

DOING BUSINESS IN BULGARIA

Preface

The Republic of Bulgaria is part of the Balkans area and it is situated south of Romania. Bulgaria has a population of approximately 7 million and its capital city is Sofia.

Due to the economical changes, new modern legislations aimed on harmonization with EU, liberal investment regime for the foreign investments, full ownership rights for both foreign and local investors, low corporate tax rate, and favorable geographical position, Bulgaria is now in a unique position to be widely used as a place of business and investments.

Bulgaria became a full member of the E.U. on 1st January 2007 and NATO in 2004.

The 2007 total GDP (PPP) is estimated at approximately \$82,533 billion.

July 2008

Table of Content

Introduction.....	3
Geography.....	3
Climate.....	3
Population.....	3
Official language.....	3
National Holiday.....	3
Currency.....	4
The Government.....	4
Economy.....	4
EU accession	5
NATO.....	5
Foreign direct investments	5
Ownership of real estate property in Bulgaria.....	6
Leading industries	6
Financial institutions	6
Insurance	7
Business regulations and accounting.....	7
Business entities.....	7
Audit requirements	8
Taxation.....	8
Corporate Tax.....	8
Withholding Tax (subject to double tax treaties).....	9
Personal Tax.....	9
Value Added Tax.....	9
Registration for VAT purposes.....	10
Property tax	10
Custom duties	10
Double Tax Treaties.....	11
LEA.....	16
Legal disclaimer.....	17

Introduction

Geography

Bulgaria lies on the Southeastern part of the Balkan Peninsula, covering an area of 110,993 square kilometers. Bulgaria extends from the western shore of the Black Sea to Serbia and Former Yugoslavian Republic of Macedonia (FYROM) in the west. In the north, the Danube River forms the greater part of Bulgaria's common border with Romania. Greece and Turkey lie to the south and southeast of Bulgaria. The capital city of Bulgaria is Sofia, and other big cities are Varna, Plovdiv, Bourgas and Rousse.

The country is divided roughly into three parallel east-west zones: the Danubian tableland in the north, the Stara Planina(or Balkan) Mountains in the centre, and the Thracian Plain and the Rhodope and Pirin Mountains in the south and southwest.

Climate

Bulgaria has continental climate. The weather in Bulgaria varies considerably from year to year, as do the several climatic sub zones within the country. It usually has cold, damp winters and hot dry summers. The coldest month is January when average temperatures are minus 2 degrees and the warmest is July with average temperatures of around plus 25. The annual average temperature is around 12 degrees and the average annual rainfall is 700mm.

Population

According the latest official data which is from the end of 2006, Bulgarian's population is 7,679,300 with average density of around 70 people per sq. km. Urban population represents around 70% of all.

Official language

Bulgarian

National Holiday

The Official Holidays in Bulgaria as provided by the government in 2008 are the following:

New Year's Day	January 1
Day of Liberation from Ottoman Rule	March 3
Second day of Easter	April 9
Labour Day	May 1
St. George's day\ Day of the Bulgarian Army	May 6
Day of Cyrillic Alphabet, Bulgarian Enlightenment and Culture	May 24
Bulgaria's Unification day	September 6
Independence Day	September 22
Enlightenment Leader's day(a day off for educational establishments)	November 1
Christmas eve	December 24
Christmas day	December 25
Second day of Christmas	December 26

Currency

The currency in Bulgaria is Bulgaria Lev. Since 1997 the country is under Currency Board regulation. The fixed rate for the Bulgarian lev is BGN 1,95583 per EUR 1. The Bulgarian National Bank announces reference rates of the Lev to the other major international foreign currencies on the basis of their international market rates. The policy of both, the BNB and the government is that the currency board will remain in place until Bulgaria joins the European Economic and Monetary Union.

The Government

The President is directly elected for a term of five years and can head the Republic for a maximum of two terms. He is the Head of State and commander in chief of the armed forces and represents the country in its international relations. The President is unable to initiate legislation but can return a bill for further debate. The current President Georgi Parvanov, who was elected in 2001 and re-elected in 2006, became the first re-elected President in the new Bulgarian history.

Supreme legislative power has a 240-seat unicameral National Assembly, which is directly elected for four years on the basis of proportional representation. The last parliamentary elections were held in June, 2005.

The Council of Ministers is the main body of the executive power, headed by the Prime Minister. The government manages the implementation of the state budget, managing the state properties and approves certain types of international treaties mentioned in the Constitution. A three party coalition was formed by the Coalition for Bulgaria, Simeon II National Movement and the Movement for rights and freedom. Sergei Stanishev, leader of the Bulgarian Socialist Party is the prime minister.

The major priorities of the government: EU membership, enhanced competitiveness of the Bulgarian economy, higher standard of living, in-dept reform in the judicial system, active and consistent foreign policy.

Bulgaria is represented by 18 members in the European Parliament, who were elected in May, 2007. The Citizens for European Development of Bulgaria and the Bulgarian Socialist Party has five seats each, the Movement for rights and freedom has four, the "Attack" Coalition has three seats and the Simeon II National Movement has one seat.

Economy

Infrastructure

Bulgaria is located in the heart of the Southeastern European market, which consist over 56 million people. The country's strategic location is further enhanced by the number of international rail and motorways crossing the country and the commercial ports of the Black Sea and the Danube River. Some very important Pan-European Corridors crossing the country and making connections to Western Europe, Russia, Minor Asia and the Black Sea.

The infrastructure needs lot of investments and in that connection some of the priority investment projects of the Bulgarian Government's investments policy are:

- trans European transport corridor IV;
- Construction of the international terminal Sofia;
- trans European transport corridor VIII;
- trans European transport corridor IX;
- trans European transport corridor X

Total railway line is length 4,154 km. 70 % of which are electrified. There are six railway roads, eight terminals and one railway-ferry station (Vidin) that are included in the European Agreement on important Transport Lines.

Bulgaria has five main ports, two on the Black Sea and three on the Danube River.

Bulgaria has three major airports, located in Sofia, Varna and Bourgas. Sofia's one is the leading international airport.

General economic trends

The consumer price inflation in the period 2003 – 2007 was in the region of 4 – 6,5%, compare to GDP grew healthily at 4,5-6,6%. But the inflation for 2007 was significantly higher, 12,5% at the end of the year. The forecast for the following years are; for 2008 – 9,5% and 2009 – 5,9%.

At the end of 2007 the reported unemployment rate was 6,9%(for 2006 – 9,1%; for 2005 – 10,7%, 2004 – 12,2%), and with the government activity it is expected to be around 5,8%.

EU accession

After a long period of reforms which started in 1990, finally Bulgaria becomes a member of the European Union on the 1st of January, 2007. The process of harmonization of the Bulgarian legislation with the EU one started several years ago and still continuing. Transitional periods have been agreed for the adoption and implementation of some EU legislative acts.

NATO

In 2002 Bulgaria was invited to become a member of NATO. The country joined the alliance in 2004.

Foreign direct investments

Bulgaria has adopted a liberal investment regime for the foreign investments. The total amount of the direct foreign investments for the period 2004 – 2006 was EUR 11,9 billion, and for 2007 EUR 6,109 billion.

Over the last years the international credit rating agencies have improved the credit rating of the country many times reaching an investment grade. In October, 2006, Standard & Poor's raised its long term foreign currency sovereign credit rating on Bulgaria from "BBB" to "BBB+". The short term foreign currency rating was set to "A-2", while long term and short term local currency credit ratings remain "BBB+" and "A-2" respectively.

Leaders in the foreign direct investments (FDI) in Bulgaria for the 1996 - 2007 period:

- Austria – 15%;
- Netherlands – 11%;
- Greece – 10%;
- UK – 9%;

Based on the information of Bulgarian national Bank, real estates, renting and business activities ranked first in attracting FDI (21%), followed manufacturing (19%) and

financial services (19%), wholesale and resale trade, repair of vehicles and personal and household goods (17%).

Ownership of real estate property in Bulgaria

The Bulgarian Constitution and The Property Act provide that foreign nationals and foreign legal entities can directly purchase buildings, premises within a building and limited property rights (e.g. a construction right, right of use) but cannot acquire direct ownership rights on land.

Foreign persons (individuals or companies) can acquire full ownership rights on land and other real estate by setting up or acquiring a stake in a company incorporated under Bulgarian legislation.

The amendments to the Constitution, relating to the Accession of Bulgaria to the EU (2007) provide for a transitional period prior to direct applicability of the "Free movement of the capital" rules and principals, applying within the EU. The above transition period for acquiring land for second home and land for performing business activity shall be 5 years for individuals – citizens of any EU members unless being holders of permanent residence permit and for foreign legal entities established under the laws of EU members state. The law provides for a seven-year grace period for the agricultural and forest land during which foreign citizens and foreign legal entities will no be entitled to buy land and the ban will be finally lifted in 2014. The above amendments are of paramount importance not only for the harmonization of the national legislation with the *acquis communautaire* but also as a major incentive for safe investment on the basis of equal treatment.

There are no restrictions against acquisition of land by locally registered companies with majority foreign participation.

Leading industries

Bulgaria's main industry sectors used to be metallurgy, machine manufacture, chemicals and agriculture. The focus during the transition period, however, has been shifting to energy, tourism, transportation, IT and telecommunications, food and beverage, pharmaceuticals, textile and clothing.

Financial institutions

Central bank and commercial banking sector

Financial institutions comprise local commercial banks, international banking units, specialized institutions, and various hire-purchase companies. The Bulgarian National Bank operates as Central Bank of Bulgaria. Its main objective is to maintain the stability of the national currency through the implementation of adequate policies and efficient payment system. BNB regulates and supervises the banking sector, grant banking licenses, control commercial banks' trade in and settlement of government securities, and has the exclusive right to issue banknotes and coins in the country.

There are 30 commercial banks (including 5 branches of foreign banks), with total assets of around BGN 52 billion (EUR 26,5 billion). Since 1 January, 2007, BNB introduced Basel II Capital Accord requirements.

Stock exchange and securities regulating authority

Since 1997 the Bulgarian Stock Exchange (BSE) has operated under a license from the Financial Supervision Commission. The market gained momentum in 2007, both

trading volumes and liquidity increased considerably. However, during the last quarter of 2007, the BSE performance was influenced by the global declining trend, resulting from the US subprime mortgage crisis. The SOFIX index, which reached its peak of 1,952.28 points in October, 2007, and dropped to 1,403.30 at the end of January 2008 (a 28% decrease). Despite this, it is expected that the importance of BSE in raising of new corporate finance will increase in the future.

Insurance

The insurance industry in Bulgaria is currently regulated by the Financial Supervision Commission, which was established in March, 2003.

All the requirements regarding the insurance activity are issued in the new Insurance Code (effective from 1st of January, 2006), which replace the Insurance act.

At the end of 2007 there were 34 insurance companies on the Bulgarian market, 19 of them on the general insurance sector and the other 15 on the life insurance. 33 of them are private own and one is state. The general insurance market grew rapidly in the last few years. The three largest companies in this sector are DZI, Bulstrad and Allianz with the share of 50%, 44,9% and 42,6% respectively for the last three years.

The health insurance market in Bulgaria is in early stages of development with four largest players: Generali Zakrila (around 45% of the market share), DOM Zdrave, Medico and DZI Health Insurance.

Business regulations and accounting

Business entities

The following are the principal forms of business organizations in Bulgaria regarding the Commercial Act:

- Sole trader – individual;
- Partnership
- Commercial entity;
- Branch;
- Representative office;
- Co-operative society.

The Commercial Act provides the following types of companies:

- joint stock company (AD);
- limited liability company (OOD);
- general partnership
- limited partnership;
- partnership limited by shares.

The joint stock company and the limited liability company could be setup as sole ownership companies (EAD and EOOD respectively). The minimum share capital for establishment of limited liability company is BGN 5,000 and for a joint stock company – BGN 50,000.

As of 01.01.2008 a new Commercial register Act came into force. The commercial register is defined in the law as a standard centralized electronic database which contains certain circumstances and disclosures and which is operated by an information system.

Financial reporting and auditing requirements in Bulgaria are going through a period of transition of transition from compliance with International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), adopted by the European Union (EU). Annual financial statements shall be prepared and presented on the basis of the National Financial Reporting Standards for small and medium enterprises. All of them can choose either IFRS, or National Standards.

The accounting concepts and principals followed in Bulgaria are: going concern, accrual basis matching concept, prudence, consistency, substance over form, historical cost, true and fair presentation.

The financial year in Bulgaria coincides with the calendar year and ends on 31 December.

Enterprises prepare annual financial statements by 31st of March of the following year.

Parent companies shall prepare and present consolidation financial statements by 31st of March of the following year. Accounting act and IAS include exemption criteria for preparation of consolidated FS.

Audit requirements

Unless otherwise provided for by the law, annual financial statements of the following shall be subject to an independent financial audit by registered auditors:

- joint stock companies and partnerships limited by shares;
- enterprises which are listed on the stock exchange;
- credit institutions, insurance and investment undertakings, companies for additional social securities and the funds managing by them;
- enterprises for which this requirements is established by a law;

A statutory audit may be performed by a Bulgarian Certified Public Accountant or by a specialized auditing company registered with the ICPA in Bulgaria.

Taxation

Corporate Tax

Basis:

Companies with a seat of management located in Bulgaria are taxed on their worldwide income. Other entities are taxed on their Bulgarian-source income. Non-business organisations (including governmental) are taxed for their business activities. Shipping companies may opt for taxation based on the tonnage of the operated ships applying 10% tax rate. Once the shipping companies have elected to be taxed on the tonnage, they shall apply this taxation regime at least for a 5-year period.

Rate:

10%.

Capital gains:

In general capital gains are included in the corporate income and taxed at the full corporate tax rate. The financial result (accountancy profit or loss) is reduced with the capital gains from shares of public companies as well as from tradable rights in shares

realized on a regulated Bulgarian stock market. Exchange rate gains and losses are reported in the profit and loss account but do not reflect the assessment of the taxable income.

Withholding Tax (subject to double tax treaties)

	%
Dividends	5
Interest	10
Royalties	10

Bulgaria has quite a wide network of Double Taxation Treaties that may significantly reduce or eliminate the withholding tax.

Personal Tax

Basis:

Residents are liable for their worldwide income. Non-residents are liable only for their income derived from Bulgarian sources.

Rate:

Since 1st of January, 2008 10% flat income tax rate has been introduced. The only exception applies to income earned as sole proprietor, which is taxed at 15%.

Social Security Contributions (until 2009)

	%
Employer Contribution	60
Employee Deduction	40

Value Added Tax

Standard rate	20 %
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With the new Bulgarian Valued Added Tax (VAT) Act effective as of 1st of January, 2007 Bulgaria has transposed into its national legislation the EU VAT directives.

Persons registered for Bulgarian VAT purposes should charge VAT upon all supplies and sales of goods and services with a place of supply on the territory of the country, except for:

- zero-rated supplies;
- exempt supplies.

The report period for all registered is one month.

Registration for VAT purposes

The provision of the following supplies leads to the obligation for VAT registration:

- VAT-able supplies (included zero – rated) and financial and insurance services when related to the major activity of the person with total value of at least BGN 50,000 accumulated within a period non longer than 12 months, result in an obligation for compulsory VAT registration;
- Supplies of goods which are installed and/or assembled by or on behalf of the supplier, irrespective of the turnover;
- Distance sales of goods exceeding BGN 70,000, whereof the place of transaction is within the territory of the country under the terms of the distance selling;
- Intra-Community acquisitions exceeding BGN 20,000

Foreign entities not having a local branch can register for Bulgarian VAT purposes only through VAT agent (i.e. local individual or company without any outstanding public debts).

Property tax

Owners of immovable property are liable to property tax at a rate in the range of 0.15% - 0,30%. The tax is remitted to the respective municipality budget, where the property is situated.

Custom duties

Bulgaria applies the principles of the International Harmonised Commodity Description and Coding System and the EU Combined Nomenclature.

Goods imported into Bulgaria are subject to:

- customs duty;
- excise duties (if applicable) and
- 20% VAT, unless the goods are VAT exempt.

Double Tax Treaties

No	Country	WTH on dividends		WTH on interests			WTH on Royalties	
		Special tax rate*	Other cases**	Interests*	Interests**	Interests***	Royalty*	Royalty**
1.	Albania	5%	15%	-	10%	-	10%	-
2.	Algeria	-	10%	-	10%	0%*	10%	-
3.	Armenia	5%	10%	-	10%	0%*	10%	-
4.	Austria	0% *		-	0%	-	-	0%
5.	Belarus	-	10%	-	10%	-	10%	-
6.	Belgium	-	10%	-	10%*	-	5%	-
7.	Canada	10%*	15%	-	10%*	0%*	10%*	-
8.	China	-	10%	-	10%	0%*	7%, 10%*	-
9.	Croatia	-	5%	-	5%	-	-	0%
10.	Cyprus	5%	10%	-	7%	0%*	10%	-
11.	Czech Republic	-	10%	-	10%	0%*	10%	-
12.	Denmark	5%	15%	0%	-	-	-	0%
13.	Egypt	-	10%	-	12.5%	0%*	12.5%	-
14.	Finland	-	10%	0%	-	-	-	0%*
15.	France	5%	15%	0%	-	-	5%	-
16.	Georgia	-	10%	-	10%	0%*	10%	-
17.	Germany	-	15%	0%	-	-	5%	-
18.	Greece	-	10%	-	10%	-	10%	-
19.	Hungary	-	10%	-	10%	0%*	10%	-
20.	India	-	15%	-	15%	0*	15%	-
21.	Indonesia	-	15%	-	10%	0%*	10%	-
22.	Iran	-	7.5%	-	5%	0%*	5%	-
23.	Ireland	5%	10%	-	5%	0%*	10%	-
24.	Israel	10%*	7.5% - 12.5%*	-	5%, 10%*	0%*	7.5% -12.5%*	-
25.	Italy	-	10%	0%	-	-	5%	-
26.	Japan	10%	15%	-	10%	0%*	10%	-
27.	Kazakhstan	-	10%	-	10%	0%*	10%	-
28.	Korea	5%	10%	-	10%	0%*	5%	-
29.	Kuwait	0%*	5%	-	5%	0%*	10%	-
30.	Latvia	5%	10%	-	5%	0%*	7%, 5%*	-
31.	Litva	0%	10%	-	10%	0%*	10%	-
32.	Lebanon	-	5%	-	7%	0%*	5%	-
33.	Luxembourg	5%	15%	-	10%	0%*	5%	-
34.	FYROM	5%	15%	-	10%	0%*	10%	-
35.	Malta	0%	M*/30%		*		10%	-
36.	Moldova	5%	15%	-	10%	0%*	10%	-
37.	Mongolia	-	10%	-	10%	0%*	10%	-
38.	Morocco	7%	10%	-	10%	-	10%	-
39.	Netherlands	5%	15%	0%	-	-	5%	-
40.	North Korea	-	10%	-	10%	0%*	10%	-
41.	Norway	-	15%	0%	-	-	-	0%
42.	Poland	-	10%	-	10%	0%*	5%	-
43.	Portugal	-	15%	-	10%	0%*	10%	-
44.	Rumania	10%	15%	-	15%	0%*	15%	-
45.	Russia	-	15%	-	15%	0%*	15%	-
46.	Serbia	5%	15%	-	10%	-	10%	-
47.	Singapore	-	5%	-	5%	0%*	5%	-
48.	Syria	-	10%	-	10%	0%*	18%	-
49.	Slovakia	-	10%	-	10%	0%*	10%	-
50.	Slovenia	5%	10%	-	5%	0%*	5%, 10%*	-
51.	South Africa	5%	15%	-	5%	0%*	5%, 10%*	-
52.	Spain	5%	15%	0%	-	-	-	0%
53.	Sweden	-	10%	0%	-	-	5%	-
54.	Switzerland	5%	15%	-	10%	0%*	5%	-
55.	Thailand	-	10%	-	10%, 15%*	0%*	5%, 15%*	-
56.	Turkey	10%	15%	-	10%	0%*	10%	-
57.	United Kingdom	-	10%	0%	-	-	-	0%
58.	Ukraine	-	10%	-	10%	0%*	10%	-
59.	Uzbekistan	-	10%	-	10%	0%*	10%	-
60.	Vietnam	-	15%	-	10%	0%*	15%	-
61.	Zimbabwe	10%	20%	-	10%	0%*	10%	-

Explanatory notes

Dividends

*Special tax rate – applicable in case where the recipient of the dividends holds between 10% - 25% of the capital of the subsidiary and it is corporate body.

**Other cases – applicable in case where the recipient is a genuine recipient of the dividends and/or is resident of the other contracting state.

*Austria – 0% rate of WTH on dividends applicable in the source state.

*Canada - except in the case of dividends paid by a non-resident owned Investment Corporation that is a resident of Canada.

*Israel

- 10% if the dividends are paid by a company which is a resident of a Contracting State out of profits which by virtue of provisions for the encouragement of investments, are exempted from tax or subject to tax at a rate that is lower than the standard rate levied on the profits of a company resident in that state.
- 7.5% - 12.5% - 50 percent of the rate which would have been imposed but for this provision; however in any case the rate shall not exceed 12.5 percent and shall not be less than 7.5 percent.

Malta – M* - the tax chargeable on the profits out of which the dividends are paid, in accordance with the Aids to Industries Ordinance of 1959.

Interests

Interests* - the income is exempt from taxation in the source state where the **beneficial owner** is resident person of the other contracting state.

Interests** - the interests are taxed in both of the contracting states but if the beneficial owner is a resident of the other contracting state the charged will not exceed 10 percent of the gross amount of the interest.

Interests*** - the interest is taxed in both countries but there are exceptions (mainly with regard to a loans granted by the Central Banks of the contracting countries) where it is exempted in the source state.

Algeria* - 0% if the interests are paid to the Government of the other contracting state or its local authority institutions or financial institutions of the said state.

Armenia* - 0* if the interests are paid to the Government or the Central Bank of the contracting state.

Belgium* – 10%* - the interest can be taxed in the state of the genuine recipient of the interests in some special cases.

Canada* – the interests are not subject to withholding tax in special cases; 0%* tax rate on interests accrued with regard to a loan guaranteed or insured by Bulgarian National Bank, the Bulgarian Foreign Trade Bank or any other entity as may be specified and agreed in letters exchanged between the competent authorities of the Contracting States.

China* – 0%* tax rate in specific cases.

Cyprus* – 0%* tax rate if the interests are paid to or guaranteed by the Government of the other Contracting State or a statutory body, or to the National Bank of that other State.

Czech Republic* – 0% rate in the source state in specific cases.

Egypt* – 0% tax rate in both countries if the interests are paid to the other contracting state, its local authority institution or statutory institution or the Central Bank of the other contracting state.

Georgia* – 0% tax rate in the source state if the interests are paid to the Government of the other contracting state, its statutory institution or the Central Bank.

Hungary* – 0% tax rate if the interests are paid to the Government or the Central Bank of the other contracting state or where the interests are paid in connection with

a loan granted, guaranteed or insured by the Government of the other state and such an agreement is in existence.

India* – 0% tax rate in specific cases.

Indonesia* – 0% rate in case of interests accrued in favour of the Government, local authority institution, political department, the Central Bank or any other financial institution controlled by the Government of the other contracting state.

Iran* - 0% rate in case of interests paid to the Government, government institutions, municipalities, the Central Bank and other banks fully owned by the other contracting state.

Ireland* - 0% rate in case of interests paid to the Government, local authority institution or the Central Bank of the other contracting state.

Israel* – 5% if the interests are paid to bank or other financial institution; 10% in all other cases; 0% tax rate applicable in case if the interest is paid to the other Contracting State, a local authority, the Central Bank, or to any resident of that other State with respect to debt-claims guaranteed, insured or financed by that other State, a local authority thereof, the Central Bank of that other State or the Israeli Company for the Insurance of Risks (ICIR) arising in international trade.

Japan* – 0% tax rate in specific cases.

Kazakhstan* - 0% rate in case of interests accrued in favour of the Government, local authority institution, the Central Bank or any other financial institution fully owned by the Government of the other contracting state.

Korea* – 0% rate in specific cases.

Kuwait* - 0% rate in case of interests paid to the Government of the other contracting state, Government institution, local authority institution, Bulgarian National Bank or other entity according to art. 4, subpara 1, p. "a" – 2-5.

Latvia* – 0% tax rate in case of interests paid to the Government or the Central Bank of the other contracting state or where the interests are paid in connection with a loan guaranteed by the Government, local authority institution or financial institution fully owned by the Government of the other contracting state.

Litva* - 0% tax rate in case of interests paid to the Government or the Central Bank of the other contracting state, local authority institution or financial institution fully owned by the Government of the other contracting state.

Lebanon* - 0% tax rate in case of interests paid to the Government of the other state, government organization or the Central Bank of the said state.

Luxembourg* – 0% tax rate in specific cases.

FYROM* - 0% tax rate in case of interests paid to the Government or the Central Bank of the other contracting state.

Malta* – the tax rate applicable is the rate according to the national tax system of each of the contracting states.

Moldova* - 0% tax rate in case of interests paid to the Government or the Central Bank of the other contracting state.

Mongolia* - 0% tax rate in case of interests paid to the Government, local authority institution or the Central Bank of the other contracting state.

North Korea* - 0% tax rate in case of interests paid to the Government, local authority institution or the Central Bank of the other contracting state.

Poland* - 0% tax rate in case of interests paid to the other contracting state, local authority institution, the Central Bank or financial institution fully controlled by the Government as well as loans guaranteed by the Government of the said state.

Portugal*- 0% tax rate in specific cases.

Rumania* - 0% tax rate in specific cases.

Russia* - 0% tax rate in case of interests accrued in Republic of Bulgaria and paid to the Government of Russia or its Central Bank or accrued in Russia and paid to the Government of the Republic of Bulgaria or Bulgarian National Bank.

Singapore* - 0% tax rate in case of interests paid to the Government of the other contracting state.

Syria* - 0% tax rate in case of interests paid to the Government or the Central Bank of the other contracting state.

Slovakia* - 0% tax rate in case of interests paid to the Government, statutory body or the Central Bank of the other contracting state.

Slovenia* - 0% tax rate in case of interests paid to the Government, its political department or statutory body or the Central Bank of the other contracting state.

South Africa* - 0% tax rate in case of interests paid to the Government, its political department or statutory body, the Central Banks of the contracting states or any institution fully owned by the Government.

Switzerland - 0% tax rate in specific cases.

Thailand* – 10% in case of interests paid to the financial institutions including insurance company; 15% in the other cases; 0% rate in specific cases.

Turkey* - 0% rate where interests accrued in Bulgaria are paid to the Government or the Central Bank of the other contracting state or interests accrued in Turkey are paid to Bulgaria or Bulgarian National Bank.

Ukraine* - 0% tax rate where interests are paid to the Government, the Central Bank or in connection with loan granted, guaranteed or insured by the Government of the other state and such an agreement is in existence.

Uzbekistan – 0% tax rate in a specific cases.

Vietnam* - 0% tax rate in case of interests paid to the Government, statutory body or the Central Bank of the other contracting state.

Zimbabwe* - 0% tax rate in case of interests paid to the Government, statutory body or the Central Bank or agency of the Government of the other contracting state.

Royalties

Royalty* - can be taxed in the source state / in both of the contracting state / and if the recipient is beneficial owner of the royalties and/or is resident of the other contracting state the tax rate shall not exceed 10% on the gross amount of the royalties.

Royalty** - royalties arising in one of the contracting states and which are paid to the resident person of the other contracting state are not subject of Withholding tax in the source state.

Canada* - 0% tax rate where copyright royalties and other like payments in respect of the production or reproduction of any cultural, dramatic, musical or other artistic work (but not including royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television), arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax will be taxable only in that other State.

China* – 7% of the gross amount of the royalties in the case of the uses, or the right to use industrial, commercial or scientific equipment; 10% in all other cases.

Finland* – 5% maximum rate on the gross amount in the source state in case of use or right of use of any patent, trade mark, design, plan, model, secret formula or process or any industrial, trade or scientific equipment including software for electronic processing of data and information regarding industrial, trade or scientific experience.

India* – 15% tax rate of the gross amount of the royalties relating to copyrights of literary, artistic or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting and 20% of the gross amount of the royalties in all other cases.

Israel* – the rate is estimated as 50% of the rate applicable according to the national law of each country. Nevertheless the rate will be from 7.5% to 12.5% on the gross amount.

Latvia* – 7% on the gross amount of the royalties paid for the use or right to use of cinematograph films, movies, tape-recorders, used for radio or television broadcasting, any patent, trade mark, design, plan, model, secret formula or process; 5% in all other cases.

Slovenia* – 5% tax rate on Royalties paid for use or the right of use of any copyright of literary, artistic or scientific work excluding cinematograph films and for the use or right of use of industrial, commercial or scientific equipment; 10% in all other cases.

South Africa – 5% tax rate on Royalties paid in connection with the production or reproduction of any culture, dramatic and music or other artistic work, excluding cinematograph films and films or tapes for radio or television broadcasting; 10% in all other cases.

Thailand - 5% tax rate on Royalties paid for use or the right of use of any copyright of literary, artistic or scientific work including cinematograph films and films or CD for radio or television broadcasting; 15% in all other cases.

LEA

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If you have any questions, please, contact Dasons Business Services, Bulgaria, 1000 Sofia, 36 Alabin Str, (entrance from Lavele Str), telephone : +359 2 988 4989

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