



PrimeGlobal

*An Association of
Independent Accounting Firms*



EUROPE, MIDDLE EAST & AFRICA
**DOING BUSINESS
IN BULGARIA**





COMPANY FORMATION IN BULGARIA

MAIN FORMS OF COMPANY/BUSINESS IN BULGARIA

Entities in Bulgaria fall under the following categories: resident and non-resident. Resident entities can be registered as branches or subsidiaries, which can be limited or shared companies.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

Tax specifics regarding establishing a company include the following: Corporate Income Tax (10%), VAT (20%) as VAT registration is mandatory when the annual revenue exceeds BGN 50 000.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

Related legal matters and fees include but are not limited to: government fees, lawyer's fees, and initial capital, which amounts to BGN 2.00 for Ltd and BGN 50 000 for a joint-stock company, 25% of which is required upfront, and the rest can be paid within a two-year period.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

When choosing a company name, an application must be submitted so as to avoid duplication of names with previously registered companies.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

The established company must have an office, and address and a local bank account.



PERMANENT ESTABLISHMENT IN BULGARIA: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

The place of economic activity includes an address, a representative, a bank account, accountant, and having a tax registration.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A subsidiary is an independent legal entity, which conducts business on its own behalf, whereas a branch conducts business on behalf of the foreign entity, but has an independent bookkeeping and is tax liable according to Bulgarian law.

TAX AND ACCOUNTING OBLIGATIONS

Regular tax obligations include: VAT (20%), corporate income tax (10%), and employee income tax (10%), and social security (30%).

REGISTRATION FORMALITIES

The minimum initial capital requirements must be met. It is obligatory to draft the memorandum of incorporation, which must be submitted in court. There should also be an appointed accountant and a representative; an office should be rented, and the tax registration should be completed.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

There is no minimum initial capital requirement and no memorandum of incorporation is needed. However, an accountant and a representative must be appointed; an office, rented; and the tax registration, completed.



HOW TO HIRE MY FIRST EMPLOYEE IN BULGARIA

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

After the tax registration of the entity, the appointed manager hires the first employee. The signed contract is declared before the NSSI at least 3 days before the start date.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

The contract must include all but not only the following: position, monthly salary, working hours and paid annual leave.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

Yes, a company can be hired as a subcontractor, or a physical person can be hired for specific projects, but he/she will be liable to mostly the same taxes as a regular employee.



HOW TO READ FINANCIAL STATEMENTS IN BULGARIA

According to Bulgarian Law, both International and National Financial Reporting Standards are applied. IFRS are obligatory for large entities. Regardless of the Standards used, the annual financial statements include a Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Equity Statement, Notes and Management Report.

Please see the following examples.

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Attachment № 1 to CC 1
Double sided form

BALANCE SHEET

of
at

ASSETS					LIABILITIES				
SECTIONS, GROUPS, ITEMS	Amount (rounded to thousands BGN)				SECTIONS, GROUPS, ITEMS	Amount (rounded to thousands BGN)			
	Notes to YFR	Current year	Previous year	Notes to YFR		Notes to YFR	Current year	Previous year	Notes to YFR
	20	20	20	20		20	20	20	20
a					a				
A. Subscribed, not paid-in capital					A. Equity				
B. Noncurrent (long-term) assets					<i>I. Subscribed capital</i>				
<i>I. Intangible assets</i>					<i>II. Share premium</i>				
1. Products from research and development					<i>III. Revaluation reserve</i>				
2. Concessions, patents, licenses, trademarks software and other similar rights and assets					<i>IV. Reserves</i>				
3. Trade Reputation					1. Statutory reserve fund				
4. Advance payments and intangible assets under development					2. Reserves related to bought back own company stocks				
Total for group I:					3. Reserve as per articles of association				
<i>II. Long-term assets</i>					4. Other reserves				
1. Land and buildings, including:					Total for group IV:				
- Lands					<i>V. Accrued profit (loss) from previous years, including:</i>				
- Buildings					- Retained Earnings				
2. Machines and production equipment					- Uncovered loss				
3. Miscellaneous Equipment					Total for group V:				
4. Advance payments and tangible assets under development					VI. Operating profit (loss)				

Total for group II:					Total for section A:				
<i>III. Long-term financial assets</i>					B. Provisions and similar liabilities				
1. Investments in group undertakings					1. Provisions for pensions and similar liabilities				
2. Loans granted to group undertakings					2. Provisions for taxes, including:				
3. Stocks and shares in associates					- Deferred tax				
4. Loans granted to associates					3. Other provisions and similar liabilities				
5. Long-term investments					Total for section B:				
6. Other loans					C. Liabilities				
7. Bought back own company securities					1. Bond issues with a separate indication of convertible, including:				
nominal value round to thousands BGN	X	X	X	X	up to 1 year				
Total for group III:					over 1 year				
<i>IV. Deferred taxes</i>					2. Liabilities to financial institutions including				
Total for section B:					up to 1 year				
C. Current (short-term) assets					over 1 year				
<i>I. Inventories</i>					3. Advance payments received, including:				
1. Raw materials and consumables					up to 1 year				
2. Work-in progress and semi-finished products					over 1 year				
3. Production and goods, including:					4. Liabilities to suppliers, including:				
- production					up to 1 year				
- goods					over 1 year				
4. Advances paid					5. Bills payable, including:				
Total for group I:					up to 1 year				
<i>II. Receivables</i>					over 1 year				
1. Receivables from customers and suppliers, including:					6. Liabilities to group companies, including:				
over 1 year					up to 1 year				
2. Receivables from group companies, including:					over 1 year				
over 1 year					7. Liabilities to associated companies and joint ventures, including:				



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3. Receivables related to associates and joint ventures, including:					up to 1 year				
over 1 year					over 1 year				
4. Other receivables, including:					8. Other liabilities, including:				
over 1 year					up to 1 year				
Total for group II:					over 1 year				
III. Investments					- to personnel, including:				
1. Stocks and shares in group companies					up to 1 year				
2. Bought back own company securities					over 1 year				
nominal value round to thousands BGN	X	X	X	X	- insurance liabilities, including:				
3. Other investments					up to 1 year				
Total for group III:					over 1 year				
IV. Cash, including:					- tax liabilities, including:				
- cash in hand					up to 1 year				
- in current accounts (deposits)					over 1 year				
Total for group IV:					Total for section C, including:				
Total for section C:					up to 1 year				
D. Deferred expenses					over 1 year				
					D. Deferred revenues and funding, including:				
					- Deferred funding				
					- Deferred revenues				
TOTAL ASSETS (A+B+C+D)					TOTAL LIABILITIES (A+B+C+D)				

Date:

Съставител:

Ръководител:



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Attachment № 2 to AS 1
double sided form

PROFIT AND LOSS STATEMENT

of
for

DESCRIPTION OF EXPENSES	Amount (rounded to thousands BGN)		DESCRIPTION OF REVENUE	Amount (rounded to thousands BGN)	
	Current year	Previous year		Current year	Previous year
a	1	2	a	1	2
A. Expenses			A. Revenue		
1. Reduction of the finished and unfinished goods kept in stock			1. Net income from sales of:		
2. Expenses for raw materials and outsourced services, including:			a) Produce		
a) Raw Materials			b) Goods		
b) Outsourced services			b) Services		
3. Payroll expenses, including:			2. Increase of the finished and unfinished goods kept in stock		
a) Remuneration expenses			3. Expenses for assets acquisition economic way		
b) Social insurance expenses, incl:			4. Other income, including:		
- Pension related social security expenses			- income from financing		
4. Expenses for amortization and depreciation, including:			<i>Total income from operating activities (1 + 2 + 3 + 4)</i>		
a) depreciation and impairment tangible and intangible assets, including:			5. Income from participation in subsidiaries, associated companies, joined ventures, etc.		
- Expenses for amortization			- income from participations in group undertakings		
- Expenses for depreciation			6. Income from other investments and loans, accounted for as non-current liabilities (long-term) assets, including:		

b) Expenses of depreciation of current (short term) assets			- income from group undertakings		
5. Other Expenses, in it.4.:			7. Other interest and financial income, including:		
a) balance value of assets sold			a) income from group undertakings		
b) provisions			b) gains from transactions with financial assets		
<i>Total expenses for operating activity (1 + 2 + 3 + 4 + 5)</i>			c) gains from foreign currency exchange		
6. Expenses from depreciation of financial assets, incl. investments, accounted for as a short term assets, including:			<i>Total financial income (5 + 6 + 7)</i>		
- Expenses related to currency exchange monetary adjustments					
7. Expenses for interests and other financial charges, including:					
a) Expenses related to controlled entities/subsidiaries					
b) Expenses related to negative results from the financial operations					
<i>Total financial expenses (6 + 7)</i>					
8. Profit from major business			8. Loss from major business		
9. Non-recurring expenses activities			9. Non-recurring income activities		
<i>Total expenses (1 + 2 + 3 + 4 + 5 + 6 + 7 + 9)</i>			<i>Total revenue (1 + 2 + 3 + 4 + 5 + 6 + 7 + 9)</i>		
10. Accounting profit (total revenue - total expenses)			10. Accounting loss (total revenue - total expenses)		
11. Profit tax expense					
12. Other taxes, alternative to the corporate profit tax					
13. Profit (10 - 11 - 12)			11. Loss (10 + row 11 and 12 of Section A)		
Grand Total (Total expenses+ 11 + 12 + 13)			Grand Total (Total revenue + 11)		

Date of establishment:

Prepared by:

Manager:

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Attachment № 4 to AS 1

EQUITY STATEMENT

of
for

(in thousands of BGN)

Indicators	Called up share capital	Share premium	Revaluation reserve	Reserves				Financial results from previous years		Current net profit/loss	Total equity capital
				Statutory Reserve Fund	Reserve for equity buy-back	Reserve as per articles of association	Other reserves	Retained earnings	Uncovered loss		
a	1	2	3	4	5	6	7	8	9	10	11
1. Balance at the beginning of the reporting period											
2. Changes in accounting policies											
3. Errors											
4. Balance after changes in accounting policy and errors											
5. Change in capital at the expense of the owners, including:											
- increase											
- decrease											
6. Financial result for the current period											
7. Distributions of profits, including:											
- for dividends											
8. Covered loss											
9. Revaluation of assets and liabilities											
- increase											
- decrease											
10. Other changes in equity capital											
11. Balance at end of reporting period											
12. Changes due to translations of foreign companies financial statements											
13. Capital at end of reporting period (11 +/- 12)											

Date:

Prepared by:

Manager:


DIRECT METHOD CASH FLOW STATEMENT
OF

(in thousands of BGN)

Description of cash flows	Current period			Prior period		
	inflows	outflows	net flow	inflows	outflows	net flow
a	1	2	3	4	5	6
A. Cash flows from main operating activities						
Cash flows related to business partners						
Cash flows related to marketable short-term financial assets						
Cash flows related to payments to employees						
Cash flows related to interest, commissions, dividends and similar						
Proceeds and payments related to foreign currency exchange monetary adjustments						
Profit tax payments and rebates						
Profit distribution payments						
Miscellaneous cash flows from operating activities						
Total cash flows from operating activities (A)						
B. Cash flows from investing activities						
Cash flows related to fixed assets						
Cash flows related to short-term financial assets						
Cash flows related to interest, commissions, dividends and similar						
Cash flow related to business combinations - acquisitions						
Proceeds and payments related to foreign currency exchange monetary adjustments						
Miscellaneous cash flows from investing activities						
Total cash flows from investing activities (B)						

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(in thousands of BGN)

Description of cash flows	Current period			Prior period		
	inflows	outflows	net flow	inflows	outflows	net flow
a	1	2	3	4	5	6
C. Cash flows from financing activities						
Cash flows related to share issuance and repurchase						
Cash flows related to additional contributions and returned to the owners						
Cash flows related to issuance/payments of long-term debt						
Cash flows related to interest, commissions, dividends and similar						
Payments under lease agreements						
Proceeds and payments related to foreign currency exchange monetary adjustments						
Miscellaneous cash flows from financing activities						
Total cash flows from financing activities (C)						
D. Increase (Decrease) in Cash during the period (A + B + C)						
E. Cash balance at the beginning of the period						
F. Cash balance at the end of the period of the period						

Date:

Manager:

Prepared by:
(name, middle name, surname) (signature)

