

Important: Established practice concerning issuance of tax invoices for advance payments

Dear clients,

Hereby we would like to draw your attention to the established practice of the tax authorities concerning the date of VAT accrual in cases of **advance payments on supplies** and the date of tax invoice issuance.

Under the VAT Act the date of the tax event occurs on the earlier of the two dates: the date of payment or the date of transfer of ownership rights or the date of accomplishment of the service.

Therefore, whenever an advance payment is provided for in a contract between the parties or in a law, the invoice should be issued by the supplier under the transaction after the payment is received to its bank account. Issuing an invoice for following advance payments, which have not been made as at the date of issuance, may raise problems for the invoice's recipient related to the deduction of the input VAT accrued as a tax credit. The established practice by the tax authorities in such cases is constant – the advance payments are inspected in details during tax audits.

In view of the aforesaid, in order to avoid unnecessary disputes about the date of the tax event and respectively arising of the right to input tax deduction on a taxable supply, **we would recommend in case of advance payments a pro-forma invoice be issued, whereas a tax invoice should be issued at the moment of actual settlement of the advance payment.**

Should any questions arise with regard to the above, please do not hesitate to contact us at telephone: (02) 943 37 00, fax: (02) 943 37 07; e-mail: office@afa.bg or on our post address: 38, Oborishte Str, Sofia 1504