

CHANGES TO THE VAT ACT IMPLEMENTING REGULATIONS (IN FORCE AS OF 29 JANUARY 2016)

Certain amendments to the Value Added Tax Act Implementing Regulations (the "VAT Act Implementing Regulations"), which enter into force on 29.01.2016, were promulgated in State Gazette No. 8/29.01.2016.

The main changes concern the update in the VAT sales ledgers and VAT return forms with regard to charging VAT on the private use of business assets, the adoption of new requirements to certain documents for different types of taxable supplies and the precision of various provisions in compliance with the VAT Act amendments or the case-law.

SUPPLY OF GOODS AND SERVICES FOR PRIVATE USE

Following the VAT Act amendments concerning the charging of VAT on any private use of business assets by the taxable persons or their staff, the VAT Act Implementing Regulations have been also accordingly amended, as follows:

- **Calculation of the Wear and Tear Expense for Goods Used in the Supply of Services for Private Use before 31.12.2015**

When services are supplied for private use after 31.12.2015, the calculation of the direct expenses for the goods used for supplies for private use before 31.12.2015 must take account of a wear and tear expense, which shall be determined as a part of the difference between the taxable base on which VAT has been deducted and wear and tear which has already been included in the direct costs when forming the taxable base of the services for private use supplied before 31.12.2015. The proportional part of that difference is calculated monthly using the linear method for the remainder of years until the end of the 5-year (or respectively the 20-year for immovable property) period as of the period when VAT was deducted.

- **Improvements with VAT Deduction**

It has been specified that the taxable persons are liable to self-charge VAT on the use and application of goods for private use even in case no VAT was deducted for the goods themselves provided that a VAT deduction has been enjoyed with regard to any improvements on the goods. In this case the taxable base shall be calculated only based on the taxable base of the improvements on which VAT has been deducted.

- **Changes to the Sales Ledgers and VAT Return Forms**

The title of column 16 of the VAT sales ledger has been changed from "VAT accrued in other cases under the VAT Act" to "VAT accrued on supplies of goods and services for private use". Respectively, the VAT which the taxable persons accrue on such supplies for private use must be reported in that column.

In addition, cell 23 in the VAT return form would be henceforth titled "VAT accrued on supplies of goods and services for private use". Apart from that, the names of other cells of the VAT return have been also changed and précised and certain explanatory notes have

been added to them in order to clarify what types of supplies must be reported in the respective cells.

The updated sales ledgers and VAT return forms shall apply as of February 2016, while the current forms shall be last used in January 2016.

TAXES AND FEES FORMING PART OF THE TAXABLE BASE

The provision regarding the taxes and fees which form part of the taxable base of a supply has been amended and it has been specified that such taxes and fees should be included in the taxable base only if the following conditions are simultaneously met:

- the taxes and fees have been paid in the name and for the supplier; and
- they have been requested by the supplier.

Although the Bill for the draft VAT Act Implementing Regulations specified that the notary fees should not form part of the taxable base, this stipulation was deleted from the final text.

CHANGES IN THE REQUIREMENTS TO THE WRITTEN CONFIRMATION OF GOODS RECEIPT FOR TRIANGULATION AND INTRA-COMMUNITY SUPPLIES

The written confirmation for receipt of goods provided by the acquirer in triangular supplies, respectively by the recipient in an intra-Community supply of goods, should now contain the following additional details: job position of the person handing the goods (beside his name), name and job position of the person physically receiving the goods.

OTHER CHANGES

Some of the other significant changes to the VAT Act Implementing Regulations include:

- Special rules on supplies of services between a participant in a VAT group in another Member State and its branch or fixed establishment in Bulgaria, or between a branch – part of a VAT group and another branch of the same person in Bulgaria have been adopted. In those cases the supply of services is subject to the general VAT rules and it is not considered internal turnover.
- The registry of available assets upon VAT registration, re-registration and succession shall be submitted only by electronic means using a qualified electronic signature if it contains more than five entries. The new rules come into force as of 1 March 2016.
- The rule for rounding up the partial VAT deduction coefficient has been changed so that it will no longer be rounded up to the exact figure after the second decimal point but shall instead be always rounded up to a figure not exceeding the next whole number (e.g. 0,122 shall no longer be rounded up to 0,12 and shall be instead rounded up to 0,13).
- The protocol for a VAT deduction adjustment should contain a reference to the number and date of the initial document under which VAT was deducted.
- The VAT chargeable by the recipient of the supply pursuant to an international agreement shall be accrued by virtue of a protocol issued in compliance with Art. 117, para. 2 of the VAT Act which should be reported in the VAT ledgers under the general rules. The right to VAT deduction will be also enjoyed under the general rules.

DELICHEV & PARTNERS