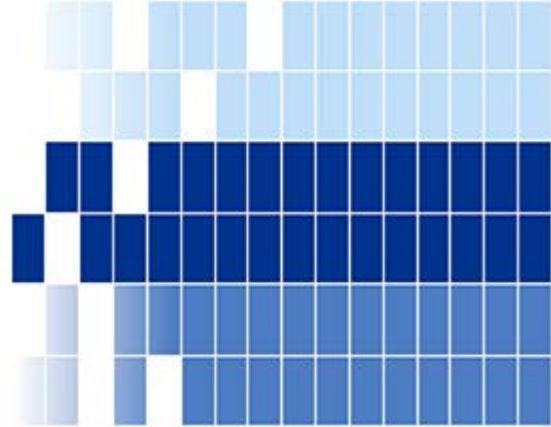




Tax News

KPMG in Bulgaria



Changes in the VAT Act entering into force as from 2020

December 2019

"Quick Fixes" as part of the VAT system reform

Changes concerning supplies of goods

Changes related to "new buildings"

Changes related to VAT registration

Issuing fiscal receipts and substituting documents

Other changes

KPMG Tax News presents a summary of the promulgated amendments to the VAT Act entering into force effective as of 1 January 2020.

The current issue of Tax News for 2019 presents a summary of the most important changes in the Value Added Tax Act (VATA), promulgated in State Gazette Issue No 96 dated 6 December 2019 and entering into force effective as from 1 January 2020, except for certain provisions which have a different entry-into-force date.

"Quick Fixes" as part of the VAT system reform

Foreign persons may not be required to register for VAT when transferring goods from another Member State to a local warehouse under the "call-off stock regime", as long as the conditions for applying this regime are met. In this respect, persons dispatching goods or receiving goods under this regime should maintain special electronic registers.

Special rules are introduced regulating to which transaction in a supply chain the intra-Community transport will be ascribed, where the goods are transported directly from the first supplier to the final recipient and the transport is organized by the intermediary operator. In the general case, the

transport will be ascribed to the supply performed to the intermediary operator, which will qualify for an intra-Community supply (ICS), taxable with a zero VAT rate. An exception from the general rule will apply if the intermediary operator provides their supplier with a VAT identification number from the country of dispatch of the goods. In this case the transport will be ascribed to the supply performed by the intermediary operator, whereas the transaction made to the intermediary operator will be taxable where the transportation of the goods starts.

Two new conditions are introduced for the application of the zero VAT rate to ICS: (i) the recipient of the supply provides their supplier with a valid VAT number from a Member State, different than the Member State where the transport starts and (ii) the supplier has filed a correct VIES return (EC sales list).

Some changes are introduced with regards to the documents which should be collected by the supplier for evidencing the performance of ICS. Apart from the documents for the supply, as specified in the RAVATA, the supplier should also collect documents according to Regulation (EU) 2018/1912. It should be noted that the Regulation requires at least two non-contradictory evidences from an exhaustive list, which do not entirely overlap with the documents listed in the RAVATA.



Changes concerning supplies of goods

The notion "supply of goods" is extended to cover the transfer of any right to dispose with goods as owner.

No VAT taxable supply will be deemed to take place upon construction, improvement or repair of elements of state or municipal-infrastructure against no consideration. In this case the supplier should be able to deduct input VAT on the incurred expenses related to the infrastructure under the general rules of the law.



Changes related to "new buildings"

The definition of "new buildings" is extended with the following two hypotheses: (i) as a result of heightening and/or additional construction, part of the building is differentiated as a single property, which may be subject to a separate supply and (ii) the amount of the incurred expenses for reconstruction, general renovation and/or redevelopment is not less than 1/3 (one third) of the market price of the new property.

The existing rules for input VAT adjustments for new buildings, formed under the abovementioned rules, are amended so that a new 20-year adjustment period is deemed to start for the performed improvement.



Changes related to VAT registration

According to the new rules, the mandatory VAT registration based on a taxable turnover of BGN 50,000 (EUR 25,565) will apply only to local taxpayers.

Foreign persons, not established on the territory of the country and performing domestic taxable supplies (except for supplies subject to reverse charge), will have to register for VAT purposes prior to performing their first taxable supply, irrespective of the taxable turnover generated.

New rules are introduced for aggregated calculation of the VAT registration turnover in case of successive undertaking of the same economic activity in a single commercial site by related parties or by parties acting coherently. These rules will not apply when the economic activity is interrupted for more than one month.



Issuing fiscal receipts and substituting documents

In case of sales involving distant payment via debit/credit card it will be possible to issue electronically a document, other than a fiscal/system receipt.

In case of sales through a self-service machine it will be possible to visualize fiscal receipts on a display without issuing them on paper.



Other changes

The declared e-mail address for VAT purposes will be considered as electronic address for receiving of notifications according to the TSSPC.

New rules are laid down for the VAT treatment of supplies of goods intended for the continental shelf or exclusive economic zone, also applicable when the goods are placed under export or reexport procedure. VAT in this case will be self-accounted by the taxable persons with a reverse-charge protocol and may be deducted as input VAT credit. Electronic notification to the revenue authorities is required.

The taxable person liable to perform input VAT adjustments in case of improvements of leased assets would be: (i) the lessor in case of improvement against consideration or (ii) the lessee in case of improvement against no consideration.



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