

## **BULGARIAN PROPERTY TAX INFORMATION**

Non-residents are taxed in Bulgaria on income arising from Bulgarian sources only and are liable to a number of other property related taxes outlined below. An individual is considered resident in Bulgaria if s/he spends 183 days or more in any tax year (calendar year) in Bulgaria. Non-residents may also be liable for tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

In Bulgaria, land cannot be purchased by a non-resident, only buildings. Where a foreigner wishes to purchase land, s/he must do so in a Bulgarian registered company. The building can be acquired in an individual's own name or through a Bulgarian company. The legal structure adopted when purchasing property will determine what Bulgarian property taxes apply.

### **Bulgarian BULSTAT Identification code**

Foreign individuals, who do not have Personal Identification Number (PIN) or Personal Foreigner's Number (PFN) and own property in Bulgaria, are obliged to register in the BULSTAT Register to get an Identification code within 7 days of purchasing the property. Individuals are issued a Registration certificate.

When a Bulgarian company is set up, within 7 days of the issuance of the Court registration, a BULSTAT registration should be made to receive an Identification code (code under BULSTAT). The Company is issued an Identification card.

### **Bulgarian property taxes payable when purchasing a property are as follows:**

**Bulgarian Transfer fees** Upon the Notary verification of the property purchase deal you will be required to pay Local tax/transfer fees @ 2% and State Entry fee @ 0.1% of the purchase price (Per Notary deeds). VAT on buildings purchased in Bulgaria is calculated @ 20%. **VAT** applies when you purchase a property from a company that is registered for VAT.

### **Ongoing Bulgarian property taxes payable are as follows:**

Income Tax on rents for a non-resident landlord is subject to 10% withholding tax on gross rents as of January 1st 2007 (15% previous years.) No deductions are allowed for costs incurred.

**Bulgarian Corporate Income Tax** is payable if property is purchased through a company and is calculated @ 10% as of January 1st 2007 (15% previous years) on the company profits. Full deductions will be given for eligible costs incurred in connection with the property.

**Bulgarian Local Property taxes** (rates) are also payable quarterly and vary per location. Inhabited house duty is calculated @ 0.16% of the Tax evaluation of the property (defined each year) and a Waste Collection Duty applies; it differs from municipality and property location. In general it varies from 0.20% to 0.80% of the property's tax evaluation value.

### **Other applicable taxes are as follows:**

**Bulgarian Capital Gains Tax** is payable on any increase in value since acquisition @ 10% as of January 1st 2007 (15% previous years.) The gain is calculated on the difference between the sale price and the higher of the tax estimation and the price of acquisition (Notary Deeds), corrected by an inflation index. No Bulgarian CGT if property is held for more than 5 years.

**Bulgarian Inheritance Tax** is payable by non-resident beneficiaries on certain transferred assets. The tax rate depends on the relationship between the parties and the size of the inheritance. The lineal heirs are completely exempt from this

tax. For all other beneficiaries the tax rate will apply only on property with tax evaluation above €125,000. Brothers and sisters pay 0.7% Bulgarian IHT on the amount above €125,000; any other person pays 5%.

**Bulgarian Property Tax filling deadline.** Bulgarian Income Tax Return must be filled by 15<sup>th</sup> April the following year after income was first received. Bulgarian Corporate Tax Returns should be filed on a monthly basis.