

The General Investment Environment in Bulgaria is more than favorable for doing business in the country. Bulgaria boasts the lowest corporate tax in EU – 10 % and some of the lowest operational costs in the region. There is also a special Encouragement of Investment Act regulates the terms and procedures for investment. Bulgaria ranks in 59th in the Doing Business report for 2012 of the World Bank.

Below you will find general information about the facts and figures referring to the investment environment in the country.

GENERAL INDICATORS

BULGARIA	2005	2006	2007	2008	2009	2010	2011
Population (m)	7,62	7,51	7,51	7,60	7,56	7, 50	7, 32
GDP (million GN)	42 797	49 361	56 520	69 295	68 322	70 511	75 265
GDP per capita (BGN)	5 529	6 411	7 857	9 090	9 007	9 359	10 159
GDP (annual real growth rate, %)	1.8	2.7	2.9	1.0	-2.8	2.2	1.9
Inflation (CPI, y/y, avg, %)	6,0	7,4	7,6	12,0	2,5	3,0	3,4
Budget balance in % of GDP	3,2	3,5	3,5	2,9	-3,1	-3,2	-2.10
FOB (million EUR)	9 466,3	12 011,9	13 511,9	15 203,8	11699.2	15561.2	20226.7
Exports, FOB (as % of GDP)	40.7	45.4	43.9	42.9	33.5	43.2	52.6
Current account (million EUR)	- 2705.7	-4647.8	-7755.2	- 8182.5	-3116.2	-375.8	361.4
Current account in % of GDP	-11.6	-17.6	-25.2	-23.1	-8.9	-1.0	0.9
Foreign direct investment (million EURO)	3 152,1	6 221,6	9 051,8	6727.8	2436.9	1208.5	1341.2
Foreign direct investment in % of GDP	13.6	23.5	29.4	19.0	7.0	3.4	3.5
Gross external debt (million EUR)	15 506,9	20690.9	29 016,8	37246.5	37816.4	37051.4	37051.4
Gross external debt (% of exports of GNFS*)	119.0	127,7	158,8	181.2	227.6	178.8	138.0
BNB international reserves (million BGN)	14 415,1	17 458,6	23 346,1	24 864,8	25 267,1	25 381, 2	26 429, 1
Exchange rate of the lev against the US dollar	1,66	1,49	1,33	1,39	1.36	1.47	1.51

* Goods and non-factor services

LEGAL SYSTEM

Bulgaria is a civil law jurisdiction. Free-market oriented legislation. The current Bulgarian legal system is dynamic and constantly improving, adopting the modern patterns which reflect the economic progress and the globalization.

The process of harmonization of our legal system with the *acquis communautaire* of the European Union has finished successfully. In Bulgaria investors will find out that many legal provisions are similar to those regulating other markets on which they are used to do business.

BUSINESS FORMS

The organizational forms of doing business are stipulated for in the Bulgarian Commercial Code. It was enacted in 1991 and draws on the principles and practice of German law.

A “merchant” is such an individual or an entity that executes business transactions on a regular basis and for profit. Farmers and self-employed professionals (artisans, doctors, lawyers, etc.) are excluded from the scope of the law.

The types of merchants are:

- A Sole Proprietorship (ET);
- An Unlimited (General) Partnership (SD);
- A Limited Partnership (KD);
- A Limited Liability Company (OOD);
- A Joint- stock company (AD);
- A Public company;
- A Joint venture;
- A Branch;
- A Holding;
- Public Limited Partnership (KD s aktzii);
- Cooperative (regulated by the Cooperatives Act) .

Merchants are registered with the District court on the basis of information provided by the partner(s)/promoters. This information concerns the owners, the management, the capital, the scope of activity and other circumstances. The Commercial Register kept by the District Court is public.

Companies operating in Bulgaria are registered in the Central Commercial Register at the Registry Agency of the Ministry of Justice.

Once a company is officially registered, notifications must also be registered of any subsequent amendments to the company, including its cessation. Such registrations are both constitutive (i.e. the company is formed and the changes take effect as soon as the initial establishment and any subsequent changes are registered) and informative (the registered details are made publicly available).

Foreign citizens and firms can start businesses in Bulgaria under the same conditions as those applying to Bulgarian citizens and lawful residents.

ENCOURAGEMENT OF INVESTMENT ACT

The Encouragement of Investment Act regulates the terms and procedures for investment in Bulgaria. It applies equally to both Bulgarian and foreign investors.

The encouragement act can be found here:

<http://www.nabcc.org/default.aspx?CategoryID=74>

The Encouragement of Investment Act provides for measures for preferential treatment of investments meeting specific criteria as follows:

- the investments are for acquisition of fixed assets for the purpose of creating a new operation to produce goods and/or services or modernise an existing operation to produce goods and/or services; for the creation of new jobs;
- the period of implementation of the investments does not exceed three years.

The promotion measures listed above, however, do not apply in respect of any investments in banks, financial institutions, insurance companies, investment intermediaries, investment companies and special purpose investment companies, management companies, retirement insurance and health insurance companies, any investments in gambling operations and any investments made in performance of privatisation contracts.

ESTABLISHMENT PROCEDURES

Investment possible in almost all economic sectors. Commercial register entry. Application of a company identification number at BULSTAT (statistical department) and registration with the tax and social insurance departments.

CAPITAL CONTRIBUTION

Foreign investors can bring in financial or real capital. Financial capital in lev or in other convertible currency. Real capital (machinery, technical equipment, patents, licenses, know-how) for investment projects of minimum 5m euro are exempt from VAT.

LAND OWNERSHIP

Foreign individuals and legal persons may acquire real estate including agricultural areas only via a Bulgarian legal person. Commercial register entry required.

SOCIAL SECURITY CONTRIBUTIONS

17.80% of the gross monthly salary are to the account of the employer.

TYPE	Paid by	
	Employer	Employee
Pension	7.10 %	5.70 %
General illness and maternity	2.10%	1.40%
Unemployment contribution	0.60%	0.40%
Health insurance	4.80%	3.20%
Work accidents and job related illness	0.40 %	0.00%
TOTAL	17.80 %	12.90 %

GENERAL SALARY LEVELS COST (EURO)

Average salary for Bulgaria (2012)	EUR 380
Minimal salary by law	EUR 148
Total contributions paid by the employer, including health care, unemployment and social security contributions.	17.80% of the gross monthly salary are to the account of the employer.