

First Support Measures for Businesses in Bulgaria

The Bulgarian state has already taken certain steps in view of cushioning at least to some extent the economic impact of COVID-19.

In broader terms, we could outline in this respect:

- the postponement of certain time limits such as the **postponement till 30 June 2020 of the time limit for the filing of annual corporate income tax returns and for payment of such tax;**
- the **prohibitions** during the period of the state of emergency (declared for the time being until April 13, 2020) **for initiation of new enforcement proceedings for the collection of public liabilities and the undertaking of enforcement measures within existing procedures** of the same kind.

In terms of direct financial support, the Bulgarian parliament has approved payment by the state for **up to three months of 60% of the social security income for certain employees**. The government should further elaborate the criteria to be met by the beneficiaries of such support and the respective procedures.

On the basis of the initial draft of the government decree, it seems that such support would be limited to several sectors, i.e., **retail, tourism, transport, restaurants, and cultural and sports activities**. Employers, within this scheme, should have suspended the work of at least 50% of their personnel and would be obliged to retain the subsidized employees for at least 3 months after the expiry of the period of support from the state. Further conditions are envisaged. It is to be seen in the very near future whether these conditions and the respective procedure for receipt of state support will remain as currently suggested.

Support for SMEs can be further expected from the **Bulgarian Development Bank**. The precise conditions and forms of support are to be clarified and formalised but it seems that the bank would intervene indirectly through the commercial banks on the market, e.g., via credit guarantees.

A step that may also be considered by businesses at some stage, especially those that would not qualify for other support measures above, is the possible **filing of an application to the tax administration for approval of deferred payment or payment in instalments of public liabilities**. Such possibility has been existing for years in the law but it might be used more actively now given the circumstances.

Such procedure does not apply to all public liabilities (e.g., VAT amounts can only be covered by this measure if already fixed after a tax audit), in some cases companies would have to pay interest for the period of deferral at the rate of 10% per year, companies should be ready to provide collateral and there

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are certain other requirements that should be met. Nevertheless, this instrument could be useful for some companies, especially if the tax authorities show more flexibility in the application of the rules.

For any further information and assistance with respect to the above and any other COVID-19 related legal matters, please do not hesitate to contact us at covidhelpdesk@peterkapartners.com.