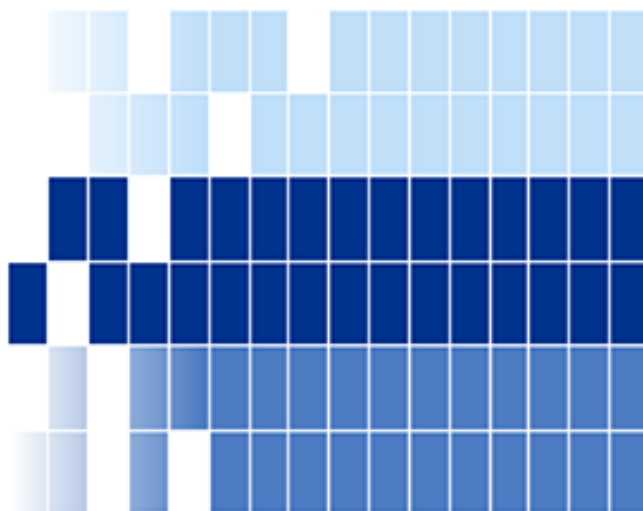




Tax News

KPMG in Bulgaria



Change in the deadline for preparation of mandatory Transfer Pricing documentation in Bulgaria

December 2020

Amendments to the Tax and Social Security Procedure Code

Which taxpayers are obliged to prepare a local file?

Specific considerations with regard to the Transfer Pricing documentation

New deadline for preparation of local and master file by taxpayers obliged to prepare mandatory Transfer Pricing documentation.

Amendments to the Tax and Social Security Procedure Code

On 8 December 2020, amendments to the Tax and Social Security Procedure Code (TSSPC) were promulgated in State Gazette regulating the deadline for preparation of mandatory Transfer Pricing (TP) documentation.

Pursuant to the amendments in the TSSPC, the deadline for preparing local file will be 30 June of the year following the year for which the file refers. The amendment is aligned with the change in the deadline for submission of the annual corporate income tax return under the provisions of the Corporate Income Tax Act. The deadline for master file will be within 12 months after the deadline for preparation of the local file.

The first year for which the mandatory TP documentation will have to be prepared is 2020. In view of the new deadlines, the taxpayers will have to prepare the local file for 2020 by 30 June 2021 and have a master file for 2020 available by 30 June 2022.

In case of an amending corporate income tax return, the local file will need to be updated within the 14 days following the submission of the return but not later than 30 September of the current year.



Which taxpayers are obliged to prepare a local file?

It is recalled that, under the provisions of the TSSPC, obliged to prepare local file are taxpayers which, as of 31 December of the previous year, exceed at least two of the following thresholds:

- BGN 38 million (approximately EUR 19 million) net book value of assets;
- BGN 76 million (approximately EUR 39 million) net sales revenue;
- average number of the personnel for the reporting period of 250;

Entities which are part of a multinational group of companies and have the obligation to prepare a local file must also have available a master file.

The TSSPC further outlines the scope of the controlled transactions which should be documented in the local file.

Based on the Bulgarian tax legislation all taxpayers, even if not exceeding the above thresholds, have a general obligation to prove the arm's length nature of their related party transactions.



Specific considerations with regard to the Transfer Pricing documentation

In preparing a TP documentation number of factors should be taken into consideration including *inter alia* the terms and characteristics of each controlled transaction, the functional-risk profiles of the parties, the existing comparable market data, the need to perform comparability adjustments, etc. In view of the specific requirements with regard to the contents and structure of the TP documentation, its preparation in accordance with the new rules of the TSSPC may be challenging for the taxpayers.

The team of KPMG in Bulgaria has qualified specialists in the field of Transfer Pricing and access to specialized databases widely used for analysis of various intragroup transactions and may offer assistance in the whole process of preparing TP documentation, including:

- Review and analysis of related party transactions
- Preparation of local file and master file
- Review of TP documentation prepared by the Group and localisation in accordance with the provisions of the Bulgarian tax legislation.

We would be glad to discuss your obligations and answer your questions with regard to preparation of Transfer Pricing documentation.



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