

Bulgaria Tax Knowledgebase

Employee personal income tax

Tax residence

An individual is a Bulgarian tax resident if they:

- Have a permanent address in Bulgaria,
- Stay in Bulgaria for more than 183 days in any 12-month period (counting entry & exit days separately),
- Are sent abroad by the Bulgarian state, organisations, or companies (including family members), or
- Have their centre of vital interests in Bulgaria (e.g., family, property, business, or employment ties).

Exceptions:

- Stays for education or medical treatment do not count.
- A person with a permanent address in Bulgaria but without their centre of vital interests in the country is not a tax resident.

Under Bulgarian tax law, the centre of vital interests is the place where an individual's personal and economic ties are strongest. This is determined by considering:

- Family and social connections (e.g., where the spouse and children live)
- Property ownership (location of main residence and other significant assets)
- Employment or business activities (where the person works or manages their business)
- Place of management of assets (where financial and economic decisions are made)

Conditions for the obligation to file the PIT

Who must file?

Bulgarian tax residents: Required to submit an annual tax return for:

- Income subject to general taxation.

Native Teams

- Income subject to the patent tax or the tax on transportation tax.
- Foreign-source income (dividends, liquidation shares, etc.).
- Shares, business establishments, or real estate abroad.
- Loans exceeding BGN 10,000 (single-year) or BGN 40,000 (cumulative over five years).
- Foreign tax residents: Must file for income derived from Bulgaria.
- Business operators: Sole traders and individuals engaged in commercial activities must declare all taxes and submit an activity report.
- Minors & incapacitated persons: Returns are filed by their legal guardians.
- Deceased individuals: Their heirs or executors may file the declaration.

Who is exempt?

- Individuals with income solely from employment, where the employer has calculated and withheld the annual tax.
- Those earning only tax-exempt income or income subject to final taxation.

Deadlines and submission methods:

- Deadline: April 30 of the following year.
- Electronic filing discount: A 5% discount is available for electronic submissions by March 31.
- Payment deadline: April 30.
- Method: Online via the National Revenue Agency (NRA) portal or in person at local tax offices.

Penalties for non-compliance:

- Late filing: Fines starting from BGN 500.
- Failure to file: Additional penalties may apply, potentially leading to administrative or legal action.
- False information: Submitting incorrect or misleading data results in fines and potential criminal liability.

Additional reporting

- Business operators must submit an annual activity report.
- Individuals can voluntarily declare tax-exempt income and certain final-taxed income.

Proper and timely submission ensures compliance and avoids financial penalties.

Tax report in question (Form name)

To prepare your Bulgarian personal income tax return, you will need to fill in the annual declaration for the taxation of income of individuals (Article 50 of the Personal Income Tax Act) and the annexes attached to it.

- Form 2011: Annex 1 - Income from employment relations
- Form 2021: Annex 2 - Income from business activities as a sole proprietor and income from other business activities under Article 29a of the Personal Income Tax Act
- Form 2031: Annex 3 - Income from other business activities
- Form 2041: Annex 4 - Income from rental or other compensation for the use of rights or property
- Form 2051: Annex 5 - Income from transfer of rights or property
- Form 2061: Annex 6 - Income from other sources under Article 35 of the Personal Income Tax Act
- Form 2071: Annex 7 - Income from activities subject to patent tax and/or tax on taxi passenger transport under the Municipal Taxes and Fees Act
- Form 2081: Annex 8 - Owned shares, equity interests in companies, business location, defined base, and real property abroad
- Form 2091: Annex 9 - Application of methods for avoiding double taxation for income declared in Forms 1, 2, 3, 4, 5, and 6
- Form 2010: Annex 10 - Use of tax reliefs
- Form 2020: Annex 11 - Provided/received monetary loans
- Form 2030: Annex 12 - Recalculation of final tax for income of foreign individuals under Article 37 of the Personal Income Tax Act
- Form 2013: Annex 13 - Exempt income and income subject to final tax
- Form 2004: Report on the final amount of social security income for the current year
- Form 2004: Report on the final amount of social security income for previous years
- Form 2005: Declaration under Article 22v, Paragraph 8 of the Personal Income Tax Act for use of tax relief for children
- Form 2006: Declaration under Article 22g, Paragraph 7 of the Personal Income Tax Act for use of tax relief for children with disabilities

Tax year

Corresponds to the calendar year.

Deadlines and submission

Deadline: April 30 of the following year. (Income from 2024, must be reported in 2025)

Electronic filing discount: A 5% discount is available for electronic submissions by March 31.

Payment Deadline: April 30.

Method: Online via the National Revenue Agency (NRA) portal or in person at local tax offices.

Tax rates

Type of income	Tax rate	Applicable to
Employment income	10%	All individuals
Income from business activities of solo proprietors	15%	Sole proprietors (еднолични търговци)
Dividends and liquidation shares	5%	All individuals receiving such income
Interest income (non-exempt)	10%	All individuals receiving such income
Income from the rent or leasing of property	10%	All individuals receiving such income
Income from the sale or exchange of property	10%	All individuals receiving such income
Other taxable income	10%	All individuals receiving such income

Personal deductions (salary)

- **Charitable contributions:** Donations to certain organisations are deductible up to 65% of the total annual taxable base of the individual.
- **Social security contributions:** Mandatory social security contributions in Bulgaria or another EU/EEA country borne by individuals are tax-deductible in full (with supporting documentation).
- **Health and life insurance contributions:** Voluntary pension and unemployment contributions, as well as certain health and life insurance contributions, are deductible up to certain limits.
- **Mortgage interest expenses:** Young married couples (including foreign individual tax residents of an EU/EEA member state) may deduct the interest on mortgage loans for the first BGN 100,000 of the loan, under certain conditions.
- **Children and disabled children:** Tax incentives can be utilised by local and EU/EEA individuals. Tax incentives for children provide for reductions of the total annual tax base as follows: BGN 6,000 for one child, BGN 12,000 for two children, and BGN 18,000 for three or more children.
- **Disabled child incentives:** Tax incentives of BGN 12,000 per disabled child are introduced under specific conditions.

Native Teams

- **Tax relief for children in advance:** Tax relief for children can be used in advance by reducing the monthly taxable base for July and October by a specified amount.
- **Non-cash payment relief:** Tax relief is available to individuals who use non-cash methods for paying their expenses, at a rate of 1% of the total tax liability in Bulgaria, capped at BGN 500. To be eligible, 100% of the taxable income must be received by bank transfer, and at least 80% of the individual's expenses must be paid by non-cash methods. The individual must have no outstanding public liabilities on the date of filing of the annual tax return.
- **Property improvement/repair relief:** Tax relief is available for improvements and repairs made to real estate located in Bulgaria up to BGN 2,000.
- **Business deductions:** Certain individuals (freelancers, private practitioners, etc.) can deduct statutory expenses. For freelancers, 25% of gross income can be deducted; for lawyers, 40% can be deducted as of 2023.

Additional tax reliefs (not mentioned above)

Tax break for reduced working capacity

If your working capacity is reduced by 50% or more, you can lower your taxable income by 7,920 BGN. This benefit applies for the year of your disability and the year your disability decision expires.

Tax break for voluntary contributions

You can deduct up to 10% of your taxable income for voluntary pension and health insurance contributions and life insurance payments. Voluntary income for these areas is taxed separately.

Tax break for pension contributions

If you contribute to your pension fund to buy pension years, you can reduce your taxable income by the amount you contributed.

Tax break for donations

Donations can reduce your taxable income up to 65%:

- Up to 5% for donations to health, education, social services, charities, etc.
- Up to 15% for donations to cultural institutions.
- Up to 50% for donations to the National Health Insurance Fund (related to children's treatment).

Tax break for young families

Native Teams

If you're under 35 and have a mortgage for your first home, you can deduct the interest on loans up to 100,000 BGN from your taxable income. You need to file documents with your annual tax return. This applies to both Bulgarian and foreign citizens who meet the conditions.

Tax break for children

You can lower your taxable income based on the number of children you have:

- 6,000 BGN for one child
- 12,000 BGN for two children
- 18,000 BGN for three or more children

The child must be under 18 and not living in full state care. Conditions apply for parents, guardians, or family members who care for the child.

Tax break for children with disabilities

If you care for a child with a disability (50% or more), you can reduce your taxable income by 12,000 BGN. The child must be under 18 years old, have a disability, and meet other specific conditions. If the child passes away, the conditions apply to the date of death.

Each of these breaks requires certain documents to be filed with your annual tax return. These documents include proof of payments, legal status of the child or recipient, and translations if necessary. Always double-check the required paperwork to ensure you get the benefits you qualify for.

How to submit the tax return

Submitting your annual tax return in Bulgaria is an essential task to ensure compliance with Bulgarian tax laws. Whether you're a resident or a non-resident, it's crucial to know how and when to submit your tax return. This guide will walk you through the process of filing your tax return, including the option to do it online or on paper.

Online submission

The most common and efficient way to submit your tax return is online. This can be done through the National Revenue Agency (NAP) e-Services platform. To submit your tax return online:

1. **Create an account:** If you do not have an account, you need to register with NAP. You will need a Personal Identification Code (PIC), which can be obtained from NAP if you do not already have one.
2. **Access e-services:** Go to the official NAP website nra.bg.

Native Teams

3. **Log in:** Use your PIC to log into the NAP e-Services platform.
4. **Complete the forms:** Fill in the necessary forms for your tax return (usually Form 2001 for individuals).
5. **Submit:** Once the form is completed, submit it electronically. You will receive a confirmation of submission.

The annual tax return service through the NAP Portal

The annual tax return service is available through the National Revenue Agency (НАП) portal, requiring either a personal identification code (ПИК) or a qualified electronic signature (КЕП). This service allows individuals to fill out and submit their annual tax returns (ГДД) under Article 50 of the Income Taxes on Natural Persons Act (ЗДДФЛ).

When accessing the service, you will see a message outlining the pre-filled data available from НАП, including income from employment, self-employed activity, and various other sources such as rent or sales. НАП automatically populates several sections of the tax return with these details, which include:

- Income from employment, including tax benefits from the main employer (Annexes 1 and 10).
- Income from other business activities (Annexes 3, 4, and 5).
- State Agricultural Fund (ДФЗ) income (if applicable).
- Non-taxable and final-taxed income information from employers or income sources (e.g., agriculture).
- Pre-paid advance taxes for self-employed individuals and information on social security contributions.

Before confirming the pre-filled data, it is essential to review, add, or correct any inaccuracies. If all data matches your actual income and no changes are needed, you can simply review, confirm, and sign the declaration.

However, if there is missing data, such as income from other self-employed activities, foreign sources, or property abroad, you will need to manually add these details. You can make corrections, remove incorrect information, or add new data where necessary.

Important considerations include:

- **Responsibility for correct data:** The individual filing the return is responsible for ensuring the accuracy of the data, even if it is pre-filled.
- **Additional income:** If you earned income not automatically included in the form, you must manually enter it. For example, if you have income from a freelance profession or farm activity, you need to add this to the relevant sections.

Native Teams

- **Updating data:** If you made any changes, the updated information will appear the next time you access the portal. Ensure that corrections are reflected in the tax return to avoid discrepancies.
- **Special cases:** If you received income from multiple employers, ensure that only the correct information appears. If tax relief was partially claimed during the year, it must be manually added to Annex 10.

Additionally, specific cases, such as receiving sums from postal operators or agricultural income, require additional steps to correctly classify and declare the income in the right section of the return.

By using this automated service, individuals can ensure their tax returns are as accurate as possible, but it is essential to review, add, and correct data as needed before final submission.

Paper submission

If you prefer to submit your tax return in person, you can do so by submitting a paper form. Here's how:

1. **Download the form:** Visit the NAP website or collect the necessary form from your local NAP office. The main form for individual tax returns is usually Form 2001.
2. **Complete the form:** Fill out the form with the correct information.
3. **Submit in person:** Submit the completed paper form at the NAP office that corresponds to your permanent address. You can find the list of NAP offices and their operating hours on the official NAP website.

Deadline for submission

The deadline for submitting your tax return is typically April 30th of the year following the tax year. Be sure to submit on time to avoid penalties and interest for late submission.

What you need to know about the tax return

- **Required documents:** You will need proof of income, deductions, and any tax reliefs you're eligible for. For example, you may need receipts for donations, mortgage interest, or education expenses.
- **Additional forms:** Depending on your situation, you may also need to submit additional forms, such as for foreign income, business income, or capital gains.
- **Filing fees:** Generally, there are no fees for submitting a tax return; however, late submissions may incur penalties and interest.
- **Special considerations for foreigners:** If you are a foreigner or a non-resident, you may still be required to submit a tax return if you have earned income in Bulgaria or

Native Teams

have other taxable activities in the country. Make sure to check if you meet the criteria for filing taxes.

- **Paper submission locations:** In addition to online submissions, you can also submit your tax return on paper at NAP offices. Find the closest office to your location by visiting the NAP website. The NAP's territorial directorates are responsible for collecting paper forms, and they will provide assistance in case you have any questions. For a list of NAP offices, visit: [NAP Offices List](#).

Additional information

- **Tax advisors:** If you find the process complicated or have complex tax matters, consulting a tax advisor may be beneficial. They can assist with proper form filling and ensure you are taking advantage of all available tax benefits.
- **Electronic signature:** When filing online, an electronic signature is required. If you don't already have one, it can be obtained from the NAP.

Employee taxation of income (int, div, royalties)

Interest income: Tax rates

Interest earned on deposits with banks established in the EU/EEA is not subject to tax. Other interest income is subject to tax at a flat rate of 10% (e.g., interest earned on a loan agreement, or interest earned on deposits with banks outside the EU/EEA).

Dividend incomes: Tax rates

Dividend income is subject to tax at a rate of 5%.

For Bulgarian tax residents (including sole proprietors):

- Dividends received by sole proprietors.
- Dividends and liquidation shares from Bulgarian sources.
- Dividends from foreign sources. -> If there is a Double Tax Treaty in place, its provisions should prevail over national law.

For foreign tax residents:

Dividends and liquidation shares from Bulgarian sources. -> If there is a Double Tax Treaty in place, its provisions should prevail over national law.

The cash tax is calculated on the total gross amount specified in the dividend distribution decision.

Capital gains: Tax rates

- Residents: Taxed at a 10% flat rate annually.
- Non-residents: Subject to a 10% final withholding tax (WHT).

Taxable base:

- Real estate & property rights: Sale price minus acquisition cost, reduced by 10% statutory deductions.
- Vehicles, art, antiques, etc.: Sale price minus acquisition cost.
- Financial instruments & currency transactions: Total annual capital gains minus total capital losses.

Special rules apply if no documentary evidence of the acquisition price is available.

Royalty income: Tax rates

"Royalties" refer to payments of any kind received for the use or the right to use copyrights on literary, artistic, or scientific works, including films, broadcasts, or software. They also cover patents, trademarks, industrial designs, trade secrets, and scientific or commercial know-how.

Payments solely for software copies without reproduction or distribution rights are excluded. "Industrial, commercial, or scientific equipment" includes all movable assets used in business activities.

Royalty income is subject to tax at a rate of 10%

Withholding

Withholding tax on dividends: Rates

Dividends & liquidation proceeds are subject to 5% WHT when paid to both resident and non-resident individuals. The WHT can be further reduced by a Double Tax Treaty (if applicable)

Withholding tax on interest: Rates

A tax rate of 10% applies to non-resident individuals on Bulgarian-source income derived from interest.

Withholding tax on capital gains: Rates

Tax residency rules:

Bulgarian tax residents (including expatriates meeting the residency criteria) are taxed on capital gains and investment income from all sources worldwide.

Non-residents are taxed only on capital gains and investment income from Bulgarian sources.

Tax rates:

- Residents: 10% flat tax on annual capital gains.
- Non-residents: 10% final withholding tax (WHT) on Bulgarian-source capital gains.

Taxable base calculation:

- Immovable property (including limited property rights): Taxable gain = Sale price - Acquisition price - 10% statutory deduction.
- Vehicles, works of art, antiques, etc.: Taxable gain = Sale price - Acquisition price.
- Stocks, shares, bonds, other financial instruments, and foreign currency transactions:

Taxable gain = Total annual capital gains - Total annual capital losses.

Acquisition price rules:

Generally based on documented acquisition cost.

Special rules apply if documentation is unavailable.

Withholding tax on royalties: Rates

The withholding tax on royalties is set at 10% for non-resident taxpayers. It can be reduced by the application of a Double Tax Treaty.

Fees for technical services:

"Technical service fees" are payments sourced from the Republic of Bulgaria for the installation or assembly of tangible assets, as well as any consultancy services and market research conducted by a foreign entity.

Tax treatment:

Native Teams

For individuals (Personal Income Tax - PIT): If the income is received by a Bulgarian tax resident, it is taxed under the 10% flat personal income tax rate. For non-residents (Withholding Tax - WHT):

Technical service fees paid to foreign tax residents are subject to 10% WHT, unless a lower rate applies under a Double Tax Treaty (DTT).

Employee tax - Special regimes to apply

Double taxation agreements (link website)

You can find a list of the Double Tax Treaties signed by the Republic of Bulgaria and currently in force on the following website: <https://old.nra.bg/en/page?id=530>