

Comments on the amendments in the Regulations on Application of the Value Added Tax Law, effective from 30 March 2004

Regulations on Amendment and Supplementation of the Regulations on Application of Value Added Tax Law (RASRAVATL) has been published in the State Gazette (SG), issue 26 of 30 March 2004. **The Regulations shall come into force on 30 March 2004.** Most of the amendments are related to determination of the procedure for application of the new provisions of VATL in effect from 1 January 2004 (adopted by the Law on Amendments and Supplementation of VATL, published in SG, issue 109 of 16 December 2003), as follows:

1. Procedure for evidencing the international transport of electric energy and natural gas (new paragraphs 4 and 5 of Art. 13 RAVATL) has been set. Till the adoption of RASRAVATL, in the hitherto existing regulations there were no specific procedure for evidencing the international transport of electric energy and natural gas. In order to remove this omission in the regulations, the legislator establishes **the new paragraphs 4 and 5 of Art. 13 RAVATL**, specifying expressly the documents, which shall be enclosed for evidencing the existence of conditions for application of the zero VAT rate.

2. Procedure for evidencing the performance of supplies of automobiles taxed with zero VAT rate has been set, on which beneficiaries are persons with constantly reduced working capacity or constantly reduced ability for social integration (new Art. 26c RAVATL), as expressly are provided for the documents, which shall be enclosed for evidencing the existence of conditions for application of the zero VAT rate.

3. Treatment of supplies of services under Chapter Fourteen of the Labour Code (LC) according to the new provision of Art. 37a RAVATL **the tax base of the supplies of services**, provided for by an employer to its employees under Chapter Fourteen of the Labour Code **shall be determined under the general provisions of the law**, which contradicts to the law provision of Art. 30, para 5 VATL.

4. Tax base upon import of goods - the amendment of Art. 44 RAVATL is purely editorial and relates to **the repeal of Art. 46 of the Law on Traffic** (last amendment published in SG, issue 14 of 20 February 2004), which determined the obligation of the producers and importers to pay charges on the liquid fuels.

5. Exemption from customs duties and VAT upon import

Para 3 of Art. 58 RAVATL is repealed, which is related to the amendments in VATL and the repeal of s. 8 of Art. 59 VATL, as **from 1 January 2004** the import of armaments, accoutrements and equipment for the Ministry of Defense, Ministry of Internal Affairs and

other authorities within the system of National security shall be treated following the general provisions and shall be subject of VAT.

With **the supplementation of Art. 58, para 6 RAVATL** it is expressly stated that the provision of Art. 59, s. 18 VATL, according to which VAT is not due upon import of goods that have been exported and then returned back to the country within one-year period upon warranty claim, **shall be applied only in the cases** whereas the importer is in a position to present a protocol or another documents proving that the return is made upon **claim for quality or for non-compliance with the standards.**

6. Information in the reporting ledgers under VATL

Amendment of **Art. 91, para 4, s. 2(a) RAVATL** aims at making more precise the text of the provision and at the same time it introduces the requirements for provision of analytical information in the purchase ledger regarding the supplies of automobiles whereunder the beneficiary is a person with reduced working capacity or constantly limited ability for social adaptation (under Art. 54, para 1, s. 3 VATA).

7. Application for registration under VATL

Changes are made in **Section B of Appendix № 11 to Art. 103 RAVATL**, containing an application for VAT registration of standard layout, as the application form is supplemented with the cases wherein an obligation for VAT registration arises.

The comments set out above represent an overview of the amendments and supplementations of RAVATL, and it is not exhaustive. The purpose is to acquaint you in general with the texts. Should issues arise or if you would like to discuss in further details some problems you have faced in the course of conducting your business, please do not hesitate to contact us at tel. 943 37 00, fax 943 37 07 or through our e-mail address: office@afa.bg, or to our postal address at 38, Oborishte Str., Sofia 1504.