

Comments on the amendments of the Local Taxes and Fees Act in force from 1 January 2006

In State Gazette, issue 100 from 13 December 2005, was published a Law on Amendment and Supplementation of the Local Taxes and Fees Act (LASLTFA). The most significant amendments and supplementations of the hitherto existing legislation made by the LASLTFA are related to:

(1) Administration of the local taxes and fees by the municipal authorities

Starting from 1 January 2006 the total administration of the local taxes and fees has been transferred to the municipal administration. The act includes new provisions (Art. 4, para 3-6 LTFA) under which the rights and the obligations in the process of determination, provision and collection of local taxes and fees are assigned entirely to the municipal administration. Though the authority that administrates the local taxes and fees is changed (till now these functions have been executed by the tax administration), the procedure for additional assessment (audits), recovery, appeal and compulsive collection of local taxes and fees will be made following the procedures and the terms of the hitherto applied procedural provisions (Tax and Social Security Proceedings Code). The established tax and executive procedures will be completed under the order envisaged in the act before the enforcement of LASLTFA (§22 from the Transitional and Closing Provisions of LTFA).

(2) Exemption of particular real estates from tax on real estate

Exempt from taxation with property tax on real estate are those properties which tax valuation is up to BGN 1,400 inclusive. The change is specified in the new para 4 of Art. 10 LTFA. For the real estate owned by citizens and the residential properties of companies, the tax valuation will be determined by the municipal authorities, and for the nonresidential properties of companies the tax valuation is preserved as it was till now – the book value of the assets.

(3) Procedure for declaration of newly acquired real estate by companies and citizens

The change concerns declaration of newly acquired real estate by companies and citizens. The newly acquired real estate by companies and citizens or such with established right of use should be declared to the municipal authorities according to the location of the property, and not in the tax offices as it was till now. This change is adopted with the amendment of Art.17, para 1 LTFA and §17 of the Additional Provisions of LASLTFA.

(4) Determination of the amounts due for property tax on the real estate and garbage fee as well as the terms for payments of some local taxes for 2006

- **For 2006 the authorities of the National Revenue Agency** calculate the liabilities, print and send messages to the tax liable persons in reference to their liabilities for tax on real estate and garbage fee.

- The garbage fee for 2006 has to be determined by the municipal councils **till 31 January 2006**. In case that new rate is not determined, the existing rates on 31 December 2005 shall be applied. The municipalities define also the terms for the payment of the garbage fees.
- The term for the payment of **the first installments of tax on real estate and tax on motor vehicles due for 2006** is prolonged, namely as an exception and only for 2006 the deadline for payment of the liabilities is **30 April 2006** (for the following periods the deadline for payment remains 31 March of the current year). Also, an initial date for payment of the first installments is defined – 1 March 2006. The deadlines for the other installments (30 June, 30 September and 30 November) remain unchanged. The option for 5% discount, when paying the total amount of the due annual liabilities for tax on real estate and tax on motor vehicles till the deadline of the first installment, is preserved.

(5) Changes in the tax base for determination of the tax on motor vehicles and new tax rates

- **Starting from 1 January 2006** the amount of the tax due on motor vehicles, freight cars having technically allowable maximum weight exceeding 12 tons, truck tractors and tractor trailers and scooters, has been increased. The amounts of the tax due on tractors, ships and aircrafts are preserved. The amendments are part of the process of harmonizing the Bulgarian legislation with the European one and aim at reaching 50% of the minimum levels of the tax on motor vehicles valid for the member states of the European Union. These changes are specified in Art. 55 and Art. 56, para 5 and 6 LTFA.
- The amount of the tax due on truck tractors and tractor trailers now **will be determined according to the maximum allowable weight of the composition for the respective motor vehicle, the number of axes and the type of suspension of the tractor. Tax will not be payable on trailers and semi-trailers.**
- We draw your attention to the fact that in reference to the commented change in the law provisions, the owners of tractor trailers and truck tractors are obliged **till 15 February 2006 to declare the following indicators:** maximum allowable weight of the composition of motor vehicles, number of axes and type of suspension of the tractor. For that purpose a declaration has to be filed under Art.54, para 1 LTFA to the municipality at the owner's permanent address (registered seat).

(6) Procedure for issuance of tax valuations and changes in Appendix No 2 to LTFA with regard to the norms for real estate tax valuation

- **Starting from 1 January 2006**, in conformity with the amendments of Art.3 of Appendix No 2 to the act, **the authorities of the municipal administration will issue the tax valuations.** There is an additional requirement, in case of filing an application for issuance of a certificate **for tax valuation of construction in progress**, to attach to the application a written protocol of findings issued by the municipal (regional) administration, whereby the stage of completion shall be certified.
- The rates for tax valuation of the real estate have been changed (in Appendix No 2 to the act), namely **there is an increase of the coefficients for location** (Table No 3 and 4 to Appendix

No 2) of the real estate and there is a rearrangement of the categories of the settlements.
The total effect of the amendments will be rise in the tax valuations with about 20-30%.

The information provided in this paper presents only a general view of the amendments and supplementations to LTFA and is not complete. Its objective is not to give answers to specific cases, which have to be solved after careful consideration of the particular facts and circumstances.

Should any questions arise, please do not hesitate to contact us at tel. 943 37 00 or through our e-mail address: office@afa.bg.

