Quick overview of Bulgarian real estate Investment in real estate development and management

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| --- | --- | --- | --- | --- |
| **Tax event** | **Tax type** | **Tax rate** | **Tax base** | **Payment deadline** |
| **Acquisition** | Transfer tax | 0,1%-3% | Based on valuation of the property and in exchange transaction over the higher value | Notary certification |
|  | Registration fee | 0,1% but not less than BGN 10 | The higher amount between the agreed price and the tax assessment value determined by the municipal authority | Notary certification |
| Notary fee | The base is a fixed fee and a percent of the sale price but not higher than BGN 6 000,00 | The higher amount between the agreed price and the tax assessment value determined by the municipal authority | Notary certification |
| VAT | 20% if it is not exempt | Sale price plus all other taxes and fees | altogether with payment of the sale price |
| **Ownership** | Annual real estate tax | 0,1‰ – 4,5‰ | Tax assessment valuation | Two equal instalments – by 30 June and 31 October of the current year.If the entire amount is paid by 30 June, the liable person is entitled to 5% discount. |
| Annual Garbage collection fee | Rate determined separately by each municipality | Volume of the garbage and the cost of the service provided by the municipality | By order determined by respective Municipality |
| **Rent** | Tax on rent | 10% | Rental payment (reduced by 10% only for resident individuals or residents of EU or EAA) | The end of the month following the quarter during which income is earned. |
| VAT | 20% if it is not exempt | Rental payment | 14 days after the month of accrual |

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| --- | --- | --- | --- | --- |
| **Sale** | Capital gains -individual | 10% | The difference between the sale price and the acquisition cost less 10%. The acquisition cost must be evidenced by documents.  | For resident individuals - by April 30 of the following year. For non resident individuals – by April 30 of the following year  |
| Capital gains of companies | 10% | The difference between the sale price and the acquisition cost. The acquisition cost must be evidenced by documents. | For companies’ resident in Bulgaria by 30th June of the year following the year in which sale happened.For companies nonresident in Bulgaria by the end of the month following the quarter in which sale happened. |
| VAT | 20% if it is not exempt | Sale price plus all other taxes and fees | 14 days after the month of accrual |
| **Inheritance/****Gifts** | Inheritance tax | 1) siblings and their children – from0,4 to 0,8 percent over BGN 250 000.2) persons other than in point 1)–from 3,3 to 6,6 percent over BGN 250 000 | Tax base calculated by the municipal authorities | Within 2 months of receiving notice of the due tax by the authorities |

**QUICK OVERVIEW OF BULGARIAN REAL ESTATE**

**Real estate taxation for individuals:**

**Real estate taxation for companies:**

**Rental income and capital gains of Bulgarian real estate**

|  |  |  |  |
| --- | --- | --- | --- |
| Taxpayer | Basis of tax | Tax levied | Tax rates (2025) |
| Resident individual    Non-resident individual    Resident company  Non-Resident company  | *Rental income* Capital gains  *Rental income* Capital gains  *Rental income*Capital gains *Rental income* Capital gains | Personnel Income tax  Personnel Income tax  Personnel Income tax – One off taxPersonnel Income tax – One off tax Corporate income tax-Corporate income tax Corporate income tax – Tax at the sourceCorporate income tax – Tax at the source | 10%10%10%10%10%10%10%10%10% |

**Rental income**

**Individuals**

*Introduction*

Real estate rental income received by resident individuals, less than 10% for the legally recognized costs of the activity, is taxed in advance on a quarterly basis and finally on annual income calculations.

Real estate rental income received by non-resident individuals is taxed in advance on a quarterly basis. A special opportunity for taxation on conditions as a resident individual is provided to tax residents of a Member State of EU or EAA.

*Liability for tax*

The general rule is that the tax liability arises when the income is received. The tax is advanced and must be paid by the end of the month following the quarter, for quarterly due payments. The final due tax must be paid by 30 April of the year following the year of receiving of the income.

*Tax base*

The tax base for resident individuals is 10% of the rent received income after a reduction of 10% of the legally recognized costs for the activity.

The tax base for non-resident individuals is 10% on the rent received. Resident natural persons of a Member State of EU or EAA may elect to recalculate their tax as a resident individual.

**Companies**

*Introduction*

Real estate rental income is part of the company’s revenues and profit before tax. The tax due is determined by the Corporate Income Tax Act.

*Liability for tax*

The liability for tax arises when the company has the right to accrue rent income.

*Tax base*

The tax base is the rent income deducted with costs related to the real estate – depreciation, local taxes and fees, etc.

**Capital gains**

**Individuals**

*Introduction*

The general rule is that capital gains are subject to tax.

*Liability for tax*

Capital gains realized by non-resident individuals are subject to one off tax. The OECD model tax convention provides explicit rules for real estate in article 6. According to article 6 the right to tax income from real estate is given to the state of source, that is, the state in which the property producing such income is situated.

Tax liability arises when the real estate is disposed.

*Tax base*

The tax base for capital gains of a resident individual is the positive difference calculated initially between the sale price and the acquisition price of real estate with additional deduction of 10% for legally recognized level of costs, and the received base is taxed with 10% tax.

The tax base for capital gains of a non-resident individual is the positive difference between the sale price and the acquisition price of the real estate. This base is taxed at a rate of 10%, after a 10% reduction for legally recognized costs. Additionally, tax residents of a Member State of the EU or EEA could be taxed under the same conditions as resident individuals.

**Companies**

*Introduction*

Capital gains are included in the taxable income and taxed at the corporate income tax.

*Liability for tax*

Liability to tax arises when the company has the right to accrue capital gain.

*Tax base*

The tax base of the capital gains of a company is the positive difference calculated between the sale price and the acquisition price of the real estate, and the received base is taxed with 10% tax. For a company that is not resident is same and is taxed as a tax at the source and is one off.

**Bulgarian VAT tax on RE**

|  |  |  |  |
| --- | --- | --- | --- |
| Taxpayer | Basis of tax | Tax levied | Tax rates (2024) |
| Resident individual   Non-resident individual   Resident company   Non-Resident company  | *Rental income*Transfer of real estate   *Rental income*Transfer of real estate   *Rental income*Transfer of real estate   *Rental income*Transfer of real estate  | Value-added taxValue-added tax  Value-added taxValue-added tax  Value-added taxValue-added tax   | 20% or exempt supply 20% or exempt supply   20% or exempt supply 20% or exempt supply   20% or exempt supply 20% or exempt supply  20% or exempt supply 20% or exempt supply |

**Rental income**

**Individuals**

*Introduction*

The general rule is that Value Added Tax (VAT) is applied to the rental income.

*Liability for tax*

Registered persons under the VAT Act are liable for VAT. Liability arises at the date of tax event according to VATA. Exemption to pay VAT is available when the real estate is rented out to an individual for housing needs and in some cases for rent of a land.

*Tax base*

The tax base is the agreed price in the rental contract, commonly determined per month.

**Companies**

*Introduction*

The general rule is that VAT is applied to the rental income.

*Liability for tax*

Registered companies under the VAT Act are liable for VAT. Liability arises at the date of tax event according to VATA. Exemption to pay VAT is available when the real estate is rented out to an individual for housing needs and in some cases for rent of a land.

*Tax base*

The tax base is the agreed price in the rental contract, commonly determined per month.

**Transfer of Real Estate**

**Individuals**

*Introduction*

The general rule is that VAT is applied to the transfer of real estate.

*Liability for tax*

Registered persons under VAT Act are liable for VAT. Liability arises at the date of tax event according to VATA. Exemption for VAT is available when the real estate is not newly constructed, namely it was built 5 or more years before the sale.

*Tax base*

The tax base is the agreed price in the sales contract increased with some costs related to the sale.

*Interaction with transfer tax*

The tax base shall increase with all other due taxes and fees for the supply when they are paid on behalf of and at the expense of the supplier and they are requested by the supplier.

**Companies**

*Introduction*

The general rule is that VAT is applied to the transfer of real estate.

*Liability for tax*

Registered companies under the VAT Act are liable for VAT. Liability arises at the date of tax event according to VATA. The exemption to pay VAT is available when the real estate is not newly constructed, namely it was built 5 or more years before transfer.

*Tax base*

The tax base is the agreed price in the sales contract increased with some costs related to the sale.

*Interaction with transfer tax*

The tax base shall increase with all other due taxes and fees for the supply when they are paid on behalf of and at the expense of the supplier and they are requested by the supplier.

**Transfer Taxes of RE – Local taxes aspect**

**Individuals**

*Introduction*

The sale of real estate is subject to transfer tax under the Local Taxes and Fees Act.

*Liability to tax*

The general rule is that the transferee is liable to tax. Where the transferee is abroad, the transferor is then liable for tax.

*Tax base*

The tax base is the valuation of property or higher value in case of exchange of RE’s.

The tax rate is determined as follows:

* + in case of a sale - 0,1% - 3% on the tax base
	+ in case of a donation:

0,4% - 0,8% on the tax base between siblings and their children;

3,3% - 6,6% on the tax base for persons outside p. 1) above.

*Exemptions*

Exempt from tax shall be the properties acquired by certain persons as specified in the law.

Exemption from taxation is available for donations between lineal relatives and between spouses.

**Companies**

*Introduction*

The sale of real estate is subject to transfer tax under the Local Taxes and Fees Act.

*Liability for tax*

The general rule is that liability to tax is upon the transferee. Where the transferee is abroad the liability is for the transferor.

*Tax base*

The tax base is the assessed value of the transferred real estate.

The tax rate is as follows:

* + in case of a sale - 0,1% - 3% on the tax base
	+ in case of a donation:

0,4% - 0,8% on the tax base between siblings and their children;

3,3% - 6,6% on the tax base for persons outside p. 1) above.

*Exemptions*

Exempt from tax shall be the properties acquired by certain persons as specified in the law.

**Bulgarian annual Local taxes on Real Estate is as follows**

|  |  |  |  |
| --- | --- | --- | --- |
| Taxpayer | Basis of tax | Tax levied | Tax rates (2025) |
| Resident individual Non-resident individual Resident company Non-Resident company  | Tax valuation Tax valuation Tax valuation Tax valuation | Real estate tax Real estate tax Real estate tax Real estate tax | 0,1‰ – 4,5‰ 0,1‰ – 4,5‰ 0,1‰ – 4,5‰ 0,1‰ – 4,5‰ |

*Introduction*

Real estate tax is levied on buildings and land located on the territory of the country.

*Liability for tax*

Persons liable to tax are the owners of real estate or the users under the established right of use.

*Tax base*

The basis of tax is the tax assessment value of the municipal authorities or the acquisition cost of the property in the accounting of the owner.

**Bulgarian Net Wealth/worth taxes**

There is no net wealth/worth tax for individuals or companies in Bulgaria.

**Vehicles for Bulgarian real estate**

**Commonly used vehicles for Bulgarian real estate**

*A non-exhaustive list of vehicles used for real estate investment purposes:*

 *Companies that are established with the sole purpose of investing in RE (ADSIC) similar to REIT;*

* *Institutional investors that hold interests in RE;*
* *Direct investments in RE of different types;*
* *Private or public companies that operate RE, e.g. hotels, leisure camps, tourist villas etc.*