

Bulgaria

Transfer Pricing Country Profile

December 2021

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic legislation or regulation make reference to the Arm's Length Principle?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Corporate Income Tax Act, Chapter 4, Art. 15 Unofficial English translation of CITA as of 17.02.2021
2	What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?	Although there is no specific reference to the TPG in the Bulgarian TP legislation, it generally follows them. However, there are certain differences (e.g. there is a hierarchy of the methods under the Bulgarian legislation).	
3	Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The Bulgarian Corporate Income Tax Act refers to the definition of related parties contained in the Tax and Social Security Procedures Code (TSSPC). According to the TSSPC: 3. "Related persons" shall be: a) the spouses, the relatives of direct line of descent, collateral relatives – to third degree inclusive; and the relatives by marriage – to second degree inclusive, and for the purposes of Art. 123, para 1, item 2 – when they are included in joint household; b) an employer and an employee; c) the partners; d) the persons, one of whom participates in the management of the other or of his subsidiary company;	Corporate Income Tax Act, Supplementary provisions, §1, p. 13 Unofficial English translation of CITA as of 17.02.2021 Tax and Social Security Procedures Code, Supplementary provisions, §1, p. 3 and p. 4 Unofficial English translation of the TSSPC as of 01.01.2021

e) the persons, in whom managing or controlling body participates one and the same corporate body or physical person, including when the physical person represents another person;

f) (suppl. – SG, 64/19, in force from 01.01.2020) a company and a person who owns more than 5 % of the social parts or the shares, issued with a right of vote in the company. For the purposes of Title One, Chapter Eight "a" (the rules for preparing a master file and a local file), the amount of the participation in the letter "f" shall be 25 percent of the voting shares or shares issued with the right to vote;

g) the persons, one of whom exercises control over the other;

h) the persons whose activity is controlled by a third person or his subsidiary company;

i) the persons who joint control a third person or his subsidiary company;

j) the persons, one of whom is a trade representative of the other;

k) the persons, one of whom has made a donation to the other;

l) the persons who participate directly or indirectly in the management, the control or the capital of another person or persons, because of what between them may be negotiated conditions, different from the usual ones.

(n) (new - SG 1/14, in force from 01.01.2014) resident or foreign persons with whom the resident person has concluded a transaction, if:

(aa) the foreign person is registered in a country which is not a Member State of the European Union and in which the payable income tax or corporate tax in respect of revenue that the foreign person has generated or will generate from transactions is lower than the income tax or corporate tax in the country by 60 per cent or more, unless the resident person submits evidence that the foreign person is liable to tax which is not subject to a preferential regime or that the foreign person has marketed the goods or provided the services on the local market, and

(bb) the country in which the foreign person is registered refuses to, or is not able to exchange information about the transactions or relations carried out in the event of an international tax convention which has been concluded and entered into force.

For the purposes of this provision, a foreign person shall also be any legal person-regardless of whether it is resident in the Republic of Bulgaria or not that is controlled by a person meeting the requirements referred to in subletters “aa” and “bb”.

For the purposes of this provision, a resident person shall also be any foreign legal person operating in Bulgaria through a permanent establishment and any foreign

		<p>natural person generating revenue originating in Bulgaria through a fixed base for transactions carried out through the permanent establishment or the fixed base;</p> <p>(o) (new - SG 1/14, in force from 01.01.2014) the owners of the resident legal person and the foreign person in the cases referred to in letter “n”.</p> <p>4. "Control" shall be present when the controlling party:</p> <p>a) owns directly or indirectly or under an agreement with another person more than the half of the votes in the general meeting of another person, or</p> <p>b) has the possibility to appoint directly or indirectly more than the half of the members of the managing or the controlling body of another person, or</p> <p>c) has the possibility to manage, including through or together with the subsidiary company, by the virtue of a statute or a contract, the activity of another person, or</p> <p>d) as a shareholder or a partner in one company controls independently, by the virtue of a transaction with other partners or shareholders in the same company, more than the half of the numbers of the votes in the general meeting of the company, or</p> <p>e) may, in another way, exercise a decisive influence on the taking of decisions in connection with the activity of the company.</p>	
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Transfer Pricing Methods

4	<p>Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>CUP</th> <th>Resale Price</th> <th>Cost Plus</th> <th>TNMM</th> <th>Profit Split</th> <th>Other (If so, please describe)</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </tbody> </table>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Tax and Social Security Procedures Code, Supplementary provisions, §1, p. 10.</p> <p>An English translation of the TSSPC as of 01.01.2021</p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>										
5	<p>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</p>	<p>Please check all that apply:</p> <p><input checked="" type="checkbox"/> Hierarchy of methods</p> <p><input type="checkbox"/> Most appropriate method</p>	<p>Ordinance № H-9 of 14.08.2006 for the Order and Manner of Applying the Transfer Pricing Methods, Art. 7 and Art. 9.</p>												

		<input type="checkbox"/> Other (<i>if so, please explain</i>)	
		<p>The applicability of the CUP method should be tested first. If it is not appropriate, it should be checked whether the Resale Price or the Cost Plus methods could be reliably applied. Only when all the three traditional methods have been deemed inappropriate the transactional ones (the TNMM and the Profit Split) may be used.</p>	
6	If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.	<input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed. <input type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>) <input type="checkbox"/> Other (<i>if so, please explain</i>)	
		<p>The Bulgarian TP legislation does not contain specific guidance on commodity transactions. The general rules and guidance apply.</p>	
Comparability Analysis			
7	Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Corporate Income Tax Act Unofficial English translation of CITA as of 17.02.2021 Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods. TP Guidelines of the National Revenue Agency in Bulgarian.</p>
		<p>The guidance on comparability analysis outlined in Chapter III of the TPG is generally followed in Bulgaria.</p>	
8	Is there a preference in your jurisdiction for domestic comparables over foreign comparables?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods.</p>
		<p>Under the Bulgarian TP legislation, five factors should be considered for the comparability analysis. One of them is the economic environment.</p> <p>The domestic comparables are usually preferred as they are generally considered more reliable, since it is difficult to find other countries with similar economic environment. However, if there are not enough local comparables, foreign ones could be used.</p>	

9	Does your tax administration use secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	Does your legislation allow or require the use of an arm's length range and/or statistical measure for determining arm's length remuneration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The use of arm's length range as well as statistical measure (e.g. interquartile range and median) is allowed under the Bulgarian legislation.	Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods.
11	Are comparability adjustments required under your domestic legislation or regulations?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No In case, as a result of the comparability analysis, it is found that there are significant differences between the controlled and the comparable uncontrolled transaction, comparability adjustments should be performed in a reliable way to achieve a sufficient degree of comparability between the compared transactions.	Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods.
Intangible Property			
12	Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Under the Bulgarian legislation, the following two factors should be considered with respect to the pricing of controlled transactions involving intangibles: (i) the economic benefits in the form of additional profits or reduction of costs, as a result of obtaining and/or use of the intangible, that are expected by the entity receiving it (main factor), and (ii) the possibility for the transferor of the intangible to recover the expenses related to acquiring or creating the intangible, and to realise a reasonable rate of return (secondary factor).	Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods.
13	Does your domestic legislation or regulation provide for transfer pricing	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

	rules or special measures regarding hard-to-value intangibles (HTVI)?	The Bulgarian legislation does not provide for special rules regarding the HTVI.	
14	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The transactions involving intangibles are subject to the general rules for taxation in Bulgaria (e.g. the substance over form principle and general anti-avoidance rules are applicable).</p>	<p>Corporate Income Tax Act</p> <p>Unofficial English translation of CITA as of 17.02.2021</p>
Intra-Group Services			
15	Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The Bulgarian legislation states that the arm's length nature of the remuneration for the service transactions should be tested by using either the CUP method or the Cost Plus method. Only if these two methods may not be reliably applied, other methods may be used.</p> <p>In case of subscription services, a multiple year period should be reviewed.</p> <p>The remuneration for the services should be determined by applying the direct charge method. When this is not possible or requires unreasonably high costs, the indirect charge method may be applied.</p> <p>The allocation key used with the indirect charge method should:</p> <ul style="list-style-type: none"> - be appropriate from business and accounting perspective, - have safeguards against artificial increase or decrease of the remuneration for the services, and - guarantee cost allocation between the service recipients in line with the actual or expected benefits for each of them. <p>The Bulgarian TP legislation explicitly states that the indirect charge method should not be applied when the service provider renders identical services to related and unrelated parties and the services provided to the latter form significant part of the business of the service provider.</p>	<p>Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods.</p>

		In addition, there is a general guidance on the tax treatment of intra-group services transactions contained in the Guidelines on Transfer Pricing, published by the National Revenue Agency.	
16	Do you have any simplified approach for low value-adding intra-group services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
17	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The transactions related to intra-group services are subject to the general rules for taxation in Bulgaria (e.g. the substance over form principle and general anti-avoidance rules are applicable).	Corporate Income Tax Act Unofficial English translation of CITA as of 17.02.2021
Financial Transactions			
18	[NEW] Does your domestic legislation or regulations provide guidance specific to financial transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The Bulgarian TP legislation and regulations do not provide guidance specific to financial transactions.	
19	[NEW] Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of financial transactions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The Bulgarian Corporate Income Tax Act establishes certain rules outside the scope of transfer pricing that are relevant for the tax treatment of financial transactions. The most significant of these rules are the GAARs described in Chapter 3 of the Corporate Income Tax Act (CITA), the thin-cap and interest limitation rules described in Chapter 8 of the CITA and the hidden profit distributions described in Supplementary Provision 1 of the CITA.	Corporate Income Tax Act, Chapter 3, Art. 16 Corporate Income Tax Act, Chapter 8, Art. 43 and Art. 43a, as well as Supplementary provisions, §1, p. 20 and p. 86 Corporate Income Tax Act, Supplementary provisions, §1, p. 4 and p. 5 Unofficial English translation of CITA as of 17.02.2021

Cost Contribution Agreements

20	<p>Does your jurisdiction have legislation or regulations on cost contribution agreements?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>There are no specific regulations on the cost contribution agreements (CCA) in the Bulgarian TP legislation. However, Section 15 of the TP Guidelines of the National Revenue Agency provides some guidance in this respect. This section includes:</p> <ul style="list-style-type: none"> - definition of CCA, - general information about the benefits from the CCA and its participants, - guidance regarding the determination of the contribution of each of the participants, - suggestions to the revenue authorities for issues to be investigated during a tax check or a tax audit, - possible risk factors, from fiscal perspective, - information that may be requested during a tax check or a tax audit, with respect to a CCA, and - other information. 	<p>TP Guidelines of the National Revenue Agency in Bulgarian, Section 15.</p>
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Transfer Pricing Documentation

21	<p>Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG <input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input checked="" type="checkbox"/> Other (specify): 	<p>Tax and Social Security Procedures Code, Chapter 8 “a”.</p> <p>Tax and Social Security Procedures Code, Chapter 15, Art. 116.</p> <p>Tax and Social Security Procedures Code, Chapter 16, Section VI.</p> <p>Unofficial English translation of the TSSPC as of 01.01.2021</p> <p>TP Guidelines of the National Revenue Agency in Bulgarian, Section 2.</p>
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		<p>The TSSPC contains a general requirement that obliges taxpayers to demonstrate the arm's length nature of their related party transactions. Taxable persons who are not obliged to prepare Master File and Local File with a certain content provided by law are required at the request of the tax authorities to present evidence of the arm's length outcome of their controlled transactions, which is most often again in the form of TP documentation. The TP Guidelines of the National Revenue Agency (a document with no legislative power) provide guidance about the content and structure of such TP documentation, as well as the principles to be followed by the taxpayers in its preparation. This guidance generally follows the 1995 version of the TPG and the Code of Conduct on transfer pricing documentation for associated enterprises in the European Union.</p> <p>Although not mandatory, the TP Guidelines of the National Revenue Agency are generally followed by both the revenue authorities and the taxpayers.</p>	
22	<p>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</p>	<p>Local file</p> <p>The Local file should be prepared by 30th June of the year following the year to which it relates.</p> <p>If corrective CIT return has been submitted under Art. 75, para. 3 of the Corporate Income Tax Act, which leads to changes in the data in the Local file, the latter should be updated in connection with the correction made. The Local file should be updated within 14 days of the submission of the corrective tax return, but no later than 30 September.</p> <p>The requirements for the content of the Local file generally follow the proposal in Annex II to the Final Report on BEPS Action 13, but two additional clarifying items are included:</p> <ul style="list-style-type: none"> - a description of the keys for allocation of costs in case of intra-group services and an explanation of the reasons for selecting such keys; - a description of the profit/loss splitting factors, if transactional profit split method is applied, the reason for choosing the relevant factor and how the relative weight of each factor is determined when more than one splitting factor is used; <p>The Local file should be prepared annually. In the absence of significant changes in the comparability factors of the controlled transactions, the benchmarking study already completed shall be updated at least every three years, but the financial data of the transactions or persons identified as comparable must be updated annually.</p> <p>The Local file should be kept by the taxpayers and should be provided at the request of the tax authorities during the relevant administrative proceedings.</p>	<p>Tax and Social Security Procedures Code, Chapter 8 "a".</p> <p>Tax and Social Security Procedures Code, Chapter 16, Section VI.</p> <p>Unofficial English translation of the TSSPC as of 01.01.2021</p>

All documents presented to the Bulgarian tax authorities should be in Bulgarian or, at the request of the latter, be accompanied by a certified translation into Bulgarian.

Master file

Taxpayers should have a Master file for the tax year of the Ultimate Parent Entity of the MNE group, beginning on or after January 1 of the year for which the Local file is prepared, not later than 12 months after the deadline for preparing the Local file.

In addition to the information indicated in the proposal in Annex I to the Final Report on BEPS Action 13, the Master file should contain the following items explicitly included in the Annex to the Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union (EU TPD):

- a general description of the controlled transactions including:
 - (i) flows of transactions (tangible and intangible assets, services, financial),
 - (ii) invoice flows, and
 - (iii) amounts of transaction flows;
- the MNE group's inter-company transfer pricing policy or a description of the group's transfer pricing system that explains the arm's length nature of the company's transfer prices;
- a general description of the business and business strategy, including changes in the business strategy compared to the previous tax year;

The Master file should be kept by the taxpayers and should be provided at the request of the tax authorities during the relevant administrative proceedings.

All documents presented to the Bulgarian tax authorities should be in Bulgarian or, at the request of the latter, be accompanied by a certified translation into Bulgarian.

CbC reports

Under the Bulgarian legislation, the CbC reports should be filled within 12 months of the end of the MNE's tax year.

There are no differences between the content of the CbC report under the Bulgarian legislation and the proposal in Annex III to the Final Report on BEPS Action 13.

Resident entities and PEs that are members of an MNE group that have the obligation to file a CbC report should file a notification as to whether a CbC report

		<p>will be filed. Each Constituent Entity should file a notification annually online in a standardized form.</p> <p>Taxpayers may use either Bulgarian or English when preparing CbC reports and notifications.</p>	
23	<p>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>A Reporting Entity that has an obligation to file CbC report in Bulgaria, but does not do so within the stipulated deadline, should be subject to a fine of BGN 100 000 (approximately EUR 51 000) to BGN 200 000 (approximately EUR 102 000).</p> <p>If a Reporting Entity files a CbC report, but omits, or declares false or incomplete data in it, the Reporting Entity should be subject to a fine of BGN 50 000 (approximately EUR 26 000) to BGN 150 000 (approximately EUR 77 000). The same fine should be applied if the incomplete or wrong data are due to a refusal of the Ultimate Parent Entity to present the required data.</p> <p>A Constituent Entity, that has an obligation to file a CbC report and does not notify the Bulgarian tax authorities when the Ultimate Parent Entity has refused to provide the requested information, should be subject to a fine of BGN 10 000 (approximately EUR 5 100).</p> <p>A Constituent Entity should be subject to a fine of BGN 50 000 (approximately EUR 26 000) to BGN 150 000 (approximately EUR 77 000) if it fails to notify the tax authorities whether it, or some other group entity, will file the CbC report.</p> <p>A taxpayer who is obliged to prepare a Local file under Chapter 8 “a” of the TSSPC, but does not prepare it, should be fined up to 0,5 % of the total value of transactions for which TP documentation had to be prepared. In case of granting or receiving a loan, the total value of the transaction is the amount of the loan. It should be considered that the Local file has not been prepared when it is not submitted at the request of the tax authorities within the period specified by them, which may not be shorter than 7 days.</p> <p>A taxpayer who does not have a Master file under Chapter 8 “a” of the TSSPC, when obliged to do so, should be subject to a fine of BGN 5 000 (approximately EUR 2 600) to BGN 10 000 (approximately EUR 5 100).</p> <p>A taxpayer who provides incorrect or incomplete information in the transfer pricing documentation under Chapter 8 “a” of the TSSPC, should be subject to a fine of BGN 1 500 (approximately EUR 767) to BGN 5 000 (approximately EUR 2 600).</p>	<p>Tax and Social Security Procedures Code, Chapter 5, Art. 22.</p> <p>Tax and Social Security Procedures Code, Chapter 28, Art. 278a.</p> <p>Unofficial English translation of the TSSPC as of 01.01.2021</p> <p>Ordinance № H-9 of 14.08.2006 for the Order and Ways of Applying the Transfer Pricing Methods, Art. 62 and Art. 63.</p>

		<p>In case of a repeated violation of the above rules, higher fines apply.</p> <p>The following rule may be considered as an incentive to taxpayers: if during a tax audit a taxpayer presents TP documentation (that meets certain requirements) to the tax authorities, then they should start their analysis from the method chosen by the taxpayer, and only if it is deemed inappropriate, use another method.</p>	
24	<p>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</p>	<p>Local file</p> <p>Bulgarian entities, foreign entities acting through permanent establishments in Bulgaria and sole traders, who determine their taxable income in accordance with Art. 26 of the Income Taxes on Natural Persons Act, which participate in cross-border related party transactions, should prepare Local file under Chapter 8 “a” of the TSSPC, if as at 31 December of the preceding year at least two of the following thresholds are met:</p> <ul style="list-style-type: none"> - the balance sheet value of their assets exceeds BGN 38 million (approximately EUR 19 million), - their net sales exceed BGN 76 million (approximately EUR 39 million), - the average number of employees exceeds 250. <p>Corporate income tax exempt companies as well as companies that are subject only to alternative taxes under the Corporate Income Tax Act should not be subject to mandatory TP documentation. Exempt are also Bulgarian taxpayers participating in domestic inter-company transactions only.</p> <p>The Local TP file should cover transactions exceeding the following thresholds on a standalone basis (excluding value-added tax and excise duty):</p> <ul style="list-style-type: none"> - for sale of goods – BGN 400 000 (approximately EUR 205 000), - for all other transactions (e.g. royalty, service transactions, etc.) – BGN 200 000 (approximately EUR 102 000), - for loans, either received or granted - BGN 1 000 000 (approximately EUR 510 000) or for loan related interest and other loan related income/expenses - BGN 50 000 (approximately EUR 26 000). <p>Under certain conditions, transactions should be aggregated for the purpose of the threshold test.</p> <p>Master file</p>	<p>Tax and Social Security Procedures Code, Chapter 8 “a”.</p> <p>Tax and Social Security Procedures Code, Chapter 16, Section VI.</p> <p>Unofficial English translation of the TSSPC as of 01.01.2021</p> <p>TP Guidelines of the National Revenue Agency in Bulgarian, Section 2.</p>

	<p>Taxpayer obliged to prepare a Local file under Chapter 8 “a” of the TSSPC, who is a Constituent Entity of a MNE group, should have a Master file under Chapter 8 “a” of the TSSPC.</p> <p>“Multinational Enterprise Group” (MNE Group) within the meaning of Chapter 8 “a” and Chapter 16, Section VI is a group which:</p> <p>a) includes two or more enterprises resident for tax purposes in different jurisdictions, or</p> <p>b) includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction.</p> <p>Groups comprising only of resident entities are not required to prepare a Master file.</p> <p>CbC reports</p> <p>The requirement to file a CbC report applies to a Reporting Entity, which is a Constituent Entity of a MNE Group with consolidated group revenue of 750 million Euro or more (or near equivalent in domestic currency as of January 2015) during the fiscal year immediately preceding the reporting fiscal year.</p> <p>Other TP documentation</p> <p>Based on the TP Guidelines of the National Revenue Agency (a document with no legislative power, however, generally followed by both the revenue authorities and the taxpayers):</p> <p>- the micro enterprises¹ may not prepare TP documentation, and</p> <p>- simplified documentation evidencing the arm’s length prices of the related party transactions should be prepared, if the following thresholds have not been reached:</p> <p>(i) BGN 200 000 (approximately EUR 102 000), when the transaction is a supply of goods or provision of services;</p>	
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¹ Micro enterprises are the one which on 31 December of the current accounting period do not exceed at least 2 of the following thresholds:

- balance value of the assets – BGN 700 000 (approximately EUR 358 000);
- net revenues from sales – BGN 1 400 000 (approximately EUR 716 000);
- average number of staff for the accounting period– 10 people.

		<p>(ii) BGN 400 000 (approximately EUR 205 000), when the transaction is grant of intangibles or financing (for financing the threshold applies to the amount of interest and not to the amount of the loan).</p> <p>However, TP Guidelines of the National Revenue Agency also recommend that the above will not apply when:</p> <ul style="list-style-type: none"> - The operating profit of the entity engaged in related party transactions is lower with 20% or more than the average operating profit for the industry it operates in for each of the 3 years preceding the year when the transactions occurred and the enterprise is unable to prove that the deviation does not originate from its related party transactions; - The respective related party is registered in a non-EU country where the corporate tax due on the income from the transactions is lower by 60% or more than the Bulgarian corporate tax. This exception does not apply if the enterprise provides evidence that the tax due by the foreign related party is “not subject to a preferential regime or the foreign entity has traded the goods or services on the local market”; - The country where the related party is registered refuses or is not able to exchange information regarding the transactions or commercial relations, where there is an applicable double tax treaty in place. 	
Administrative Approaches to Avoiding and Resolving Disputes			
25	<p>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</p>	<p>Please check those that apply:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Rulings <input type="checkbox"/> Enhanced engagement programs <input type="checkbox"/> Advance Pricing Agreements (APA) <ul style="list-style-type: none"> <input type="checkbox"/> Unilateral APAs <input type="checkbox"/> Bilateral APAs <input type="checkbox"/> Multilateral APAs <input checked="" type="checkbox"/> Mutual Agreement Procedures <input checked="" type="checkbox"/> Other (<i>please specify</i>): <p>It is possible for a taxpayer to obtain an opinion from the revenue authorities on a case-by-case basis, which is not binding but may protect the taxpayer involved from being subject to payment of interest for late payments and/or penalties.</p>	<p>National Revenue Agency Act, Art.10.</p> <p>Unofficial English translation of NRAA as of 01.01.2016</p> <p>Tax and Social Security Procedures Code, Chapter 4, Art. 17.</p> <p>Tax and Social Security Procedures Code, Chapter 16, Section II “a”.</p> <p>Unofficial English translation of the TSSPC as of 01.01.2021</p> <p>Guidance on the application of the Mutual Agreement Procedure under the Double Taxation Conventions and the Arbitration Convention in English and in Bulgarian</p>

		<p>Bulgaria is a party to the Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (Arbitration Convention) and as an EU Member State has implemented Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union. These two international legal acts provide for additional dispute resolution mechanisms beyond the provisions of the Double Tax Conventions.</p> <p>Transfer pricing cases fall within the scope of the Mutual Agreement Procedure Clause provided for in all 70 Double Tax Conventions that Bulgaria has in force.</p> <p>The provisions of Council Directive (EU) 2017/1852 of 10 October 2017 on the procedures for resolving tax disputes between EU Member States are implemented in the Tax and Social Security Procedures Code, Chapter 16, Section II “a”. This mechanism applies for tax periods commencing on 01.01.2018 or later.</p> <p>The Guidance on the application of the Mutual Agreement Procedure under the Double Taxation Conventions and the Arbitration Convention is available on the websites of the National Revenue Agency.</p> <p>Additional information on the Mutual Agreement Procedures can be found in the Bulgarian MAP profile on the OECD website.</p>	Bulgaria’s MAP Profile
Safe Harbours and Other Simplification Measures			
26	Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
27	Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Other Legislative Aspects or Administrative Procedures			
28	Does your jurisdiction allow/require taxpayers to make year-end adjustments?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Corporate Income Tax Act, Chapter 4, Art. 15</p> <p>Unofficial English translation of CITA as of 17.02.2021</p>
		The Bulgarian Corporate Income Tax Act allows for compensating adjustments in case the reported transfer prices for goods, services or rights transferred in a	

		controlled transaction deviate from the prices which would have been established had the transaction taken place at arm's length.	
29	Does your jurisdiction make secondary adjustments?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Corporate Income Tax Act, Supplementary provisions, §1, p. 4 and p. 5
		The Bulgarian Corporate Income Tax Act allows for secondary adjustments in case of reporting a transfer price for goods, services or rights transferred in a controlled transaction higher than the price which would have been established had the transaction taken place at arm's length. According to the Bulgarian legislation, secondary transactions could only take the form of constructive profit distribution.	Unofficial English translation of CITA as of 17.02.2021
Attribution of Profits to Permanent Establishments			
30	[NEW] Does your jurisdiction follow the Authorised OECD Approaches for the attribution of profits to PEs (AOA)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		In all 70 Double Tax Conventions that Bulgaria has in force.	
31	[NEW] Does your jurisdiction follow also another approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		In all cases related to the attribution of profits to PEs Bulgaria follows the approach established in Art. 7 of the OECD Model Tax Convention as it read before 22 July 2010 and the related Commentaries.	
Other Relevant Information			
32	Other legislative aspects or administrative procedures regarding transfer pricing	N/A	
33	Other relevant information (e.g., <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>)	N/A	