

CHANGES TO THE LOCAL TAXES AND FEES ACT

Changes have been introduced to the Local Taxes and Fees Act (Reference: State Gazette # 106 of December 3, 2004). The changes are effective as of January 1, 2005.

Effective from 2006 local taxes will be paid in favor of the municipality authorities instead of to the tax authorities, as is the current practice.

1. THE ROAD TAX HAS BEEN ABOLISHED

2. TAX ON REAL ESTATE

The enterprises, which are obliged or have chosen to apply the International Financial Reporting Standards as of January 1, 2005, have to submit a declaration regarding any changes in the circumstances already declared (e.g. changes in the book value of an immovable property) by June 30, 2005.

3. INHERITANCE TAX

Spouses or straight line heirs without restrictions are not liable to inheritance tax.

The current progressive scales for determining the inheritance tax for collateral and other heirs has been replaced by flat rates as follows:

- For brothers, sisters and their children - 0.7 per cent for inheritance share over BGN 250.000.
- For other heirs - 5 per cent for inheritance share over BGN 250.000.

4. TAX ON PROPERTY ACQUIRED UPON DONATION OR AGAINST CONSIDERATION

New vehicles (exempt from tax on acquisitions) have to be considered those which simultaneously meet the following conditions:

- No more than 6 months from the date of the first registration of the vehicle have elapsed (including registration outside from Bulgaria);
- The meter of the vehicle shows no more than 6.000 km.

Property acquired upon donation between straight-line relatives and between spouses is exempt from tax.

5. TAX ON MOTOR VEHICLES

The regime of determination of the tax on load trucks whose technically allowed maximum weight is over 12 tons has been changed. The tax will be determined on the basis of the allowed maximum weight, type of suspension, number of pivot shafts.

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