



Delchev & Partners Law Firm

**Introduction of new permanently reduced VAT rates and
extension of certain temporary reduced rates in Bulgaria as
of 01.01.2023**

January 2023

At the end of 2022 the Bulgarian Parliament extended the period of the reduced VAT rates on certain supplies of goods and services and transformed some of the temporarily reduced VAT rates into a permanent measure. The amendments to the Value Added Tax Act were published in the Bulgarian State Gazette No. 102 on 23 December 2021 and come into force on 1 January 2023.

Permanently reduced 9% VAT rate

What was initially adopted as a temporary tax measure in the midst of the COVID-19 pandemic now becomes a permanent VAT rate reduction which will apply to the following supplies:

- **Books**

9% reduced VAT rate applies to books on a physical medium or by electronic means or both, including textbooks, learning books and learning sets, children's picture, drawing or colouring books and music printed or in manuscript form with the exception of publications wholly or predominantly devoted to advertising and publications wholly or predominantly consisting of video content or audible music.

- **Newspapers and magazines**

Newspapers and magazines were initially left outside the scope of the reduced VAT rate and were subject to the standard rate of 20%. However, as of 1 January 2023 the supply of newspapers and periodicals will be taxable at the rate of 9% on a permanent basis.

- **Baby food and diapers**

The baby foodstuffs falling within the scope of the permanent 9% reduced VAT rate include adapted milk formula, baby porridges and cereals, vegetable, fruit and/or meat purees in jars not exceeding 250g. Baby diapers are also subject to a reduced 9% VAT rate.

Extended period of application of the reduced 9% VAT rate

The extended period of application of the reduced 9% VAT rate on the supplies listed below starts on of 1 January 2023 and shall be in force until 31 December 2023.

- **Restaurant and Catering Services**

Restaurant and catering services consist of the supply of prepared or unprepared food, including take-away and delivery of food. The reduced rate does not apply to services consisting of the supply of wine, beer and alcoholic spirits. Take-away food from supermarkets and the like are excluded from the reduced rate.

- **Supplies under the special travel-agent VAT scheme**

The reduced VAT rate also applies to supplies falling within the scope of the special travel-agent VAT scheme, as well as to the excursions organised by tour operators and travel agents with occasional passenger transport by bus. However, the overall application of the reduced VAT rate to these services may be called into question by the European Commission in the framework of an infringement procedure, as they already fall within the scope of a special margin scheme.

- **Supply of services for the use of sports facilities**

The use of various sports facilities is also taxable under the reduced 9% VAT rate.

Extended period of application of the reduced 0% VAT rate

The super-reduced VAT rate of 0% which was introduced in the middle of 2022 and was initially designed to apply until 1 July 2023 shall now be in force for further 6 months until 31 December 2023. The 0% VAT rate applies to the following:

- **Bread**

"Bread" shall be understood as the product which is produced from the baking of dough as a mixture of wheat flour or another cereal, alone or in combination, and water, with or without adding salt, which rises using bread yeast or leaven, and technological additives (if necessary).

- **Flour**

"Flour" shall be understood as the product which is a result of grinding bread wheat and which may be used for making bread and bread products.

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