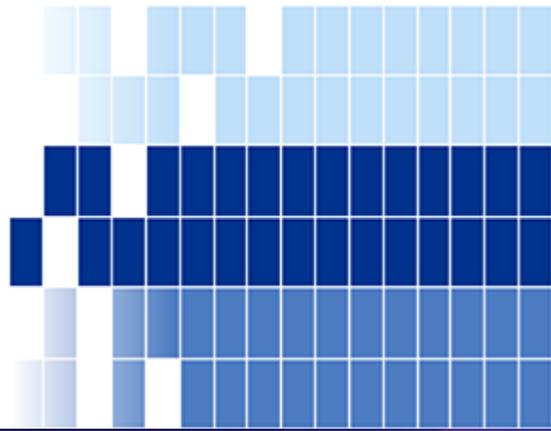




## Tax News

KPMG in Bulgaria



# Working in times of COVID-19

## Changes in the VAT Act entering into force as from 1 July 2020

***KPMG Tax News presents a summary of the promulgated amendments to the VAT Act entering into force effective as of 1 July 2020.***

The current issue of Tax News for 2020 presents a summary of the most important changes in the Value Added Tax Act (VATA), promulgated in State Gazette Issue No 55 entering into force effective as from 1 July 2020.

VAT rate of 9% is introduced temporarily for certain supplies of goods and services. Specifically, the reduced VAT rate on these supplies will apply as from 1 July 2020 until 31 December 2021. The reduction of the applicable VAT rate is a temporary measure for coping with the unfavorable consequences of the epidemic COVID-19 intended to support the affected business sectors.

The promulgated changes do not concern the taxation of hotel services and accommodation in similar premises which will continue to operate under the 9% VAT rate.

The reduced VAT rate of 9% will be applied to the following groups of supplies of goods and services:

### *Restaurant and catering services*

This group covers restaurant and catering services which consist of supplies of prepared and unprepared food. The reduced VAT rate will not apply for alcoholic beverages (beer, wine and spirits), including where they represent auxiliary supplies.

### *Books and textbooks*

This group covers supplies of books, including textbooks and similar, supplied in hardcopy and/ or electronically. Outside the scope of the reduced VAT rate remain advertising publications and such with video and/ or audio music content.

### *Baby foods and hygiene items*

This group covers (i) foods suitable for babies or little children and (ii) baby diapers and other similar hygiene items, expressly listed in the new Appendix No. 4 as per Art. 66, para 2, p. 4 and 5 of the VATA.

According to the promulgated changes, the importation and intra-Community acquisitions of (i) books and textbooks and (ii) baby foods and hygiene items also fall within the scope of the 9% reduced VAT rate.

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