

SETTING UP BUSINESS IN  
**BULGARIA**  
**2023**



## General Aspects

Location: Southeastern Europe.

Area: 110,879 sq km.

Land: 110,993 square kilometers.

Neighbors: Bulgaria extends from the western shore of the Black Sea to Serbia and North Macedonia in the west. In the north, the Danube River forms the greater part of Bulgaria's common border with Romania. Greece and Turkey lie to the south and southeast of Bulgaria.

Coastline: 378 km. Population: 7 million. Capital City: Sofia. Government: Republic.

Relief: mountains, hills, plains, meadows and delta.

National Day: the Day of the Liberation of Bulgaria from Ottoman Domination - March 3rd

The Republic of Bulgaria is part of the Balkans area and it is situated south of Romania. Bulgaria has a population of approximately 7 million and its capital city is Sofia. Due to the economical changes, new modern legislations aimed on harmonization with EU, liberal investment regime for the foreign investments, full ownership rights for both foreign and local investors, low corporate tax rate, and favorable geographical position, Bulgaria is now in a unique position to be widely used as a place of business and investments.

## Legal Forms of Business Entities

### The most frequently used forms of enterprise in Bulgaria

Legal form	Feature
General partnership	<p>A general partnership is a company formed by two or more persons for the purpose of effecting commercial transactions by occupation under a joint trade name. The partners shall be liable jointly and severally and their liability shall be unlimited.</p> <p>A partnership's articles shall be drawn up in writing with notarized signatures of the partners and shall state:</p> <ol style="list-style-type: none"><li>1. the name and domicile or, respectively, the trade name, the seat and standard identification code, as well as the address of each partner;</li><li>2. the trade name, the seat, the head-office address, and the purposes of the partnership;</li><li>3. the type and amount of each partner's contribution and the valuation thereof;</li><li>4. the manner of distribution of profits and losses among the partners;</li><li>5. the manner of management and representation of the partnership.</li></ol> <p>Each partner in the general partnership shall be entitled to take part in the management of the partnership's business, except when management has been assigned with the articles of partnership to one or several of the partners or to a third party. The consent of all partners shall be required for the acquisition or disposal of real rights over real property, for the appointment of a manager who is not a partner, or for executing an agreement for a cash loan exceeding a sum fixed in the articles of partnership.</p> <p>A partner which does not participate directly in the management shall be entitled to obtain information on the partnership's business, to inspect the books, the partnership and other papers, and to ask for explanations from the managers. Where the articles of partnership require that resolutions be adopted with a majority vote, each partner shall be entitled to one vote. Resolutions shall be recorded in the minutes book.</p>

<b>Limited partnership</b>	<p>A limited partnership shall be formed with articles of partnership between two or more persons for carrying out commercial activities under a common trade name, whereby for the partnership's obligations one or more of the partners shall be liable jointly and severally and their liability shall be unlimited, and the remaining partners' liability shall not exceed the amount of the agreed upon contribution.</p> <p>A limited partnership's articles shall state:</p> <ol style="list-style-type: none"> <li>1. the trade name of the partnership;</li> <li>2. the seat and the registered office;</li> <li>3. the purposes for which the partnership is set up;</li> <li>4. the name and domicile or, respectively, the trade name, the seat and standard identification code, as well as the address of each partner;</li> <li>6. the type and amount of the partners' contributions;</li> <li>7. the manner of distribution of profits and losses among the partners;</li> <li>8. the manner of management and representation of the partnership</li> </ol> <p>A limited partnership shall be managed and represented by the general partners. A limited partner has no right to manage the partnership and block resolutions of the general partners.</p> <p>Should a limited partner effect transactions in the name and on behalf of the partnership without being the partnership's manager or agent it shall be personally liable, except when the partnership ratifies the transaction.</p>
<b>Limited liability company</b>  <i>Continue on page 4...</i>	<p>The Limited Liability Company may have one or more shareholders, which are liable to the extent of their contributions in the capital. The minimum capital required by law is BGN 2 (EUR 1). The decision-making bodies of the company are the General Meeting of the Shareholders and one or more Managing Directors. There is no limitation regarding the number of shares, but each share cannot be less than BGN 1 and shall be divisible to 1 (not 10). The shares can differ in their size.</p> <p>For covering losses and in case of temporary shortage of cash the partners may be required, by a General meeting resolution, to make additional monetary contributions within a fixed period. The additional contributions shall be in proportion to the respective interests in the capital, unless otherwise determined. A shareholder which has not voted for the decision referred to in the previous sentence shall have the right to terminate its participation in the company. This right shall be exercisable within one month following the meeting, for shareholders that have attended or have been legitimately invited, or following the notice, for all other partners. The additional contributions shall not affect the company's registered capital. It may be agreed that the company shall pay interest on them.</p> <p>The company's organs are:</p> <ol style="list-style-type: none"> <li>1. the general meeting;</li> <li>2. the manager (managers) who does not necessarily has to be a shareholder.</li> </ol> <p>The Articles of association may provide for the appointment of a comptroller (comptrollers) who shall supervise the observance of the Articles of association the taking of proper care of the company's property and shall report to the general meeting.</p> <p>When there is only one shareholder of the capital the latter shall manage and represent the company either personally or through an appointed by it manager. In case the owner is a legal person the manager of such legal person or a person designated by him shall manage the company. The single owner of the capital shall resolve on the issues falling within the powers of the general meeting, minutes of which shall be taken in the relevant form for the general meeting resolutions.</p>

Continuation of page 3	<p>The limited liability company shall be dissolved:</p> <ol style="list-style-type: none"> <li>1. with the expiration of the term set in the Articles of association;</li> <li>2. upon decision of the shareholders adopted with a three quarters majority of the interests, unless the Articles of association provide for a greater majority;</li> <li>3. through a consolidation or merger with a joint-stock company or another limited liability company;</li> <li>4. upon being declared bankrupt;</li> <li>5. by a decision of the district court in cases provided for by law.</li> </ol> <p>The articles may provide for other grounds for dissolution of the company.</p> <p>Liquidation procedure should be followed in case dissolving of the company is initiated. There is no liquidation procedure when a merger takes place or when insolvency procedure is to be followed.</p>
Joint stock entities	<p>The Joint Stock Company may have one or more shareholders, which are liable to the extent of their shareholding. The minimum capital required by law is BGN 50,000 (Fifty Thousand Bulgarian Leva) – approximately EUR 25,000 (Twenty Five Thousand Euro). The company may issue registered, bearer or preference shares. The contributions in the capital may be paid in cash or in kind. The decision-making bodies are the General Meeting and one-tier (Board of Directors) or two-tier (Supervisory and Management Board) managing bodies. The minimum value of one share shall be at least BGN 1 (One Bulgarian Lev).</p> <p>Shares may be registered shares. Preferred shares may also be issued. A joint-stock company may also issue book-entry shares. The issuance and disposal of book-entry shares shall be done following a procedure established by a law</p> <p>The joint-stock company shall keep a shareholders' register in which the names and addresses, Personal Identification Number/ Personal Number of Non-resident Person or Unified Identification Code of the owners of registered shares shall be recorded and the type, nominal value and issue price, quantity and serial numbers of the shares shall be indicated. The same shall be applied for interim certificates. The person or the persons representing the joint-stock company shall ensure recording in the shareholders register of the circumstances described above and any changes therein not later than 7 days from submission of the documents in accordance with the provisions of law and the Articles of Association.</p>
Partnership limited by share	<p>Partnership limited by shares shall be formed by articles of incorporation, whereby limited partners are issued with shares against their contributions to the capital. The limited partners shall be not less than three. The provisions for the joint-stock company apply to the partnership limited by shares, unless provided otherwise in the legislation. The partnership limited by shares shall be formed by the general partners. They shall have the right to select shareholders among subscribers. The general partners shall draw up the Articles of Association and shall convene the constituent meeting.</p> <p>Only limited partners shall have the right to vote in the general meeting. General partners, even when they own shares, shall take part in the meeting in a consultative capacity. The powers of the general meeting shall be set forth in the Articles of Association. The general meeting shall submit to consideration and resolve on the requests of limited partners for auditing the activities of the partnership. The board of directors shall consist of the unlimited liable general partners. The liquidation proceeds of each partner shall be proportionate to its contributions in the partnership.</p> <p>Of course the above is only brief overview of the existing commercial entities in Bulgaria based on the Commercial Act. There are a lot of specifics that need to be considered especially of a choice different than Limited Liability Company limited by shares made.</p>

<b>Branch of foreign entities</b>	<p>The Bulgarian Branches of Foreign entities are entered in the Trade register. The Bulgarian Trade register is an electronic data base available online at <a href="https://portal.registryagency.bg/">https://portal.registryagency.bg/</a></p> <p>In order to register and represent the Branch before the Trade register we shall need an explicit Power of Attorney. We shall provide you with a draft upon instruction on your side to proceed with the registration.</p> <p>The procedure takes usually a day or two following the submission of the whole set of documents with the Trade register.</p> <p>And the documents needed are:</p> <ul style="list-style-type: none"> <li>• Excerpt from the Trade register as per the registration of the foreign entity Founder of the Branch. The excerpt must be</li> <li>• certified by an Apostille;</li> <li>• Articles of association of the parent company;</li> <li>• Resolution of the Founder of the Branch for the incorporation of a branch in Bulgaria;</li> <li>• Resolution for appointment of Managing Director/s;</li> <li>• Power of Attorney to the Managing Directors of the Branch granted by the founder;</li> <li>• Declaration for consent and specimen/s of the Managing Director/s;</li> <li>• Application to the Trade register along with a declaration;</li> <li>• Information about the status of the Founder of the Branch (this information is standard and is usually evident from the Excerpt from the Trade register, i.e. legal form of the entity, representatives, way of representation, etc.)</li> </ul> <p>Upon registration of the Branch with the Trade register the latter receives a unique Identification Numbe</p>
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## Organizational Questions

Topic	Feature	Remarks
<b>Limited Partnership</b>	<p>A limited partnership shall be formed with articles of partnership between two or more persons for carrying out commercial activities under a common trade name, where by the partnership's obligations one or more of the partners shall be liable jointly and severally and their liability shall be unlimited, and the remaining partners' liability shall not exceed the amount of the agreed upon contribution. The company's trade name shall contain the extension "komanditno druzhestvo" [limited partnership] or the abbreviation "KD" and the name of at least one of the general partners.</p>	

<b>Partnership limited by shares</b>	A partnership limited by shares shall be formed by articles of incorporation, whereby limited partners are issued with shares against their contributions to the capital. The limited partners shall be not less than three.	
<b>Transfer of Goods and Machinery</b>	Within the EU goods and machinery can circulate freely. Imports from non-EU states to Bulgaria cause customs, import turnover tax, and in some cases special excise taxes.	
<b>Transfer of Capital</b> The procedure includes and the conclusion of a notarized agreement.	Capital can be moved in and out of Bulgaria without any restrictions. As from 2011 there is a limit for cash (by hand) payments for up to BGN 10,000. Over this amount all payments must be done via bank transfer.	However, amounts exceeding BGN 100,000 (about EUR 51,000) must be reported to the Bulgarian National Bank (BNB), for statistical purposes only.
<b>Visa and Residence permit</b>	All EU citizens can set up business in Bulgaria without the requirement of any permit. Most of the non-EU nationals need a visa to enter Bulgaria, but there are several exceptions.	

## Employment

Topic	Feature
<b>Work permit</b>	<p>The issuance of a work permit is important step because the work permit is the basis for the VISA application and for the future presence of the resident person in Bulgaria.</p> <p>The work permit procedure should be completed once the local Bulgarian entity has tried to find appropriate persons on the local and EU market and this has proved to be unsuccessful (the search for the right employee should be also done through the Employment Agency where the local Bulgarian entity should submit information about its necessities in terms of personnel).</p> <p>The practice has proved that the minimum requirements of the authorities to prove that there is no available and suitable personnel on the local market is to publish job offers in a popular internet site and to inform the Employment Agency about the personnel it looks for thus enabling the Employment Agency to also look for the right person. The legislation states that there should be at least 14-day period of search for the right person before the application for work permit issuance is submitted.</p> <p>Once the above described procedure is completed a certain set of documents should be filed with the Labour Bureau in Bulgaria.</p> <p>Please be informed that Eurofast is in position to help with the completion of the procedure.</p>
<b>EU Blue Card</b>	<p>"EU Blue Card" is a permit with an indication "EU Blue Card" and entitles its holder to reside and work in a Member - State of the European Union, for the purposes of highly qualified employment. "Highly qualified employment" is the employment of a person who possesses the necessary competence for the job - higher education attested by a diploma, certificate or other document issued by a competent authority, after training of not less than three years, conducted by an educational institution recognized as a university by the state.</p> <p>In order to receive the decision for highly qualified employment, the employer shall submit to the Employment Agency certain documents.</p> <p>Please note that Eurofast is in position to help you the preparation and with the submission of the needed documents.</p>

**1. WORKING TIME**

The working time in Bulgaria is said to be 8 hours per day 5 days per week (40 hours per week). There are certain exceptions provided by the law allowing the employee to work during holidays, after the eight hour of the working day and even more than 40 hours per week, but considering that the daily and weekly rests are not affected by this. The minimum daily rest is 12 hours and the minimum weekly rest (the rest between two working weeks) is 48 hours.

The employer is obliged to provide the employee with a lunch break not less than 30 minutes a day. The lunch break is not part of the working time, which means that if an employee starts work at 8 am and has 8-hours working day, plus 1 hour lunch break, he/she should be performing his/her duties under the labour agreement up to 5 pm.

It is very important to state that overtime work in Bulgaria is prohibited. It is only allowed in numerous clauses cases, described in art. 144 From the Labour Code:

Overtime work shall be permitted as an exception in the following cases only:

- for performance of work related to national defense;
- for the performance of work by employees of the Ministry of Internal Affairs, related to the production of elections, preparation of expertise and psychological support during operative-search activities and control of critical situations, as well as for other work related to security and preservation of public order;
- for the prevention, management and mitigation of the effects of crises or disasters;
- for performance of urgent publicly necessary work to restore water and electricity supply, heating, sewerage, transport and communication links, and for provision of medical care;
- for performance of emergency repair on working premises, of machinery or of other equipment;
- for completion of work which cannot be performed within the normal working time;
- for performance of intensive seasonal work.

Still, there are certain cases when working after the eight hour is allowed. Please find below a resume on some of these cases.

There are other types of working beyond the regular working hours that the Labour code takes into consideration:

- Extension of Working Time
- Open-Ended Working Hours
- Aggregated Working Time

These are specific cases in which the employee is working more than 8 hours a day. But they cannot be classified as an overtime due to its specific nature.

**2. PUBLIC HOLIDAYS IN BULGARIA**

According to Article 154 from the Labour Code the public holidays in Bulgaria are: the 1st day of January - New Year; the 3rd day of March - Day of the Liberation of Bulgaria from Ottoman Domination, National Day; the 1st day of May - Labour and International Workers' Solidarity Day; the 6th day of May - St. George's Day - Day of Valour and of the Bulgarian Armed Forces; the 24th day of May - Day of Bulgarian Education and Culture and of Slav Letters; the 6th day of September - Bulgaria-Rumelia Union Day; 22nd day of September - Bulgaria Independence Day; 1st day of November - National Awakeners Day (non-study day for all educational establishments); 24th day of December - Christmas Eve; 25th and 26th day of December - Christmas; Easter - four days (from Friday to Monday) on which it is celebrated in the respective year.

These days are non-working days, any work on these days must be compensated as work under overtime.

It is a constant practice in Bulgaria (and is allowed by the labour code) the Council of Ministers to also declare other days for one-time public holidays, or for the commemoration of certain professions, as well as shift the non-working days in the course of the year.

Continuation of page 7	<b>3. PAID LEAVE IN BULGARIA</b>  According to the Bulgarian legislation the employee is allowed to at least 20 days of paid leave per calendar year. In case this is the first employment for the employee the latter shall gather at least 4 months of experience prior to being entitled to the discussed paid leave. Still, the employer has the right to let the employee use paid leave even if the latter has not gathered the 4 months of experience. Further, the employer may at any time at employer's discretion allow the employee use paid leave even beyond the agreed in the labor agreement. Note that the established practice in Bulgaria is that the part time employee shall also have 20 days of paid leave per annum to the extent that they work at least 4 hours per day on average in the course of each working day. If they have less hours then the allowed paid leave would be reciprocal to the worked-out time, i.e. they shall be granted less than 20 days of paid leave. Note that this treatment is based on the practice and the Regulation but according to us it does not correspond to the provision of the Labour Code, which indeed provides 20 days of paid leave per annum for each person working under a labour agreement.	
<b>Social system</b>  Employer Contribution from the gross monthly salary  Employee Deduction from the gross monthly salary	%  18.92 - 19.62  13.78	The maximum base for calculating social security contribution is , since 01.04.2022, BGN 3,400.00. Over this amount additional social security contributions are not due, but the entire amount is taxable under the Personal Income Tax act.

## Taxation

Topic	Feature	Remarks
<b>Corporate Income Tax</b>	Companies with a seat of management located in Bulgaria are taxed on their worldwide income. Other entities are taxed on their Bulgarian-source income. Nonbusiness organizations (including governmental) are taxed for their business activities. Shipping companies may opt for taxation based on the tonnage of the operated ships applying 10% tax rate. Once the shipping companies have elected to be taxed on the tonnage, they shall apply this taxation regime at least for a 5- year period. Corporate rate 10%.	The maximum base for calculating social security contribution is ,since 01.04.2022 , BGN 3,400.00. Over this amount additional social security contributions are not due, but the entire amount is taxable under the Personal Income Tax act.
<b>Personal Income Tax</b>	Residents are liable for their worldwide income. Since 1st of January, 2008 10% flat income tax rate has been introduced. The only exception applies to income earned as sole proprietor, which is taxed at 15%.	



<b>Value Added Tax (VAT)</b>	<p>Standard rate: 20%</p> <p>Reduced rate: 9% (hotel accommodation)</p> <p>Persons registered for Bulgarian VAT purposes should charge VAT upon all supplies and sales of goods and services with a place of supply on the territory of the country, except for: zero-rated supplies; exempt supplies.</p> <p>The reporting period for all registered taxpayers is one month.</p> <p>Registration for VAT purposes:</p> <p>The provision of the following supplies leads to the obligation for VAT registration:</p> <p>VAT-able supplies (included zero - rated) and financial and insurance services when related to the major activity of the person with total value of at least BGN 100 000 accumulated within a period non longer than 12 months, result in an obligation for compulsory VAT registration; Intra-Community acquisitions exceeding BGN 20,000.</p> <p>Foreign entities not having a local branch can register for Bulgarian VAT purposes only through VAT agent (i.e. local individual or company without any outstanding public debts).</p>
<b>Real Property Tax</b>	<p>In general capital gains are included in the corporate income and taxed at the full corporate tax rate. The financial result (accountancy profit or loss) is reduced with the capital gains from shares of public companies as well as from tradable rights in shares realized on a regulated Bulgarian stock market. Exchange rate gains and losses are reported in the profit and loss account but do not reflect the assessment of the taxable income.</p> <p>Owners of immovable property are liable to property tax at a rate in the range of 0.1% - 4,5%. The tax is remitted to the respective municipality budget, where the property is situated.</p>
<b>Custom duties</b>	<p>Bulgaria applies the principles of the International Harmonized Commodity Description and Coding System and the EU Combined Nomenclature.</p> <p>Goods imported into Bulgaria are subject to:</p> <ul style="list-style-type: none"> <li>• customs duty;</li> <li>• excise duties (if applicable) and</li> <li>• 20% VAT, unless the goods are VAT exempt.</li> </ul>
<b>Non-resident Taxation</b>	<p>Non-residents are liable only for their income derived from Bulgarian sources.</p>

# Eurofast

Since 1978

*This guide has been prepared by  
EUROFAST, an independent member  
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