

# Bulgaria

## Contacts

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## 1. Types of tax

Under Bulgarian law, transfer of property might be subject to inheritance, gift or transfer tax, depending on whether the transfer takes place before or after the death of the testator as well as on the availability of consideration or its lack thereof.

### 1.1 Inheritance tax

Bulgarian inheritance tax relates to the taxation of estate left by the deceased. Inheritance tax is levied on the estate located in Bulgaria or abroad if the deceased was a Bulgarian citizen and on the estate located in Bulgaria when the deceased was a foreign citizen. The inheritance estate incorporates movable and immovable property owned by the deceased and the rights to such, as well as other property rights belonging to the deceased prior to the death, receivables and liabilities existing at the time of death.

### 1.2 Gift tax

Subject to gift tax are free of charge transfers of property, debt forgiveness and acquisition of immovable property and rights in rem by prescription.

### 1.3 Real estate transfer tax

Subject to real estate transfer tax is the sale of immovable property (buildings and land) and rights in rem.



#### 1.4 Individual income tax

Inheritance and estate taxes are not part of personal income tax (PIT) in Bulgaria.

#### 1.5 Business tax

There is no business tax in Bulgaria apart from income taxes.

#### 1.6 Deed tax

There is no deed tax in Bulgaria. However, notary fees apply to deeds which need notary certification.

#### 1.7 Stamp duty

There is no stamp duty in Bulgaria.

#### 1.8 Land appreciation tax

There is no land appreciation tax in Bulgaria.

#### 1.9 Endowment tax

There is no endowment tax in Bulgaria but endowments are taxed as gifts (See comments under Section 1.2).

#### 1.10 Transfer duty

Besides real estate transfer tax, motor vehicles registered in Bulgaria are subject to transfer tax as are transfers against consideration.

#### 1.11 Net wealth tax

There is no net wealth tax in Bulgaria.

### 2. Who is liable?

#### 2.1 Inheritance tax

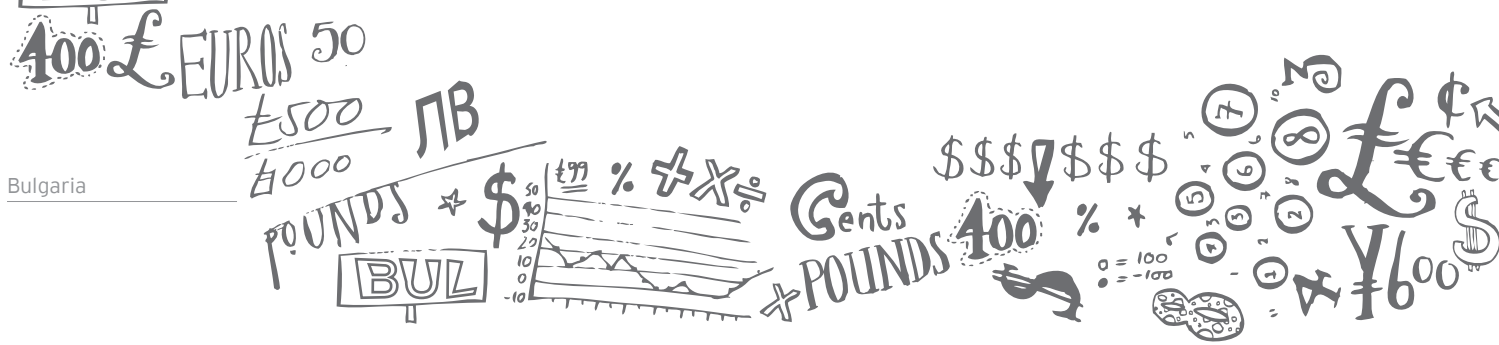
The heir is liable to inheritance tax except where exemptions apply.

#### 2.2 Gift tax

The beneficiary of the gift is responsible for its gift tax, except where exemptions apply.

#### 2.3 Transfer tax

Transfer tax is generally the responsibility of the purchaser, unless specific rules apply.





- ▶ Any donations for medical treatment of citizens of a Member State of the European Union or of another state that is a Contracting Party to the Agreement on the European Economic Area, as well as of technical aids for people with disabilities
- ▶ Any humanitarian donations to persons who have lost between 50% and 100% of the working capacity thereof and to socially disadvantaged individuals
- ▶ Any donations for not-for-profit legal entities that receive subsidies from the central-government budget, and any not-for-profit legal entities, registered in the Central Register of Not-for-Profit Legal Entities designated for pursuit of public-benefit activities, in respect of any donations received and provided
- ▶ Any customary gifts (no definition on customary gift, in practice the value of the gift is decisive)
- ▶ Any donations in favor of community centers
- ▶ Any assistance provided gratuitously under the terms and according to the procedure established by the Financial Support for Culture Law

### 4.3 Transfer tax

The following are examples of exemptions from transfer tax:

- ▶ The state and the municipalities
- ▶ Any public-financed educational, cultural and scientific research organizations, as well as any specialized institutions for provision of social services and any medical and social child care homes
- ▶ The Bulgarian Red Cross
- ▶ The nationally representative organizations of people with disabilities and for people with disabilities
- ▶ Any funds providing relief to victims of natural disasters and financing the conservation and restoration of historical and cultural landmarks
- ▶ The medical-treatment facilities covered under the Medical Treatment Facilities Law

## 5. Filing procedures

### 5.1 Inheritance tax

Within six months following the grantor's death, either the lineal descendants, the parents and spouse or the siblings of the deceased who are eligible to acquire the estate should submit a declaration to the municipality providing the last residence of the deceased. The start date for any other beneficiary is six months from learning about the deceased.

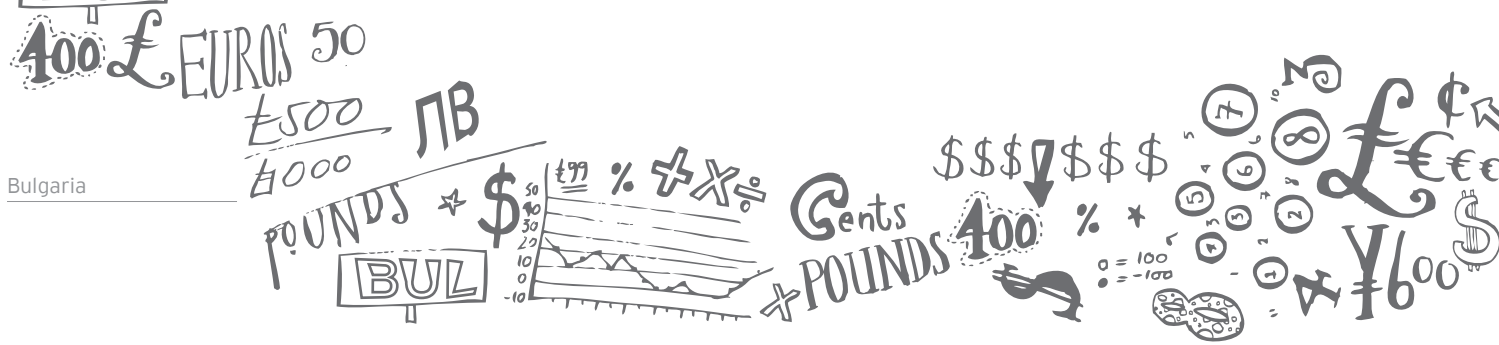
In the declaration, heirs must itemize the decedent's estate as inherited by type, location and value. The competent municipality should determine the tax due and send a notification to each of the heirs about their portion of tax due. The tax should be paid within two months from receipt of the notification.

### 5.2 Gift tax

The acquirer must submit a declaration to report the acquisition and pay the gift tax within two months from the transfer to the municipality in which the real estate is located or where the acquirer resides in other cases.

### 5.3 Transfer tax

The tax should be paid upon the transfer of the property. When the transaction should be certified by a public notary the latter supervises for the timely payment of the transfer tax before certifying the contract.



## 6. Assessments and valuations



## 10. Civil law on succession

### Succession

Bulgarian law recognizes two types of succession: testamentary succession (when the deceased left a will) and intestacy (which applies in the absence of a will). The deceased's estate includes all properties, rights and obligations that he or she owned as of the moment of death except for rights that are inseparable from the personality of the deceased, such as the right to alimony.

The inheritance can be accepted by means of a written application to the court or tacitly through an action that undoubtedly suggests the heir's intention to accept the inheritance. There is no statutory time limit to accept the inheritance. Still, any interested party may request from the court to define a time limit for the heirs to accept it. If the heirs fail to do so, they will lose their right to the inheritance.

By general rule, once accepted the inheritance becomes a part of the heir's property. Heirs may also accept the inheritance by inventory, in which case the inherited property will be separate from the heir's own property and the deceased's obligations will be paid up to the amount of the inherited property only. The inheritance may also be refused by a written application to the court.

### Testamentary succession

A will is a written document that regulates an individual's property after his or her death. Under Bulgarian legislation a person can dispose of property by means of a will as long as the statutory reserve of the by-law heirs is not affected.

Bulgarian civil law recognizes two types of a will: a handwritten will and a notarized one. The two types have equal validity at law, and neither has precedence over the other. The law prescribes specific requirements for the validity of the two types of will.

### Matrimonial regimes and civil partnership

There are three matrimonial regimes in Bulgaria: matrimonial community property, regime of separate ownership and matrimonial agreement. The preferred regime can be chosen upon the conclusion of the marriage or afterwards by means of an agreement between the spouses. The choice of matrimonial regime has to be registered with the Register of Property Relations between Spouses in order to take effect.

The default regime of matrimonial community property will always apply unless another regime is chosen by the spouses. Under this regime, all property acquired by the spouses after the marriage is subject to a joint title, except for:

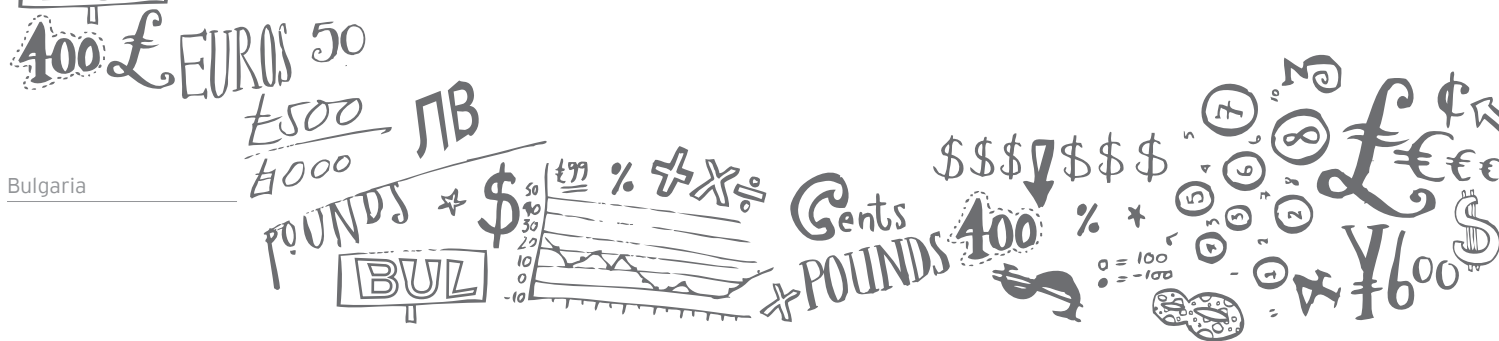
- ▶ Bank deposits
- ▶ Property needed for the professional activities of a spouse
- ▶ Assets acquired through inheritance and donations by one of the spouses

Under the regime of separate ownership, each spouse retains the sole title to all assets he or she acquires before and during the marriage.

By a matrimonial agreement the spouses can make arrangements about their property relationships. Arrangements aimed to regulate the property of a spouse after death cannot be included in a matrimonial agreement as these have to be stipulated in a will.

The surviving spouse is always an heir of the deceased unless the spouses divorced before the death.

Civil partnerships are not recognized in Bulgaria, and there is no common property or other financial consequences of them.



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## Intestacy

In the absence of a will of the deceased, the regime of intestacy will apply. In Bulgaria, only private individuals can be heirs by law. All children of the deceased, including adopted ones, have equal inheritance rights.

Intestacy is performed in turns. Bulgarian law stipulates four priority turns of heirs by law.

First priority turn	Children and other descendants
Second priority turn	Parents or the surviving one
Third priority turn	Ancestors of second or higher degree, brothers and sisters
Fourth priority turn	Collateral relatives of up to sixth degree

Each priority turn excludes the ones following it. For instance, heirs from the first priority turn inherit the deceased's property on their own and heirs from the following priority turns can inherit only if there are no heirs of the first priority turn or all of them refused the inheritance.

If there is a surviving spouse, he or she inherits together with the heirs from first to third priority turn and excludes the fourth turn, in which case the surviving spouse inherits solely by himself or herself.

In case there are no heirs or all the heirs refuse the inheritance, the latter is acquired by the state, except for the movables and residential property, which become property of the municipality.

## Forced heirship

Some categories of by-law heirs (descendants, parents and the surviving spouse) cannot be disinherited by testamentary dispositions as a part of the testator's property is reserved for them (the legal reserve). Still, the testator can freely grant the rest of the property to persons different from the by-law heirs (disposable portion).

If the testator has disposed of property within the legal reserve, the by-law heirs have the right to claim reduction of the testamentary dispositions and the donations made during the testator's lifetime.



The proportion of the legal reserve and the disposable portion varies according to the heirs by law.

By-law heirs	Legal reserve	Disposable portion
Only one child or his or her descendants	1/2	1/2
Only two or more children (or their descendants)	2/3	1/3
Only surviving spouse	1/2	1/2
Only parents or one parent	1/3	2/3
Surviving spouse and parent/parents	1/3	1/3
One child and surviving spouse	1/3	1/3
Two children and surviving spouse	1/4 (each child)	1/4
Three or more children and surviving spouse	5/24 (each child, in case there are three children)	1/6 (4/24)
	5/24	

## Probate

The procedure of execution of the will commences with the announcement of the will by a notary public. The will is executed by a person who manages the inheritance but has no power to disposing of it (executor). The testator may have in advance chosen the executor of his or her testamentary dispositions.

## 11. Estate tax treaties

Bulgaria has not entered into any international agreements regarding inheritance or gift tax.