

Advance payments under the Corporate Income Taxation Act during the year 2007

In State Gazette No 105 / 22 December 2006 is published a new Corporate Income Taxation Act (CITA 2007), which enters into force on the 1st of January 2007. The way in which the advance payments are calculated and the terms for their payment are regulated in Chapter XIV of CITA 2007.

Enterprises pay monthly and quarterly advance installments for corporate income tax at tax rate of 10%.

I. Types of advance payments

CITA 2007 retains the way in which the advance payments are calculated as it was laid out in the until now effective CITA.

1. Monthly advance payments of corporate income tax

Monthly advance payments shall be done by enterprises, which have formed taxable profit for the previous year. The monthly advance payments of corporate income tax shall be determined on the basis of 1/12 part of the taxable profit for the previous period, adjusted by a coefficient representing the changes in the economic conditions for the current year, approved with the State Budget of the Republic of Bulgaria Act, which coefficient for the year 2007 is 1.1 (Art. 86 CITA). For the period 1 January – 1 March the advance payments are determined on the basis of the declared taxable profit for the year before the previous year, for the period 1 April – 31 December on the basis of the declared taxable profit for the previous year. If for the year before the previous year a loss has been reported, the company shall not be obliged to pay monthly advance payments of corporate income tax whereby the less risky scenario in this case is a quarterly payment for the first quarter of the current year to be made.

2. Quarterly advance payments of corporate income tax

Quarterly payments shall be paid by enterprises, which are not obliged to pay monthly advance payments. They are determined on the basis of the actual taxable profit for the period from the beginning of the year to the end of relevant quarter and after deducting the already paid installments (Art. 87 CITA). When determining the quarterly advance payments the tax loss from previous periods shall be deducted.

Quarterly advance payments are paid by:

- Newly established companies;
- Companies, which have not formed taxable profit for the previous year (they have reported tax loss or zero taxable profit);
- Receiving or newly established companies after transformation in the year of transformation (Art. 118, para. 1 CITA 2007). For the next year they determine the advance payments due according to common order;

- The receiving company after transformation in the year of transformation by merger, splitting, spinning off, transfer of specified activity and substitution of shares or stakes (Art.147, para. 1 CITA 2007);

By transformation by change of the legal form under Art. 264 of the Commercial Act the transformed company pays monthly and quarterly advance payments according to the common order of CITA 2007 on the basis of taxable financial result of the transforming company.

III. Deadline for payment

The terms of remittance of the advance payments have been preserved like those as to 31 December 2006. The monthly advance payments shall be paid until the 15th of the current month to which they refer. The quarterly advance payments shall be paid until the 15th of the month following the quarter to which they refer. For the fourth quarter no payment of advance installments is due.

III. Remittance and decrease of corporate income tax

Advance payments of corporate income tax are remitted to the persons who are entitled to corporate income tax remittance by virtue of Chapter XXII of CITA 2007.

With the provision of Art. 88 of CITA 2007 the possibility for persons to decrease their advance payments (as monthly, as well as quarterly) when they estimate that they will exceed the due yearly corporate income tax remains. When taking decision for decrease of the advance payments the provisions of Art. 89 CITA 2007 should be considered, according to which in the case where the actually due yearly corporate income tax exceeds with more than 10% the paid advance payments a penalty interest is due for the year.

The purpose of this letter is to remind you about the obligation of payment of advance installments, the way of their calculation and the terms of their remittance, and does not explicitly concern the specific cases, which could arise. In case some questions arise regarding the above commentary do not hesitate to contact us at: tel.: 943 37 00, fax: 943 37 07, e-mail: office@afa.bg or at 38 Oborishte Str., Sofia 1504.