



GLOBAL
EMPLOYER
GUIDE

BULGARIA





Basic Country Facts

Full Name

- Republic of Bulgaria

Capital

- Sofia

Main Languages

- Bulgarian (85%)
- Macedonian (2.5%)
- Romani
- Turkish
- Albanian

Population

- 7.05 million

Monetary Unit

- Bulgarian lev

Internet Domain

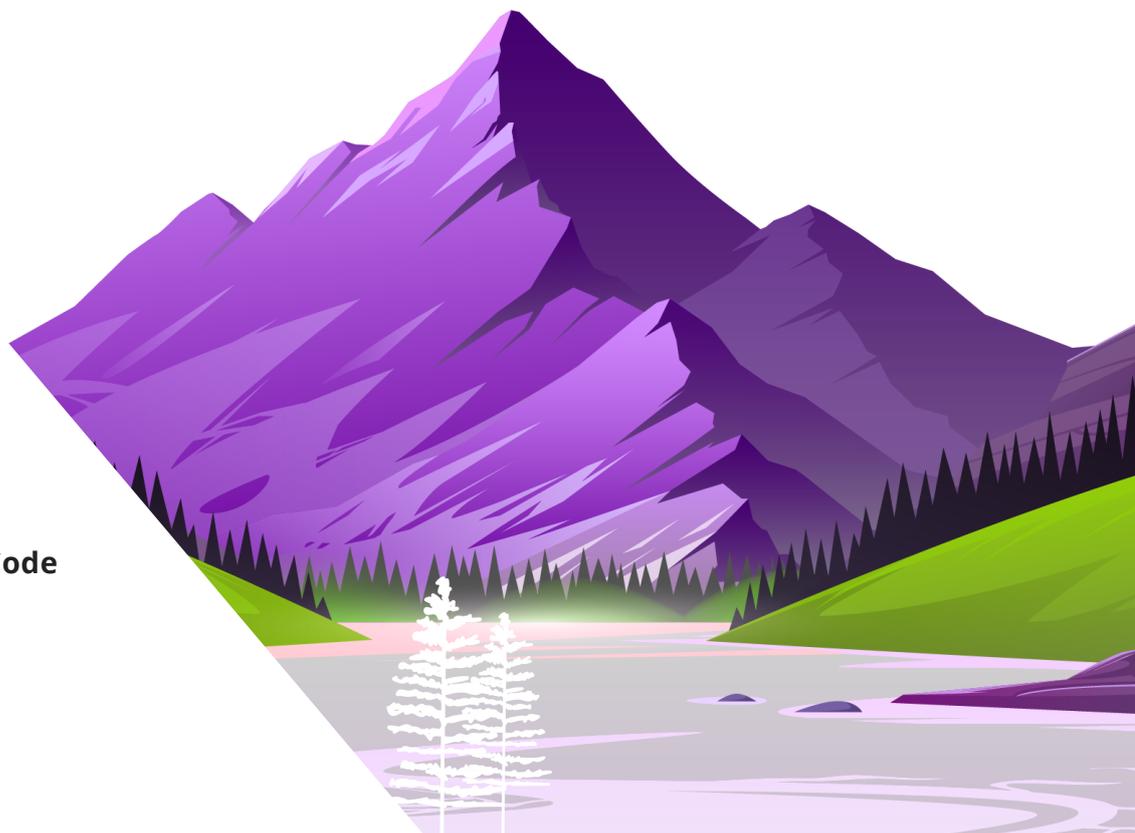
- .bg

International Dialing Code

- +359

Currency

- Bulgarian lev



STATUTORY LABOR REQUIREMENTS

Probation Period

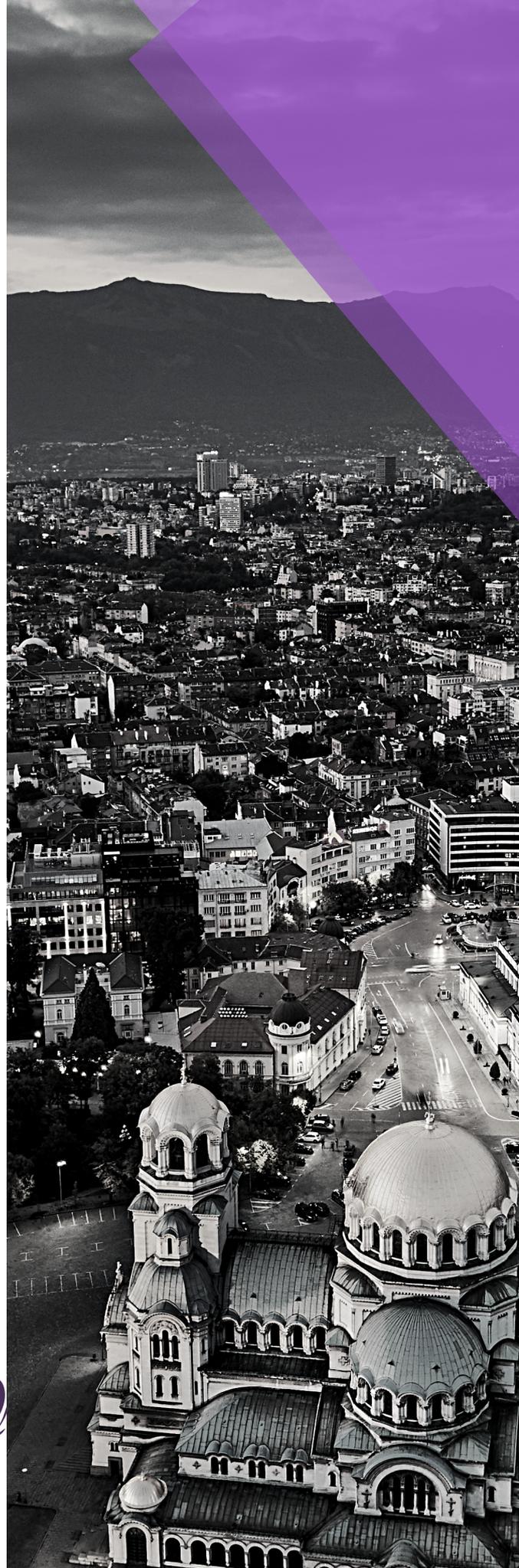
- The probation may not exceed a time period of 6 months.
- The contract must indicate in whose favor the probation is agreed. If the employment contract does not contain this agreement, it is assumed that the time period is in favor of both parties.

Annual Leave

- Employees in Bulgaria are entitled to a minimum of 20 business days off per year.
- The employees should use their annual leave entitlement during the year earned.

Public Holidays

- Employees are entitled to 11 public holidays
 - New Year's Day (1st January)
 - Bulgaria Liberation Day (3rd March)
 - Good Friday (17th April)
 - Orthodox Easter Monday (20th April)
 - Labor Day (1st May)
 - Slavonic Literature and Culture Day (24th May)
 - Unification Day (6th September)
 - Independence Day (22nd September)
 - Eastern Orthodox Christmas Eve (24th December)
 - Orthodox Christmas Day (25th December)
 - 2nd Day of Christmas (26th December)



Maternity Leave

- Maternity leave in Bulgaria is 410 days, 45 of which are used before the birth. With the mother's consent, when the child reaches six months, the leave can be transferred to the father for the
 - rest of the period.

Paternity Leave

- Fathers are entitled to 15 days paid paternity leave following the birth of the baby.

Sick Leave

- For the first three days of the sick leave, the employer must cover 70% of the employee's wages.
- The National Social Security Institute must cover rest of the sick leave, after the employee provides necessary documentations.
- Employee must be working for the company for at least six consecutive months to claim these benefits.
- The employee will receive 80% of their regular wages per day, which is capped at BGN 2,600 in case of a sick leave and in case of an accident at the workplace, they will receive 90% of their regular wages, capped at BGN 2,600.

Work Hours

- The standard working hours are 8 hours per day, five days per week.
- The schedule 08.00-17.00 is more typical in the industry sector while the schedule 09.00-18.00 is typical for public sectors and services.

Overtime

- In Bulgaria, the employee is not obligated to work overtime (unless otherwise agreed).
- Overtime must be performed outside the regular working time (e.g. before the beginning/after the end of the working day, during the lunch break).
- Within one calendar year, overtime may not exceed 150 hours (Article 146 (1) of the Labor Code); within one working week it may not exceed 6 hours of day work and 4 hours of night work; within one working month it may not exceed 30 hours' day work and 20 hours' night work.
- According to Article 150 in relation to Article 262 of the Labor Code, the performed overtime work is remunerated with respectively higher supplements agreed between the parties of the employment contract.
- The minimum supplements are as follows:
 - 50 % for work on work days;
 - 75 % for work on holidays;
 - 100 % for work on public holidays;
 - 50 % for work at working time calculated on a weekly or longer basis.

Notice Period

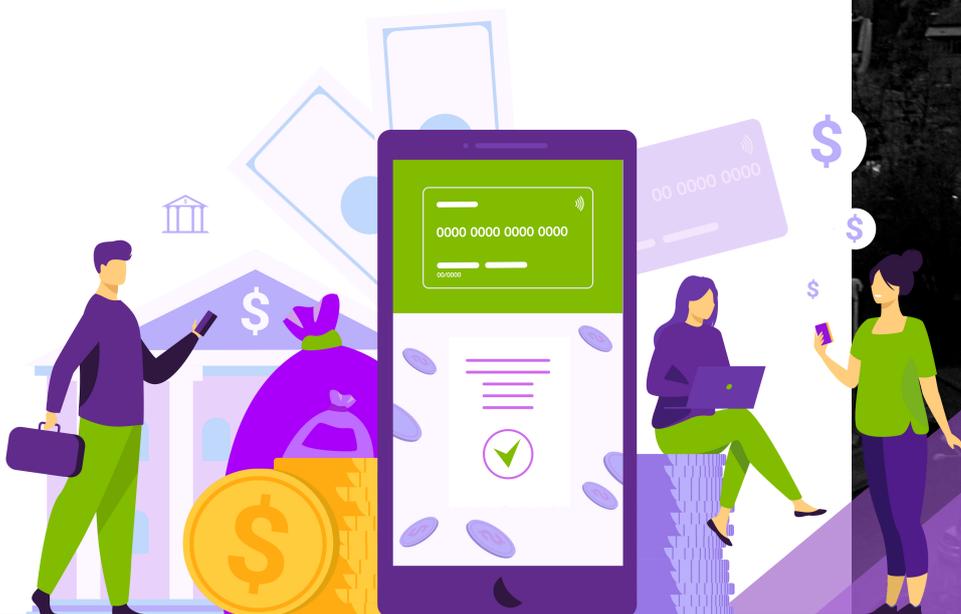
- Labor Code Article 326 (2) defines that the notice period for termination of a permanent contract is 30 days, unless the parties have agreed on a longer period, but not more than 3 months.
- The notice period for termination of fixed-term contracts is 3 months but not more than the remaining term of the contract.

Severance

- While there is no general provision on statutory severance pay in place, workers are entitled to redundancy pay equal to one month's salary in the case of individual or collective dismissal on economic grounds.
- With a decision of the Council of Ministers, or on the basis of collective labor agreements or employment contracts, compensations for a longer period could be defined.
- If within this period the employee started the work with lower salary, he/she is entitled to receive the difference in remuneration for the affected time period.

13th Month

- The 13th-month bonus in Bulgaria is considered a gratuity and is not required by local law.
- An employer's internal rules regarding how bonuses are paid out should be followed and bonus policies should be communicated to employees to avoid possible labor law discrimination disputes..





Income Tax

- Individuals are taxed in Bulgaria based on their tax residency status. Bulgarian tax residents are taxed on their worldwide income. Non-residents are taxed in Bulgaria only on their
- Bulgarian-source income, which has a very broad legal definition. Generally, this is all income derived as a result of economic activities performed in the territory of Bulgaria or as a result of disposal of property in Bulgaria.
- Any income derived as a result of employment or of rendering services in the territory of Bulgaria is deemed Bulgarian-source income, regardless of from where or by whom it is paid.
- Rental income or income from disposal of real estate property located in Bulgaria is considered Bulgarian-source income.
- A flat tax rate of 10% applies to all personal income, with some exceptions.

Income Tax Rate

A flat tax rate of 10% applies to all personal income, with some exceptions.



Social Security

- The aim of the social security system is to guarantee a stable standard of living to everyone. The Bulgarian social security system covers the following risks:
 - General disease,
 - Work-related accidents,
 - Occupational disease,
 - Maternity,
 - Unemployment,
 - Old-age,
 - Death.
- The employer is obligated to report the conclusion of an employment contract within a time period of three days to the National Revenue Agency. Besides, he must pay the social security contributions by the 25th of the following month (Article 7 (1) of the Social Security Code (SSC))
- National insurance contributions include social security and health insurance contributions.
- The aggregate rate of social security contributions is 24.7% to 25.4%*, of which 14.12% to 14.82%* is payable by the employer and 10.58% is payable by the employee.
- The aggregate rate of health insurance contributions is 8%, of which 4.8% is payable by the employer and 3.2% is payable by the employee.
- The total national insurance contribution rate (social security and health insurance) is 32.7% to 33.4%*, of which 18.92% to 19.62%* is payable by the employer and 13.78% is payable by the employee.
- The above rates are applicable to Bulgarian nationals, as well as to European Union (EU)/European Economic Area (EEA) nationals who are subject to Bulgarian social security contributions
 - (i.e. who have not obtained a E101/A1 certificate of coverage issued from their home country social security authorities).
- Non-EU/EEA nationals are also subject to these contributions under certain conditions, except for health insurance contributions. If they have a permanent residence permit for Bulgaria, they will be subject to health insurance contributions too.
- The minimum monthly insurance base for freelancers is BGN 610 for 2020. The maximum monthly insurance base for freelancers is BGN 3,000 for 2020.
- For individuals working under employment agreements or as managers or controllers of companies, the minimum insurance base depends on the economic activity of the insurer as well as on the profession and grade of the insured person. The minimum base varies between BGN 610 and BGN 1,763. The maximum monthly insurance base is limited to BGN 3,000.
- * The range is due to the rate of contributions payable to the 'Accident at Work and Occupational Illness Fund', which is due only by the employer and can vary from 0.4% to 1.1% depending on one's economic activity. The rate for the administration and services sector is 0.5%.

Social Security Contributions

Contribution Type	Employee	Employer
Social security contributions	14.12% to 14.82%	10.58%
Health Insurance contribution	4.8%	3.2%

Deductible Expenses

Personal Deductions

- Donations to certain organizations are deductible up to the defined limits (i.e. the total amount of donations may not exceed 65% of the total annual taxable base of the individual).
- Mandatory social security contributions in Bulgaria or another EU/EEA country borne by individuals are tax deductible in full (in the presence of supporting documentation).
- Voluntary pension and unemployment contributions, as well as certain health insurance and life insurance contributions, are deductible up to certain limits.
- Young married couples (including foreign individual tax residents of an EU/EEA member state) may deduct from their annual taxable income the interest on mortgage loans for the first BGN 100,000 of the loan, under certain conditions.
- Tax incentives have been introduced for people with children, which can benefit both local and EU/EEA established individuals. The tax incentives for children provide for reduction of the total annual tax base calculated under the PITA of the parent in the following amounts:
 - BGN 200 in case of one child.
 - BGN 400 in case of two children.
 - BGN 600 in case of three and more children.

- The conditions for this tax relief require that the child is underage, not placed in a specialized care institution as at 31 December of the fiscal year, and is a resident of an EU/EEA member state as at the same date. This relief can be used by a parent who is not deprived of parental rights, a guardian, a family member or close relative where the child is placed, or a foster parent. Only one parent (or foster parent or close relative) may benefit from this new tax relief. If a double benefit is determined after a review, the amount of the relief has to be returned to the authorities.
- Tax incentives for disabled children are also introduced and are applicable under certain specific conditions.

Tax relief for individuals who use non-cash methods for payment of their expenses

- The requirements for tax relief for individuals who use non-cash methods for payment of their expenses are that the individual has received taxable income during the tax year, 100% of the taxable income to be received is by bank transfers, at least 80% of the expenses of the individual are to be paid by non-cash methods, and the individual must have no outstanding public liabilities at the date of filing of the annual tax return. The tax relief is 1% from the total tax liability in Bulgaria for the tax year, but capped to BGN 500.
- All tax reliefs above may be used only in case the individual has no outstanding public liabilities at the date of filing of the annual tax return.



Business deductions

- Individuals earning certain types of income can deduct pre-estimated statutory expenses in calculating their taxable income:
 - Freelancers, civil contractors, notary officers, physicians, dentists, or other private practitioners may deduct 25% from their gross income. VAT registration may be required after achieving certain turnover.
 - Royalties are subject to 40% statutory deductions.
 - Rental income is subject to 10% statutory deductions.
 - Income of agricultural producers (including tobacco producers) is subject to 60% statutory deductions.



Deductible Expenses

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Business Deductions

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- Royalties are subject to 40% statutory deductions.
- Rental income is subject to 10% statutory deductions.
- Income of agricultural producers (including tobacco producers) is subject to 60% statutory deductions.

Immigration

- The Employment Promotion Act is the main legal framework regulating the employment of foreign citizens in Bulgaria.
 - However, not all foreign citizens are required to apply for a work permit when coming to work in Bulgaria. EU and Swiss citizens are not required to obtain Bulgarian labor permits; they must only register with the local Employment Office of the region they live in.
 - Non-EU citizens must first apply for a work permit with the National Employment Agency before starting working for a Bulgarian company. The employer must apply for the foreign employee's Bulgarian labor permit.
 - In Bulgaria, work permits are issued for foreigners who have specific skills and specialists.
 - Foreigners may work in Bulgaria only after obtaining a work permit, unless otherwise stipulated by the law. The grounds for obtaining a work permit are signing by the Foreigner of an employment contract with a Bulgarian employer, or sending of the Foreigner to a business trip for undertaking of certain activities in Bulgaria.
 - Work permits required for Foreigners must be requested by the local employer and are issued by the Bulgarian Employment Agency. A number of legal terms and conditions must be met for the permit to be issued. Work permits are issued for a maximum duration of 1 year.
- If a work permit is granted to a Foreigner on the basis of a signed employment contract with a local employer, generally, such a permit can be extended, if the terms and conditions for its issuance are still valid, but the total duration may not exceed 3 (three) years. The term of validity of a work permit issued to a Foreigner, who is sent on a business trip, cannot be extended for further one-year periods, unless by exception.
 - Foreigners may reside in Bulgaria for short-term periods (90 days from the date of entry), continuous stay (1 year), long-term (with an initial authorized period of 5 years and renewable) and permanently – for an indefinite period.
 - Bulgarian employers must report signed labor contracts with Foreigners and European citizens at the National Revenue Agency within 3 days from their signing.
 - European citizens, who are sent on a business trip to Bulgaria, are subject to one-off registration at the Bulgarian Employment Agency, which is performed by the local person accepting the seconded employees.
- **EU Blue Card:**
 - You must be a highly-qualified professional within the meaning of the Employment Promotion Act. Meaning that you must be qualified for the exact job you are being hired for, by having a diploma from a university or another institution of higher education, which is valid and accepted in Bulgaria. The educational course leading to the diploma must be at least three years in duration.
 - It must be proven that the gross annual salary specified in the contract is at least 8168 euro (2016).



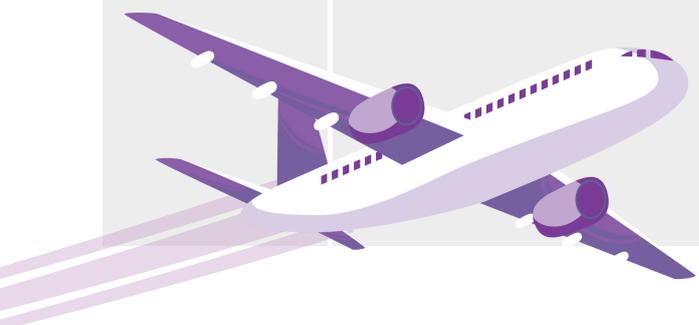
Foreigners who do not require a work permit

- Foreigners with long-term or permanent residence in Bulgaria;
- Managers of companies or branches of foreign entities;
- Members of boards of directors of companies who do not work under an employment relationship;
- Commercial representatives of foreign companies.



Type of Visa/ Permits	Documentation	Validity	Eligibility
<p>Short-term stay (up to 90 days)</p> <p>Long-term stay (up to 1 year)</p>	<ul style="list-style-type: none"> • Fixed form request and statement; • Reasons for the request; • Three photographs of the foreigner; • Certified copy of the registration document or ID code proving the employer's identity; • Legalized documents evidencing the foreigner's education, specialty, legal capacity and/or acquired professional qualification, skills and experience; • Report by the employer on the foreigners working for the latter; • Report on the average staff employed under employment contracts for the previous 12 months; • Employment contract; • Other documents related to the specifics of the job and required by a regulatory document; • Copy of a valid document for travelling abroad with a validity term no shorter than 7 months; • Regarding senior management staff and experts of a foreign legal entity: official legalized document certifying the job occupied by the foreigner in the structure of the foreign legal entity in the last 12 months. 	1 year	<p>On the basis of work permit, except for certain cases, e.g.:</p> <ul style="list-style-type: none"> • persons managing business companies/branches of foreign legal entities; • members of managing boards and boards of directors of business companies who are not employed under an employment contract; • family members of a foreigner holding a long-stay permit; • family members of EU nationals, etc.

<p>Long-term stay (5 years with an extension option)</p> <p>Residence (unlimited period)</p>	<ul style="list-style-type: none"> • Fixed form request and statement; • Reasons for the request; • Three photographs of the foreigner; • Certified copy of the registration document or ID code proving the employer's identity; • Legalized documents evidencing the foreigner's education, specialty, legal capacity and/or acquired professional qualification, skills and experience; • Report by the employer on the foreigners working for the latter; • Report on the average staff employed under employment contracts for the previous 12 months; • Employment contract; • Other documents related to the specifics of the job and required by a regulatory document; • Copy of a valid document for travelling abroad with a validity term no shorter than 7 months; • Regarding senior management staff and experts of a foreign legal entity: official legalized document certifying the job occupied by the foreigner in the structure of the foreign legal entity in the last 12 months. 	<p>5 years</p>	<ul style="list-style-type: none"> • Under the procedures for Bulgarian nationals (without work permit) unless there are any additional requirements in respect of the particular work set by a regulatory document.
<p>EU Blue Card</p>	<ul style="list-style-type: none"> • Bachelor or Master's Degree • Valid Passport • Application Form • Proof of Health Insurance 	<p>1 year</p>	<ul style="list-style-type: none"> • It must be proven that the gross annual salary specified in the contract is at least 8168 euro (2016). • A valid work contract or binding job offer of at least one year. • The EU Blue Card applicant must have successfully completed a post-secondary higher education program of at least three years: a Bachelor or Master degree



Value Added Tax (VAT)

- The standard VAT rate is 20%.
- A reduced VAT rate of 9% applies to certain tourist services.
- Some activities are zero-rated, including intra-Community supplies, exports of goods to countries outside the European Union (EU), international transport of goods (i.e. transport to or from countries outside of the European Union), and supplies of goods and services related to aircraft and vessels, subject to statutory limitations.
- Some supplies are VAT exempt without the right to a VAT credit, including (but not limited to) certain land transactions; leasing of residential property to individuals; financial, insurance, gambling, educational, and health services; and provision of food products to a food bank free of charge, subject to certain statutory conditions. Options to charge VAT exist for certain land transactions, leasing of residential property to individuals, and finance lease contracts.

Withholding Tax

Dividends

- Dividends and Liquidation proceeds payable to a nonresident are subject to a 5% withholding tax, unless a lower rate applies under a tax treaty.
- Dividends and liquidations proceeds payable to a legal entity that is tax resident in an EU/EEA member state are exempt from withholding tax
- Interest paid to a nonresident is subject to a 10% WHT, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies
- Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies.
- Technical service fee paid to a nonresident are subject to a 10% WHT, unless the rate is reduced under a tax treaty.

VAT Rates	
Standard Rates	20%
Reduced Rates	9%
Zero Rate	0%



WHT

Dividends	Dividends and Liquidation proceeds payable to a nonresident are subject to a 5% withholding tax, unless a lower rate applies under a tax treaty.
Interest	Interest paid to a nonresident is subject to a 10% WHT, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies
Royalties	Royalties paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive applies.
Technical Service Fees	Technical service fee paid to a nonresident are subject to a 10% WHT, unless the rate is reduced under a tax treaty.





Termination

- The Bulgarian labor law provides several reasons for termination by the employer that, if they are present, allow the employer to terminate the employment contract with a written letter of notice according to the time limits of Article 326 (2) of the Labor Code:
 - 1. Closing down the enterprise;
 - 2. Partial closing down or personnel reduction;
 - 3. Reduction of the volume of work;
 - 4. Work stoppage for more than 15 working days;
 - 5. When an employee lacks the qualities for efficient work performance;
 - 6. When an employee does not have the necessary education or vocational training for the assigned work;
 - 7. When an employee refuses to follow an enterprise or a division thereof, in which he is employed, when it is relocated to another community or locality;
 - 8. If an employee that had been dismissed unlawfully must be reinstated to his old position;
 - 9. Upon reaching 65 years of age for professors, lecturers and doctors;
 - 10. If the employment relationship has been founded after the employee acquired and exercised the right on pension for retirement age;
 - 11. If the requirements of the work amended to a level that the employee cannot fulfil due to lacking qualification;
 - 12. In case of objective impossibility to fulfill the employment contract.

Statutory Benefits

- These are mandatory benefits as stipulated by law
- Statutory benefits include annual leave, public holidays, maternity leave, paternity leave, sick leave, overtime pay, notice period, severance pay, 13th month bonus.
- It also includes social security benefits.
- The Bulgarian social security system covers the following risks:
 - General disease,
 - Work-related accidents,
 - Occupational disease,
 - Maternity,
 - Unemployment,
 - Old-age,
 - Death

Statutory Benefits

Annual leave

Public holidays

Maternity leave

Paternity leave

Sick leave

Overtime pay

Notice period

Severance pay

13th month pay

Social security benefits

Payments and Invoicing

- The tax year in Bulgaria is, without exception, the calendar year.
- In general, taxpayers have to submit annual tax returns.
- Employees who work on the basis of an employment contract with a local employer are not obligated to submit tax returns if they have employment income only, the entire income has been taxed during the year via the employer's monthly payroll withholding, and at 31 December of the tax year they have only one employer who makes an annual reconciliation of the due tax by 31 January of the following year. In all other cases, individuals, including those who receive income under employment contracts with non-resident employers, are obligated to file an annual tax return.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Bulgaria ranked 61st in the World in 2019 in terms of ease of doing business.



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