to ensure the availability of identity information (paragraph 195).
- **Element C.1.3:** Bulgaria should continue its efforts to bring its EOI relationships with seven partners in line with the standard, with Algeria, Belarus, Democratic People's Republic of Korea, Iran, Syrian Arab Republic, Uzbekistan and Zimbabwe (paragraph 346).
- **Element C.2:** Bulgaria should continue to conclude EOI agreements with any new relevant partner who would so require (paragraph 358).
- **Element C.5:** Bulgaria should maintain its EOI Manual up to date, including concepts such as group requests and procedures to handle them in line with the standard (paragraph 422).

Annex 2. List of Bulgaria's EOI mechanisms

Bilateral international agreements for the exchange of information

	EOI partner	Type of agreement	Signature	Entry into force
1	Albania	DTC	09-Dec-1998	05-Jul-1999
2	Algeria	DTC	25-Oct-1998	11-Apr-2005
3	Armenia	DTC	10-Apr-1995	01-Dec-1995
4	Austria	DTC	20-Jul-2010	03-Feb-2011
5	Azerbaijan	DTC	12-Nov-2007	25-Nov-2008
6	Bahrain	DTC	26-Jun-2009	06-Oct-2010
7	Belarus	DTC	09-Dec-1996	17-Feb-1998
8	Belgium	DTC	25-Oct-1988	28-Nov-1991
9	Canada	DTC	03-Mar-1999	25-Oct-2001
10	China (People's Republic of)	DTC	06-Nov-1989	24-May-1990
11	Croatia	DTC	15-Jul-1997	30-Jul-1998
12	Cyprus[44]	DTC	30-Oct-2000	03-Jan-2001
13	Czechia	DTC	09-Apr-1998	02-Jul-1999
14	Democratic People's Republic of Korea	DTC	16-Jun-1999	07-Jan-2000

44. Note by Türkiye: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

	EOI partner	Type of agreement	Signature	Entry into force
15	Denmark	DTC	02-Dec-1988	23-Mar-1989
16	Egypt	DTC	05-Jun-2003	11-May-2004
17	Estonia	DTC	13-Oct-2008	30-Dec-2008
18	Finland	DTC	25-Apr-1985	21-Apr-1986
19	France	DTC	14-Mar-1987	01-Jun-1988
20	Georgia	DTC	26-Nov-1998	01-Jul-1999
21	Germany	DTC	25-Jan-2010	21-Dec-2010
22	Greece	DTC	18-Jul-2000	22-Jan-2002
23	Guernsey	TIEA	11-Jun-2015	21-Mar-2016
24	Hungary	DTC	08-Jun-1994	07-Sep-1995
25	India	DTC	26-May-1994	23-Jun-1995
26	Indonesia	DTC	11-Jan-1991	25-May-1992
27	Iran	DTC	28-Apr-2004	29-Jun-2006
28	Ireland	DTC	05-Oct-2000	05-Jan-2001
29	Israel	DTC	18-Jan-2000	31-Dec-2002
30	Italy	DTC	21-Sep-1988	10-Jun-1991
31	Japan	DTC	07-Mar-1991	08-Aug-1991
32	Jordan	DTC	09-Nov-2006	14-Feb-2008
33	Kazakhstan	DTC	13-Nov-1997	24-Jul-1998
34	Korea	DTC	11-Mar-1994	22-Jun-1995
35	Kuwait	DTC	29-Oct-2002	23-Feb-2004
36	Latvia	DTC	04-Dec-2003	18-Aug-2004
37	Lebanon	DTC	01-Jun-1999	10-Nov-2001
38	Lithuania	DTC	09-May-2006	27-Dec-2006
39	Luxembourg	DTC	27-Jan-1992	15-Mar-1994
40	Malta	DTC	23-Jun-1986	01-Jan-1988
41	Moldova	DTC	15-Sep-1998	24-Mar-1999
42	Mongolia	DTC	28-Feb-2000	17-Feb-2003
43	Montenegro[45]	DTC	14-Dec-1998	10-Jan-2000
44	Morocco	DTC	22-May-1996	06-Dec-1999

45. The DTC with this jurisdiction was originally signed with the former Republic of Yugoslavia.

	EOI partner	Type of agreement	Signature	Entry into force
45	Netherlands[46]	DTC	14-Sep-2020	31-Jul-2021
46	North Macedonia	DTC	22-Feb-1999	24-Sep-1999
47	Norway	DTC	22-Jul-2014	30-Jul-2015
48	Pakistan	DTC	21-Sep-2019	20-Feb-2020
49	Poland	DTC	11-Apr-1994	10-May-1995
50	Portugal	DTC	15-Jun-1995	18-Jul-1996
51	Qatar	DTC	22-Mar-2010	23-Dec-2010
52	Romania	DTC	24-Apr-2015	29-Mar-2016
53	Russia	DTC	08-Jul-1993	08-Dec-1995
54	Saudi Arabia	DTC	29-Nov-2017	01-Oct-2018
55	Serbia[47]	DTC	14-Dec-1998	10-Jan-2000
56	Singapore	DTC	13-Dec-1996	26-Dec-1997
57	Slovak Republic	DTC	12-Nov-1999	02-May-2001
58	Slovenia	DTC	20-Oct-2003	04-May-2004
59	South Africa	DTC	29-Apr-2004	27-Oct-2004
60	Spain	DTC	06-Mar-1990	14-Jun-1991
61	Sweden	DTC	21-Jun-1988	28-Dec-1988
62	Switzerland	DTC	19-Sep-2012	18-Oct-2013
63	Syrian Arab Republic	DTC	20-Mar-2001	04-Oct-2001
64	Thailand	DTC	16-Jun-2000	13-Feb-2001
65	Türkiye	DTC	07-Jul-1994	17-Sep-1997
66	Ukraine	DTC	10-Sep-1996	01-Jun-1999
67	United Arab Emirates	DTC	26-Jun-2007	16-Nov-2008
68	United Kingdom	DTC	26-Mar-2015	15-Dec-2015
69	United States	DTC	23-Feb-2007	15-Dec-2008
70	Uzbekistan	DTC	24-Nov-2003	21-Oct-2004
71	Viet Nam	DTC	24-May-1996	04-Oct-1996
72	Zimbabwe	DTC	12-Oct-1988	29-Jan-1990

46. Bulgaria had a DTC previously signed with the Netherlands, which was renegotiated and replaced by the one currently in place. The previous DTC ceased to have effect with the entry into force of the new DTC on 31 July 2021.

47. The DTC with this jurisdiction was originally signed with the former Republic of Yugoslavia.

Convention on Mutual Administrative Assistance in Tax Matters (as amended)

The Convention on Mutual Administrative Assistance in Tax Matters was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 (the Multilateral Convention).[48] The Multilateral Convention is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance, a top priority for all jurisdictions.

The original 1988 Convention was amended to respond to the call of the G20 at its April 2009 London Summit to align it to the standard on exchange of information on request and to open it to all countries, in particular to ensure that developing countries could benefit from the new more transparent environment. The Multilateral Convention was opened for signature on 1 June 2011.

The Multilateral Convention was signed by Bulgaria on 26 October 2015 and entered into force on 1 July 2016 in Bulgaria. Bulgaria can exchange information with all other Parties to the Multilateral Convention.

The Multilateral Convention is in force in respect of the following jurisdictions: Albania, Andorra, Anguilla (extension by the United Kingdom), Antigua and Barbuda, Argentina, Armenia, Aruba (extension by the Netherlands), Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belgium, Belize, Benin, Bermuda (extension by the United Kingdom), Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands (extension by the United Kingdom), Brunei Darussalam, Bulgaria, Burkina Faso, Cabo Verde, Cameroon, Canada, Cayman Islands (extension by the United Kingdom), Chile, China (People's Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao (extension by the Netherlands), Cyprus, Czechia, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Estonia, Eswatini, Faroe Islands (extension by Denmark), Finland, France, Georgia, Germany, Ghana, Gibraltar (extension by the United Kingdom), Greece, Greenland (extension by Denmark), Grenada, Guatemala, Guernsey (extension by the United Kingdom), Hong Kong (China) (extension by China), Hungary, Iceland, India, Indonesia, Ireland, Isle of Man (extension by the United Kingdom), Israel, Italy, Jamaica, Japan, Jersey (extension by the United Kingdom), Jordan, Kazakhstan, Kenya, Korea, Kuwait, Latvia, Lebanon, Liberia, Liechtenstein, Lithuania, Luxembourg, Macau (China) (extension by China),

48. The amendments to the 1988 Convention were embodied into two separate instruments achieving the same purpose: the amended Convention (the Multilateral Convention) which integrates the amendments into a consolidated text, and the Protocol amending the 1988 Convention which sets out the amendments separately.

North Macedonia, Malaysia, Maldives, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Montserrat (extension by the United Kingdom), Morocco, Namibia, Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Sint Maarten (extension by the Netherlands), Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, Türkiye, Turks and Caicos Islands (extension by the United Kingdom), Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay and Vanuatu.

In addition, the Multilateral Convention was signed by the following jurisdictions, where it is not yet in force: Gabon, Honduras, Madagascar, Papua New Guinea (entry into force on 1 December 2023), Philippines, Togo, United States (the original 1988 Convention is in force since 1 April 1995, the amending Protocol was signed on 27 April 2010) and Viet Nam (entry into force on 1 December 2023).

EU Directive on Administrative Cooperation in the Field of Taxation

Bulgaria can exchange information relevant for direct taxes upon request with EU member states under the EU Council Directive 2011/16/EU of 15 February 2011 on administrative co-operation in the field of taxation (as amended). The Directive came into force on 1 January 2013. All EU members were required to transpose it into their domestic legislation by 1 January 2013, i.e. Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain and Sweden. The United Kingdom left the EU on 31 January 2020 and hence this directive is no longer binding on the United Kingdom.

Annex 3. Methodology for the review

The reviews are based on the 2016 Terms of Reference and conducted in accordance with the 2016 Methodology for peer reviews and non-member reviews and the Schedule of Reviews.

The evaluation is based on information available to the assessment team including the exchange of information arrangements signed, laws and regulations in force or effective as at 28 November 2023, Bulgaria's EOIR practice in respect of EOI requests made and received during the three year period from 1 July 2019 to 30 June 2020, Bulgaria's responses to the EOIR questionnaire, inputs from partner jurisdictions, as well as information provided by Bulgaria's authorities during the on-site visit that took place on 15-19 May 2023 in Sofia.

List of laws, regulations and other materials received

Accountancy Act

Bank Bankruptcy Act

Bar Act

BULSTAT Register Act (BRA)

Civil Servants Act

Commerce Act

Commercial Register and Register of Non-Profit Legal Entities Act (CRRNPLE Act)

Co-operatives Act

Corporate Income Tax Act (CITA)

Constitution of the Republic of Bulgaria

Credit Institutions Act (CIA)

Granting access to the premises of the National Revenue Agency

Guidance for Exchange of Information (the EOI Manual)

Guidelines on the identification of beneficial owners of legal persons and other legal arrangements

Independent Financial Audit Act

International Agreements of the Republic of Bulgaria Act

Insurance Code

Measures Against Money Laundering Act (AML Act)

National Revenue Agency Act

Network and Information Security Policy

Non-Profit Legal Entities Act (NPLE Act)

Notaries and Notarial Practices Act

Obligations and Contracts Act

Ordinance No. 1 of 14 February 2007 on the Keeping, Maintenance and Access to the Commercial Register and to the Non-Profit Legal Entities Register (Ordinance 1)

Penal Code

Procedure for exchange of information in tax matters at the request of a foreign tax administration

Procedure for exchange of information in tax matters with a foreign tax administration at the request of a local revenue officer

Public Offering of Securities Act

Tax and Social Security Procedure Code (TSSPC)

Authorities interviewed during on-site visit

Banks Association

Bar Association

Bulgarian National Bank

Financial Intelligence Directorate of State Agency for National Security

Financial Supervision Commission

Ministry of Finance

National Revenue Agency

- Tax Treaties Directorate
- Control Directorate
- Internal Audit Directorate
- Methodology and Process Analysis and Management of Access to Information Systems Department, Information Systems and E-Government Directorate
- Tax and Social Security Methodology Directorate

Professional Body of Accountants

Professional Body of Auditors

Public Notaries Association

Registry Agency

Current and previous reviews

This Report provides the outcome of the second peer review of Bulgaria's implementation of the EOIR standard conducted by the Global Forum. Bulgaria previously underwent a combined review in 2016 of its legal and regulatory framework and of its implementation in practice.

The 2016 Review was conducted according to the Terms of Reference approved by the Global Forum in February 2010 and the Methodology used in the first round of reviews.

Summary of reviews

Review	Assessment team	Period under review	Legal Framework as on	Date of adoption by Global Forum
Round 1 combined Phase 1 and Phase 2	Mr Richard Carter, Income Tax Division, Isle of Man; Mr Davit Chitaishvili, Revenue Service, Georgia; and Mr Radovan Zidek from the Global Forum Secretariat	1 July 2012 to 30 June 2015	19 August 2016	October 2016
Round 2 combined Phase 1 and Phase 2	Mr Santosh Kumar, Foreign Tax and Tax Research Division, Ministry of Finance, India; Mr Abulrahman Bader Almutairi, Exchange of Information Director, Saudi Arabia; and Ms Estefanía González from the Global Forum Secretariat	1 July 2019 to 30 June 2022	28 November 2023	27 March 2024

Annex 4. Bulgaria's response to the review report[49]

The Republic of Bulgaria would like to express its gratitude for the outstanding work and professionalism of the Assessment Team. We would like to extend our appreciation to the members of the Peer Review Group for their active participation and comments which helped to further improve the report. Finally, we would like to thank the Global Forum Secretariat for their support and guidance throughout the peer review process.

The Republic of Bulgaria agrees with the findings of the report and is pleased with the positive results. We will make every effort to ensure that all recommendations are properly addressed and that our legal framework and practices are in line with the internationally agreed standard for transparency and exchange of information for tax purposes.

The Republic of Bulgaria attaches great importance to the international co-operation and will continue to work for effective exchange of information for tax purposes. Bulgaria will remain a reliable partner contributing to the common efforts to prevent cross-border tax avoidance and evasion.

49. This Annex presents the Jurisdiction's response to the review report and shall not be deemed to represent the Global Forum's views.

GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information on Request BULGARIA 2024 (Second Round)

The Global Forum on Transparency and Exchange of Information for Tax Purposes is a multilateral framework for tax transparency and information sharing, within which over 160 jurisdictions participate on an equal footing.

The Global Forum monitors and peer reviews the implementation of international standard of exchange of information on request (EOIR) and automatic exchange of information. The EOIR provides for international exchange on request of foreseeably relevant information for the administration or enforcement of the domestic tax laws of a requesting party. All Global Forum members have agreed to have their implementation of the EOIR standard be assessed by peer review. In addition, non-members that are relevant to the Global Forum's work are also subject to review. The legal and regulatory framework of each jurisdiction is assessed as is the implementation of the EOIR framework in practice. The final result is a rating for each of the essential elements and an overall rating.

The first round of reviews was conducted from 2010 to 2016. The Global Forum has agreed that all members and relevant non-members should be subject to a second round of review starting in 2016, to ensure continued compliance with and implementation of the EOIR standard. Whereas the first round of reviews was generally conducted as separate reviews for Phase 1 (review of the legal framework) and Phase 2 (review of EOIR in practice), the EOIR reviews commencing in 2016 combine both Phase 1 and Phase 2 aspects into one review. Final review reports are published and reviewed jurisdictions are expected to follow up on any recommendations made. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

This peer review report analyses the practical implementation of the standard of transparency and exchange of information on request in Bulgaria, as part of the second round of reviews conducted by the Global Forum on Transparency and Exchange of Information for Tax Purposes since 2016.

PRINT ISBN 978-92-64-68934-3
PDF ISBN 978-92-64-44753-0