

C omments on the amendments of the Local Taxes and Fees Act in force from 1 January 2005

A Law on Amendment and Supplementation of the Local Taxes and Fees Act (LASLTCA) has been published in the State Gazette, issue 106 of 3 December 2004. Most of the amendments are editorial or illustrative in their nature, aiming at the achievement of higher accuracy or terminological soundness as the major of them relate to the road tax and motor vehicles tax, as well as the inheritance tax.

(1) Procedure for taxation with tax on real estate

From 1 January 2005 the scope of the subjects to tax on real estate has been broadened, as the hitherto existing provisions have been made more accurate. The terminology used in LTCA and the Territory Structure Act (TSA) has been synchronized. Definition of the term "land parcels" has been introduced. Significant obligation has been introduced for companies that are obliged or have chosen to apply the International Financial Reporting Standards from 1 January 2005. By 30 June 2005 these companies shall file a return under Art. 17, para. 1 LTCA for changes in declared circumstances.

(2) Procedure for taxation with inheritance tax

The survived spouse and the heirs in a direct line are exempt from payment of inheritance tax (new para 2 of Art. 31 LTCA). By the present amendment of the law (Art. 36 LTCA) the tax amounts have been changed, and in practice tax is paid only for hereditary parts exceeding the amount of BGN 250,000 as it is determined for each heir or heir by will separately.

(3) Procedure for taxation in case of acquisition of estate upon donation

Excluded from taxation are the donations that are made between relatives in direct line and between spouses. With respect to the objects exempt from taxation in case of acquisition of estate upon donation no amendments are made and only the terminology used as regards people with injuries has been harmonized.

(4) Procedure for taxation of motor vehicles

4.1. Taxation in case of acquisition of estate upon donation and against consideration

A definition of the term "motor vehicles imported as new" has been introduced as the motor vehicles imported as new are exempt from taxation as they are whenever acquired upon donation and against consideration.

4.2. Tax on motor vehicles

A number of significant amendments has been effected in respect with the tax on motor vehicles.

- Declaration upon acquisition of motor vehicles and taxation the owners of motor vehicles that are not registered for running in the country should declare them by

filing a tax declaration to the Territorial Tax Directorate at their permanent address within two weeks following the date of their registration for movement. A new requirement for declaring the acquired motor vehicles has been introduced by the amended LTCA, namely upon filing a declaration the owner is obliged to submit a document for the tax paid upon the acquisition of the declared motor vehicles.

- Taxation of freight cars having technically allowable maximum weight exceeding 12 tons - a differentiated tax rate for taxation of freight cars depending on the allowed maximum weight, number of axes and type of hanging of the motor vehicle has been introduced. The owners of freight cars with technically allowed maximum weight exceeding 12 t must file a declaration under Art. 54, para 1 of LTCA within three-month period following the date of law entering into force. For freight cars with technically allowed maximum weight below 12 t the current taxation regime has been kept.

4.3. Road tax

In relation to the introduction of the so called vignette fee and the Traffic Law requiring that the owners and users of motor vehicles having less than eight seats should pay such a vignette fee as from 1 January 2005 (§18, i. 2 TL), as from this date the road tax has been abolished.

(5) Procedure for determination of the amounts and the manner for payment of garbage fees

No significant amendments have been implemented in respect with the garbage fee. It is only specified that when the respective municipality council of a specific municipality has adopted the tax assessment as basis for determination of the fee, then the fee will be collected by the tax administration and not by the municipality administration.

(6) Fees for administrative services

As regards the fees for administrative services, by means of the amendments made in LTCA the powers of the respective municipality councils have been broadened, which according to the amendment of Art. 113 of LTCA shall determine the amounts of the respective fees to be paid for issuance of permits and for carry out of certain activities.

The law enters into force as from 1 January 2005, with the exception of two provisions therein related to the administration of the local taxes. According to the amendments of Art. 2 and Art. 4, para 1 of LTCA, as from 1 January 2006 the local taxes will be paid in cash at the pay-desks of the municipal administration or cashless to the respective account, as the collection of the local taxes will be made by the authorities of the municipal administration.

The information provided in this paper gives only a general view of the amendments and supplementations to LTCA and is not complete. Should any questions arise or if you wish to discuss in more detail specific problems related to your business, please do not hesitate to contact us at tel. 943 37 00 or fax 943 37 07, or through our e-mail address: office@afa.bg.