

CHANGES TO THE VAT ACT

Deferred accrual of VAT upon import

As of 1 July 2019 Bulgaria will apply the so called deferred accrual of VAT (or reverse-charge mechanism) upon importation of certain goods (reference to art. 211 of the EU VAT Directive). The newly introduced rules would be applicable to certain categories of taxable persons and in respect of importation of the goods listed in Appendix No. 3 to the VAT Act. The list of goods includes ferrous and non-ferrous metals, ores, organic and non-organic chemical products (ie. the goods as per Chapter 25, 26, 28, 29, and Chapter 72 through Chapter 80 of the Combined Nomenclature).

The importers who are entitled to apply the deferred accounting of VAT should meet all of the following conditions:

- they must have been registered for VAT purposes under the general VAT registration rules at least six months prior to the import,
- they should not have any outstanding public liabilities, and
- the customs value of each item, declared for import, must be equal or higher than BGN 50 000 (or app. EUR 25 500).

The right to input VAT deduction is enjoyed through the monthly VAT return of the importer by including the import customs declaration and the protocol for VAT reverse-charge in the monthly VAT sales and purchase ledgers. Thus, the importer is entitled to enjoy input VAT deduction without the import VAT being effectively paid to the customs office upon importation of the goods.

Triangular operations

Following the latest amendment to the Implementing Regulation to the VAT Act the conditions which should be cumulatively fulfilled so that the triangulation simplification applies are as follows:

- The supply of goods must be carried out between three taxable persons;
- A VAT registered person in member state A (transferor), supplies the goods to a VAT registered person in member state B (intermediary). Subsequently, the intermediary from state B supplies the same goods to the end customer registered in member state C (acquirer);
- The goods should be transported directly from member state A to member state C;
- The intermediary should not be registered for VAT purposes either in state A or in state C. Nevertheless, this condition shall be deemed fulfilled even in case the intermediary is VAT registered in the member state A or C, but has performed the intra-Community acquisition of the goods under his VAT ID number issued in member state B.
- The acquirer accounts for the due VAT for the supply.

VAT treatment of vouchers

The Vouchers Directive (EU) 2016/1065 of 27 June 2016 is implemented in the Bulgarian VAT law as of 1 January 2019. The newly adopted provisions introduce the terms 'single-purpose voucher' and 'multi-purpose voucher' and establish the rules for their VAT treatment.

The new rules will apply for vouchers issued after 31 December 2018.