



## NEWSLETTER 3/2017

### Tax news Bulgaria Q3 2017:

#### Country-by-Country Report

With the amendments of the Tax Insurance Procedure Code made public in August 2017 the Bulgarian government implemented the rules for compulsory exchange of information with the other EU states as well as those countries which has signed mutual intergovernmental treaty with regard to taxation. The aim of these amendments is to straighten the measures against tax evasion and the aggressive tax planning, which is in line with the new rules and measures of the Organization for Economic Cooperation and Development (OECD) against the tax base erosion and profit shifting (BEPS) and few other initiatives of the EU.

In particular the adopted amendments impose the obligation of the director of the National Revenue Agency (NRA) to exchange information on advance cross-border rulings and advance pricing agreements with the other EU states and the European commission.

These amendments of the TIPC create new rules for automatic exchange of information by countries in which the multinational groups of enterprises (MNE) perform their business. This information includes data for the allocation of incomes, profits, assets and the taxes paid by each country. In the commons case the Country-by-Country Report shall be presented by the enterprise which prepares the consolidated financial statements of the group at the corresponding jurisdiction and this report shall be exchanged with the countries in which the group has its affiliate companies. Within the scope of this reporting shall be the MNE's which ultimate parent company is not established in Bulgaria and have consolidated revenues of over EUR 750 million for a fiscal year, as well as MNE's with an ultimate parent company established in Bulgaria having consolidated revenues of over EUR 50 million.

The local group company shall notify the NRA of its status of ultimate parent company, substitute of the ultimate parent company or group company part of the MNE, as well as to provide information about the filing entity of the MNE including the jurisdiction to which the filing entity is a tax resident. The notification shall be filed not later than the last day of the fiscal year of the MNE.

The notification for 2016 shall be filed not later than 31.12.2017

Non-compliance of notifications by the local group company involves a penalty in the range of EUR 25 500 to EUR 76 500 and between EUR 51 000 to EUR 102 000 for repeated non-compliance.

We would advise our clients and business partners which companies are part of an MNE to require information from their ultimate parent company or consolidating entity whether their group falls into the above stated limits and the scope of the CbC reporting.

#### New simplified procedure for initial VAT registration

A bill on amendment of the Tax Insurance Procedure Code has been proposed at the Parliament in early October 2017, which aims to implement a Decision of the Council of Ministers №388/2017 on the adoption of measures leading to reduction of the administrative burden on citizens and business by simplifying procedures



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and removing the requirements of submitting certain official documents on paper.

With regard to the VAT Act the amendment provides the possibility the tax payers to exercise their right of voluntary VAT registration upon their initial registration at the Trade Registrar (Registry Agency).

The option will be available for online registrations, by adding a field to the electronic form of application under the Commercial Register Act which will allow the tax payers to select this option of VAT registration. Additional improvement of the online system will enable the attachment of the documents required for the registration.



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