

compendium

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Bulgaria

BAZLYANKOV, STANOEV & TASHEV LAW OFFICES

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Profile

Bazlyankov, Stanoev and Tashev Law Office was founded in 1991 in the town 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 Law Office 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 Law Office 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 qualitative 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
- Labour 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 notary 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.

Labour 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.

Attorney of Law

- Boyan Stanoev
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- Genadi Dishev
- Ekaterina Nikolova
- Paulina Hristeva
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- Snezhana Kartalova
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- Katerina Hristova
- Svetlozara Lazarova
- Maria Kostadinova



Bulgaria

1. Regulations and Rules

Bulgarian corporate law now is 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 / increasing or decreasing/ and the decision-making bodies, insolvency and liquidation of the company.

In reference to future membership of Bulgaria in the European Union some of the European Commercial Directives were implemented in the corporate legislation but still not all of them have effect in Bulgaria.

2. Types of Companies

In Bulgaria there are different legal forms to develop 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 % have 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 70 % have 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. The capital is 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 to be taken a formal resolution of the decision-making body, authorising the establishment of a branch in other town in Bulgaria and appointing a representative. The branch does not have a legal personality and represents an economic structure, which is managed separately than the company but cannot have a separate balance. 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

Recently some changes were adopted in Commercial Code in reference to the regulation of branch of a foreign company in Bulgaria. A foreign company duly registered under the national law of the respective country can open a branch in Bulgaria. For this purpose is necessary to be represented documents for the registration of the Company and the decision making body has to take a decision about the address of administration, representative, activity of the branch. It is provided that the branch has separate balance and should have, respectively reflecting on the tax issues – the branch of a foreign company is a tax subject.

3. 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 becomes liable for corporate wrong management in the event of bankruptcy.

The shareholders are not liable for the Company's debts as the company and its shareholders are regarded for company law purposes as separate legal persons.

4. Share Capital /minimum and minimum paid in amount/

Company	Minimum (€)	Minimum paid in amount (€)
Limited Liability Company / LTD /	2.500	70%
Single Limited Liability Company	2.500	70%
Joint Stock Company / JSC /	25.000	25%
Single Shareholder JSC	25.000	25%

5. Shares and Share Rights

The JSC and the Single JSC issues shares, which may be registered and bearer, ordinary or preferred. It is common a companies to issue only one class of shares, known as ordinary shares. In the articles of association of the Company are performed the rights and restrictions attaching to the shares. The shareholders who hold preferred shares would be expected to carry additional rights / for example - to receive extra dividends/. It is accepted for the shares to be freely transferable. However, it is the article of association to provide the restrictions to be transferred shares and the way of transfer. When shares are issued or transferred, details of the shareholder are registered in the company's statutory books and a share certificate issued.

6. 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 statement and the balance sheet, adoption of resolutions for reduction and increase of capital, appointing the manager, changing the corporate purpose, adoption 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 resolutions for acquisition and expropriation of real estates and real rights.

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

Minimum number of broad meeting/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. The Board of Directors annually after the end of February composes for the last year an annual financial statement and report for the Company's activity and presents them to the expert accountants appointed by the shareholders for examination and report.

Management

The General meeting of partners of a LLC made 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 ruling bodies of a JSC are the General meetings of shareholders deciding the most important issues. The other bodies depend on the system of management, which has been chosen. As there are 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 decision for acquisition or disposing of real estates 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.

MANAGER AND EXECUTIVE DIRECTOR – appointment, dismissal, duties, remuneration

In the article of association of the company is provided which company body has the rights to appoint and dismiss a manager/executive director, his duties. The person who will act as a manager/ executive director must sign a declaration - consent and provide specified information to the Commercial Register. By and between the Company and the manager/executive director can be concluded a management contract and to be stipulated his duties, remuneration and liability.

The General Meeting of the partners of LLC appoints and sets a manager of the company and his remuneration. The manager it is not necessary to be a partner. The owners of the share capital have the opportunity to appoint as a manager 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 their remunerations.

There are no specific rules on the level of remuneration and it will usually be a matter for negotiation.

The managers or the executive directors have to act in the Company interests and to take reasonable care for the Company action and not to accomplish some personal gains. The company is be represented by a Manager/ executive director. He shall organize and manage the Company's activities in compliance with the law and the resolutions of the General Meeting/ Board of Directors. The manager/ executive director has the rights to convene the General Meeting pursuant to Bulgarian legislation and the Article of association.

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 a LLC and the executive director of the JSC and by the partners/ shareholders who presents at the General meeting. Only an authorized by the Board of Directors person can write the relevant information in the books.

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

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

The Law on Commercial Register

The new Commercial register Act was adopted and approved by Bulgarian Parliament in 2006 and is in force on 01.01.2008 after some delays. Parliamentary approval of the act fulfils a recommendation in the European Commission's Monitoring Report on Bulgaria of October 2005 to introduce electronic access to the commercial register and the requirements of Directive 2003/58 of the European Parliament and the European Council.

The enforcement of the new Commercial register Act will be a step forward for creation of a central electronic register and this will enable cheaper and faster registration as well as simplified and secured procedures accessible through Internet.

According to the act the register is transferred from the court to a Registry Agency. In this way the procedures for registration shall be simplified and judiciary system relieved from non-court functions. The authors of the reform say this will facilitate the procedures, relieve the judicial system and ensure transparency. The request for registration or deletion of a Company shall be considered immediately. If the requirements are met, the entry of the company shall take from some hours to 3 days.

If the administrator denies registering and deleting a company, he/she has to draw up a motivated refusal. The refusal can be claimed to the District court upon the location of the Company.

An indisputable asset of the act is the provision to introduce a standard centralized electronic registration system for companies. This would make it possible to apply modern information technologies to the registration of business subjects.

The Law on Commercial Code gives 3 years /counted from 01.01.2008/ deadline for free of charge registration of the existing already companies.

Foreign investors will also benefit, as the law provides for automated filing of information about traders and branches of foreign companies. Traders have to request registration within a week's time.

Unfortunately the provisions of the new Act are not applied practically as good as they sound being part of the Act. There are a lot of issues which should be clarified and the problem with delay entering the incorporation or the changes should be solve very soon.



Bulgaria

1. 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.

2. 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. The tax rate on corporate income was decreased from 15 % to 10 % and the income tax on dividends was decreased to 5%.

3. Tax on corporate income.

Corporate profits are levied at 10% rate. The profits received from sale of shares and other financial instruments are not levied with tax, but only in case if the shares and the financial instruments are registered on Bulgarian Stock Exchange.

4. 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 10%. Where there is a double tax treaty between Bulgaria and the country of origin of the foreign company/individual/, the treaty rates are applicable.

5. Other taxes:

VAT- Transfer tax- Capital tax – Stamp duty- Property Tax –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.

Transfer tax /local tax/. In Bulgaria this tax is applied only on transfers of real

estates. From the 1st of March 2008 its rate is between 2 – 4 % of the value of the real estate. The exact percentage is determined by the Municipal council in every Municipality.

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% per thousand of the value; the tax rate on means of transport depends on their type.

6. Branch income:

Profits realized by foreign branches in Bulgaria are generally subject to taxation at a 10% 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.

7. 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 5% rate. The capitalized part of distribution of dividends is exempted from taxation. Companies or persons, which are local residents of countries of EU, are free of withholding tax on dividends if they hold at list 20% of the shares or participations and not for shorter term than a year.

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 management 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 10 % 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.

Buildings and equipments	4%
Machines	30%
Transport means without automobiles	10%
Computers	50%
Automobiles	25%
Other tangible assets	15%
Intangible assets not more than	25%

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

8. Group taxation:

There is no special tax regime for holding groups.

9. Tax incentives.

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

10. 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.

11. Withholding taxes on dividends, interest and royalties

Non treaty rate 10 %

Bulgaria has signed approximately 100 Double Tax Treaties.

Individual taxes

1. General note

The maximum individual tax rate is 10%. This rate is adopted with new Law in force from 01.01.2008.

- 2.** 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.
- 3.** Employees have to contribute 10.32 % of their gross salary to fund social security and 2.1 % to fund health benefits. All of these are deductible from the gross income to form the taxable base.
- 4.** 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.
- 5.** Personal allowances: allowances are available only for people with children up to the age of 18.
- 6.** Tax credit is possible only for Bulgarian residents for their foreign income.

Introduction

Bulgarian law has set up as a general rule complete freedom of foreign investments in Bulgaria. At the recent years Bulgaria encourages the foreign direct investments. Public on public order in order to be defending national security may define the general rules of complete freedom of investments. In connection with the forthcoming acceptance of Bulgaria in the European Unity, Bulgarian Parliament approves some legal and administrative alleviation for the investors.

Registration with Government, authorities and permits.

Investment Encouragement Act provides regulations about the investing in Bulgaria. The law does not restrict the foreign investment process. Although some actions in connection with the foreign investment are subject to declaration or prior authorisation. The regulation of the foreign investment projects is a serious encouragement and alleviation for the investing.

The transactions of real estate have to be registered if foreign personal or natural entities participate in the transaction.

Prior authorisation is required if:

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

The relevant ministry to certain period can provide prior authorization. The Ministry can of course request further information if the application is incomplete, and this extends the review period.

If the companies breach of the above duties, they bear sanctions under the penal and customs codes.

For capital movements /import or export/ more than 8000 leva /4000 euro/ is required to be declared in the 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 restriction for the transfer of dividends, interest and royalties abroad.

Bilateral tax treaty provides 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 but the regime of EU citizens is much more simplified. Work permits are necessary only for the long-term work. Application for work permits is issued of the National Employment Services.

Introduction:

Bulgarian labour law and the decisions of the Bulgarian labour courts regulate the employment mainly in favour of the employees. The relationships between the employees and employer and their obligations and rights are systematized and regulated in Labour Code.

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

1. Employment Contracts

Classes

The main classes of contracts are:

Fixed terms contract and indefinite terms. These types of contracts can be concluded for part time and full time job.

Cost of dismissal and wrongful dismissal

The Labour Code regulates the reasons for employee's dismissal. The reasons can be 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, pointed in the Labour 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 is stipulated a prior notice period which period varies / from a month to three months/.

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

In addition to the payment of 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 Limited Liable Company/ or the Board of directors / Joint Stock Company /. Their work contracts are concluded prior to their appointment. According to the Bulgarian commercial law this type of contracts are called contract for management. Their duties are defined in the arti-

cle of incorporation of the company and the employer supervises their work process. The manager/ director receives special remuneration for their specific duties.

If the manager/ director has other work contract it may be suspended for the period of their management. After the termination of their appointment as a manager/director, the employment contract begins to operate again.

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 acts at the same time with the manager/ director.

2. EMPLOYEES' REPRESENTATIVES AND UNION REPRESENTATION

Brief idea of the influence of these groups in Labour 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.

In a company trade unions and employees representatives are connects employers and employees. Bulgarian labour law determines the 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, and development of the working conditions of employees.

The employees' representatives must be consulted and announced in advanced for the future dismissals of employees and changes in the structure of the company, which may influence on the work process. The employees' representatives may have the right to give a statement for the dismissal of some persons with equal qualifications.

When a Labour Union representation becomes binding?

The employees and the labour representatives can organize the elections of employee's delegates who discuss the employment conditions and the dismissal.

Rights and Privileges of a Labour Union Representation inside a Company

Bulgarian labour law regulates certain rights for the union representatives, for example:

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

Labour 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.

3. COLLECTIVE BARGAINING AGREEMENTS OTHER AGREEMENTS (National, regional, provincial or company level...)

Classes

Labour Code provides different types of employment agreements:

individual employment agreement and collective employment agreement.

The labour relations between employers and employees can govern 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 labour contracts?

The Collective Bargaining Agreements are binding for all employees who signed the agreement and for all labour contracts in the case

- the provisions of law are not more favourable to employees than the provisions of the applicable Collective Bargaining Agreement and

4. WAGES AND OTHER TYPES OF COMPENSATION

/Wages, Social Security contributions, remuneration in kind, insurance policies, pension plans /

Classes of wages

Wages of employees can comprise of various elements such as:

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

Minimum salary in 2008

Recently the Bulgarian government has accepted the minimum salary which to be paid to an employee is 220 leva / around 110 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 obtain the appropriate payment.

Labour Code provides the payment rates:

- overtime work on workday has to be extra paid with 50 % of the contract salary
- overtime work on weekends has to be extra paid with 75 % of the contract salary

- overtime work on official celebrations has to be extra paid with 50 % of the contract salary.
- Some Collective Bargaining Agreements may provide for different rates.

5. EMPLOYMENT REGULATIONS

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

The Labour authorities such as Ministry of labour and social cares and Labour inspectorate exert control over the applications of the labour regulations.

6. 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 as the percentage is:

- The employer must pay 17 % of the social security
- The employee must pay 9 % of the social security.

The percentage varies according to 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.

Overtime: Contribution to the Social Security for this and other different sort of wages, "in kind"...

There is no difference between the contribution to social security for overtime work and contribution to social security for usual working hours.

7. HEALTH AND SAFETY

Essential duties of the Company

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

The companies must protect their employees against all kind of accidents. The employers provide the employees with adequate tools and security training. The employees are insured against different accidents.

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

The employees in some branches of industry / for example mine industry / are protected and the Labour 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 obliged to hold responsibly for the damages suffered by employees.

The health contributions are as follows:

- 2.1 % - paid by the employee
- 3.9 % - paid by the employer

Main Regulations

Labour Code and Social Security Code comprise general regulations of health and security conditions.

8. CONTRACTING AND OUTSOURCING OF WORK OR SERVICES

Resort to temporary workers is strictly regulated under French 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 companies 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

Introduction:

Bulgarian law of estate is regulated mainly in Bulgarian Constitution and Property Law. The legislation regulates certain restrictions on acquisition by foreigners.

A register of transactions dealing with real estate is kept in every Regional Court. The all kind of deeds and mortgages, which are drafted by and signed before a notary must be kept in the register. The register is organized by the names of the owners of real estates, not by the real estates. 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/.

1. Types of Ownership

The ownership in Bulgaria is absolute. The title to real property can be an absolute and entire right or can comprise three separate rights: a right to use of the property, possession of real estate and the third right is disposition with 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 law of estate regulates some types of limited ownership:

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

2. The Land Register

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

3. 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. For all transactions with real estates the signing before notary is compulsory. Some exceptions are provided in the law: orders issued by the administration, mortgages ordered by a court, court resolutions and orders, etc.

4. 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 with 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 all kind of 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 preferred creditor according to the Bulgarian law - holder has a right to be paid, by preference over other creditors. This preference refers to the ordinary creditors and to the creditors whose rights are registered at a later date.

There are two types of mortgage:

- Concractual mortgage - a debtor agrees by contract to allow the holder of the mortgage to register a mortgage over his property on a deed signed by 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.

/a debtor may agree by contract to allow his creditor to register a mortgage over his property/.

5. Restrictions on acquisition

- Bulgarian legislation regulates restrictions on acquisition real property in Bulgaria by foreign natural or legal entities to buy land in Bulgaria. But on the other hand foreign natural or legal entities can buy building. Bulgarian legal entities with partners / shareholders foreign persons or companies are permitted to buy land and buildings

without any restrictions. The recent tendency is to be adopted amendments in the Bulgarian Constitution concerning the opportunity of foreign legal and natural entities to acquire freely land in Bulgaria.

- Pre-emptive rights arise in certain case, pointed in Bulgarian law of estate
- 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-owner.

Special Legal Protections for parties

In the buyer considers that the transaction of real estate is tainted in some way, he may claim in the 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
- contradiction to the law
- breach of the required form

The buyer may claim voidance of the sale – if the property is improper for the use, restrictions to use to such an extent that the buyer cannot use his new property fully, a prohibition to build on land.

6. Leases

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

Bulgarian contracts and obligations act regulates residential and commercial leases, the maximum lease term /10 years – not applicable for all the legal subjects/, obligation and rights of the tenant and lesser. The tenant may be given a right to renewal of the lease, if not the owner wishes to rent to other 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 notary form is not compulsory for the lease agreement.

7. 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, farmland, forests or protected land/.

Constitutional changes

The Constitution of Republic of Bulgaria was amended in 2005 and the article 22 / effective as from the date of entry into force of the Treaty of Accession of the Republic of Bulgaria to the European Union, not applicable to pre-existent international treaties/ provides that Aliens or non-resident legal persons may acquire a right to ownership of land under the terms arising from the accession of the Republic of Bulgaria to the European Union or by virtue of an international treaty which has been ratified, which has been promulgated, and which has entered into force for the Republic of Bulgaria, as well as through legal succession.

In practice these provisions of the Constitution is not applied.



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