

Automatic Exchange of Country-by-Country Reports



KPMG Tax News presents legislative changes and trends in the area of taxation.

This issue comments on the changes with respect to the automatic exchange of Country-by-Country reports (CbC reports) between the revenue authorities in effect as of 4 August 2017.

The new rules are introduced in the Act to Amend and Supplement the Tax and Social Security Procedure Code (TSSPC) promulgated in issue 63 of the State Gazette of 4 August 2017.

Which companies will submit CbC report?

The new rules will apply with respect to multinational enterprise groups ("MNE Groups" or "Groups") which operate in different EU Member States or other jurisdictions through subsidiaries or permanent establishments (PEs).

MNE Groups with consolidated revenue of over EUR 750 million for the fiscal year preceding the reporting fiscal year will need to collect and summarize data with respect to the allocation of revenues, profits, assets and taxes in each jurisdiction in which the Group operates. Thus, Bulgarian subsidiaries/PEs will have to process and provide to the Group the information necessary for the preparation of the CbC report.

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MNE Groups will have the obligation to submit CbC report in Bulgaria if:

- The ultimate parent company of the Group is tax resident in Bulgaria and the total consolidated Group revenue is over EUR 51 million for the fiscal year preceding the reporting fiscal year or
- The ultimate parent company of the Group is not obliged to submit a CbC report in its jurisdiction and/or there is no effective exchange of CbC reports between Bulgaria and the jurisdiction in which the ultimate parent company is tax resident, under certain conditions

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Scope of the CbC report

The CbC report will contain data on all entities/PEs of the Group including information for the country/jurisdiction in which the respective entity is tax resident, a description of its activities, as well as aggregated financial data.

The template for submission of the CbC report should be approved by the Executive Director of the Bulgarian National Revenue Agency (NRA) and should be published on the official website of the NRA no later than 31 October 2017.

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Deadlines for submission of CbC reports

The CbC report shall be submitted to the NRA electronically, within 12 months of the last day of the reporting fiscal year for the Group.

The first CbC report shall be prepared for the fiscal year of the Group commencing in (i) 2016 if the CbC report is filed by the ultimate/surrogate parent company or (ii) 2017 if the CbC report is filed by a constituent entity of the Group.

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Notification to the Bulgarian NRA

An entity/a PE which is part of MNE Group and is tax resident in Bulgaria shall notify the NRA (i) whether it is an ultimate/surrogate parent company or constituent entity that will file the CbC report in

Bulgaria on behalf of the Group, or (ii) which is the reporting entity to submit the CbC report for the Group and the jurisdiction in which it is tax resident.

The notification for the first reporting period (reporting fiscal year commencing in 2016) shall be provided to the revenue authorities no later than 31 December 2017. The notifications for the following reporting years shall be provided no later than the last day of the reporting fiscal year of the Group.

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Sanctions

The administrative sanctions provided for in the TSSPC in case of failure to fulfill the obligations for submission of CbC report or notification of the NRA could reach BGN 200,000 in case of first infringement and BGN 300,000 in case of second infringement.

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