

## Tired of the property taxes in the UK?

Many UK investors and second home owners buy property in Bulgaria because...

**Property taxes in Bulgaria are a lot lower than property taxes in the UK.**

Bulgarian property tax is one of the most popular topics on property forums. The information below cuts through the confusion.

### PROPERTY PURCHASE TAX

Most likely this will be the first Bulgarian property tax you will come across. The purchased property will be subject to both a notary and a municipal tax.

The **notary tax** is paid on the higher of the market price or the book value of the property. Rates vary and are typically less than 1%. In addition, 2% of the market value of the property is paid as a **municipal tax**. This money goes to the municipality in which the property is situated. You pay these taxes after you have signed the notary deed.

### ANNUAL PROPERTY TAX

All property owners in Bulgaria pay an annual property tax. The current annual tax rate for a house is 0.15% of the capital value of the property. So for a house that cost £20,000 to purchase, the annual Bulgarian property tax payable would be £30.

In addition to this tax, owners also pay a **waste-collection tax**. The rate depends on the location and size of the dwelling. The amount of tax payable is usually about £30 per year for rural properties and about £100 per year for properties in city centres.

**Consider also non-tax costs.** If you have an apartment in Bulgaria, as in any other country, you must pay **annual maintenance charges and management costs**. These are similar to annual service charges payable on UK flats to managing agents as part of the upkeep of the common area. There are no set charges, they will vary according to the type of development and at a rate set by the management company bearing in mind the facilities on offer.

### PROPERTY RENTAL TAX

If you rent out your property, then the profits from the rent received will be taxed for the accounting year in question. **If you live in Bulgaria**, the tax is assessed according to your tax status in Bulgaria. This status is based on a table with different tax rate bandings. **If you are a non-resident**, you will be taxed on a flat rate of 15% on the taxable profit. **You will also need to consider any additional tax payable in your home country.**

### COMPANY TAX

If you own a company in Bulgaria, note that in January 2005 the rate of income tax for a corporation in Bulgaria was reduced from 19.5% to 15%. The tax year in Bulgaria ends on the 31 December. A limited company must file an annual report by the 31 March.

**If you incorporated a limited company to purchase a house or land, then there will be no tax liability, as the company was not trading.** However, you still must submit company accounts to the Companies' House Register in Bulgaria every year to satisfy the authorities that the com-

pany was not trading. **This is a legal requirement.**

### VALUE ADDED TAX (VAT)

Transactions involving land and lease of property for residential purposes are **exempt** from Value Added Tax. However if you have purchased a property as a limited company, then when you come to sell your property you may have to add VAT to your sale price.

Currently you must register your company for VAT if the turnover (over the last 12 months) exceeds 50,000 Leva.

VAT in Bulgaria is currently set at 20%. So it's actually higher than it is in the UK (17.5%).

Our advice is to get a good accountant in Bulgaria.

### INCOME TAX

Many people who are considering the possibility of buying property for sale in Bulgaria worry about what they might end up paying in taxes. In years gone by, one of the reasons that only a fraction of the population was able to take advantage of houses for sale in Bulgaria centred on the high taxes that were associated with home ownership.

With the changes in government that have occurred in Bulgaria since the 1990s, signifi-

cant land reform programs have been put in place throughout the country. The pace of these reforms quickened when it was determined that Bulgaria would be admitted into the European Union in 2007. The net result has been that property taxes no longer need be considered an impediment to the ownership of real estate in Bulgaria.

In point of fact, at the present time, **Bulgaria boasts one of the lowest real estate tax schemes of any of the countries in Europe** - including those nations that already enjoy full membership status in the EU. It is important to keep in mind that prior laws that imposed a heavy tax burden on foreign nationals who purchased property in Bulgaria have been eliminated in their entirety.

In addition to low real estate taxes, the government in Bulgaria has enacted other pieces of legislation that are designed to encourage private home ownership amongst the people of Bulgaria, further spurring the demand for property. The government of Bulgaria is committed to furthering and advancing real estate investment generally and home ownership specifically throughout the country.

To that end, the government has lessened the tax burden on those who own real estate and has modernized the banking system to make real estate loans far more widely available to people interested in property ownership in the country.

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