

Bulgaria

BAZLYANKOV, STANOEV & TASHEV LAW OFFICES



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Bazlyankov, Stanoev and Tashev Law Office was founded in 1991 in the town of Plovdiv by the lawyers Nikolay Bazlyankov and Dessislav Tashev. In 1997 Boyan Stanoev joined as a full partner and in 2009 lawyers Ekaterina Nikolova and Diana Ilieva became partners in the law office as well.

Today BST law office is one of the biggest and most dynamically developing law firms in Bulgaria.

BST law office has established traditions in Bulgarian jurisprudence and has developed a number of legal activity in fields.

We achieved success and prestige due to our professionalism and the enterprise of our ambitious team of lawyers, also due to our exceptionally correct relationship with clients, our sticking to commitments, our individual approach in accordance with the specifics of each case, and our ambition to achieve a successful solution and finalization. We provide full support in clients dealing with different administrative structures and we cooperate and help during the conducting of negotiations in favour of the client.

The process of our own development and improvement is an uninterrupted and dynamic one, with skilful seeking, acquiring and implementing of traditional and non-traditional methods and original ideas and solutions in the process of the work, as well as constant striving for and interest in the adoption of current innovations not only in the sphere of law, but in other fields too.

Bazlyankov, Stanoev & Tashev law office is specialized in ensuring reliable and good quality representation of its clients before courts of justice, state and municipal authorities in the entire country.

Legal consultations are provided for Bulgarian and foreign natural and legal persons, for branches and representatives of foreign companies in Bulgaria, for public entities and non-profit legal persons.

The law office is a member of the Association of European Lawyers - AEL, of the International Association of Law Firms - E-iure and of the Global Network of Independent Law Firms - ALFA International.

The BST Law Office provides services in English, Spanish and Russian languages.

COMMERCIAL LAW

Incorporation and registration of companies
Structuring of holding groups
Share transfers
Bankruptcy and liquidation

CONTRACTUAL LAW

All kinds of Agreements
Contracts under general conditions
Public procurement

REAL ESTATE AND INVESTMENTS

Real estate deals
Consultations on investments in real estate
Construction - requirements and procedures
Notary proceedings
Pledges and mortgages
Legal analyses and research

PRIVATIZATION

Privatization deals
Structuring of privatization projects
Negotiations with state authorities

TAX LAW

Tax consultations
Representation before the tax authorities
Avoidance of double taxation treaties

COMPETITION LAW

Concentration of industrial activity
Unfair competition
Representation before the Competition Protection Committee

INTELLECTUAL PROPERTY LAW

Representation before the Patent authority of the Republic of Bulgaria
Procedures and registration of trademarks and service brands, designations of origin and geographic designations
Protection of intellectual property

THE TEAM

BST law office has a team of lawyers, trainees, accountants, experts and administrators working. They are all exceptional professionals, each in his/her field, and they are dynamic and active people too. Our conduct, principles and relations are based on solidarity, a developed skill for teamwork as well as team spirit.

The initiative which we all support is to lead our clients to success and optimal and positive results. This is why we try to communicate in an accessible and understandable language, to give adequate advice and offer solutions in accordance with the case and the personality of each client. We lend our experience and knowledge and we guarantee responsibly and without reservations our commitment to the clients and their cases. We strive to make a positive impression of safety with our conduct and style of work.

LAW OF EMPLOYMENT AND INSURANCE

Employment contracts, conclusion, amendment and termination
Collective employment contracts
Consultations in relation to the hiring of Bulgarian and foreign staff
Labour disputes

CIVIL PROCEDURE LAW

Preliminary assessment of legal disputes and preparation of suits
Mediation - solving disputes outside of court
Litigation before public courts of justice
Arbitration agreements and procedures

ADMINISTRATIVE PROCEDURE LAW

Challenging of administrative acts
Normative requirements and rules of trade and consumer protection
Consultations about regulation requirements in Bulgaria

Bulgaria Corporate Law

Bazlyankov, Stanoev & Tashev Law Office

1. Regulations and Rules

Bulgarian corporate law now is codified and integrated into the Commercial Law. This act contains the most of the rules of company law – incorporation of the companies, changes in the capital /increasing or decreasing/ and the decision-making bodies, insolvency and liquidation of the company, merge of companies.

In Bulgaria, as a member state of the European Union, are in force the resolutions of the EU in the area of the corporate law and several commercial directives are implemented in the corporate legislation in Bulgaria.

2. Types of Companies

In Bulgaria there are different legal forms to develop business. The most frequently preferred types by Bulgarian and foreign investors are:

∴ **Limited Liability Company /LTD/**

Is a small and the most commonly incorporated company in Bulgaria. A company with minimum capital of 2 BGN /1 euro/. The partners can be Bulgarian legal entities or natural persons, as well as foreign legal entities or natural persons.

∴ **Single Limited Liability Company**

A single partner /a Bulgarian or a foreign legal entity or natural person/ possesses the whole share capital of the company, the minimum capital is 2 BGN /1 euro/.

∴ **Joint Stock Company /JSC/**

Company with a minimum capital of 50 000 BGN /around 25 000 euro/ of which at least 25 % must have been paid at the time of incorporation. The capital is divided into shares.

∴ **Single Shareholder Joint Stock Company**

There is only one shareholder who possesses the whole share capital, divided into shares.

All these companies are limited liability companies.

Other less common legal forms are:

∴ General Partnership

Is incorporated by two or more general partners who are unlimitedly liable

∴ Limited Partnership

Is incorporated by two or more partners, some of the partners are limitedly liable to the amount of capital contributed and other partners are unlimitedly liable.

The incorporation of a branch

A company, duly registered in Bulgarian Registry Agency, Commercial register can open a branch or branches in a town, different from the company's registered office. The incorporation of a branch requires to be taken a formal resolution of the decision-making body, authorising the establishment of a branch in another town in Bulgaria and appointing a representative. The branch does not have a legal personality and represents an economic structure, which is managed separately than the company but cannot have a separate balance. It is inscribed in the Commercial register and information about this separate registration should be present in the branch's correspondence.

The branch of a foreign company

The regulation regarding a branch of a foreign company in Bulgaria is provided in the Commercial Code. A foreign company duly registered under the national law of the respective country can open a branch in Bulgaria. For this purpose, it is necessary to be presented documents for the registration of the Company and the decision-making body has to take a decision about the address of administration, representative, activity of the branch. It is provided that the branch has separate balance and should have, respectively reflecting on the tax issues – the branch of a foreign company is a different tax subject.

3. The Liability of Shareholders

In all of the limited liability companies /Ltd and JSC/ partners' /shareholders' liability is limited to the capital contribution. If a partner/shareholder participates actively in the management of the company in the capacity of manager/director, the one becomes liable for corporate wrong management in the event of bankruptcy.

The shareholders are not liable for the Company's debts as the company and its shareholders are considered for company law purposes as separate legal persons.

4. Share Capital /minimum and minimum paid in amount/

Company	Minimum (€)	Minimum paid in amount (€)
Limited Liability Company /LTD/	1	100%
Single Limited Liability Company	1	100%
Joint Stock Company /JSC/	25 000	25%
Single Shareholder JSC	25 000	25%

5. Shares and Share Rights

The JSC and the Single JSC issues shares, which may be only registered, ordinary or preferred. It is common a company to issue only one class of shares, known as ordinary shares. In the articles of association of the Company are performed the rights and restrictions attaching to the shares. The shareholders who hold preferred shares would be expected to carry additional rights /for example - to receive guaranteed or extra dividends/. It is accepted for the shares to be freely transferable. However, it is the article of association to provide the restrictions to be transferred shares and the way of transfer. When shares are issued or transferred, details of the shareholder are registered in the company's statutory books and a share certificate is issued.

6. Corporate Governance

Shareholders Meeting

Partners / Shareholders reserve the right to make certain decisions.

Bulgarian Commercial Law distinguishes ordinary and extraordinary resolutions. As for the ordinary resolution the required majority is 50 % and for the extraordinary resolutions the required majority is $\frac{3}{4}$.

Ordinary resolutions, for example, are

approval the annual statement and the balance sheet, adoption of resolutions for reduction and increase of capital, appointing the manager, changing the corporate purpose, adoption resolutions for opening and closing of branch offices and for participation in other companies.

Extraordinary resolutions are:

making amendments and supplements to the Articles of incorporation, admittance and dismissal of a partner/ shareholder, transfer of the part of the company to a new member, adoption resolutions for acquisition and expropriation of real estates and real rights.

The resolutions for reduction and increase of capital are adopted unanimously by all partners /shareholders.

Minimum number of broad meeting / year – Once a year, At least one shareholders meeting must be held each year in order to approve the accounts of the previous year. Both JSC and Single JSC must have a Statutory Auditor. The Board of Directors annually after the end of June composes for the previous year an annual financial statement and report for the Company's activity and presents them to the expert accountants-auditor appointed by the shareholders for examination and report.

Management

The General meeting of partners of a LLC makes the most important decisions concerning the capital, the structure, management of the company, the admittance and expelling of shareholders, the acquisition and disposing of real estates, etc.

The ruling bodies of a JSC are the General meetings of shareholders to decide the most important issues. The other bodies depend on the system of management, which has been chosen. As there are usually a greater number of shareholders the law does not require unanimity for any decisions made by the General meeting. The General meeting is not entitled to make decision for acquisition or disposing of real estates as this issue is in the scope of the Board of directors' powers.

∴ The one-level system includes only a Board of directors consisting of 3 – 9 members which is the ruling and representative body of the company. The board chooses one of its members who, in his capacity of an executive director, solely represents the company and performs the basic actions connected with the management, but on the grounds of a relevant decision of the Board.

∴ The two-level system of management includes a Managing Board and a Supervisory Board which requires a well experienced method of cooperation between the two boards as some of the actions should be performed by the Managing Board with the consent of the Supervisory Board which chooses the members of the Managing Board and controls them permanently. The first system is more widely used, because of its larger flexibility and simplicity, rather than the two-level system.

Manager and executive director

Appointment, dismissal, duties, remuneration

In the article of association of the company is provided which company body has the rights to appoint and dismiss a manager/executive director, his duties. The person who will act as a manager/ executive director must sign a declaration - consent and provide specified information to the Commercial Register. By and between the Company and the manager/ executive director can be concluded a management contract and to be stipulated his duties, remuneration and liability.

The General Meeting of the partners of LLC appoints and sets a manager of the company and his remuneration. The manager it is not necessary to be a partner. The owners of the share capital have the opportunity to appoint as a manager person who represents the company and binds it in its relations with third parties. The manager carries out the current management of the company and concludes agreements on behalf of the company.

The executive directors in a JSC are appointed by resolution of the members of the Board of Directors and the Board determines their remunerations.

There are no specific rules on the level of remuneration and it will usually be a matter for negotiation.

The managers or the executive directors have to act in the Company interests and to take reasonable care for the Company action and not to accomplish some personal gains. The company is represented by a Manager/ executive director. He/She shall organize and manage the Company's activities in compliance with the law and the resolutions of the General Meeting/ Board of Directors. The manager/ executive director has the rights to convene the General Meeting pursuant to Bulgarian legislation and the Article of association.

Minutes /filing with the registry of commerce and companies

Minutes must be kept in a Minute Book. They are signed by the Manager of the LLC and the executive director of the JSC and by the partners/ shareholders who are present at the General meeting. Only an authorized by the Board of Directors person can write the relevant information in the books.

In case of amendments and supplements to the Article of incorporation, changes concerning the capital, the structure and the management of the companies must notify the Commercial Register and an announcement for the convening of the General Meeting shall be done in the Commercial register.

The Commercial Register Act

The Commercial Register and Register of Non-Profit Legal Persons Act (Title amended, SG No. 74/2016, effective 1.01.2018) was adopted and approved by Bulgarian Parliament in 2006 and is in force since 01.01.2008. The Parliamentary approval of the act fulfilled the recommendation in the European Commission's Monitoring Report on Bulgaria from October 2005 to introduce electronic access to the commercial register and the requirements of Directive 2003/58 of the European Parliament and the European Council.

The enforcement of the Commercial register Act and Register of Non-Profit Legal Persons Act was a step forward for creation of a central electronic register and enables cheaper and faster registration as well as simplifies and secures procedures accessible through Internet.

The Registry Agency, Commercial register facilitates the procedures regarding the incorporation and changes in the companies and ensures more transparency for the partners, shareholders of the companies and the connections between natural and legal persons. The applications regarding the companies are reviewed very fast which considerably helps the various business activities. If the administrator finds that the legal requirements are not met, he/she has to draw up a motivated refusal. The refusal can be claimed to the district court upon the location of the registered office of the Company.

An indisputable asset of the act is the provision to introduce a standard centralized electronic registration system for companies and the direct and easy access to the company information.

The provisions of the Act are currently applied in practice with ups and downs as some issues regarding the Commercial register shall be clarified and solved /such as delays with the inscriptions and different requirements of each administrator/.

The Commercial register Act and Register of Non-Profit Legal Persons Act provides that not re-registered by the deadline /31.12.2011/ existing companies in the Commercial register shall be deemed deregistered. Where a property is found in respect of a deregistered trader, the interested persons could submit an application for restarting the liquidation after that deadline, but not later than 31 December 2022. It still remains to be resolved what would happen to properties, owned by not re-registered companies after the end of 2022.

Bulgaria Tax Regulation

Bazlyankov, Stanoev & Tashev Law Office

1. General notes

In response to the development of market attitudes Bulgaria carried out a number of changes within the last decades in its legislation including tax legislation. During that period major reforms have been put in place, which regulate the tax liabilities of economic subjects/local and foreign/ for their operation on the territory of Republic of Bulgaria. Now it is possible to say that Bulgarian tax legislation is in compliance with the legislation of the European Union.

2. Significant developments

The tax regulations of the European Union are applicable in Bulgaria and the intercommunity rules are implemented in the Bulgarian legislation.

3. Tax on corporate income

Corporate profits are levied at 10% rate. The profits received from sale of shares and other financial instruments are not levied with tax, but only in case if the shares and the financial instruments are registered on Bulgarian Stock Exchange.

4. Corporate residents and objects

The Corporate Income tax Act taxes profits of Bulgarian and foreign legal entities, which have been generated on Bulgarian territory, through a place of business or permanent establishment. This law also regulates the taxation of income of foreign legal entities and individuals such as: dividends, interests, royalties.

The maximum tax rate on these sources of income is 10%. Where there is a double tax treaty between Bulgaria and the country of origin of the foreign company/individual/, the treaty rates are applicable.

5. Other taxes

VAT- Transfer tax- Stamp duty- Property Tax.

5.1. VAT: VAT

rate on the business turnover is 20 %. Generally, all supplies are taxable with the exception of explicitly designated supplies such as: medicine, medical services, social services, financial services.

5.2.

Transfer tax /local municipal tax payable upon transfer of ownership over real estate/. In Bulgaria this tax is applied only on transfers of real estates and vehicles. From the 2011 its rate is between 0.1 – 4.5 % of the price of the real estate included in the deed. The exact percentage is determined with a decision of the Municipal council in every municipality.

5.3.

Stamp duty is paid to the Registry Agency upon the transfer of ownership over a real estate: its rate is 0.1 % of the price of the real estate included in the deed.

5.4.

Annual Municipality Property tax: This tax is levied on the property of individuals and businesses. Taxable properties are only real estates and vehicles. The tax rate depends on the value of the property, its location and type.

6. Branch income

Profits realized by foreign branches in Bulgaria are generally subject to taxation at a 10% rate which is withheld at their Bulgarian source. The income generated through a branch in a foreign territory, are considered as a part of the incomes of the head office. In this case, if there is not a double tax treaty, legal entities apply tax credit for each identical or similar tax paid in foreign territory.

7. Income determination

Inventory is valued in compliance with the accounting policy of the companies, worked out on the basis of IAC and IFRS. Applicable Standards give companies the opportunity to adjust the value of the inventory with the market prices, but for the tax purposes, the effect of these transactions on the net operating profit is eliminated.

Capital gains

Gains from transfer of shares and participations are part of the operating profit of the companies.

Intercompany domestic

Dividends arising from shares or participations in Bulgarian companies and accruing to Bulgarian company or person are taxed at a 5% rate. The capitalized part of distribution of dividends is exempted from taxation. Companies or persons, which are local residents of countries of EU, are free of withholding tax on dividends if they hold at least 20% of the shares or participations and not for shorter term than a year.

Foreign income

As mentioned above, foreign income is considered as a part of the income of the local entity. Two ways of taxation are possible – application of rules of a double tax treaty /if there is such/ or of the right to a tax credit paid for identical or similar taxes in the foreign country.

Deductions

Necessarily entailed expenditures for the operation of the company are generally deductible, with some exceptions. These are expenses on cars used for management needs, gifts and entertainment and some social benefits received from employee for the account of employer. These expenses are deductible, but they are subject to a withholding tax at a 10 % rate. The tax paid is recognized as an expense for operation of the company.

Depreciation and depletion

According to the applicable accounting standards, each company can choose a method of depreciation. But for the purposes of taxation the sum of depreciation is limited to the tax-deductible depreciation rates for each group of assets.

- ∴ Commercial and administrative buildings 4%
- ∴ Industrial buildings and facilities 4%
- ∴ Machinery, equipment and apparatus 30%
- ∴ Office equipment and furniture 50%
- ∴ Automobiles 25%
- ∴ Other vehicles 10%
- ∴ Intangible fixed assets not more than 30%

Net operating losses

According to the legal provisions net losses can be carried forward for five years.

8. Group taxation

There is no special tax regime for holding groups.

9. Tax incentives

Taking into consideration the low tax rate in Bulgaria, tax incentives are not such an important a factor. In spite of this, there are some tax allowances for manufacturing companies.

10. Tax administration

Returns

By March 31 of each year, companies are obliged to file a tax return accompanied by a balance sheet and some other statements for the results of its operation for the previous year. As of the same date the balance of the annual tax liability has to be paid too. Advance payments are required. Their size is calculated at the basis of the profit from the previous year and divided into 12 monthly installments. For a new company or a company that was liquidated previous year in a loss position, the advance payments are quarterly on the base of actual results.

11. Withholding taxes on dividends, interest and royalties

Non treaty rate 10 %

Bulgaria has signed and is a party to a number of Double Tax Treaties and Double avoidance tax agreement dealing with the withholding taxes.

Individual taxes

- I. General note
The individual tax rate in Bulgaria is 10%.
- II. All residents, who realize income in the territory of Bulgaria, are obliged to pay tax. Bulgarian residents are taxed on their worldwide income. Sources of individual income can be labour agreements, rendering services/ lawyers, architects, etc./, or economic activities like agriculture, capital gains and others.
- III. For 2022 employees have to contribute 10.90 % of their gross salary to fund social security and 3.2 % to fund health benefits. All of these are deductible from the gross income to form the taxable base. The rates are changed in the beginning of every year.
- IV. Capital gains tax is levied at the source and the tax is final. This income is not included in the taxable base of the individual.
- V. Personal allowances: allowances are available only for people with children up to the age of 18.
- VI. Tax credit is possible only for Bulgarian residents for their foreign income.

Transactions

All transactions of a total amount exceeding BGN 10,000 shall be transferred via bank account, no cash payments are permitted for amount higher than this.

Bulgaria Labour Law

Bazlyankov, Stanoev & Tashev Law Office

Bulgarian labour law and the decisions of the Bulgarian labour courts regulate the employment mainly in favour of the employees. The relationships between the employees and employer and their obligations and rights are systematized and regulated in Labour Code.

The access to the labour courts in Bulgaria is free and the employees are not required to pay any court fees. The employees frequently claim damages, obtained by wrongful dismissal.

1. Employment contracts

Classes

The main classes of contracts are:

- ∴ fixed terms contract and
- ∴ indefinite terms

These types of contracts can be concluded for part time and full-time job.

Cost of dismissal and wrongful dismissal

The Labour Code regulates the reasons for employee's dismissal. The reasons can be non-execution of duties, gross misconduct or breach of the disciplinary rules in the company. If the dismissal is not based on one of the reasons, pointed in the Labour code, the employee is entitled to claim for damages. The employer can terminate a labour contract in some cases without prior notification. But in the most employment agreements it is stipulated a prior notice period which period varies /from a month to three months/.

It is frequently stipulated in the employment contract the employer to pay employee a severance indemnity for the dismissal. The legal minimum of the indemnities is equal to the fourfold monthly gross salary. It is possible the work contracts provide more favourable severance indemnities.

In addition to the payment of severance indemnity, if the dismissal is judged illegitimate, an employer can be sentenced to pay damages to the dismissed employee. The amount depends on the actual damages suffered by the employee and is determined by the court.

Employment Contracts for Directors; a special regime

Directors and managers can be appointed by the General meeting of the partners of Limited Liabile Company or the Board of directors of Joint Stock Company. Their work contracts are concluded prior to their appointment. According to the Bulgarian commercial law this type of contracts is called contract for management. Their duties are defined in the article of incorporation of the company and the employer supervises their work process. The manager/director receives special remuneration for their specific duties.

If the manager/ director has other work contract it may be suspended for the period of their management. After the termination of their appointment as a manager/director, the employment contract begins to operate again.

Bulgarian commercial law regulates the special regime of the procurator. The General meeting or the Board of Directors appoints a procurator – special representative and manager of the company who can acts at the same time with the manager/ director.

2. Employees' representatives and union representation

Brief idea of the influence of these groups in Labour Contracts

On a national level, employees' representatives the trade unions, and employers' representatives, negotiate the provisions of new laws and the conditions of the Collective Bargaining Agreements.

In a company the trade unions and the employees' representatives connect employers and employees. Bulgarian labour law determines the certain obligations of the employers such as:

- ∴ Providing employees' representatives with information, concerning the economic condition of the company, state of employment in the company, implementation of new technologies, and development of the working conditions of employees.

The employees' representatives must be consulted and announced in advanced for the future dismissals of employees and changes in the structure of the company, which may influence on the work process. The employees' representatives may have the right to give a statement for the dismissal of some persons with equal qualifications.

When a Labour Union representation becomes binding?

The employees and the labour representatives can organize the elections of employee's delegates who discuss the employment conditions and the dismissal.

Rights and Privileges of a Labour Union Representation inside a Company

Bulgarian labour law regulates certain rights for the union representatives, for example:

- ∴ right to participate in the discussion of the questions concerning the work and insurance relationship in the company
- ∴ access to the information about the company concerning the positions of the employees

Labour Code grants the employee representatives and union representatives specific protection against dismissals. The working conditions of the employee representatives and the union representatives cannot be changed without their prior agreement.

At the request of the employees the employee representatives can represent them in court cases.

3. Collective bargaining agreements other agreements (National, regional, provincial or company level...)

Classes

Labour Code provides different types of employment agreements:
individual employment agreement and collective employment agreement.

The labour relations between employers and employees can govern at the level of each branch or field of industry by the provisions of national, regional or company collective bargaining agreement.

Collective Bargaining Agreements binding for the labour contracts?

The Collective Bargaining Agreements are binding for all employees who signed the agreement and for all labour contracts in the case

- ∴ the provisions of law are not more favourable to employees than the provisions of the applicable Collective Bargaining Agreement

4. Wages and other types of compensation / Wages, Social Security contributions, remuneration in kind, insurance policies, pension plans /

Classes of wages

Wages of employees can comprise of various elements such as:

- ∴ Fixed salary
- ∴ Incentives and Bonuses
- ∴ Remuneration “in kind” (such as - housing, car, cell phone...)

Minimum salary in 2022

Recently the Bulgarian government has accepted the minimum salary which to be paid to an employee to be no less than 710 BGN /around 360 euro/ monthly for a full-time job. It is possible employees and employers to have stipulated higher minimum salary in the provisions of the Collective Bargaining Agreement.

The employer has no fixed annual credit of overtime hours per employee.

The tendency is for a raise of the minimum salary, which is expected to reach 850 BGN /around 440 euro/ per month in the next couple of years, in order to meet the European standards.

Cost of Overtime Hours

The additional overtime work of the employee must obtain the appropriate payment.

Labour Code provides the payment rates

- ∴ overtime work on workday has to be extra paid with 50 % of the contract salary
- ∴ overtime work on weekends has to be extra paid with 75 % of the contract salary
- ∴ overtime work on official celebrations has to be extra paid with 100 % of the contract salary

Some Collective Bargaining Agreements may provide for different rates.

5. Employment regulations

The employment regulations, collective bargaining agreements, overtime work, salaries and holidays are regulated and codified within the Labour Code.

The Labour authorities such as Ministry of labour and social cares and Labour inspectorate exert control over the application of the labour regulations.

6. Social security

Contribution forms (terms and procedures)

According to the Bulgarian Social Security Code social security contributions must be paid every month. Social security payment is divided between the employer and the employees as the percentage is:

- ∴ The employer must pay 59 % of the social security
- ∴ The employee must pay 41 % of the social security

The percentage varies according the age of the employees and the branch of industry they work. The percentage may also vary every year upon a government decision.

7. Health and safety

Essential duties of the Company

The employers are obliged to provide their employees with safe and healthy work place.

The companies must protect their employees against all kind of accidents. The employers provide the employees with adequate tools and security training. The employees are insured against different accidents.

The Labour Inspectorate and other authorities exert regular controls over the work conditions.

The employees in some branches of industry / for example mine industry / are protected and the Labour Code provides special health and security training depending on the nature of their activities.

When accidents occur on the work place, the employer must declare the accident. The company is obliged to hold responsibly for the damages suffered by employees.

The health contributions are as follows:

- ∴ 3.2 % - paid by the employee
- ∴ 4.8 % - paid by the employer

Main Regulations

Labour Code and Social Security Code comprise general regulations of health and security conditions.

8. Contracting and outsourcing of work or services

Upon discretion of the companies some tasks within the company may be provided by consultants, agents or sub-contractors on the base of outsourcing.

Bulgaria

Foreign Investment

Bazlyankov, Stanoev & Tashev Law Office

Bulgarian law has set up as a general rule of complete freedom of foreign investments in Bulgaria.

Bulgaria encourages the foreign direct investments. As a member state of the European Union, Bulgaria has implemented the rules and regulations of the Union, regarding the encouragement of foreign investments. In the last decades the Bulgarian Parliament has approved some legal and administrative alleviation for the investors.

Registration with Government, authorities and permits

Investment Encouragement Act provides regulations about the investing in Bulgaria. The law does not restrict the foreign investment process. Although some actions in connection with the foreign investment are subject to declaration or prior authorisation. The regulation of the foreign investment projects is a serious encouragement and alleviation for the investing.

Prior authorisation is required if:

- ∴ any foreign investment may affect public order or security
- ∴ any foreign investment related to the national defence, arms or explosives
- ∴ any foreign investment may seriously threaten public health
- ∴ if the investment may lead to a serious presumption of criminal activity

The relevant ministry to certain period can provide prior authorization. The Ministry can of course request further information, if the application is incomplete, and this extends the review period. If the companies breach the above duties, they bear sanctions under the penal and customs codes.

Transfer of dividends, interests and royalties abroad

According to the Bulgarian legislation there are no restrictions for the transfer of dividends, interest and royalties abroad. Bilateral tax treaties and double avoidance tax agreements provide withholding of taxes.

Repatriation procedures and restrictions

Bulgarian legislation does not apply any repatriation procedures or restrictions.

Foreign personnel /permits, etc./

All foreign personnel require residency permits but the regime of EU citizens is much more simplified. Work permits are necessary only for the long-term work. Application for work permits is issued of the National Employment Services.

Bulgaria Real Estate

Bazlyankov, Stanoev & Tashev Law Office

Bulgarian real estate law is regulated mainly in Bulgarian Constitution and Property Act. The legislation regulates certain restrictions on acquisition by foreigners.

A register of transactions dealing with real estate is kept by the Registry agency – Property Register. Any kind of deed and mortgage, which is drafted by and signed before a notary must be kept in the register. The register is organized by the names of the owners of real estates, not by the real estates. Costs of real estate transactions /notary's fees, taxes and other duties/ are approximately up to 4.5 % of the value for a sale, 1% for a mortgage/

1. Types of Ownership

The ownership in Bulgaria is absolute. The title to real property can be an absolute and entire right or can comprise three separate rights: a right to use of the property, possession of real estate and the third right is disposition with the property.

The absolute entire title to real estate can belong to a single person / legal or natural entity/ or a collection of individual owners, where each of them owns a portion of the whole with no direct and precise right over a specific part of the real estate.

Bulgarian law of estate regulates some types of limited ownership:

- ∴ right of common
- ∴ right of building
- ∴ right of passing

2. The Land Register

Real property in Bulgaria is registered in special well-organized public land register. Each community is divided into section, each section into parcels. Sections and parcels are numbered in turn. The land register in Bulgaria is called detailed land plan.

The changes in the legal status of a parcel (transfers of title, liens, mortgages, etc.) or any lot within a parcel are booked on the registers maintained by every Office of the Property Register to the regional court in the country. There is no united country land register. Although in the past years steps have been taken to update the information in the registers and to connect them to each other.

3. Transfer formalities

A transfer of title, mortgage or other change in the legal status is only enforceable against third parties as from its registration in the Property Register to the Registry agency.

The right of ownership of real estate is transferred in the form of a notary deed. The notary deed is a type of contract which form and content are prescribed by law. In order to be registered with the Property Register to the Registry agency, the deed, mortgages, etc. must be drafted by and signed in front of a notary within whose region the real estate is located. As the notary is under obligation to check the identity of the parties, their capacity, the authority of the representatives and the good title of the transferor, the process of execution of the notary deed offers considerable security. For all transactions with real estates the signing in front of a notary is compulsory. Some exceptions are provided in the law: orders issued by the administration, mortgages ordered by a court, court resolutions and orders, etc.

Payment of the price - in regard of the European requirements and active legislation, together with the Measures against money laundering Act, if the price of the transferred real estate is of a total amount exceeding BGN 10,000, the price should be transferred through a bank account.

Upon execution of the notary deed certain taxes, stamp duty and fees are due. A local tax levied upon the price agreed between the parties and included in the deed or the evaluation of the property by the tax authorities, whichever is higher, is due. The notary fee is calculated according to rates specified in the law, depending on the price indicated in the title deed. Thirdly, a stamp duty needs to be paid to the Registry agency.

4. Mortgages

A mortgage is established over real property to guarantee financial obligations.

According to the Bulgarian property law the mortgage is a formal act – deed. The mortgages are registered in the Registry agency – Property Register.

The mortgage has the following consequences:

- ∴ The owner of the real estates may dispose with his property without first paying his debt, the mortgage is in force for the new owner and the mortgage holder may seize the real property from the new owner and have it sold at auction.
- ∴ In case the mortgage is not paid the holder of a mortgage seizes his debtor's real property and sells it at auction.

Any kind of mortgage allows the mortgage holder to follow the property despite multiple transfers and seize it in the hands of the owner whoever that may be.

- ∴ The holder of the mortgage is preferred creditor according to the Bulgarian law - holder has a right to be paid, by preference over other creditors. This preference refers to the ordinary creditors and to the creditors whose rights are registered at a later date.

There are two types of mortgages:

- ∴ **Contractual mortgage** - a debtor agrees by contract to allow the holder of the mortgage to register a mortgage over his property on a deed signed by a notary.
- ∴ **Mortgage by operation of law** – this type of mortgage is established in absence of debtor's agreement under certain specific cases, determined in the statute.

/a debtor may agree by contract to allow his creditor to register a mortgage over his property/.

5. Restrictions on acquisition

Bulgarian legislation regulates restrictions on acquisition real property in Bulgaria by foreign natural persons and legal entities to buy land in Bulgaria. But on the other hand, foreign natural or legal entities can buy buildings. Bulgarian legal entities with partners /shareholders foreign persons or companies are permitted to buy land and buildings without any restrictions/. Amendments in the Bulgarian Constitution were adopted providing that foreign legal and natural entities may acquire land in Bulgaria under the terms arising from the accession of the Republic of Bulgaria to the European Union.

The regime of acquisition of real property /land/ in Bulgaria varies, depending on the nationality of the person and the type of land. The restrictions for acquisition of real property are still in force for the foreigners with nationality from a third country /outside of the European Union and the European economic area/.

Regarding the agricultural lands and forests the restrictions provide that the foreign person should be resident in Bulgaria for more than 5 years in order to acquire ownership over on such land.

Pre-emptive rights arise in certain case, pointed in Bulgarian law of estate

- if a co-owner decides to sell his part of the real estate, this co-owner is obliged to offer his part in the first place to the others co-owner.

Special Legal Protections for parties

If the buyer considers that the transaction of real estate is tainted in some way, he may claim in the court the validity of his purchase. The taint – reason for petition can be:

- ∴ an error concerning the important characteristics of the property
- ∴ misrepresentation: the seller is not the owner of the property, but he acts as a owner in front of seller and tricks the buyer into purchasing;
- ∴ violence /physical or mental / voids a sale
- ∴ lack of consent
- ∴ contradiction to the law
- ∴ breach of the required form

The buyer may claim voidance of the sale – if the property is improper for the use, restrictions to use to such an extent that the buyer cannot use his new property fully, a prohibition to build on land.

6. Leases

Leases agreements are frequently concluded in Bulgaria. Real property can be rented under lease agreements.

Bulgarian contracts and obligations act regulates residential and commercial leases, the maximum lease term /10 years – not applicable for all the legal entities as commercial transaction/, obligation and rights of the tenant and lesser. The tenant may be given a right to renewal of the lease, if not the owner wishes to rent to other tenant, to sell or live in the building.

Rural leases are regulated as general in the same way: automatic renewal rights, limits to the use of the land, etc. The notary form is not compulsory for the lease agreement.

7. Zoning, building permits, etc.

Every building /residential and commercial/ requires a prior permit issued by the local municipal and administrative authorities in the connection with the detailed land plan, zoning rules and regulations. Land is classified in some categories /for example: urban, farmland, forests or protected land/.

The reform in the zoning, that started over a decade ago, representing the entering into force a cadastre card where each property has unique for the whole country number is already working, although it still does not cover the entire territory of the country. Leading authority for this reform and the service provided with the new card is the state agency - the Geodesy, Cartography and Cadastre agency..

8. Wills

A will, signed by a foreigner before a notary public in Bulgaria is recognized in Bulgaria. A will signed abroad is recognized in Bulgaria if one of the following is met:

- I. The will is valid under the law of the country, where the will is executed or
- II. The will is valid under the law of the country, which is generally applicable to the person at the moment of the execution of the will or at the moment of his death or
- III. The will is valid under the law of the country, where the person has his domicile or permanent abode at the moment of the execution of the will or at the moment of his death;

A foreigner may also choose the applicable law. This shall be done in a separate statement in the will itself provided this statement is signed independently from the will statement.

Regulation (EU) No 650/2012 of the European Parliament and of the Council of 4 July 2012 on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance and enforcement of authentic instruments in matters of succession and on the creation of a European Certificate of Succession is implemented in the Bulgarian legislation and is applicable.