

**REGULATIONS AMENDING AND COMPLEMENTING THE REGULATIONS ON THE APPLICATION OF THE  
VAT ACT  
(IN FORCE AS OF 01 JANUARY 2009)**

In State Gazette No. 4/16.01.2009 were promulgated the Regulations amending and complementing the Regulations on the Application of the VAT Act which enter into force on 01.01.2009.

Some of the most important amendments introduced by the Regulations are summarised below.

**1. VAT Accrual by the Recipient of the Supply**

In relation to VAT accrual and VAT deduction concessions introduced under the new Art. 73a of the VAT Act, the Regulations on the application of the VAT Act specify that when the tax has been accrued outside the time limits for issue of VAT self-assessment protocol, the latter should not be included in the VAT sales ledger for the period when it was issued. The protocol should be included in VAT sales and purchase ledgers for the period during which the VAT has become chargeable and a notification should be filed with the tax authorities so that the VAT result for the respective period could be amended.

The new provisions would not apply to recipients of supplies who were obliged to accrue VAT under the reverse-charge mechanism up to 31 December 2008 inclusive who have accrued the VAT as at that date outside the time limits for issue of VAT protocol and/or have enjoyed their right of VAT deduction outside the three-month period. In those cases it would be deemed that the right of VAT deduction has been enjoyed correctly as long as the supply is not concealed and details regarding the supply are included in the person's accounting books.

**2. Cancellation of Documents**

With regard to cancellation of wrongly issued tax documents it is specified that the right of VAT deduction occurs during the tax period when the new tax documents is issued and should be enjoyed during the same or any of the following three tax periods. Further, the right of VAT deduction can be enjoyed only when the wrongly issued document has been included in the recipient's purchase ledger during the three-month VAT deduction period.

The new requirements are applicable to invoices cancelled after 31 December 2006.

**3. Issue of VAT protocols upon receipt of supply of valuation and work on tangible goods**

When the valuation and work on tangible goods service is carried on in Bulgaria the recipient of the supply should not issue a VAT self-assessment protocol for reverse-charge if the supplier of the service is established in the territory of another member-state and is not registered for VAT purposes in Bulgaria regardless of the fact that after the services is completed the goods do not leave Bulgaria.

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The persons who have accrued VAT as recipients of the supply up to 31 December 2008 inclusive must cancel the reverse-charge protocol within 4 months from entry into force of the Regulations (by 1 May 2009). The cancelled protocol should be included in the sales and purchase ledgers with a minus.

#### 4. Voluntary VAT Deregistration for Foreign Persons

With regard to the VAT Act amendments as of 1 January 2009 the foreign persons registered for VAT purposes in Bulgaria are given the option to file a voluntary VAT deregistration application regardless of their taxable turnover for the last 12 month if during this period the person has made only supplies for which the VAT is due by the recipient after 31 December 2008 (e.g. for supplies related to immovable property). In this case the deregistration is allowed after a tax audit.

#### 5. Other Amendments

##### (a) VAT deduction under debit notes

It has been specified that when a debit note has been issued for a supply, the right to VAT deduction occurs during the tax period when the debit note is issued and should be enjoyed during the same or one of the following three periods. The provision applies to debit notes issued after 31 December 2006.

##### (b) invoice for advance payments for the entire amount of the supply

It has been specified that when advance payments have been made for the entire amount of the supply and invoices have been already issued for the advance payments, a separate invoice for the supply should not be issued upon occurrence of the supply chargeable event.

##### (c) software production and/or finishing service

It has been provided that the software production and/or finishing service is treated as equal to software processing service having its place of supply in the state where the recipient is established.

##### (d) additional importation regulations

Additional regulations regarding VAT deduction and correction of VAT base upon importation have been introduced

The provisions regarding VAT deduction under some of the customs procedures have been abolished. Further, it is now possible to enjoy right of VAT deduction not only based on a customs declaration but also under administrative act issued by the customs authorities for accrued and paid VAT.

The persons are also given the possibility to enjoy right of VAT deduction under a document different from a customs declaration issued after 1 January 2007 when the right has not been enjoyed until 1 January 2009.

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