

REPUBLIC OF BULGARIA  
NATIONAL ASSEMBLY

TAX ON PROFITS ACT

*Promulgated State Gazette No. 59/12.07.1996*

Chapter One

GENERAL PROVISIONS

Section I

Object of Taxation and Tax Subjects

Article 1

(1) This Act shall establish the tax on profits for the republican budget and the tax on profits for the municipalities, hereinafter referred to as the "tax on profits" and the "tax for the municipalities".

(2) The income of legal persons shall also be taxed pursuant to this Act.

Article 2

(1) Tax liable pursuant to this Act shall be:

1. resident and non-resident legal persons;
2. non-profit organisations, as well as other legal persons, including those supported by the budget, which carry on economic activities;

(2) Non-resident partnerships which are not legal persons, as well as branches of non-resident persons shall also be tax liable pursuant to this Act.

Article 3

(1) Resident legal persons shall be taxed for their profits from all sources in the country and abroad with a tax on profits and a tax for municipalities.

(2) Non-resident tax liable persons shall be taxed with a tax on profits and a tax for municipalities for economic activities and for a permanent establishment in the Republic of Bulgaria.

(3) The tax liable persons are subject to taxation for their income pursuant to this Act.

Article 4

Non-profit organisations and all other legal persons, including those supported by the budget, shall be taxed for their profits and income obtained as a result of transactions which would be carried on by occupation in accordance with Article 1 of the Commerce Act, including from leasing personal and real property.

## Section II

### Profits and Income from Sources in the Country

#### Article 5

Profits and income acquired by tax liable persons and jointly with other persons shall be from sources in the country when they originate from: situated or carried on activities, invested capital, provided goods, services and rights in the territory of the Republic of Bulgaria, including within the boundaries of its exclusive economic zone and continental shelf.

#### Article 6

When the activities are carried on partially in the territory of the Republic of Bulgaria or within the boundaries of its exclusive economic zone and continental shelf and it is not possible on the basis of the documents of the tax liable persons that are required under the Accountancy Act and other normative acts to determine directly the proportion of the profits originating from sources in the country, the part of the profit corresponding to the percentage of the activities carried on in the country shall be deemed such.

## Section III

### Tax Base

#### Article 7

The base for determining the tax for municipalities shall be the taxable profit as established pursuant to chapter two of this Act.

#### Article 8

The base for determining the tax on profits shall be the taxable profit as established pursuant to chapter two of this Act after deduction of the tax for municipalities.

#### Article 9

(1) The base for taxation of income of resident and non-resident persons and branches of non-resident persons in the country shall be income from:

1. dividends;
2. participation.

(2) The base for taxation of income of tax liable under this Act non-resident persons, excluding the income mentioned in paragraph 1 shall also be income from:

1. interest;
2. sale of movable valuables and financial long-term assets;
3. royalties;
4. compensation for technical services;
5. lease from the sources in the Republic of Bulgaria.

#### Section IV

#### Preventing Avoidance of Taxation

##### Article 10

When related persons effect transactions under terms which affect the amount of the profit and income and differ from the terms between non-related persons, their profit and income shall be established and taxed under the terms which would arise between non-related persons.

##### Article 11

When one or more transactions are effected with the purpose of avoiding taxation, the due tax shall be established in the amounts which would arise under the usual type of transactions concluded under price terms of exchanges, fixed or observed prices, statistical price information or an expert valuation.

##### Article 12

(1) In the cases of Article 11, when as a consequence of these transactions the result from the reported period of the tax liable person has been reduced or a loss has been reported, when determining the due tax the financial result shall be increased before tax transformation with the sums ensuing from these transactions.

(2) The financial result before tax transformation shall also be increased when it was reduced or a loss was reported as a result of effecting transactions between related persons which differ from the terms applied between non-related persons. The increase shall be with the sums ensuing from these transactions.

(3) The provisions of paragraphs 1 and 2 shall also apply to related non-resident persons carrying on independent economic activities, including from a permanent establishment, to non-resident partners and shareholders

participating in resident companies, and to non-resident persons receiving income in the territory of the Republic of Bulgaria.

(4) In case of transactions between resident persons, the persons mentioned in paragraph 3 and related to them non-resident persons, included in the terms which differ from transactions between non-related persons shall also be the application of transfer prices and economic relationships in cases when the following are present:

1. increase or reduction of prices in effecting mutual transactions for providing goods or services which differ from the market prices by more than 25 per cent;
2. payment of remuneration or compensation for services which have not actually been provided or provision of services without the respective consideration;
3. receiving or providing credits with an interest differing by more or less than one quarter of the interest rate determined by operation of law, as well as remitting credits or repayment of credits that are not related to the activities, at ones own expense;
4. compensating for expenses for studies, research and development conducted by a related person and not corresponding in amount or distributed not in accordance with the results or the volume of activity, as well as not corresponding in value to the expenditures for non-related persons;
5. determining the expenditure related to management contracts, to remuneration for employment or for compensation provided to partners or to third parties, where there exists no commensurate provision of labour or services;
6. determining the expenses for control, co-ordination, advertisement and other administrative activities between related persons which does not correspond to the terms between non-related persons
7. determining the expenditures for preparation, carriage, packaging, sale, etc. between related persons which do not correspond to the terms between non-related persons.

## Section V

### Priority Application of Treaties

#### Article 13

(1) When an agreement on avoidance of double taxation or other treaty that has entered into force, is ratified by the Republic of Bulgaria and published in

the State Gazette contains provisions differing from the provisions of this Act, the provisions of the respective agreement or treaty shall apply.

(2) The procedure and manner of documenting and the procedures for applying the agreements on avoidance of double taxation shall be regulated by the rules to implement this Act.

## Chapter Two

### TAXABLE PROFIT

#### Section I

#### General Rules on Determining the Taxable Profit

##### Article 14

(1) Taxable profit is the positive quantity determined on the basis of the financial result before tax transformation established in accordance with Article 40, paragraph 1, item 2 of the Accountancy Act and transformed pursuant to this Act.

(2) The taxable profit of banks, insurance companies, mutual insurance co-operatives and investment companies is the positive quantity determined on the basis of the financial result before tax transformation, established in accordance with Article 41 of the Accountancy Act and transformed pursuant to this Act.

##### Article 15

(1) In establishing the taxable profit, depreciation expenditures shall be determined for tax purposes which shall be juxtaposed to the accounting depreciation quota. The amount of the depreciation shall be determined by applying systematically the linear method.

(2) The depreciation norms for tax purposes in taxing the profit may not exceed the following amounts:

	roup of Assets	Annual depreciation norm, %
1.	Commercial and administrative buildings	3
2.	Single-story subject to assembly/disassembly pavilion type buildings (shacks) with mixed construction	10
3.	Industrial buildings	15
4.	Equipment, transmission devices, power carriers, communication lines	4
5.	Water-mains for potable and industrial water - pipe;	5

	sewers - pipe	
6.	Machines, equipment, apparatuses and computers	20
7.	Business inventory, including office furnishing	25
8.	Transportation equipment, including automobiles	8 20
9.	Non-tangible fixed assets	20

(3) For assets not mentioned in paragraph 2, the depreciation expenditures shall be determined pursuant to Article 20 of the Accountancy Act.

#### Article 16

(1) The amount of the taxable profit shall be obtained by transforming the amount of the financial result before tax transformation, regardless of whether it is a positive or negative quantity, through its increase or decrease for tax purposes.

(2) The financial result before taxation shall be increased with:

1. the part of the sum for consumables for representative purposes, for parties and presents, above 20,000 Leva which exceed 0.2 per cent of the amount of the realised income established under section I, item 1 of the report on income and expenditure in accordance with Article 40, paragraph 1, item 2 of the Accountancy Act; and for banks, for the persons mentioned in Article 1, paragraph 4 of the Banks and Crediting Activities Act, for insurance companies, mutual insurance co-operatives and investment companies, 0.1 per cent of group one of the report on income and expenditure in accordance with Article 41 of the Accountancy Act;
2. the sums for business travel exceeding the amounts determined with normative acts;
3. imposed fines, confiscations and other sanctions for violating normative acts, as well interest pursuant to the Interest on Taxes, Charges and other such State Claims Act;
4. the portion of the sum of expenditures for social purposes for the staff exceeding 10 per cent of the sum total of the accrued staff salaries, excluding social security payments. In determining the sum total of the expenditures for social purposes the amount of the income received from these activities shall be deducted;
5. the positive difference between the accounting depreciation quota, determined in accordance with Article 20 of the Accountancy Act, and the tax recognised amount of the depreciation;

6. the expenses not related to the activities such as: expenses for maintenance and operation of motor vehicles, buildings and other real and personal property, including leased property which is used partially or fully for personal use, for recreation, for non-business travel and for vacation of the partners, shareholders, staff, managers, comptrollers, directors and third parties;
7. payments (premiums) for life insurance and other personal insurance which are not established as mandatory by normative acts;
8. the expenditures for improvement, modernisation and reconstruction of long-term assets which exceed 5 per cent of their balance-sheet value and lead to an increase in their value through lengthening their expected useful life, increasing their productivity or considerable improving the quality of production or reducing the previous expected production expenditures, in cases where these assets have been reported as current expenditures (expenditures for repairs), including the expenditures for leased assets which are not on account of the due rent;
9. the written off shortages of tangible assets and rejects of tangible stock and other valuables (excluding those on account of the staff), with the exception of: those arising from technological rejects, a change in the physical and chemical properties within normal limits corresponding to the established norms for maximum amounts of natural loss and shortages of goods during their storage and carriage, in accordance with Bulgarian state standards, sectoral and plant norms in the respective sectors and activities, and other normative acts which regulate the issues of normal shelf life of goods, as well as of the destroyed or partially destroyed from natural calamities. The value of the written off shortages and rejects shall be reduced with the received compensation from insurance to the amount of the balance-sheet value of the assets. Where there is a differences between the writing off of insured assets and the payment of insurance the increase shall be done simultaneously with the receipt of the insurance compensation;
10. the expenditures which represent a hidden distribution of profit in favour of shareholders, partners or third parties;
11. the expenditures for interest on credits from partners and shareholders which have not made the respective payments on subscribed interests or shares;
12. the untaxed profit, determined in accordance with Article 37 of this Act;
13. the expenditures which the tax liable persons may not prove with documents under the procedure required by the respective normative acts;

14. the income not reported in accordance with the procedure established by normative acts;
15. the expenditures reported as a result of events of previous reporting periods which lead to a decrease in the financial result during the present reporting period, under a procedure to be established with the rules to implement this Act;
16. the expenditures arising from transactions between related persons and third parties in accordance with section IV of chapter one of this Act;
17. provided and reported as expenditures funds for political parties, trade unions and other public organisations;
18. the temporary differences arising from the application of Articles 22, 24, 25 and 31 of the Accountancy Act. This item shall not apply to banks and the State Savings Bank;
19. the portion of interest exceeding the amount determined pursuant to Article 21;
20. the temporary differences arising from the recognising of income from export transactions applying Article 17;
21. the profit from activities carried on through unregistered partnerships pursuant to Article 357 of the Obligation and Contract Act and through consortia pursuant to Article 275 of the Commerce Act.

(3) The financial result before tax transformation shall be reduced with

1. the tax preferences pursuant to § 28, paragraph 5 of the Transitional and Final Provisions of the Ownership and Use of Farmland Act (published State Gazette No. 45 of 1995; corrigendum State Gazette No. 46 of 1995) during the three consecutive years from the date of its entry into force. The preferences shall apply to claims which have not been reported as expenditures in determining the financial result before tax transformation;
2. donations in favour of: institutions and organisations of learning; scientific, cultural, educational, social, sports and tourist organisations; foundations with charitable, nature protection, health, scientific research and cultural and educational aims; funds for supporting invalids and victims of natural calamities; the Bulgarian Red Cross; Social Assistance Fund; Social Assistance of Military Servicemen; Rehabilitation and Social Integration Fund; as well as for national security and defence; potable water; aiding the socially underprivileged, invalids, children with impaired health or without parents; scholarships and aid to students; scientific research; restoration and conservation of natural, historic and cultural



monuments; for the state and municipalities, with the exception of the donations to the state and municipalities made by persons with state or municipal participation, to the amount of 3 per cent of the positive financial result before tax transformation;

3. sums from dividends and from participation received as a result of the distribution of profits of resident persons, branches of non-resident persons, when the distributed profit has already been taxed pursuant to Article 30;

4. the temporary differences arising from the exceeding of the tax recognised depreciation over the accounting quota as established by the rules to implement this Act;

5. the temporary differences appearing in the realisation of assets or in settling obligations bearing these differences, arising from Articles 22, 24, 25 and 31 of the Accountancy Act;

6. the portion of the losses transferred from previous years pursuant to chapter 5;

7. the income reported as a result of events of previous reporting periods which lead to an increase in the financial result during the present reporting period, under a procedure to be established with the rules to implement this Act;

8. temporary differences arising from receiving the income from export transactions when applying Article 17;

9. temporary differences arising from recognition of accrued interest when applying Article 21;

10. production and consumer dividends paid by co-operatives to its members pursuant to chapter 2, section IV.

(4) The reductions provided for in paragraph 3, item 2 shall be enjoyed provided that the legal persons do not have, as of the moment of making the donation, unpaid obligations, including advance payments, for taxes, charges, duties, excise tax, social security payments and Professional Training and Unemployment fund payments and the donations do not benefit the persons making or disposing them.

(5) When a donation is in kind its amount shall be determined in accordance with the market price or the price shown in the notarial deed when making the donation, if it is higher;

(6) Tax preferences for donations shall be recognised on the basis of a contract and document showing that the donation has been received.

(7) A donation as provided in paragraph 3, item 2 shall be deemed made as follows:

1. for cash donations - as of the date on which the donated funds have been paid;
2. for personal property, real property and real rights on real property - as of the date of conclusion of the transaction;
3. for participation - as of the date of the court decision for registration in the register;
4. for securities - as of the date of the transfer of ownership.

(8) For tax purposes, recognised as expenditures shall be the actually charged interest for received loans and obligations, with the exception of interest payments which do not exceed the maximum amount determined pursuant to Article 21.

(9) For tax purposes, the income from interest on credits provided by banks, the State Savings Bank and the income from interest on credits provided by holding companies pursuant to Article 280 of the Commerce Act shall be recognised upon being charged.

#### Article 17

For export transactions the income for tax purposes shall be recognised within the framework of the tax period in case of invoicing goods or performing services, with the exception of the pledging of goods, except where the title to the pledged goods has passed to the creditor.

#### Article 18

(1) The financial result before tax transformation may not be reduced with the created reserves.

(2) The financial result before tax transformation of the banks shall be reduced with the funds of the Guarantee Fund of the commercial banks, up to 20 per cent of the positive financial result before tax transformation, established as a difference between the sum total of income and expenditure pursuant to a procedure to be determined by a law.

#### Article 19

The special reserves and funds of licensed insurance companies and mutual insurance co-operatives shall be deducted from the profit before taxation under a procedure to be determined by a law.

#### Article 20

(1) The sum total of all provided tax preferences, including losses transferred pursuant to chapter five, may not exceed the positive financial result before tax transformation as per the respective reports on income and expenditures, reduced with the amount of the payments to municipalities.

(2) The received dividends, which are taxed pursuant to Article 30, shall be deducted in full in case of tax transformation regardless of the provision of paragraph 1.

## Section II

### Regulation of Weak Capitalisation

#### Article 21

(1) The maximum amount of the recognised for taxation interest payments arising from contributions made pursuant to Articles 134 and 190 of the Commerce Act, additional contributions and other such in accordance with the Articles of Association or a decision of the general meeting, and from company credit for each tax period in determining the taxable profit may not exceed 10 percent of the expenditures under sections I, II and III of the report on income and expenditures, reduced with the amount of such interest.

(2) The financial result shall be increased with 25 percent of the excess of the interest payments under paragraph 1, unless conditions exist for applying the provisions of chapter one, section IV, in which case the financial result shall be increased with the full amount of the excess.

(3) The expenditures on interest with which the taxable profit is increased during the current year shall be subject to deduction from the taxable profit during the following tax year up to the amount of the allowable correlation provided for in the previous paragraphs.

(4) Paragraphs 1-3 shall not apply to banks, the State Savings Bank and the holding companies, observing the provisions of Article 280 of the Commerce Act.

## Section III

### Tax regulation of Lease Agreements

#### Article 22

In case of an operational lease agreement of a long-term asset the lessor shall report in its income the lease payments received, and in its expenditures the charged depreciation on the leased asset, where the lease is not a financial lease.

#### Article 23

(1) A financial lease agreement shall be a lease agreement which is concluded for a term, including the terms for which the initial agreement is renewed, longer than one year and in which any of the following circumstances are present:

1. the term of the agreement, including the terms for which the initial agreement is renewed, exceeds the economic useful life of the leased asset;
2. the agreement contains a clause for purchase and transfer of title of the leased asset upon expiration or after the expiration of its term;
3. the lessee has made or guaranteed a loan to the lessor and in this way has given him the opportunity to acquire the leased asset;
4. assets provided under the lease agreement, because of their specific nature, may be used only by the lessee under certain circumstances - place, duration, etc.

(2) A financial lease agreement shall be deemed a sale of the long-term asset leased by the lessor, and the lessee under such an agreement shall be deemed a buyer and owner of the leased asset.

(3) In the cases where under the guise of an operational lease agreement the transfer to the lessee of the title of the leased asset is concealed, the lease agreement shall be deemed financial.

#### Section IV

##### Specific Rules for Determining the Taxable Profits

##### Article 24

(1) The production and consumer dividends paid to the members of the co-operative until March 15 of the following year shall be deducted from the co-operative's taxable profit.

(2) The production dividends shall be distributed for the produced by the members of the co-operative and sold to the co-operative products. They shall be determined on the basis of the profit corresponding to the sold, including after their processing, goods.

(3) The consumer dividends shall be distributed for consumer goods purchased by the members of the co-operative from the co-operative. They shall be determined on the basis of the profit arising from the difference between the sale price at which the co-operative has sold the goods and the price which was paid by the co-operative for their acquisition.

(4) When the co-operative also carries on other economic activities, the profit from them may not be distributed among the members of the co-operative under the form of deduction of production and consumer dividends.

(5) The received by the members of the co-operative production dividends shall be taxed as income of natural persons.

## Section V

### Taxable Profits of a Branch of a Non-Resident Person

#### Article 25

The taxable income of a branch of a non-resident person, including of a branch of a bank, determined pursuant to this chapter, shall be increased with the amount of the profit attributable to the branch and acquired both in the country and abroad, which is not reflected in the accounting documents but arises from its activities and which it would realise had it been an independent person exercising the same or similar activity under the same or similar conditions.

## Section VI

### Taxable Profits of Association and other Non-Profit Organisations from their Economic Activities

#### Article 26

(1) The taxable profit of tax liable persons as provided in Article 4 of this Act shall be determined on the basis of the positive financial result before taxation and transformed pursuant to paragraph 2.

(2) The positive financial result shall be transformed by:

1. reduction with the financial income from interest, the positive financial result obtained from the sale of movable valuables and the dividends and sums from participation obtained as a result of the distribution of the profit of resident persons, when the distributed profit has already been taxed in accordance with Article 30;
2. increase with the expenses to the benefit of the participants in management (excluding expenses for personal labour), or third parties or for transactions which circumvent the law.

#### Article 27

The non-profit associations, as well as other legal persons including those supported by the budget, shall include in their taxable profit the value of the assets which has been transferred without consideration to third parties, where such transfer is not related to the non-profit aims of the association.

## Chapter Three

### TAX REGULATION OF LICENSED INVESTMENT COMPANIES AND PRIVATISATION FUNDS

#### Article 28

The licensed investment companies and privatisation funds shall not be taxed with a tax on profits for the portion of their profits originating from owning or trading in securities and from interest from bank deposits, if such profit is subject to distribution as a dividend among their shareholders.

#### Article 29

The shareholder's dividends shall be taxed in accordance with Article 30.

## Chapter Four

### TAXATION OF DIVIDENDS, INCOME FROM PARTICIPATION, FROM THE SALE OF MOVABLE VALUABLES AND FINANCIAL LONG-TERM ASSETS, FROM INTEREST, ROYALTIES AND OTHER INCOME

#### Section I

##### Tax on Dividends and Income from Participation Withheld at the Source

#### Article 30

Dividends and income from participation paid by resident legal persons and branches of non-resident persons shall be taxed with a tax which shall be withheld at the source and shall be final.

#### Section II

##### Avoidance of Double Taxation of Holding Companies with Tax on Dividends

#### Article 31

(1) A subsidiary shall not withhold tax pursuant to Article 30 on dividends which it has charged in favour of the holding company established pursuant to Article 277 of the Commerce Act, provided that all subsidiaries and the holding company are resident persons.

(2) The regime of taxing the dividends mentioned in paragraph 1 shall not apply to companies which have joined or left the holding company in the course of the tax year.

(3) If the holding company is transformed pursuant to chapter XVI of the Commerce Act into another company which meets the requirements of paragraph 1, the new company or the company into which the holding company has been transformed shall assume the status of the holding company after informing the tax authorities.

### Section III

#### Income Tax of Non-Resident Persons

#### Article 32

When the tax liable persons mentioned in Article 2 pay to non-resident persons interest, lease, royalties, and compensation for technical services, as well as income from the sale of movable valuables and financial long-term assets and other income arising from a source in Bulgaria, including from activities of partnerships pursuant to Article 357 of the Obligations and Contracts Act, they shall deduct at the source tax in the amounts provided for in Article 44. The tax shall be final.

### Chapter Five

#### CARRYING OVER LOSSES TO FOLLOWING TAX PERIODS

#### Section I

#### Carrying Over Losses from Sources in the Country

#### Article 33

(1) The negative annual financial result before tax transformation (loss) of tax liable persons, corrected with the sums provided for in Article 16, paragraph 2, with the exception of the sums provided for in Article 16, paragraph 2, items 5, 12, 15, 18, 20 and 21 shall be deducted consecutively during the following five calendar years.

(2) The losses shall be deducted when determining the taxable profit up to the amount of the positive financial result during the following tax year, and if it is insufficient, the difference from the losses shall be deducted during the following years within the framework of the five-year period from their arising.

(3) For losses arising in the course of the five-year period the provisions of paragraphs 1 and 2 shall apply, observing the consecutiveness of the arising of the losses. For each of the newly arising losses the term begins to run from the moment of their arising.

#### Article 34

The right to carry over losses pursuant to Article 33, paragraph 1 may not be transferred in cases of dissolution or transformation or other transactions, as a result

of which the ownership of the tax liable person incurring losses has changed by more than 50 percent.

#### Article 35

For tax liable persons with more than 50 per cent state or municipal participation the losses shall be deducted pursuant to Article 35 with the permission of the minister of finance.

#### Section II

#### Carrying Over Losses from Sources from Abroad

#### Article 36

Losses determined pursuant to Article 33 with a source from outside Bulgaria shall be deducted consecutively only from the profits from the same source outside the country during the following five years.

#### Chapter Six

### TAXATION IN CASES OF WINDING UP AND TRANSFORMATION OF RESIDENT AND NON-RESIDENT PERSONS AND OF BRANCHES OF NON-RESIDENT PERSONS

#### Section I

#### Tax Regulation in Cases of Winding Up

#### Article 37

- (1) In the cases of winding up resident legal persons and branches of non-resident persons the due tax on profits, respectively the due tax for the municipalities, shall be established as of the date of adopting the decision for winding up.
- (2) Paragraph 1 shall also apply in cases of winding up of resident legal persons, branches of non-resident persons with the expiration of the term for which they are established, as well as with the achieving of the aim with which they are established.
- (3) The due tax on profits and the due payments from profit to the municipalities of wound up legal persons and branches of non-resident persons shall be determined on the basis of the taxable profit established pursuant to this Act for the period from the beginning of the year until the date of adoption of the decision to wind up.
- (4) In addition to the tax liabilities pursuant to paragraph 3 the legal persons and branches of non-resident persons, for which a decision to wind up has



been adopted, shall pay a tax on profits and a tax for the municipalities, determined as of the date of adoption of the decision and on:

1. the profit which has not been taxed as a result of creating untaxed reserves (provisions) which have not been reintegrated with the profit;
2. the profit which was not taxed as a result of enjoying tax preferences, with the exception of these pursuant to Article 16, paragraph 3, item 2 of this Act;
3. the positive difference between the value of the company's assets at market prices as of the moment of winding up and their balance-sheet value, reduced with the enterprise's liabilities.
4. The provisions of item 3 shall not apply to the persons who are wound up due to bankruptcy.

(5) After the establishment of the due tax on profits and tax for the municipalities as of the date of adoption of the decision to wind up a resident legal persons and a branch of a non-resident person, the income from dividends and participation, which shall be taxed in accordance with chapter four, shall be determined.

(6) The tax on profits and the tax for the municipalities in case of winding up shall be determined irrespective of the obligation for preparing the annual accounting report.

(7) The amount of the tax on profits and the tax for the municipalities as of the date of adoption of the decision to wind up shall be indicated in the tax return form approved by the minister of finance and is subject to payment to the budget as an extraordinary advance payment.

(8) The difference between the due tax on profits and the tax for the municipalities pursuant to paragraph 3 and to paragraph 4, items 1, 2 and 3 and the advance payments made shall be paid within 30 days from the date of adoption of the decision to wind up.

(9) Following the date of adoption of the decision to wind up the due tax on profits and the tax for the municipalities shall be determined pursuant to the general procedure for determining advance payments and the annual tax. Following this date the enjoyment of tax preferences shall cease.

(10) The due tax on profits and tax for the municipalities as of the date of adoption of the decision to wind up resident legal persons and branches of non-resident persons shall be established regardless of whether their relations with third parties or their partners or shareholders have been settled.

(1) Also included in the tax obligations of resident legal persons and branches of non-resident persons are the established by the tax authorities with a taxation act unpaid as of the date of adoption of the decision to wind up taxes and payments for previous periods.

(2) In cases when the tax obligations are established with taxation acts from following tax inspections and audits, the tax obligations are claimable, including from the successors.

#### Article 39

Resident legal persons and branches of non-resident persons must, within 14 days of adoption of the decision to wind up, inform the respective tax office in writing of the decision.

#### Article 40

In case of winding up unregistered partnerships established pursuant to Article 357 of the Obligation and Contract Act and consortia under Article 275 of the Commerce Act, legal persons who are partners in them shall apply Articles 37, 38 and 39.

#### Section II

#### Tax Regulation in Case of Transformation

#### Article 41

(1) Legal persons for which a decision to transform in accordance with chapters IX and XVI of the Commerce Act has been adopted shall be taxed with a tax on profits and tax for the municipalities pursuant to Article 37, paragraphs 3, 6, 7 and 10 and Article 38; compensation of their losses with profits of the successor is not permitted.

(2) The difference between the due under Article 37, paragraph 3 tax on profits and tax for the municipalities and the paid advance payments shall be paid within 30 days from the date of adoption of the decision to transform.

(3) After the date of adoption of the decision to transform the due tax on profits and payments from profit to the municipalities shall be established pursuant to the general procedure for determining advance payments and the annual tax.

(4) The persons mentioned in paragraph 1 must inform the respective tax office of the date of adoption of the decision to transform within 14 days

(5) The persons whose state or municipal participation following privatisation drops to below 50 per cent shall file a tax return within 30 days of the registration of the change in the commercial register. The tax return shall be filed as per the established form for an annual tax return and prior to the expiration of the 30-day period the difference between the declared tax from

the beginning of the year and the advance payments, the dividends for the state, the unpaid taxes on income from dividends pursuant to chapter four and the tax for the municipalities. A tax return for advance payments and an annual tax return shall be filed pursuant to the general procedure for the results from the economic activity for the period from the date of registration of the change in the commercial register to the end of the year.

(6) The provisions of paragraphs 1, 2 and 3 shall not apply when as a result of transformation the tax status of the successor is not changed and no sale or other disposal of the assets is made.

## Chapter Seven

### TAX RATES

#### Article 42

(1) The tax on profits of the tax liable persons shall be 36 percent.

(2) The tax on profits of the tax liable persons shall be 26 percent when their taxable profit is up to 2,000,000 Leva.

#### Article 43

The tax for the municipalities of tax liable persons shall be 6.5 percent.

#### Article 44

The dividends and income from participation under Article 30, interest, lease payments, royalties, compensation for technical services, income from the sale of movable valuables and financial long-term assets and other income under Article 32 with a source in the Republic of Bulgaria shall be taxed at 15 percent of their gross amount.

## Chapter Eight

### PAYMENT OF THE TAX ON PROFITS AND THE TAX FOR THE MUNICIPALITIES

#### Section I

#### Tax Payers

#### Article 45

The tax liable persons as per this Act shall be payers of the tax on profits and the tax for the municipalities.

#### Article 46

(1) The tax on dividends, income from participation, income from the sale of movable valuables and financial long-term assets, interest, lease, royalties, fees for technical services and other income with a source in the Republic of Bulgaria shall be deducted and paid by the tax liable persons who are charging such income.

(2) When the tax under the previous paragraph has not been charged, deducted and paid in the prescribed manner, it shall be owed by the tax liable as per this Act persons who had the obligation to charge and pay it.

## Section II

### Tax Return

#### Article 47

(1) The due annual tax on profits and tax for the municipalities shall be established pursuant to this Act and shall be shown in a tax return according to a form approved by the minister of finance.

(2) The tax return shall be filed by the tax liable persons with the respective tax office by 31 March of the following year. The annual accounting report shall be filed together with the tax return.

(3) In case of winding up without liquidation and in case of transformation, the tax liable persons mentioned in Article 2 shall file a tax return according to a form approved by the minister of finance for the due tax on profits and tax for the municipalities within 30 days from the moment of winding up or transformation.

(4) In case of winding up of a tax liable person with liquidation the liquidators must file a tax return within 14 days before undertaking acts to satisfy the creditors pursuant to Article 268, paragraph 1, of the Commerce Act.

(5) The certificate issued according to a form approved by the minister of finance with which the payer of income certifies the deduction at the source of the due tax shall also be deemed a tax return.

(6) The certificate mentioned in paragraph 5 shall be presented by the tax liable persons within 14 days of the deduction of the tax, with the tax office where they are registered. The non-filing of the certificate shall be deemed a non-filing of a tax return.

## Section III

### Payment of the Tax

#### Article 48

(1) The tax liable persons shall pay the tax on profits and income tax to the Republican Budget, with the exception of the persons with more than 50 percent municipal participation who shall pay the tax on profits and income tax to the respective municipal budgets.

(2) The tax liable persons shall pay the payments from profit to the municipalities to the respective municipal budgets.

#### Article 49

(1) The tax on profits and the payments from profit to the municipalities for the respective year shall be paid not later than 31 March of the following calendar year, after deduction of the sums of the paid advance payments.

(2) In cases where the paid advance payments exceed the tax due for the respective period with accumulation from the beginning of the year, the excess tax on profits and tax for the municipalities paid shall either be set off or paid back pursuant to the Tax Procedures Act.

#### Article 50

The payers of income must deduct the due tax and pay it to the budget within five days of the deduction.

#### Article 51

Following the date of adoption of a decision to wind up or transform the due tax on profits and tax for the municipalities until the date of entry into force of the decision for registration in the commercial register shall be paid pursuant to the procedure of Articles 53 and 54.

#### Section IV

##### Advance Payments of the Tax on Profits and the Tax for Municipalities

#### Article 52

(1) The quarterly advance payments on the tax on profits and the tax for the municipalities shall be paid to the respective budgets on the basis of the taxable profit for the period with accumulation from the beginning of the year, deducting the payments made.

(2) The tax liable persons who for the previous year have an annual taxable profit of more than 2,000,000 Leva shall make advance monthly payments, and for the first two months of the quarter shall pay one third of the tax due for the previous quarter.

(3) Where monthly accounting of income and expenditure is kept, the tax liable persons mentioned in paragraph 2 may make advance monthly payments based on the actual results from the respective accounting period.

(4) The newly founded in the course of the year tax liable persons shall make quarterly advance payments pursuant to paragraph 1 as of the date of their registration.

(5) The tax liable persons who have ended the previous year with a loss shall make advance quarterly payments pursuant to this Act, and in determining the advance payments the loss subject to a reduction in accordance with chapter five of this Act shall be deducted with accumulation from the beginning of the year.

#### Article 53

(1) The insurance companies and mutual insurance co-operatives shall make advance payments on the basis of a one twelfth part of the annual taxable profit for the previous year.

(2) The monthly advance payments as per paragraph 1 shall be due for the period between April 1 of the current year until March 31 of the following calendar year.

(3) The formed and registered in the course of the year insurance companies shall make advance payments based on the anticipated by them profit until the end of the calendar year.

#### Article 54

(1) The advance tax on profits and tax for the municipalities payments shall be made as follows:

1. monthly payments: until the 15th of the following month;

2. quarterly payments: until the 15th of the month following the quarter.

3. for the fourth quarter, respectively for December: until 25 December, whereby the advance payment for December of the tax liable persons who make monthly advance payments shall be equal to the due payment for November, and the quarterly advance payment of the tax liable persons who make quarterly advance payments shall be equal to one third of the payments due for the first three quarters.

(2) For January and February monthly advance payments shall be made only by the tax liable persons mentioned in Article 2 who have made monthly advance payments during the previous year. The amount of the payments for each of these two months shall be equal to the advance payment for December of the previous year.

(3) For the due advance payments as per the previous paragraphs a tax return according to a form approved by the minister of finance shall be filled in and

filed with the respective tax office within the time periods for making advance payments.

#### Article 55

The insurance companies and mutual insurance co-operatives shall, using a tax return according to a form approved by the minister of finance, inform the respective tax office of the reduction of the advance payments as per Article 53, if they believe that they exceed or shall exceed the due annual tax.

#### Section V

##### Interest on Late Payments

#### Article 56

(1) For tax not withheld and paid within the prescribed time periods, including for advance payments, interest shall be owed in accordance with the Interest on Taxes, Charges and other such State Claims Act. The paid less than due advance payments as a result of incorrect application of Articles 52, 53 and 54 shall also be deemed unpaid taxes.

(2) When the actually due annual tax exceeds by more than 10 per cent the reduced pursuant to Article 55 advance payments, the interest rate determined by operation of law as of 31 December of the respective calendar year shall be collected.

#### Section VI

##### Deduction of the Tax on Profits

#### Article 57

(1) The tax on profits shall be deducted by the legal persons in which the reassigned persons and invalids are not less than:

1. for blind persons and persons with poor vision: 30 percent of the total number of the staff employed in the main activities;
2. for all other illnesses: 50 percent of the total number of the staff employed in the main activities.

(2) In the cases mentioned in paragraph 1 the legal persons shall charge but not pay the tax on profits.

(3) The tax on profits of legal persons shall also be deducted when the number of reassigned persons and invalids is below the norms specified in paragraph 1. The deduction shall be done pro rata to the impaired persons towards the total number of the staff.

(4) The amounts of the deducted tax shall be transferred to the Rehabilitation and Social Integration Fund established pursuant to the Protection, Rehabilitation and Social Integration of Invalids Act.

(5) The tax on profits from the activities of enterprises included in the system of the Military Industry Directorate with the Ministry of Defence shall be deducted in favour of the Ministry of Defence. The Council of Ministers shall determine the procedure for using the deducted tax.

#### Article 58

(1) Companies in which after privatisation the state or municipal participation has dropped to 33 per cent or less may deduct the tax on profits as follows:

1. One hundred per cent for the first three years following the date of entry into force of the court decision for registration in the commercial register of the changes in the case of a limited liability company and the date of transfer of the title to the shares in the case of joint-stock company;
2. Fifty per cent for the fourth and fifth year.

(2) The tax on profits shall be deducted provided that the payments agreed upon under the privatisation transaction are made within the agreed time periods and all of the following terms are met for the respective years:

1. An annual increase in the volume of the net amount of the sales revenues;
2. Investing not less than 50 per cent of the deducted amounts in fixed tangible assets of the same company;
3. Observing the schedule of obligations concerning the investment programme and employment assumed with the privatisation contract;
4. Performance of the obligations towards the budget and the social security system.

(3) The deduction of the tax of companies shall be terminated in case of transformation pursuant to chapter XVI of the Commerce Act with the exception of the cases provided for in Articles 264 and 265 of the said act.

#### Article 59

(1) Co-operatives and enterprises formed by them which are registered prior to the entry into force of this Act and are members of national co-operative unions established prior to that date shall deduct the tax on profits for a period of five years in case the following terms are met:



1. The national co-operative unions shall establish special funds in which 50 per cent of the deducted amounts shall be deposited;
2. The co-operatives and the enterprises formed by them shall transfer 50 per cent of the deducted tax in the special funds established pursuant to paragraph 1 within the time periods existing for payments to the budget;
3. The deducted tax on profits is spent for investment purposes and subsidies.

(2) The national co-operative unions shall report annually to the Council of Ministers the purposeful spending of the deducted tax on profits.

#### Article 60

(1) The tax on profits shall be deducted pursuant to Article 58, paragraph 1, items 1 and 2 by companies with foreign participation, in cases not involving privatisation transactions, if the following are present:

1. the amount of the capital of the established company, including the increase of the existing capital, may not be less than the Lev equivalent of 5 million United States Dollars;
2. The foreign participation is not less than 50 per cent;
3. At least 50 per cent of the deducted amounts are invested in fixed tangible assets.

(2) The deduction of the tax of companies shall be terminated in case of transformation pursuant to chapter XVI of the Commerce Act with the exception of the cases provided for in Articles 264 and 265 of the said act.

#### Article 61

(1) The tax liable persons shall deduct 2 percent of the due tax on profits and sums shall be paid to the Melioration Fund.

(2) The procedure and manner of making the payments to the Melioration Fund shall be established with the rules to implement this Act.

#### Chapter Nine

#### PAYMENTS TO THE PROFESSIONAL TRAINING AND UNEMPLOYMENT FUND

#### Article 62

(1) The employers, excluding those supported by the budget, shall make obligatory payments to the Professional Training and Unemployment Fund to

the amount of 5 per cent of the charged staff salaries which shall be included in their expenditures.

(2) The procedure and manner of making the payments and spending the monies of the Professional Training and Unemployment Fund shall be established by the Council of Ministers.

## Chapter Ten

### ADMINISTRATIVE LIABILITY AND FINANCIAL SANCTIONS

#### Article 63

(1) For violations of Article 27, Article 37, paragraph 8, Article 41, paragraph 2, Article 49, paragraph 1, Article 50 and Article 51 a financial sanction to the amount of the unpaid tax, but not less than 50,000 Leva, shall be imposed upon the tax liable persons.

(2) For violations of Article 24, paragraph 4, a financial sanction to the amount of the object of the violation shall be imposed upon the co-operatives.

(3) The persons at fault who have allowed a violation of Article 24, paragraph 4, and Article 27 shall be fined from 5,000 Leva to 50,000 Leva.

#### Article 64

(1) For non-filing of a tax return as per Article 37, paragraph 7, Article 47, paragraphs 2, 3, 4 and 6, Article 54, paragraph 3 and § 2 within the prescribed in this Act time periods, the persons at fault shall be fined from 5,000 Leva to 30,000 Leva.

(2) For a repeat offence as per paragraph 1 the fine shall be from 10,000 Leva to 50,000 Leva.

#### Article 65

A person who is obligated to under Article 39 and Article 41, paragraph 4, to inform the respective tax authorities and does not do so shall be fined from 10,000 Leva to 50,000 Leva.

#### Article 66

(1) For violations of Article 10 and Article 11 the persons at fault shall be fined from 10,000 Leva to 50,000 Leva.

(2) For a repeat offence as per paragraph 1 the fine shall be from 15,000 Leva to 80,000 Leva.

#### Article 67

Where the persons as per Article 63, paragraph 3, Articles 64, 65 and 66 are legal persons, the persons representing the legal persons shall be fined.

#### Article 68

- (1) Violations shall be established with an act of a tax authority.
- (2) A penal order shall be issued by the head of the Chief Directorate of the Tax Administration or by a person authorised by him.
- (3) The act for establishing a violation and the penal order shall be drawn up, issued and appealed pursuant to the Administrative Violations and Sanctions Act.

#### ADDITIONAL PROVISION

§ 1. For the purposes of this Act:

1. "Related persons" means the persons specified in § 1, paragraph 1 of the Additional Provisions of the Commerce Act, as well as the persons between whom relationships are established with respect to taking part directly or indirectly in management, control or capital of one or the other person or persons, due to which between them commercial or economic terms differing from those which would arise between non-related persons could be imposed or agreed upon.

2. The term "financial result before tax transformation", where it is not expressly clarified, means the difference between the sum total of income and of expenditure under sections one, two and three of the report on income and expenditure (annex to Article 40, paragraph 1, item 2 of the Accountancy Act) or the difference between the sum total of income under sections one, two and three, and expenditure under sections one, two, three and four of the report on income and expenditure in accordance with Article 41 of the Accountancy Act.

3. The term "income" includes income from: dividends, participation, interest, the positive difference from the sale of movable valuables and financial long-term assets, royalties, compensation for technical services and lease.

4. The term "dividend" means:

- a) income from shares;
- b) income from participation and from other corporate rights treated as income from shares, excluding debt claims;
- c) carried out distribution by the legal person in favour of a partner or shareholder arising from their own share in the

capital of the same legal person, regardless of whether it has current or accumulated income and profits;

d) the part of the price of purchased by a partner or shareholder shares exceeding their initial value according to the accounting documents;

e) the part of the liquidation share of each shareholder or partner exceeding its expenses for acquiring the shares or interests.

5. "Interest" means income of any kind of debt-claims, regardless of whether or not secured by a mortgage or with a clause to participate in the debtor's profits and especially the income from debentures, bonds and other financial instruments related to these securities. Penalty charges for late payments shall not be regarded as interest for the purposes of chapter five.

6. "Royalties" means: payments of any kind received as a consideration for providing the right to use copyright or neighbouring rights within the meaning of Articles 3 and 72 of the Copyright and Neighbouring Rights Act, as well as trademarks and service marks and industrial designs pursuant to the Trademark and Industrial Designs Act, and patentable inventions and patentable utility models pursuant to the Patents Act.

7. "Compensation for technical services" means payments for services of a consulting nature rendered by non-resident legal persons, except where the services are provided through a permanent establishment.

8. "Market price" is the sum, minus VAT and excise tax, which would be paid under the same terms for an identical commodity or service in a transaction between parties who are not related.

9. "Non-resident person" is defined in accordance with the provision of Article 2 of the Economic Activity of Foreign Persons and Protection of Foreign Investments Act.

10. The term "tax credit" means the right under certain conditions to deduct sums from the due tax on profits and income tax from already paid taxes or from the tax base.

11. "Permanent establishment" means:

a) a fixed place through which a non-resident person carries on wholly or partly economic activities in the country, which includes: a place of management, a branch, a bureau, an office, a studio, a plant, workshop (factory), a shop, a warehouse, a garage, an installation project, a construction site, a mine, a

quarry, a drill, an oil or gas well, source or other place of extraction of natural resources;

b) carrying on of activities in the country by persons who are authorised to conclude contracts on behalf of non-resident persons, with the exception of the activities of the independent agents as defined in chapters II and III of the Commerce Act.

12. Expenditures for social purposes are: expenditures for making less expensive the food in canteens; the sums paid for food or the food provided in kind to employees of enterprises which do not have their own canteens; for payment of a part or the full price of the staff's vacation vouchers; payment of rent; payment of the staff's public transport expenses; payment of the price of medicines and medical services; maintaining a medical checkpoint; maintaining own sports facilities and rest homes for use by the staff; and the payments for voluntary pension, health and social insurance at the expense of the employer, established by law and provided pursuant to a decision of the general meeting of employees;

13. The "hidden distribution of profit" are various payments in cash or in kind that have been reported as expenditures which were made by the tax liable persons in favour of the partners, shareholders, staff, managers, comptrollers, directors and third parties, without being related to the carried on economic activities, such as: illegally paid compensation, rent, debt, interest on loans, salaries, advances, business travel and other expenses for work and services which for the purposes of taxation are not recognised as expenses for the activities, as well as provided entitlements and benefits in cash or in kind in addition to the established salaries, wages and compensation for personally done work, expenses for social purposes under item 12.

14. "The winding up of resident legal persons and branches of non-resident persons" includes: the cases of winding up with liquidation pursuant to chapter XVII of the Commerce Act; the cases of ceasing activities without liquidation in case of purchasing of enterprises and cases of winding up branches of non-resident persons.

15. "Repeated" is an offence committed within one year of the entry into force of the penal order with which the offender has been sanctioned for a crime of the same type.

16. "Deduction of the tax" is the right of a tax liable person not to pay to the budget the computed pursuant to this Act and charged amounts of tax which remain within the patrimonium of the tax liable person or are spent for purposes determined by the law.

## TRANSITIONAL AND CONCLUDING PROVISIONS

§ 2. (1) The tax liable persons must, within one month of the entry into force of this Act, file with the respective tax office a statement of the existence the circumstances mentioned in § 1, paragraph 1, items 3, 4, 5, 8 and 9 of the Additional Provisions of the Commerce Act, on a form to be approved by the minister of finance, except if they have declared these circumstances on other grounds.

(2) The tax liable persons must, upon request from the tax authorities, declare the existence of the remaining circumstances under § 1 of the Additional Provisions of the Commerce Act.

(3) Within one month from the change of any of the circumstances under paragraphs 1 or 2 the tax liable persons mentioned in Article 2 must file a statement for correcting the data on a form to be approved with the rules to implement this Act.

§ 3. (1) The tax relief provided to resident legal persons without state or municipal participation pursuant to Article 87, paragraph 4, item 2 of Decree 56 on Economic Activity may be enjoyed until the end of 1998 in the following cases:

1. for fixed assets which are introduced in operation in stages related to these assets and reported under the established procedures, provided that prior to the entry into force of this Act at least one stage has been finished and reported;

2. for fixed assets acquired or created through the use of a bank credit, provided that prior to the entry into force of this Act at least one repayment instalment for the credit has been made;

(2) The persons mentioned in paragraph 1 during the period ending at the end of 1998 shall:

1. not include as expenditures in computing their taxable profit pursuant to this Act the depreciation for fixed assets for which tax relief was enjoyed pursuant to Decree 56 on Economic Activity up to the amount of the relief enjoyed;

2. increase their financial result with the non-depreciated part of the written off fixed tangible assets for which tax relief was enjoyed, taking into account the increases made pursuant to item 1, regardless of the reasons for writing off the assets (sale, liquidation, giving under a financial lease, non-monetary contributions in companies, transfer without consideration, etc.).

(3) Resident legal persons without state or municipal participation shall declare before the tax office of their seat within one month from the entry into force of this Act the existence of the circumstances mentioned in paragraph 1.

§ 4. (1) The determining of the amount of the dividend for the state or the municipalities from the remainder of the profit after taxes of single-person limited liability companies and single-person joint-stock companies with state or municipal participation shall be made by the Council of Ministers, respectively by the municipal council. The procedure for determining and payment of the tax shall be determined with rules of the Council of Ministers.

(2) The distribution of the dividend in companies with state or municipal participation shall be made in accordance with the Commerce Act, the Accountancy Act and the companies' by-laws.

§ 5. (1) Companies with more than 50 per cent state and/or municipal participation shall also pay a tax on the increase of the wage fund quarterly or bi-annually.

(2) The increase of the charged amounts for wages during the respective period (quarter or half-year) in relation to a determined base amount of the funds shall be taxed under the following schedule:

Percentage of growth of the wage funds in relation to the base	Tax rate dependent upon the reached average monthly gross wages during the reported quarter or semester (in %)					
	up to 3 minimum wages	up to 4 minimum wages	up to 5 minimum wages	up to 6 minimum wages	up to 7 minimum wages	above 7 minimum wages
up to 2	-	-	-	-	-	-
above 2 to 3	-	-	40	60	120	240
above 3 to 4	-	10	60	80	160	320
above 4 to 5	-	20	80	100	200	400
above 5	15	40	100	150	300	600

(3) The tax rates as per paragraph 2 are divided in six groups in accordance with the amount of the minimum wages for the country during the reported quarter of the year. When a bi-annual period has been adopted the average monthly amount of the minimum wage for the country shall be applied during the reported semester.

(4) The tax rates provided by the schedule in paragraph 2 shall be applied separately for the sum of the increase of the wages which falls in different brackets. In case of growth of the wage fund above 2, respectively 3, 4 or 5 per cent, the once taxed sum shall be deducted from the sum which is subject to taxation in the next bracket. In this case only the difference between the two sums shall be taxed.

(5) The due tax shall be paid by the 15th of the month following the end of the reporting period (quarter or semester).

(6) The procedure for establishing the amount of the charged wages and the base wage amounts, as well as the manner for applying the schedule provided in paragraph 2 shall be determined by the Council of Ministers.

§ 6. The persons enjoying upon entry into force of this Act preferences pursuant to Article 87, paragraph 6 of Decree 56 on Economic Activity, shall apply the provisions of this Act until their losses have been exhausted or until the five-year period from their arising has expired.

§ 7. (1) The provisions of Article 58 shall apply to companies regardless of the date of their privatisation from the date of entry into force of this Act until 31 December 2001.

(2) The provision of paragraph 1 shall not apply to independent parts of enterprises, unfinished construction projects and enterprises which are purchased pursuant to Article 25, paragraph 3, Article 34, paragraph 1, and Article 35 of the Transformation and Privatisation of State and Municipal Enterprises Act.

(3) Legal persons which are eligible to apply the provisions of Article 58 in the course of a calendar year shall choose which calendar year shall be first within the meaning of paragraph 1, item 1 of the said article.

(4) Companies privatised prior to the entry into force of this Act shall apply the provisions of Article 58 for the remainder of the five-year period.

(5) The provisions of Article 60 shall be applied by companies with foreign participation who have made investments until 2001.

§ 8. (1) A State Energy Resources Fund is hereby established for financially assisting the single-person companies from the energy sector working under fixed prices of the energy and energy resources.

(2) The raising, spending and control of the State Energy Resources Fund funds and its management shall be performed under a procedure to be elaborated by the Council of Ministers. The State Energy Resources Fund shall receive the existing funds from the extra-budgetary account of the Energy Resources National Fund.

(3) For five years the single-person companies with state or municipal participation from the energy sector shall contribute to the State Energy Resources Fund the due tax on profits.



§ 9. The annual depreciation norms established by Article 15, paragraph 2, may be greater in cases determined with a decision of the National Assembly based upon proposed by the Council of Ministers minimum depreciation norms for individual groups of assets in concrete industries. The decision shall indicate the time period for applying the thus determined depreciation norms.

§ 10. The following are hereby repealed:

1. Decree 56 on Economic Activity; (published State Gazette No. 4 of 1989; corrigendum No. 16 of 1989; amended Nos. 38, 39 and 62 of 1989; 21, 31, and 101 of 1990; 15 and 23 of 1991; corrigendum No. 25 of 1991; amended Nos. 47, 48 and 62 of 1991; 60 of 1992; 84 and 93 of 1993; 63 of 1994; 53 and 87 of 1995; 20 and 28 of 1996)
2. Article 20 of the Political Parties Act (State Gazette No. 29 of 1990, amended 87 of 1990);
3. Articles 26 and 27 of the Regulation-Law on the People's Chitalishta (State Gazette No. 42 of 1945; corrigendum 152 of 1945);
4. Articles 16 and 18 of the State Insurance Institute Act (State Gazette No. 54 of 1969, amended No. 85 of 1970 and 90 of 1993);
5. Article 279 of the Commerce Act (State Gazette No. 48 of 1991, amended Nos. 25 of 1992, 61 and 103 of 1993, 63 of 1994, 63 of 1995 and 42 of 1996).

§ 11. In Article 37 of the Co-operatives Act (published SG 63 of 1991, amended 34 and 55 of 1992 and 63 of 1994) the following amendments are made:

1. paragraphs 1, 4, 5, and 6 are repealed;
2. in paragraph 2 the word "taxes" is deleted.

§ 12. In the State Savings Bank Act (published SG 95 of 1967, amended No. 21 of 1975; 83 of 1978 and 41 of 1985) the following amendments are made:

1. Articles 16, 32 and 36, paragraph 1 are repealed.
2. In Article 27 the words "and premiums on domestic debt state bonds". are deleted.

§ 13. In § 18 of the Transitional and Final Provisions of the Income Tax Amendment Act (SG 38 of 1994) the words "as of 1 January 1994

shall be determined in accordance with Decree 56 on Economic Activity" shall be replaced by "shall be determined in accordance with the Tax on Profits Act".

§ 14. The following amendments are made in the Accountancy Act (....):

1. § 5 is amended as follows:

a) in paragraph 1 the words "provided that reasons o refuse the payment do not exist" shall be deleted.

b) paragraph 2 is repealed.

2. § 7 is repealed.

§ 15. The persons whose profit from economic activities in the free economic zones is exempted from tax on profits for the first five years under the repealed Article 111 of Decree 56 on Economic Activity State Gazette No. 84 of 1993) shall continue to enjoy the exemption for the period for which it was granted.

§ 16. The Council of Ministers shall issue rules to implement this Act.

§ 17. The implementation of this Act is assigned to the minister of finance.

§ 18. This Act shall enter into force as of 1 January 1996.

This Act was adopted by the 37th National Assembly on 19 June 1996, adopted a second time on 4 July 1996 pursuant to Article 101, paragraph 2 of the Constitution and the State Seal was affixed hereto.

For the Chairman of the National Assembly: Nora Ananieva