

NEW REQUIREMENTS TO SALES MANAGEMENT SOFTWARE IN SALES OUTLETS

As from 28 December 2018 the Bulgarian tax legislation introduced new requirements for sales management software, producers thereof and merchants who use such software in their business.

Whom do the new requirements apply to?

The new requirements apply to sales management software (“**SM Software**”) understood as software or a module thereof, irrespective of the technologies for its realization, used for processing information about sales of goods and/or provision of services in sales outlets, where the issue of a cash receipt for the payment is required. In practice this covers all sales outlets which accept payments in cash, by bank cards or vouchers.

It is further clarified that “sales management” using SM Software is the automated processing of information about sales of goods or services which comprises tracking the movement of goods or execution of services from their ordering until their provision and/or payment. Additionally, in order to determine whether the software used by a company is SM Software which is subject to the new requirements, the Bulgarian National Revenue Agency (“**NRA**”) has prepared a self-assessment questionnaire.

The new requirements aim at combating tax fraud and tax evasion and at ensuring that for every sale recorded in the software a cash receipt will be issued and information will be transmitted to the NRA. Currently, many companies use SM Software which is however either not connected with the cash registers, or allows manipulating the cash registers so that the sales are not recorded, duly documented and reported to the NRA.

Requirements to SM Software

SM Software must be connected to the cash registers installed by the merchant and must control them. All SM Software must meet a number of requirements, including for example:

- supporting an interface in Bulgarian;
- having a built-in protection against change or addition of external modules allowing change of the software’s functionality aiming at circumventing the requirements;
- built-in controls for mandatory input of data for the users and their unique authentication;
- ensuring that each sales processed through the software is closed with the issue of a cash receipt, etc..

The deadline for rendering SM Software compliant is **31 March 2019**.

Requirements to SM Software producers/distributors

Persons established in the EU who produce and/or distribute in Bulgaria SM Software have the following obligations:

- a) Filing a compliance declaration

A compliance declaration form must be submitted to the NRA containing the following information:

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- the name and version of the SM Software;
- declaration that the SM Software complies with the new requirements;
- declaration that the SM Software does not comprise modules allowing circumvention of the new rules;
- declaration that they do not produce or distribute software aimed at changing the SM Software functionality in a way circumventing the new requirements, or which otherwise change, erase or manipulate the information in the SM Software database.

If the SM Software is produced by a person established in an EU Member State other than Bulgaria, the compliance declaration is filed either by the producer or by an authorized distributor of the SM Software for Bulgaria.

The declaration form is filed by electronic means through the e-portal of the NRA by **31 March 2019**.

b) Providing information about the SM Software

Together with the compliance declaration the producer/distributor of the SM Software must provide the following information about the SM Software:

- information about the modules of the software and their functionalities; technological and system environment where the software operates; how the software is provided to clients (e.g. as SaaS, web-based, local installation, etc.); type of the database; encryption algorithm; authentication of users; etc.;
- manual for work with the SM Software;
- for software which is installed in client's environment – description of the objects in the database related to the sales management, relations between them, description of the cells in the tables as well as an exe. file and the source code generating the exe. file for access and extracting data from the database in structured and readable format;
- for Software as a service (SaaS) – description of the service functionality; technical channels for communication between the cloud service and the cash registers; communication ports; description of the installed local components in the client's environment; physical location of the database.

If any of the declared circumstances change, the producer/distributor must inform NRA of the change within 7 days.

The SM Software will be then included in a public list of the softwares which comply with the new legal requirements.

c) Obligation for cooperation with the NRA

The database of the SM Software must be stored in an EU Member State and, upon request, the producer/distributor must cooperate with the NRA by providing information and/or access to the database.

Requirements to merchants using SM Software

Merchants using SM Software are required to:

- use only software which meets the legal requirements and is included in the public list of compliant software – in this regard a declaration-form on the SM Software used by the merchant must be filed **by 31 May 2019**;
- make sure that the SM Software manages all cash registers in their sales outlets;
- store the database of the SM Software in Bulgaria or in another EU Member State;

- when the SM Software operation is related to receiving or transmitting information from/to other software or modules – the information generated through those software or modules must be stored within the time limits for storing tax information (i.e. 10 years) and access to it should be granted to NRA with right to read and export data;
- insert the names for each user (operator) of the SM Software according to the employment agreement with that user, his assigned role and the period of activation of the assigned role.

In addition, certain new requirements are introduced to cash registers and the contents of the cash receipts. All producers of cash registers and the merchants using cash registers must comply with those new requirements until **31 March 2019** which may require upgrading the existing or buying new cash registers.