



INVESTBULGARIA
AGENCY

Investment incentives in Bulgaria

Types of incentives under the current Bulgarian legislation - content

- Incentives under the Investment Promotion Act (IPA)
- Tax incentives
- Employment incentives under the Employment Encouragement Act

Investment Promotion Act (IPA)

- **Equal treatment of Bulgarian and foreign investors**
- **The Investment has to be related to the setting up of a new establishment, expansion, output diversification into new additional products or a fundamental change in the overall production process of existing establishments.**
- **The investment to be made in the following economic activities:**
 - Manufacturing industry
 - Services sector including: high-tech activities in the field of ICT, R&D, outsourcing of business processes, activities of head offices, education, human health care, warehousing and support activities for transportation, accounting and auditing, architecture and engineering

Investment Classes

- Investment classes A and B and Priority investment projects depending on the value, region and sector allocation of the investment

Criteria – Investment value, Euro m

Region or Sector	Class B	Class A
Activities in the manufacturing industry	2.5	5
In municipalities with unemployment rate equal or more than the country average	1	2
High-tech activities in the manufacturing industry for the entire country	1	2
Activities in the service sector such as: - warehousing and support activities for transportation - outsourcing of business processes (for administrative and office activities)	0.75	1.5
High-tech activities in the service sector such as: - ICT and computer technologies - R&D - activities of head offices - education - human health care - accounting and auditing - architecture and engineering	0.5	1

Criteria – Number of jobs created (+ Investment value)

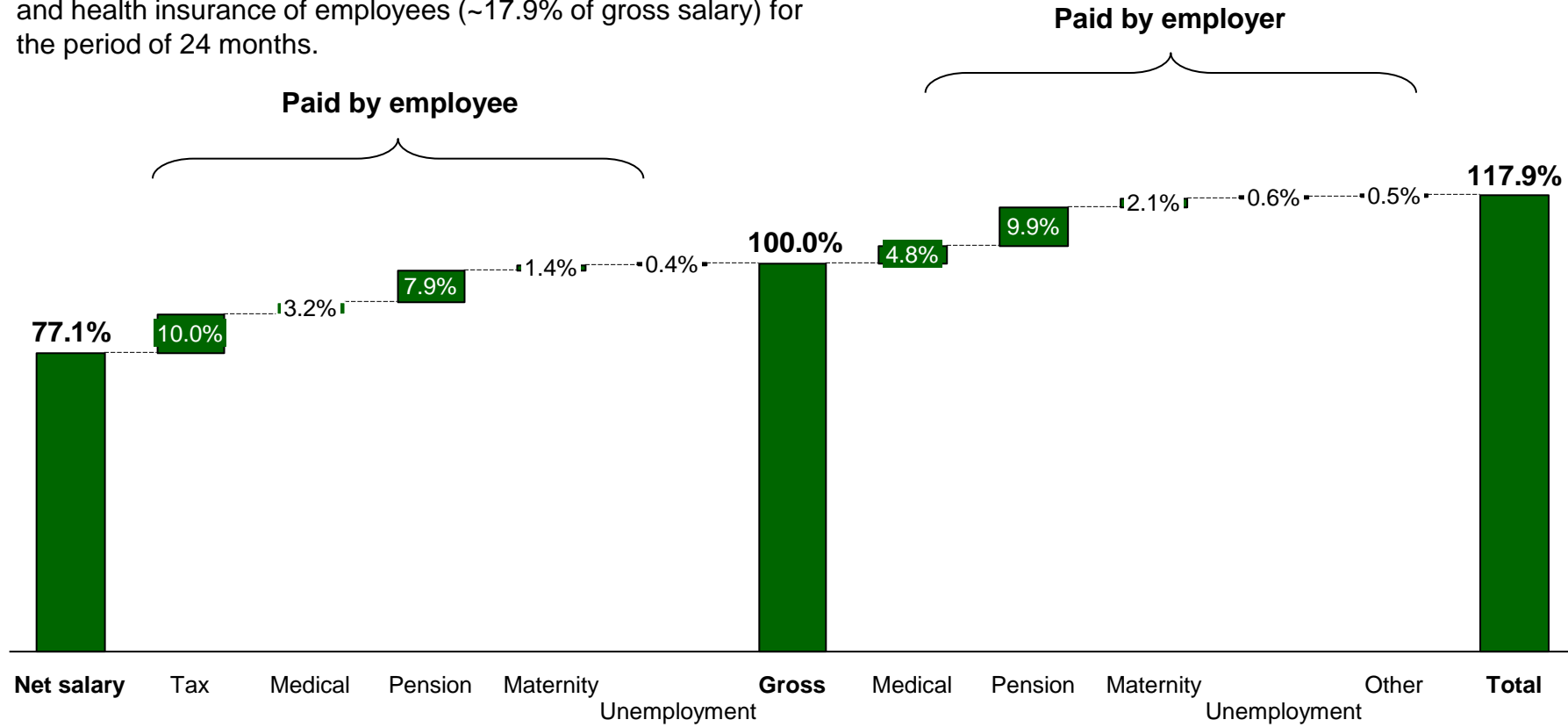
Region or Sector	Class B	Class A
General case: Manufacturing industry	€1m 100 jobs	€2m 150 jobs
General case: Services sector	€0.25m 100 jobs	€0.5m 150 jobs
In municipalities with unemployment rate equal or more than the country average	10 jobs	25 jobs
High-tech activities in the manufacturing industry for the entire country	10 jobs	25 jobs
High-tech activities in the service sector such as: <ul style="list-style-type: none"> - ICT and computer technologies - R&D - activities of head offices - education - human health care - accounting and auditing - architecture and engineering 	25 jobs	50 jobs

Class A and B investment incentives

- Information services
- Shortened administrative procedures - The central and local government authorities will provide administrative services shortened with one-third of the time period established by the law
- Financial support of up to 25% for the vocational training for obtaining professional qualifications
- Reimbursement of labor costs paid by the employer
- On the request of certified investor the corresponding authorities may transfer ownership rights or establish a limited ownership right over real estate (private state or private municipal property) without a tender

Reimbursement of labor costs paid by the employer

- 1. Introducing additional criteria for certification - number of jobs created (minimum 10-150 depending on type of investment)
- 2. Reimbursement of expenses paid by employer for social security and health insurance of employees (~17.9% of gross salary) for the period of 24 months.



Class A investment incentives

- Consulting and individual administrative services. Investors will be able to authorize Agency officials to obtain from the corresponding competent bodies on investors' behalf and for investors' account any documents for implementation of the corresponding investment project as may be required under the existing legislation
- Financial support for construction of technical infrastructure elements to the borders of the project site, needed for implementation of one or more investment projects.

Priority investment projects

- All sectors of the economy, with the exception of the restrictions imposed by EU Regulation 800/200
- Council of Ministers approval
- Conditions – priority status depending on the value, jobs created and region allocation of the investment

Criteria for priority investment project's classification

Region or Sector	Investment Value (Euro m)	Jobs
General case (the entire country, all sectors)	50	200
In industrial zone construction and its development into industrial park	25	70
In municipalities with unemployment rate equal or more than the country average	25	100
In high-tech activities in the manufacturing industry for the entire country	25	100
In construction of a technological park	15	50
In education, human healthcare, IT and R&D activities, activities of head offices	10	50

Incentives for priority investment projects

- All the incentives for Class A and B
- Special incentives for priority investment projects:
 - Institutional support
 - Financial grants of up to 50% for education and R&D projects and up to 10% for manufacturing projects
 - State tax exemption for changing the land status
 - Acquisition of real estate private state or private municipal property without a tender and at a price lower than the market, but not lower than the tax assessment of the property
 - Establishment of public-private partnerships with municipalities, universities, other organizations from the academic society and etc.

Types of incentives under the current Bulgarian legislation - content

- Incentives under the Investment Promotion Act (IPA)
- **Tax incentives**
- Employment incentives under the Employment Encouragement Act

Tax incentives

Main acts:

- Law on corporate income tax levying
- Law on value added tax (VAT)
- Law on income tax of physical persons

Tax Incentives (1)

Law on value added tax (VAT)

VAT exempt for import of equipment for investment projects implemented within a period of two years:

- amount of the investment - over 10 million BGN for a period not longer than two years
- 50 new jobs created
- ability of the entity to finance the project

The approval of those projects is issued by the Ministry of Finance

Law on income tax of physical persons

- 10% personal income tax rate (flat rate) as of 01.01.2008

Tax incentives (2)

Law on corporate tax

- Possibility for R&D expenditure write-off
- Accelerated depreciation of 2 years for computers and new manufacturing equipment
- 5% withholding tax on dividends and liquidation quotas(0% for EU tax residents)
- No restrictions concerning capital repatriation

Types of incentives under the current Bulgarian legislation - content

- Incentives under the Investment Promotion Act (IPA)
- Tax incentives
- Employment incentives under the Employment Encouragement Act

Employment and training incentives given by national employment agency

Up to 1 year minimum salary and reimbursement of social/health care security for employing people through Employment Agency in eligible categories:

- Unemployed up to 29 years of age without time of service
- Unemployed up to 29 years with reduced working capacity
- Young people from social institutions who have completed their education
- Unemployed with permanently reduced working capacity
- Unemployed – single parents (adoptive parents) or mothers (adoptive mothers) with children up to 3 years of age
- Unemployed women over 50 years of age and men over 55 years of age

Programs and measures for training(1)

An employer who provides maintaining and improvement of the qualification of the hired workers and employees can apply for granting of half of the maximum determined size of the sums for training of one person (the maximum sum is defined by the National Operative Employment Plan).

Steps of the procedure:

- 1) The local division of the Employment Agency - “Employment bureau” announces every month on the information board and in at least two local or regional mass media the encouragement measures, for which contracts can be concluded with employers during the following month
- 2) The employer submits an application at the local “Employment bureau” and files a declaration to preserve the employment of the employees for at least 6 months after the successful end of the training

Programs and measures for training(2)

Steps of the procedure:

- 3) In 3 days term after the expiry of the term for application the Council for co-operation discuss the submitted applications and propose to the director of “Employment bureau” list of the employers, with whom contract could be concluded during the respective month
- 4) List of the approved employers is put on the information board of the “Employment bureau”
- 5) The employer has the right to carry out training for acquiring professional qualification appointing a training organization, within the frames of the maximal size of resources for training of one person (defined by the National Operative Employment Plan)



IBA services

- Macroeconomic data on Bulgaria
- Comparative macroeconomic information
- Legal advice
- Data on operational costs
- Regional information related to unemployment data, availability of skilled labor force, education level, infrastructure, foreign investors, industrial zones, free premises
- Identification of potential suppliers, contract manufacturing or joint venture partners
- Creating linkages with local universities / school communities
- Creating linkages with central and local governments

InvestBulgaria Agency

1000 Sofia, Bulgaria, 31, Aksakov Str.

Tel: (+359 2) 985 5500

Fax: (+359 2) 980 1320

E-mail: iba@investbg.government.bg

Web: www.investbg.government.bg