



Bulgaria

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	No
Is the preparation of TP documentation advisable, e.g. to avoid penalties?	Yes
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Which TP methods may be applied?	The applicable Bulgarian regulations provide for the Comparable Uncontrolled Pricing Method (CUPM), the Resale Price Method (RPM), the Cost Plus Method (CPM), the Profit Split Method (PSM) and the Transactional Net Margin Method (TNMM) for the purposes of estimation of the market prices. Ordinance H-9/14 of August 2006 on the procedure for application of transfer pricing methods, issued by the Minister of Finance, regulates in details the application of the transfer pricing methods.
Are any TP methods preferred over others?	The first three standard methods (i.e. the CUPM, the RPM and the CPM) should be applied with priority. In case these do not lead to the intended results, then the other two methods should be applied.
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR implemented; No MF/LF.
Reference to documentation and statements of local-government or tax authorities regarding OECD BEPS implementation status	<ul style="list-style-type: none"> • Local File: The Bulgarian National Revenue Agency (NRA) adopted in 2010 Guidelines on TP documentation. They are not legally binding on the taxpayers but are virtually the only practical guide regarding the TP documentation available. The NRA TP Guidelines are largely based on the EU Code of Conduct on TP documentation for associated enterprises and on the OECD Transfer pricing guidelines for multinational enterprises and tax administrations. • CbCR: Chapter 16, section VI of the Bulgarian Tax and Insurance Procedure Code (TIPC).
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general:	Same as above. In addition, there are some general regulations in Bulgarian tax law where the arm's length standard is defined: paragraph 1 of the Supplementary Provisions of the TIPC; part I, chapter 4 of the Corporate Income tax Act.
2. Master File (MF)	
	Not implemented

3. Local File (LF)	Not implemented
What is the threshold requirement for the obligation to prepare a LF?	The LF in line with OECD BEPS 13 has not been implemented in Bulgaria but guidelines on local TP documentation exist. No statutory threshold for the obligation to prepare a local file. The NRA TP Guidelines provide for transaction thresholds under which the taxpayers are not obliged to keep TP documentation. Those thresholds are: (i) BGN 200 000 (or app. EUR 100 000) for delivery of goods; (ii) BGN 200 000 (or app. EUR 100 000) for services; (iii) BGN 400 000 (or EUR 200 000) for intangible property; (iv) BGN 400 000 (or app. EUR 200 000) for loans (the threshold applies to the interest and not to the loan). Important: Even if a controlled transaction is below the above threshold, the taxable person may be still obliged to prepare TP documentation for it if it realizes an operating margin which is at least 20% below the average for the industry for the last three years before the year the transaction took place.
When does the LF need to be available?	There is no statutory obligation for annual submission of TP documentation.
When does the LF need to be submitted?	The local file need to be available and must be presented to the tax authorities upon their request during a tax audit.
Does the LF have to be prepared in the relevant local language?	Yes
Or is documentation in English permissible?	Yes. It is possible to be prepared in English, but upon request by the tax administration the taxpayer must provide official translation in Bulgarian language. English version only is not acceptable.
What are the possible consequences of not having the LF available?	
Penalties?	No
Imprisonment?	No
Shifting of the burden of proof?	Yes

4. Country-by-Country Reporting	Yes
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	EUR 750 million threshold applicable to ultimate parents of a multinational enterprise groups (MNE groups) headquartered outside Bulgaria; A reduced reporting threshold of BGN 100 million (approximately EUR 51 million) is applicable to ultimate parents of MNE groups, in case where the ultimate parent company is a Bulgarian tax resident (according to the Bulgarian TIPC regulations in force as of 04.08.2017).
As from which year does this CbCR obligation exist?	The Bulgarian CbC reporting regulations are in force as of 04.08.2017. • For primary reporting by a Bulgarian ultimate parent of a MNE groups /a surrogate entity - CbCR is to be prepared and filed for the fiscal year starting on 1 January 2016. The filing deadline is 31 December 2017; • For primary reporting by a constituent entity - CbCR is first to be prepared and filed for the fiscal years starting on 1 January 2017. The filing deadline is 31 December 2018.
When and how do the tax authorities need to be notified who the reporting entity is?	For primary notifications - the tax authorities need to be notified until 31 December 2017.
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	Please see above. Further, according to the general rule the annual report must be filed no later than 12 months after the last day of the reporting fiscal year of the MNE group.
Are there any deviating submission deadlines for the secondary mechanism?	No
Does your country have a requirement that the financial figures of the group need to be aligned with?	No

Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	The CbCR will be submitted electronically to the NRA. The way of filing and the files format is further regulated by an Ordinance of the Executive Director NRA, adopted on 31.10.2017.
How is the CbCR to be submitted, specifically, is there any prescribed standard?	The CbCR is submitted electronically via the web based electronic services portal of the Bulgarian NRA. The file format and the file content are standardized as per the Ordinance of the NRA Executive Director.
What are the (possible) consequences of not having the required CbCR available?	The TIPC provides for administrative sanctions (penalties) in case of non-compliance with the CbCR submission and notification filing obligations.
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Generally in line with the OECD requirements.
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	Yes
Please specify the country involved and date the agreement came into force.	Bulgaria implemented the European Union Automatic Information Exchange Directive (EU Directive 2016/881/EU)
Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes

5. TP disclosure in tax return or transfer pricing specific returns

Does a taxpayer need to disclose information regarding TP documentation in his tax return?	No
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	An administrative penalty between EUR250 and EUR1,500 is imposed if the taxable result is not correctly defined in the tax return, resulting in an underpayment of tax. If the tax authorities claim that a hidden distribution of profit is in place, a penalty of 20 percent of the adjusted amount may be levied. If, however, the taxpayer discloses in its tax return the hidden distribution of profit, then the administrative penalty would not be imposed. There are no other transfer-pricing-specific penalties.
Does a taxpayer need to file TP-specific returns?	No

6. Benchmarking	
Is there any local guidance or requirement with regard to the preparation of a benchmark study?	No
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No

7. Year-end adjustments	
Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	Yes. Pursuant to the Bulgarian Corporate Income Tax Act when the related parties transaction deviates from the prices between non-related parties (i.e. the transaction is not at arm's length), then the taxable base and the tax shall be determined under the conditions of a non-related parties transaction of goods/services.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	Recently the tax authorities more often focus on transfer pricing issues in case of tax audits. Their interest tend to focus on the actual provision of services within a multinational group of companies, as well as on the price formation of intra-group services, especially when management services of various nature are concerned.
Based on your experience, are joint or multilateral audits initiated and carried out?	No
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	No

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