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I. Amendment of the amounts of tax relief for children

In relation to the amendments adopted by the Bulgarian Parliament on the State Budget Act for 2022, promulgated in State Gazette dated 05.07.2022, the following amendments of the amount of tax relief for children under the meaning of art. 22c and 22d of the Income Taxes on Natural Persons Act are applicable.

Total amounts of the tax relief for 2022

For 2022 the income tax base of employees shall be deducted with the following amounts:

- For one minor child – total of BGN 6 000 per year
- For two minor children – total of BGN 12 000 per year
- For three or more minor children – total of BGN 18 000 per year
- For children with disability – total of BGN 12 000 per year

Advance partial use of the tax relief in July and October 2022

A new rule has been implemented that the tax relief can be used in advance by the employees, as:

1. The tax relief due for the period January to June can be used in July 2022 by deducting the tax base for July with the following amounts:

- BGN 3 000 for a parent of one minor child
- BGN 6 000 for a parent of two minor children
- BGN 9 000 for a parent of three or more minor children

2. The tax relief due for the period July to September can be used in October 2022 by deducting the tax base for July with the following amounts:

- BGN 1 500 for a parent of one minor child
- BGN 3 000 for a parent of two minor children
- BGN 4 500 for a parent of three or more minor children

The employees can use the advance tax relief for children only once for the year, in **July** or in September.

3. The third option is using the full amount of the tax relief at the end of the year, the same way as this rule has been applied before the current amendments.

II. Amendments of the turnover threshold for obligatory VAT registration

The Bulgarian Parliament adopted an Act for amendments of the VAT Act dated 14.07.2022 implementing amendment of the threshold upon reaching which the taxable persons shall be subject to obligatory VAT registration.

The new threshold has been increased from BGN 50 000 to BGN 100 000 for taxable supplies of goods or/and services performed for a period of not more than 12 months.

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The amendment enters into force as of the first day of the months following the month of the decision of the EU Council for granting permission to Bulgaria to implement a special measure of derogation from art. 287 of Directive 2006/112/EC related to the common system of VAT, but not earlier than 01.01.2023.

We use this opportunity to mention that subject to obligatory VAT registration shall be any tax liable person not established on the territory of the country and performing taxable supplies of goods or services, different than those for which the reverse-charge mechanism is applicable for the recipient. Meaning that the above stated threshold shall not be applicable for foreign tax liable persons which do not have an establishment in Bulgaria. The registration of these persons is obligatory in 7-days term before effecting the taxable supply.

III. Recent changes in the Labor Code

Legislative changes related to promoting of transparency and predictability of the employment relationship and reconciling of the employment and family responsibilities

On 01.08.2022 entered into force the last amendments to the Bulgarian Labor Code ("LC") related to promoting of the transparency and predictability of the employment relationship and the reconciling of the employment and family responsibilities. The aforesaid changes to the LC transpose into Bulgarian legislation Directive 2019/1152/EU on transparent and predictable working conditions in the EU and Directive 2019/1158/EU on work-life balance for parents and carers.

Transparency and predictability of the employment relationship

The adopted legislative changes develop some of the already existing provisions of the LC but also implement some new obligations of the employer.

Amendments in the LC which aim at increasing the awareness of the employees for their employment rights are:

- Obligation of the employer to inform the employees in writing of any changes in the employment contract not later than the date of their entering into force (Article 66, paragraph 5 of the LC);
- Obligation of the employer to inform the employees of the content of the internal salary rules (Article 127, paragraph 1, item 5 of the LC) – together with the obligation for informing the employees of the internal employer's regulations and the internal health and safety regulations;
- Obligation of the employer to inform in advance the employees on the grounds and manner of termination of the employment contract (Article 127, paragraph 1, item 6 of the LC);
- Obligation of the employer to inform on a regular basis the employees on any trainings for increase of their professional qualifications, organized by the employer (Article 127, paragraph 1, item 7 of the LC).

Amendments in the LC which aim at a higher predictability of the employment relationship are:

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- Implementing a short probation period (up to 1 month) towards the employment contracts concluded for a limited term of less than 1 year (Article 70, paragraph 1 of the LC);
- Limitation of the prohibition for concluding an employment contract with another employer (Article 111 of the LC) – the prohibition could only be applied for the purposes of protecting commercial secret and/or prevention of conflict of interests;
- Implementing a right of the employee to propose in writing the contract term to be changed to unlimited/the part-time work to be changed to full-time (Article 119, paragraphs 2 - 4 of the LC) – in case of refusal to amend the employment contract, the employer is obliged to provide the reasons on the refusal in writing in a 1-month term;
- Obligation of the employer to cover the costs for trainings on improvement of the employees' qualification (Article 228a, paragraph 2 of the LC) – applicable in case such trainings are obligatory as per the employment contract, a collective employment agreement or the applicable law. In such cases, the training shall be considered working time.

Reconciling of the employment and family responsibilities

The changes to the LC aim at ensuring more possibilities for the employees to balance their work and private life.

The amendments related to reconciling of the employment and family responsibilities are:

- Implementing a new type of a leave to be used by fathers (adoptive fathers) for taking care of a child at the age of up to 8 years (Article 164c of the LC) – the leave is 2 months and could be used at once or in parts subject to several conditions and limitations. The period of the leave is recognized as work experience and the father (adoptive father) is entitled to social security benefits;
- Implementing a right of the employees parents (adoptive parents) of a child at the age of up to 8 years to propose in writing the amendment of the employment relationship (Article 167b, paragraph 1 of the LC) – the proposed amendment might be related to change of the duration and the distribution of working time, switching to remote work or any other changes in the employment relationship which would enable the reconciling of the employment and family responsibilities of the employee;
- Implementing a right of the employees who, due to strong medical reasons, are taking care of a parent, child, husband, sibling, husband's parent or other close relatives to propose in writing the amendment of the employment relationship (Article 167b, paragraph 2 of the LC);
- Conditions for applying the right (Article 167b, paragraphs 3 - 6 of the LC):
 - The proposed amendment shall be for a limited term;
 - The employees are entitled to propose earlier the employment relationship to be restored back to the initial work conditions;
 - The employer has a limited 14-days term to accept the proposal and to conclude an



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- additional agreement to the contract or to refuse the amendment to the employee;
- The employer's refusal shall be in writing and shall contain the employer's reasons for the refusal.

In conclusion, the newly implemented changes to the LC envisage more obligations to the employer. The noncompliance with those obligations shall be interpreted as a breach of the Bulgarian employment law and might lead to imposing of penalties by the state authorities.