

Property Investment

Forms of Investment Applicable for Foreigners in Bulgaria

(continued from May/June issue)

5. Securities, including debentures and treasury bonds, as well as their derivative instruments issued by the State, by the Municipalities or by other Bulgarian legal persons, with a remaining term until maturity not shorter than 6 months.

6. Loans, also in forms of financial leasing, for a term not shorter than 12 months.

7. Intellectual property rights – articles of copyright and neighboring rights, patented inventions, utility models, trade/service marks and industrial designs.

8. Rights stemming from concession contracts and contracts for the assigning of management.

Bilateral treaties, to which Bulgaria partly provides promotion and mutual protection of foreign investments and a wide definition of the rules governing the regarding fields.

Legally Protected?

The treatment of foreign investors is stipulated in the Bulgarian Act on Foreign Investment. The guiding principle guarantees foreigners the right to perform economic activity in the country under the same conditions applicable to Bulgarian investors, except where otherwise provided by law. Bulgaria is also a signatory to a system of bilateral treaties on promotion and mutual protection on foreign investments. When international treaties to which Bulgaria is a party provide more favorable terms and conditions for foreign investment, these terms have precedence over the local rules. This guiding rule is applicable to the agreements governing the abstaining of double taxation. Foreign investments are further guaranteed against subsequent legislative changes. Foreign investments made prior to the adoption of amendments in law, which causes an adverse effect, shall not be affected by these restrictions.

The Bulgarian Constitution allows forcible expropriation of property in the name of the state or for municipal needs only if affected by virtue of a law provided that these needs cannot otherwise be met, and after a fair compensation has been ensured in advance. Expropriation under Bulgarian Law is governed by the Law on State Property and Law on Municipal Property. Another protection for foreign investors – the Law requires compensation in the form of other immovable property in the same location, and only if given the foreign investor's consent, in another location, or by cash if the foreign investor prefers so. Compensation equals the immovable property's market price on the day of expropriation.

In the context of the most powerful factors adding to the new higher level of Bulgaria's property market there are two meaningful forces: positive perceptions and expectations cause by Bulgaria's EU accession. The major investment incentives extracted from the general pattern are:

1. Bulgaria is seeking EU membership in 2007. According to the reports, the country has already met 26 of the 34 points required for the accession, in particularly the fields relating to the economical and political stability and synchronization of the constitution in line with the EU.

2. Bulgaria is a member of the North Atlantic Treaty Organization (NATO) since 29 May 2004.

3. Bulgaria enjoys one of the lowest operating costs in the European market economy.

4. The country has adopted a policy of encouraging foreign investment. The most obvious results are being marked in the terms of tourism. In 2005, the country expects more than 4.6 million tourists and generated revenue of 2.5 billion EUR, according to the Ministry of Finance. In the past three years developers have invested more than 300 million EUR in Black Sea Coast resorts. In 2004, 4.6 million foreigners spent their holiday in Bulgaria and the accumulated revenue totaled over 1.75 billion EUR. A 5% increase in their number is expected this year.

5. Geographic location. Given the country's proximity to Europe, as well as to Africa and Asia via the Middle East, Bulgaria ensures enormous trade perspectives.

6. Excellent climate, natural resources, food and hospitality.

7. Bulgarian lev is fixed to the peg currency EUR (1BGN=0.51 EUR).

8. Infrastructure subsidy for investment projects over 50 million EUR.

9. Bulgaria is a party to 55 treaties for avoiding double taxation and 52 agreements on mutual protection of foreign investments.

10. Reduction of the corporate tax of 19.5% in 2004 to 15% in 2005 and 0% in areas of high unemployment.

11. Opportunity to buy land through a company registered in Bulgaria with up to 100% foreign ownership.

12. The most stable and predictable business and political environment in South-East Europe.

13. Government's reform program emphasizing on public administration services, whose strategy is to boost economic growth and reduce poverty. The World Bank supports the country's preparation for full membership of the EU in 2007, through its financial assistance for implementation of a series of projects.

However, there is one feature of the Bulgarian property market, namely the huge availability of off-plan properties which opens a window for investors with little spare cash. They are able to choose between different schemes of staged payments stretching from 6 to 18 months, giving investors with these lower levels of funding an opportunity to enter the market place.

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