

BULGARIA – STATE OF EMERGENCY BUSINESS MEASURES COVID19

A summary of the emergency regulations issued by the Bulgarian public entities, regarding tax, labour and compensation legislation.

I. INTRODUCTION

On 24 March 2020, the “Measures and Actions During the State of Emergency Act” was promulgated in the State Gazette and entered retroactively into force as of 13 March 2020.

On 25 March 2020, the Government determined that more than BGN 2 billion would be allocated from the budget for economic measures:

- The Prime Minister has announced that over 60% of the employee’s remuneration in the affected sector will be covered by BGN 1 billion state funding.
- The capital of the Bulgarian Development Bank (BDB) will be increased by BGN 500 million to guarantee loans, taken by companies from private banks.
- BGN 200 million from BDB through commercial banks will be given for unsecured consumer loans up to BGN 1500 for employees who are on unpaid leave but with reserved jobs.
- BGN 500 million - for remunerations of health officials, police and military.

The information below is relevant and up-to-date as for 27 March 2020. The situation is rapidly changing and this may not be actual in the next days. We will keep you informed if anything has changed or some new measures are proposed. Some of the measures listed are still being discussed and are not finalized yet.

Keep in mind that this information is relevant only for Bulgaria.

II. VAT AND OTHER TAX PAYMENTS

Will the deadline for VAT declaration and payment be changed?

No. The deadline for declaration and payment of VAT will not be changed, the National Revenue Agency reported.

If the corporate tax declaration has already been filed, will there be a deferral to pay the tax?

Yes, the payment deadline for corporate tax according to the annual declarations will be extended for those who have already submitted them.

Declaring and payment of Republican taxes and social security contributions during the state of emergency

In order to overcome possible difficulties connected with the declaring and the payment of taxes and social security contributions, some of the changes during the state of emergency are:

1. Extension of the deadline for filing corporate tax declarations **until 30 June 2020.**
2. Extension of the corporate tax payment under the annual declaration **until 30 June 2020.**
3. In 2020, taxable persons shall make advance payments based on the estimated tax profit for 2020, taking into account the following features:
 - *If the annual tax declaration for 2019 has already been submitted*, adjustments to the amount of the advance payments by 15.04 shall be made by the declaration
 - *If the annual tax return for 2019 is not submitted by 15.04*, it must be submitted by that date, by submitting in only the part in which the advance contributions for 2020 are declared. Adjustments to the amount of the advance contributions are made by the declaration
 - Adjustments to the advance contributions made by the declaration shall be used after submission of the declaration.

The deadlines for payment of the advance payments for 2020 are as follows: The monthly advance payments for the first quarter (January, February and March) of 2020 shall be paid by April 15, 2020, and for the months from April to December by 15 number of the month to which they refer. The quarterly advance payments for the first and second quarters of 2020 shall be paid by the 15th of the month following the quarter, respectively. April 15 and July 15, 2020, and for the third quarter, by December 15. No quarterly advanced payment is made for the fourth quarter.

4. Extension of the submission of the Annual Activity Statement (AAS) **until 30th June 2020.**
5. Extension of the period for declaring and submitting the tax on the expenses under the Corporate Tax Act, as well as the tax on the revenues of budgetary enterprises, the tax on the income from ancillary and auxiliary activities within the meaning of the Gambling Act and the tax on the activity of operating ships, **until 30th June 2020**
6. Extension of the deadline to 30 June 2020 for filing the annual income tax declaration for natural persons engaged in business activities as traders within the meaning of the Commercial Act, incl. sole proprietors, activities as farmers when they have chosen to be taxed as sole proprietors, and to pay the tax due on those persons on the declaration.
7. During the state of emergency, the enforcement under the Tax and Social Insurance Procedure Code shall be suspended, as for the period of suspension interest is being charged. Liabilities can be secured and amounts can be allocated in enforcement proceedings. Upon a request of the debtors, public contractors may enforce receivables and cash from banks, receivables, deposits in vaults and contents in safes. There will be no public auctions and no takeover proceedings.
8. During a state of emergency, no enforcement cases shall be instituted by public bailiffs at the NRA, except in particularly important cases.

III. JOB RETENTION SCHEMES

The idea is that the state will cover, through the “Unemployment” Fund, 60% of the remunerations of employees who would otherwise lose their jobs. In return for this funding, employers are obliged to retain their employees, to cover the remaining 40% of the remuneration and not to dismiss these employees within 3 months after the expiry of the 3 month-period in which they received compensation. The funds shall be transferred to the employee’s bank account within 5 working days as of the provision of the information to the Employment Agency.

Only companies that have discontinued the work of at least 50% of the staff list at the date of the order to cease all or part of the activity due to the state of emergency will be eligible for state support. At least 50% of their employees should have been working in one of the 16 economic activities listed in the ordinance.

Another condition for applicants is that they have not made redundancies in the period in which they will receive compensation. It shall be provided for a period of up to 3 months and the decree will retroactively come into effect as of March 13th. If the company wants full compensation, it should not have released staff since March 13th. Companies should not have budget commitments, i.e. for taxes and social security contributions, should not already receive funding from European programs or from the budget, and should not have committed any breach of the labour legislation.

The list of branches below is not final yet and it has not been officially published. It is still being supplemented and adjusted. At present, the sectors involved are:

- Big shopping centre retailers (but excluding food, beverages, tobacco, motor vehicles and motorcycles retailers)
- Different types of passenger transport
- Hotels and other similar accommodation
- Tourist and other short-term accommodation
- Restaurants and fast food establishments
- Drinking establishments
- Movie projection
- Travel agency and operator activity; other travel and booking activities
- Artistic and creative activity
- Other cultural activities
- Sports and other activities related to leisure and recreation
- Maintaining good physical condition.
- Manufacturing, except tobacco, coke and refined petroleum products, chemical products, medicines and computer equipment

- Construction
- Non-shopping centre retailers (but excluding food, beverages, tobacco retailers)
- Publishing activity
- Public Relations
- Advertising and sociological agencies.

There are other changes that facilitate the implementation of the scheme by eliminating the requirement that at least 50% of the workers in the suspended enterprise should be engaged in the activities concerned, and there is no obligation for the staff assisted to remain employed for three months thereafter.

Employers, in order to benefit from the 60:40 scheme, in which the state supports them with most of their workers' remuneration, should:

- Be local natural or legal persons, as well as foreign legal entities operating in Bulgaria
- Claim compensation of employees in the stated 19 sectors and economic activities
- Have no tax obligations and mandatory social security contributions within the meaning of Art. 162, para. 2, item 1 of the Tax and Social Insurance Procedure Code
- Have not been declared bankrupt or are not in bankruptcy or liquidation proceedings
- Keep the employment of the persons for whom they have been compensated for a period not less than the period for which the compensations have been paid
- Not terminate the employment agreements of the employees due to the closure of the enterprise or part of it, redundancies, reduction of work, or suspension of work for more than 15 days during the period for which they are compensated
- Not to have a violation of the labour legislation established by a penal decree or court decision

Applications will be submitted by employers to the state employment offices. The following documents should be attached to them:

- An order by the employer to discontinue work under Art. 120c of the Labour Code (due to the state of emergency)
- A declaration that they will maintain employment in the enterprise and that they will not terminate employee's agreement during the period during which compensation is paid
- A list of workers for whom compensation is being applied for
- A declaration with employer's bank account with IBAN

There will be a template for all of the declarations, which will be approved by the Executive Director of the Employment Agency. And the offices will notify the employer of its decision within 2 working days from the date of its making.

NB! Please, note that nothing of the above is final yet and it will be discussed with employers and trade unions, it may be changed, and finally be adopted at a government meeting.

IV. AMENDMENTS RELATED TO EMPLOYMENT AND SOCIAL SECURITY LEGISLATION

The amendments to the Labour Code oblige the Employer during the State of emergency to pay the remunerations of the employees in case of suspension of the working processes

The amendments in the Labour Code give the right of the Employer, unilaterally to:

- Assign to the employee without his/her consent remote work, but the workplace shall be amended by an explicit written order. As well as that the order should include the new working conditions as working place, remuneration, method of placement and reporting the work, method of supply with materials
- Establish part-time working hours, for the employees working full time, for the whole period, or just for part of it. The working hours duration shall not be less than half of the normal duration by law
- Give the paid annual leave to the employee without his / her consent

V. SOCIAL SECURITY AND OTHER PAYROLL PAYMENT RELIEF

Will the time limits for mandatory social security contributions be changed?

The time limits for the payment of compulsory social security contributions by insurers will not be modified in order to preserve the rights of the persons insured and to guarantee the timely payment of the due insurance benefits, including pensions and temporary disability benefits and unemployment benefits. The payment deadlines and the monthly advance contributions by the self-insured persons are kept. The final social security contributions are paid by the self-insured within the deadlines for filing the annual tax return under the Personal Income Tax Act.

VI. BUSINESS RATES HOLIDAYS

1. The effects of delayed payment of individuals' obligations, including interest and penalties, as well as non-monetary consequences such as preliminarily due payment, contract termination and seizure of property, shall not apply until the state of emergency is lifted. Enforcement

measures under the Tax and Insurance Procedure Code are suspended, but the actions carried out remain valid.

2. In the case of private law obligations, the rule is to suspend all announced public sales and holdings. In addition, no account preservation orders are imposed on bank accounts of individuals, remunerations and pensions, and no inventory of property and property of individuals. But there is an exception - unless maintenance obligations are collected, for damage caused by malpractice and for claims for remunerations.
3. Managing authorities of European Structural and Investment Funds shall have the right to unilaterally amend agreements and to sign new ones under simplified rules, including without the publication of a call for proposals.

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