

bulgaria



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This Law Office was founded in 1991 in the city of Plovdiv by the lawyers Nikolay Bazlyankov and Dessislav Tashev. In 1996 the office expanded when Boyan Stanoev joined the Office as a partner - lawyer and a full member.

At the present BST is one of the biggest law firms in Bulgaria with offices throughout the country and is a member of the Association of European Lawyers.

BST is a nationally recognized multipartite law firm with a long record of excellence and professional leadership. BST lawyers have established a diverse practice in areas of Civil Law, Commercial Law, Administrative law, Taxation, Litigation, Trust management of capital and capital markets, and legal services oriented towards the developing of foreign investments in Bulgaria.

The Firm provides quality legal services to Bulgarian and foreign citizens, legal entities, companies, branches and representative offices in Bulgaria, public authorities, and non-profit organizations.

The BST Law Office provides services in English, Spanish, Italian and Russian languages.

Activity

BST Law Office provides legal services of the highest caliber. This means servicing our clients' needs in an efficient and cost-effective manner. It also means finding creative solutions and providing prompt results.

The firm is specialized in and deals with issues within the scope of:

- Commercial Law
- Contractual Law
- Privatization
- Intellectual Property
- Foreign Investments
- Real Law
- Tax Legislation
- Law of Insurance
- Law of Persons and Law of Descents
- Labor Law
- Telecommunication and Media Law
- Capital Markets

- Procedural Presentment
- Out-of-Court Settlements
- Trust Management of Capitals
- Real Property Management

BST Law Office provides consulting and advice for Bulgarian and foreign enterprises in all areas of business law. BST is qualified to offer to its clients professional and reliable representation before the courts and administrative bodies in the Republic of Bulgaria.

BST Law Office works in association with some of the premiere lawyers and law firms in the towns of Varna, Bourgas, Rousse, Stara Zagora, Haskovo, Pazardzhik, Smoljan, Kardjali, Pavlikeni and Dimitrovgrad.

Areas of Practice

BST's practice is made up of corporate clients active in various fields, including finance, industry, commerce, services, entertainment business as well as natural persons with a diverse set of requirements and needs.

COMMERCIAL LAW

BST Law Office is focused on being a leading business law firm supplying comprehensive legal services to corporations and individuals. BST always aims to provide commercially realistic advice combined with exceptional client service.

BST performs consultation, representation and drafts of various types of commercial contracts for grants of licenses, distribution and representation.

BST provides high quality commercial legal services by responding quickly and efficiently to clients' needs, but always paying attention to the details.

CORPORATE LAW

BST Law Office is richly experienced in the fields of:

- Advising as to the proper legal form;
- Registration of sole traders and all varieties of companies;

- Preparation of the necessary documents for the incorporation of trade companies, non-profit legal entities, commercial agency offices and branches of local and foreign legal entities.
- Establishment of companies with foreign and mixed capital
- Transformation, merger and acquisition of shares in the capital of companies
- Drafting of partnership agreements
- Consultation and preparation of documents related to capital increase and reduction
- Representation of clients before administrative bodies, Taxation Authorities, Different ministries, Commission for Protection of Competition, Patent Office and other government and municipal authorities.

INSOLVENCY

BST Law Office advises on:

- Institution of insolvency proceedings
- Pointing out the legal consequences of insolvency
- Assertion of claims in insolvency proceedings
- Proving claims against debtors within insolvency proceeding
- Representation at creditors' meetings and legal protection of creditors' interests
- Providing legal assistance for the preparation of schemes of arrangements within the insolvency proceedings
- Out-of-court settlement agreements between the debtor and the creditors

FOREIGN INVESTMENTS

BST Law Office has rich experience in consulting on

- the legal aspects of developing foreign investments in Bulgaria
- providing advice and assistance in the investment process
- representation before the respective state authorities

TAX LAW

BST Law Office provides legal services related to the tax legislation and taxation:

- Consultation on various types of taxes - corporate and VAT taxation

- Consultation on tax planning in relation to the incorporation of companies and transformations
- Performance of tax registration
- Appealing against tax administrative acts - against tax chargeable statements
- Representation before the tax authorities
- General tax registration and registration according to the VAT Act and the Excise Duty Act

REAL ESTATE LAW

BST Law Office is experienced in practice related to various aspects of ownership:

- Transfer of real property
- Deals and settlements with respect to real estate
- Limited property rights and defense of such rights
- Real property rental and management
- Mortgages and establishment of pledges
- Research as to legal status of property
- Taking part in negotiations and notarial procedures
- Legal consultations and defense, concerning the Law of the special planning and the Cadastral Act
- Legal consultations and defense in cases of all kinds of property disputes

BST Law Office has excellent mutual relations with notaries and real property agencies which guarantees the opportunity to provide wide range of services in the field of ownership.

LABOR LAW

BST Law Office offers consultations to clients about different aspects of Labor law and Social Security Law:

- Preparation of labor and management contracts
- Conclusion and termination of labor contracts and collective bargaining
- Social and health insurance advice
- Representation in labor disputes, concerning termination of labor relations and claims for compensation

- Legal consultations and defense, concerning compensation in case/or on the occasion of labor and official relations
- Legal consultations and defense of employers against dishonest employees

The Team

BST Law Office has a team of experienced lawyers, admitted to the bar, assistant-lawyers, associated consultants and experts.

Being extremely professional in their fields active and efficient, BST lawyers are capable of coping with any issue. They know that the only way to help our clients is by providing the best piece of advice.

In order to be of use to our clients the lawyers in the office have a command of English, German, Spanish and Russian (written and spoken).

Besides the quality professionalism, our clients are fascinated by the friendly atmosphere in the office. They know that no matter in which part of the world they are, the answers to their questions and problems will always be prompt and fast.

LAWYERS

- Boyan Stanoev
- Nikolay Bazlyankov
- Lyubina Karamiteva
- Ekaterina Nikolova
- Paulina Hristeva
- Kamelia Kouleva

TRAINEE

- Diana Ilieva
- Vidolina Kurshumova
- Elena Boneva

bulgaria | corporate law

Regulations and Rules

Bulgarian corporate law is now codified and integrated into the Commercial Law. This Act contains the most of the rules of company law - incorporation of the companies, changes in the capital and the decision-making bodies.

Currently, Bulgaria is still not a member of the European Union and does not apply European law so that not all European Commercial Directives have effect in Bulgaria.

Types of Companies

In Bulgaria there are different legal forms used to do business. The most frequently preferred types by Bulgarian and foreign investors are:

LIMITED LIABILITY COMPANY / LTD

Is a small and the most commonly incorporated company in Bulgaria. A company with minimum capital of 5000 leva, approximately 2500 euro, of which at least 70 % has to be paid at the time of incorporation. The partners can be Bulgarian legal or natural entities, as well as foreign legal or natural entities.

SINGLE LIMITED LIABILITY COMPANY

A single partner, a Bulgarian legal or natural entities, as well as foreign legal or natural entities, possesses the whole capital of the company, the minimum capital is 5000 leva, approximately 2500 euro, of which at least 7% has to be paid at the time of incorporation.

JOINT STOCK COMPANY / JSC

Company with a minimum capital of 50 000 leva, around 25 000 euro, of which at least 25% must have been paid at the time of incorporation, divided into shares.

SINGLE SHAREHOLDER JOINT

Stock Company - there is only one shareholder who possesses the whole capital, divided into shares.

All these companies are limited liability companies.

Other less common legal forms are:

GENERAL PARTNERSHIP - is incorporated by two or more general partners who are unlimitedly liable

LIMITED PARTNERSHIP - is incorporated by two or more partners, some of the partners are limited liable to the amount of capital contributed and other partners are unlimitedly liable.

THE INCORPORATION OF A BRANCH

A company, duly registered in Bulgarian court, can open a branch or branches in a town, different from the company's registered office. The incorporation of a branch requires a formal resolution of the decision-making body, authorizing the establishment of a branch in other town in Bulgaria and appointing a representative.

Any company can have a branch in a town different than the place where the registered office is. The branch does not have a legal personality and represents an economic structure which is managed separately from the company but cannot have a separate balance sheet. It is inscribed in the company register of the relevant court and information about this separate registration should be present in the branch's correspondence.

The branch of a foreign company differs in certain points mainly concerning the separate balance sheet which this branch can and should have, respectively reflecting on the tax issues, the branch of a foreign company is a tax subject.

The Liability of Shareholders

In all of the LTD, Single LTD, JSC and Single shareholder JSC partners, shareholders liability is limited to the capital contribution. If a partner/shareholder participates actively in the management of the company in the capacity of manager/director, he becomes liable for corporate mismanagement in the event of bankruptcy.

Share Capital (Minimum and Minimum Paid in Amount)

Company	Minimum (€)	Minimum paid in amount (€)
Limited Liability Company / LTD /	2500	70%
Single Limited Liability Company	2500	70%
Joint Stock Company / JSC /	25 000	25%
Single Shareholder JSC	25 000	25%

The JSC and the Single JSC issue shares, which may be registered or bearer.

Corporate Governance

SHAREHOLDERS MEETING

Partners / Shareholders reserve the right to make certain decisions. Bulgarian Commercial Law distinguishes ordinary and extraordinary resolutions. As for the ordinary resolution the required majority is 50 % and for the extraordinary resolutions the required majority is 3/4.

Ordinary resolutions, for example, are: approval the annual financial statements and the balance sheet, adoption of resolutions for reduction and increase of capital, appointing the manager, changing the corporate purpose, adoption of

resolutions for opening and closing of branch offices and for participation in other companies.

Extraordinary resolutions are: making amendments and supplements to the Articles of incorporation, admittance and dismissal of a partner/shareholder, transfer of the part of the company to a new member, adoption of resolutions for acquisition and expropriation of real estate and real rights.

The resolutions for reduction and increase of capital are adopted unanimously by all partners /shareholders.

Minimum number of meetings/year - Once a year.

At least one shareholders meeting must be held each year in order to approve the accounts of the previous year. Both JSC and Single JSC must have a Statutory Auditor. Each year, the Board of Directors prepares, at the end of February, an annual financial statement and report for the Company's activity for the previous year and presents them to the expert accountants appointed by the shareholders for examination and report.

MANAGEMENT

The general meeting of partners of a LLC makes the most important decisions concerning the capital, the structure, management of the company, the admittance and expelling of shareholders, the acquisition and disposing of real estates, etc.

The governing bodies of a JSC are the General meeting of shareholders which decides the most important issues. The other bodies depend on the system of management which has been chosen. As there is usually a greater number of shareholders the law does not require unanimity for any decisions made by the General meeting. The General meeting is not entitled to make a decision for the acquisition or disposal of real estate as this issue is in the scope of the Board of directors' powers. The one-level system includes only a Board of directors consisting of 3-9 members which is the ruling and representative body of the company. The board chooses one of its members who, in his capacity of an executive director, solely represents the company and performs the basic actions

connected with the management but on the grounds of a relevant decision of the Board. The two-level system of management includes a Managing Board and a Supervisory Board which requires a well experienced method of cooperation between the two boards as some of the actions should be performed by the Managing Board with the consent of the Supervisory Board which chooses the members of the Managing Board and controls them permanently. The first system is widely used because of its larger flexibility and simplicity than the two-level system.

REMUNERATION OF MANAGEMENT/CONTRACTS BETWEEN THE COMPANY AND ITS DIRECTORS, MANAGERS AND SHAREHOLDERS

The General Meeting of the partners of an LLC appoints and sets a manager of the company and his remuneration. The manager it is not necessarily a partner. The owners of the share capital may appoint as a manager a person who represents the company and binds it in its relations with third parties. The manager carries out the current management of the company and concludes agreements on behalf of the company.

The executive directors in a JSC are appointed by resolution of the members of the Board of Directors and the Board determines the their remunerations.

MINUTES/PUBLICATIONS IN LEGAL GAZETTES/FILING WITH THE REGISTRY OF COMMERCE AND COMPANIES

Minutes must be kept in a Minute Book. They are signed by the Manager of the LLC and the executive director of the JSC and by the partners/ shareholders who are present at the General meeting. Only a person authorized by the Board of Directors can write the relevant information in the Minute books.

In the case of amendments and supplements to the Article of incorporation, changes concerning the capital, the structure and the management of the company, an announcement for the convening of the General Meeting is published in the Bulgarian public newspaper.

Changes to the board or capital, must be filed with the registry of commerce and companies within one month.

bulgaria | tax law

General Notes

In response to the development of market attitudes Bulgaria carried out a number of changes within the last 10 years in its legislation including tax legislation. During that period major reforms have been put in place, which regulate the tax liabilities of economic subjects/local and foreign/ for their operation on its territory. Now it is possible to say that Bulgarian tax legislation is in compliance with the European.

Significant Developments

From January 1st 2005 economic subjects in Bulgaria have to apply International Accounting Standards, IAS, and International Financial Reporting Standards, IFRS. For small and medium size companies National accounting Standards will be adopted. From January 1st 2005 the tax rate on corporate income was decreased from 19.5% to 15% and the income tax on dividends was decreased to 7% for Bulgarian residents.

Tax on Corporate Income

Corporate profits are levied at 15% rate.

Corporate Residents and Objects

The Corporate Income tax Act taxes profits of Bulgarian and foreign legal entities, which have been generated on Bulgarian territory, through a place of business or permanent establishment. This law also regulates the taxation of income of foreign legal entities and individuals such as: dividends, interests, royalties.

The maximum tax rate on these sources of income is 15%. Where there is a double tax treaty between Bulgaria and the country of origin of the foreign company/individual/, the treaty rates are applicable.

Other Taxes

VAT

VAT rate on the business turnover is 20%. Generally all supplies are taxable with the exception of explicitly designated supplies such as: medicine, medical services, social services, financial services deals with land, etc.

TRANSFER TAX

In Bulgaria this tax is applied only on transfers of real estates and its rate is 2% of the value of the real estate.

STAMP DUTIES

Stamp duties are paid for upon certification of documents by the Notary - 3 leva (1.5 euros per page) , signatures 3 leva (1.5 euro per signature) and notary deals - they vary from 0.5% to 2% of the deal value.

PROPERTY TAX

This tax is levied on the property of individuals and businesses. Taxable properties are only real estate and means of transport. The tax rate on real estate is 1.5% of the value; the tax rate on means of transport depends on their type.

Branch Income

Profits realized by foreign branches in Bulgaria are generally subject to taxation at a 15% rate which is withheld at their Bulgarian source. The income generated through a branch in a foreign territory, are considered as a part of the incomes of the head office. In this case if there is not a double tax treaty legal entities apply tax credit for each identical or similar tax paid in foreign territory.

Income Determination

Inventory is valued in compliance with the accounting policy of the companies, worked out on the basis of IAC and IFRS. Applicable Standards give companies the opportunity to adjust the value of the inventory with the market prices, but for the tax purposes, the effect of these transactions on the net operating profit is eliminated.

CAPITAL GAINS

Gains from transfer of shares and participations are part of the operating profit of the companies.

INTERCOMPANY DOMESTIC

Dividends arising from shares or participations in Bulgarian companies and accruing to Bulgarian company or person are taxed at a 7% rate. If the recipient is a foreign company or person, the withholding rate is 15%. The capitalized part of distribution of dividends is exempted from taxation. Companies, which are local residents of countries of EU, are free of withholding tax on dividends.

FOREIGN INCOME

As mentioned above, foreign income is considered as a part of the income of the local entity. Two ways of taxation are possible, application of rules of a double tax treaty, if there is such, or of the right to a tax credit paid for identical or similar taxes in the foreign country.

DEDUCTIONS

Necessarily entailed expenditures for the operation of the company, are generally deductible, with some exceptions. These are expenses on cars used for administrative needs, gifts and entertainment and some social benefits received from employee for the account of employer. These expenses are deductible, but they are subject to a withholding tax at a 17% rate. The tax paid is recognized as an expense for operation of the company.

DEPRECIATION AND DEPLETION

According to the applicable accounting standards, each company can choose a method of depreciation. But for the purposes of taxation the sum of depreciation is limited to the tax deductible depreciation rates for each group of assets.

NET OPERATING LOSSES

According to the legal provisions net losses can be carried forward for five years.

Group Taxation

There is no special tax regime for holding groups.

Tax Incentives

Taking into consideration the low tax rate in Bulgaria, tax incentives are not such an important a factor. In spite of this, there are some tax allowances for manufacturing companies.

- Operation in areas with a very high percentage of unemployment, government publishes each year a list with these areas. Tax allowances is 100%, for investments in production assets.
- For investment in new product or new production lines - 10% of the investment.

Tax Administration

RETURNS

By March 31 of each year, companies are obliged to file a tax return accompanied by the P&L account, balance sheet and some other statements for the results of its operation for the previous year. As of the same date the balance of the annual tax liability has to be paid too. Advance payments are required. Their size is calculated at the basis of the profit from the previous year and divided into 12 monthly installments. For a new company or a company that has ended the previous year in a loss position, the advance payments are quarterly on the base of actual results.

Withholding Taxes on Dividends, Interest and Royalties

Non treaty rate 15%.

Bulgaria has signed approximately 100 Double Tax Treaties.

INDIVIDUAL TAXES

The maximum individual tax rate is 24%.

All residents, who realize income in the territory of Bulgaria, are obliged to pay tax. Bulgarian residents are taxed on their worldwide income. Sources of individual income can be labor attitudes, rendering services, lawyers, architects, etc., or economic activities like agriculture, capital gains and others.

Employees have to contribute 10% of their gross salary to fund social security and 1.8% to fund health benefits. All of these are deductible from the gross income to form the taxable base.

Capital gains tax is levied at the source and the tax is final. This income is not included in the taxable base of the individual.

Personal allowances: allowances are available only for people with children up to the age of 18.

Tax credit is possible only for Bulgarian residents for their foreign income.

bulgaria | foreign investment

Bulgarian law has set up as a general rule complete freedom of foreign investments in Bulgaria. In recent years Bulgaria has encouraged foreign direct investments. The general rules guaranteeing complete freedom of investments may contain exceptions defined by concerns of public order such as the defense of national security. In connection with the upcoming acceptance of Bulgaria in the European Unity, the Bulgarian Parliament has approved some legal and administrative simplifications for foreign investors.

Registration with Government Authorities and Permits

The Investment Encouragement Act regulates investment in Bulgaria. The foreign investment process is not restricted by the law. Although some actions in connection with the foreign investment are subject to declaration or prior authorization. The regulation of foreign investment projects is a serious encouragement and simplification for the investor.

Transactions dealing with real estate must be registered if a foreign personal or natural entities participates in the transaction.

Prior authorization is required if:

- any foreign investment may affect public order or security;
- any foreign investment related to the national defense, arms or explosives
- any foreign investment may seriously threaten public health
- if the investment may lead to a serious presumption of criminal activity

Prior authorization is provided by the relevant ministry after a certain review period. The Ministry can of course request further information if the application is incomplete, and this extends the review period.

Breach of the above duties, gives rise to sanctions under the penal and customs codes.

Capital movements, import or export, in excess of 8000 leva, 4000 euro, are required to be declared to customs.

The conditions of loan agreements concluded by foreign and Bulgarian entities are subject to regulations too.

Transfer of Dividends, Interests and Royalties Abroad

According to the Bulgarian legislation there are no restrictions for the transfer of dividends, interest and royalties abroad.

Bilateral tax treaties may of course provide for withholding of taxes.

Repatriation Procedures and Restrictions

Bulgarian legislation does not apply any repatriation procedures or restrictions.

Foreign Personnel (Permits, etc)

All foreign personnel require residency permits. Work permits are necessary only for the long term work. Work permits are issued by the National Employment Services.

bulgaria | **labor law**

Bulgarian labor law and the decisions of the Bulgarian labor courts regulate employment, with a bias mainly in favor of the employees. The relationships between the employees and employer and their obligations and rights are organized and regulated in Labor Code.

The access to the labor courts in Bulgaria is free and the employees are not required to pay any court fees. The employees frequently claim damages for wrongful dismissal

Employment Contracts

CLASSES

The main classes of contracts are: fixed term contract and indefinite term contracts. These types of contracts can be concluded for part time and full time jobs.

COST OF DISMISSAL AND WRONGFUL DISMISSAL

The Labor defines what are legitimate reasons for an employee's dismissal. These reasons include non-execution of duties, gross misconduct or breach of the disciplinary rules in the company. If the dismissal is not based on one of the reasons, set out in the Labor code, the employee is entitled to claim for damages. The employer can terminate a work contract in some cases without prior notification. But in the most work relationships a prior notice period is stipulated which period varies from a month to three months.

It is frequently stipulated in the work contract the employer is required to pay employee a severance indemnity in the event of dismissal. The legal minimum of the indemnity is equal to the fourfold monthly gross salary. It is possible that the work contract provides for a more favorable severance indemnity.

In addition to the payment of a severance indemnity, if the dismissal is judged illegitimate, an employer can be sentenced to pay damages to the dismissed employee. The amount depends on the actual damages suffered by the employee and is determined by the court.

EMPLOYMENT CONTRACTS FOR DIRECTORS: A SPECIAL REGIME

Directors and managers can be appointed by the General meeting of the partners of a Limited Liability Company (or the Board of directors of a Joint Stock Company). Their work contracts are concluded prior to their appointment. According to the Bulgarian commercial law this type of contract is a contract for management. Their duties are defined in the articles of incorporation of the company and the employer supervises their work process. Managers and directors receive special remuneration for their specific duties.

If the manager or director has another separate employment contract it may be suspended for the period of their management. After the termination of their appointment as a manager or director, the employment contract is reinstated.

Bulgarian commercial law regulates the special regime of the procurator. The General meeting or the Board of Directors appoints a procurator - special representative and manager of the company who can act jointly with the manager/ director.

Employees' Representatives and Union Representation

BRIEF IDEA OF THE INFLUENCE OF THESE GROUPS IN LABOR CONTRACTS

On a national level, employees' representatives, the trade unions, and employers' representatives, negotiate the provisions of new laws and the conditions of the Collective Bargaining Agreements.

At a company level, trade unions and employees representatives act as a liaison between employers and employees. Bulgarian labor law determines certain obligations of the employers such as providing employees' representatives with

information concerning the economic condition of the company, state of employment in the company, implementation of new technologies, development of the working conditions of employees.

The employees' representatives must be consulted and notified in advanced of any future dismissals of employees and changes in the structure of the company which may influence the work process. The employees' representatives may have the right to recommend the dismissal of persons with equal qualifications.

WHEN DOES LABOR UNION REPRESENTATION BECOMES BINDING?

The employees and the labor representatives can organize the elections of employee's delegates, whose role is to discuss the employment conditions and dismissals.

RIGHTS AND PRIVILEGES OF A LABOR UNION REPRESENTATION INSIDE A COMPANY

Bulgarian labor law provides certain rights of the union representatives, for example:

- right to participate in the discussion of questions concerning the work and insurance relationship in the company.
- access to information about the company concerning the status of the employees.

The Labor Code grants the employee representatives and union representatives specific protection against dismissals. The working conditions of the employee representatives and the union representatives cannot be changed without their prior agreement.

At the request of the employees the employee representatives can represent them in court cases.

Collective Bargaining Agreements, Other Agreements (National, Regional, Provincial or Company Level...)

CLASSES

The Labor Code provides different types of employment agreements: individual employment agreement and collective employment agreement.

The labor relations between employers and employees can be governed at the level of each branch or field of industry by the provisions of national, regional or company collective bargaining agreement.

COLLECTIVE BARGAINING AGREEMENTS BINDING FOR THE LABOR CONTRACTS?

The Collective Bargaining Agreements are binding for all employees who signed the agreement and for all labor contracts where the provisions of law are not more favorable to employees than the provisions of the applicable Collective Bargaining Agreement.

Other Types of Compensation (Wages, Social Security Contributions, Remuneration in Kind, Insurance Policies, Pension Plans...)

CLASSES OF WAGES

Wages of employees can include various elements such as:

- Fixed salary
- Incentives and Bonuses
- Remuneration "in kind" (such as - housing, car, cell phone...)

MINIMUM SALARY IN 2005

Recently the Bulgarian government has set the minimum salary to be paid to an employee at 150 leva, 75 euro, monthly for a full time job. It is possible employees and employers have stipulated higher minimum salary in the

provisions of the Collective Bargaining Agreement. The employer has no fixed annual credit of over time hours per employee.

COST OF OVERTIME HOURS

The additional overtime work of the employee must be paid appropriately. The payment rates are set by Labor Code:

- overtime work on workday is increased by 50 % over the contract salary;
- overtime work on weekends is increased by 75 % over the contract salary;
- overtime work on official celebrations is increased by 50 % over the contract salary.

Some Collective Bargaining Agreements may provide for different rates.

Employment Regulations

The employment regulations, collective bargaining agreements, overtime work, salaries and holidays are regulated and codified within the Labor Code.

The Labor authorities such as Ministry of labor and social cares and Labor inspectorate exert control over the application of the labor regulations.

Social Security

CONTRIBUTION FORMS (TERMS AND PROCEDURES)

According to the Bulgarian Social Security Code, social security contributions must be paid every month. Social security payment is divided between the employer and the employees and the percentages are:

- 27 % of the social security contribution must be paid by the employer
- 11 % of the social security contribution must be paid by the employee.

The contribution varies according the age of the employees and the branch of industry they work.

Annually the employers fill and declare information about the information of the employment of the company.

SOCIAL SECURITY COST FOR THE EMPLOYER

The employer: Approximately 50% of the Worker's gross salary

SOCIAL SECURITY COST FOR THE WORKER

Approximately 20% of the Worker's gross salary

Healthy and Safety

ESSENTIAL DUTIES OF THE COMPANY

The employers are obliged to provide their employees with safe and healthy work place.

Employers must protect their employees against all kinds of accidents. Employers must also provide their employees with adequate tools and security training. The employees must be insured against accidents.

The Labor Inspectorate and other authorities exert regular controls over the work conditions.

The employees in some branches of industry / for example the mining industry / are protected and the Labor Code provides special health and security training depending nature of their activities.

When accidents occur on the work place, the employer must declare the accident. The company is held responsible for the injuries suffered by employees. The health contributions are as follows:

- 1. 8% - paid by the employee
- 4.2% - paid by the employer

MAIN REGULATIONS

The Labor Code and the Social Security Code include general rules governing health and security conditions.

Contracting and Outsourcing of Work or Services

Resort to temporary workers is strictly regulated under Bulgarian law, in order to favor as much as possible, the conclusion of permanent work contracts.

However, when the conditions to resort to temporary workers are met, it is allowed to have external workers, employed by temporary work agencies to carry out a specific task within a business.

Outsourcing to an independent contractor is another possibility. The independent contractor should use its own employees and tools/machinery but may work on the premises of the contracting business.

The contractual terms of the contract must be carefully drafted to avoid specific criminal violations of law.

bulgaria | real estate

Bulgarian real estate law is mainly governed by the Bulgarian Constitution and Property Law. The legislation includes certain restrictions on acquisition by foreigners.

A register of transactions dealing with real estate is kept in every Regional Court. All deeds and mortgages (which are drafted by and signed before a notary) must be kept in the register. The register is organized by the name of the owner of real estates, not by the location of the real estate. Costs of real estate transactions (notary's fees, taxes and other duties) are not high (approximately 2% of the value for a sale, 1% for a mortgage).

Types of Ownership

Ownership in Bulgaria is in principle 'absolute'. The title to real property can be an absolute and entire or can be split into three separate rights: a right to use of the property, a right to possession of the property and the third right to dispose of the property.

The absolute entire title to real estate can belong to a single person, legal or natural entity, or a collection of individual owners, where each of them owns a portion of the whole with no direct and precise right over a specific part of the real estate.

Bulgarian real estate law also provides for some types of limited ownership rights:

- right of common
- right of building
- right of passing

The Land Register

Real property in Bulgaria is registered in special well-organized public land register. Each community is divided into sections, each section into parcels. Sections and parcels are numbered in turn. The land register in Bulgaria is called the detailed land plan.

The changes in the legal status of a parcel (transfers of title, liens, mortgages, etc.) or any lot within a parcel, are booked on the registers maintained by every regional Court in the country. There is no united country land register.

Transfer Formalities

A transfer of title, mortgage or other change in the legal status is only enforceable against third parties as from its registration in the land register of the Regional court.

In order to be registered with the land registrar of the Regional court, the deed, lot, mortgages, etc. must be drafted by and signed before a notary. This is compulsory for all transactions involving real estate except such exceptions as are provided by law: orders issued by the administration, mortgages ordered by a court, court resolutions and orders, etc.

Mortgages

A mortgage is established over real property to guarantee financial obligations. According to the Bulgarian property law the mortgage is a formal act - deed. The mortgages are registered in the land register of the Regional Court.

The mortgage has the following consequences:

- The owner of the real estates may dispose of his property without first paying his debt, the mortgage is in force for the new owner and the mortgage holder may seize the real property from the new owner and have it sold at auction.

- In case the mortgage is not paid the holder of a mortgage seizes his debtor's real property and sell it at auction. The mortgage allows the mortgage holder to follow the property despite multiple transfers and seize it in the hands of the owner, whoever that may be.
- The holder of the mortgage is a preferred creditor according to the Bulgarian law - the mortgage holder has a right to be paid, by preference over other creditors. This preference is with respect to the ordinary creditors and to the creditors whose rights are registered at a later date.

There are two types of mortgage :

Contractual mortgage: a debtor agrees by contract to allow his creditor, the holder of the mortgage, to register a mortgage over his property in a deed signed before a notary.

Mortgage by operation of law: this type of mortgage is established in absence of debtor's agreement under certain specific cases, determined in the statute.

Restrictions on Acquisition

Bulgarian legislation regulates restrictions on acquisition of real property in Bulgaria by foreign natural or legal entities, prohibiting them from buying land in Bulgaria. However, foreign natural or legal entities can buy buildings. Bulgarian legal entities with partners / shareholders who are foreign persons or companies are permitted to buy land and buildings without any restrictions. It is expected that shortly amendments of the Bulgarian Constitution will be adopted allowing foreign legal and natural entities to freely acquire land in Bulgaria.

Pre-emptive rights arise in certain cases: If a co-owner decides to sell his part of the real estate, this co-owner is obliged to offer his part in the first place to the others co-owners.

Special Legal Protections for parties

In the buyer considers that the transaction of real estate is tainted in some way, he may contest in court the validity of his purchase. The taint - reason for petition- can be:

- an error concerning the important characteristics of the property
- misrepresentation: the seller is not the owner of the property, but he acts as a owner in front of seller and tricks the buyer into purchasing;
- violence, physical or mental, voids a sale.
- lack of consent
- violation of the law
- breach of the required form

The buyer may also claim voidance of the sale if the property is improper for the use, or where there are restrictions to use to such an extent that the buyer cannot use his new property fully, such as an undisclosed prohibition to build on the land.

Leases

Lease agreements are frequently concluded in Bulgaria. Real property can be rented under lease agreements.

The Bulgarian Contracts and Obligations Act regulates residential and commercial leases, providing a maximum lease term of 10 years , and setting out the obligations and rights of the tenant and lessor. The tenant may be given a right to renewal of the lease. If not , then the owner is free on expiration of the lease to rent to another tenant , to sell or live in the building.

Rural leases are regulated as general in the same way: automatic renewal rights, limits to the use of the land, etc.

The notarial form is not compulsory for the lease agreement.

Zoning, Building Permits, etc.

Every building, residential and commercial, requires a prior permit issued by the local municipal and administrative authorities in the connection with the detailed land plan, zoning rules and regulations. Land is classified in some categories, for example urban, farm land, forests or protected land.