

# Bulgaria:

freelancers' tax obligations



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***Bulgaria offers conditions that we consider fairly good. This includes low income tax and a significantly high social charges-free allowance.***

## Remote work in Bulgaria — is it popular?

Freelancing is rather a common way to earn a living there. Although Bulgaria isn't big (~7 mln inhabitants) the number of freelancers is similar to what we observe in populous countries like Nigeria, Vietnam, Turkey, and even China! We already wrote about the popularity of freelancing in Europe, where you can see some interesting statistics.

We consider a typical case of a regular individual who does not run their own business. He/she works for a local or foreign client and receives transfers to the account in the agreed amount. If a client is from abroad, it is on the freelancer to settle taxes and (often) social security contributions. It's good to be aware of that to avoid getting into trouble with local fiscal authorities at the end of the year.

The discussed case also applies to people whose main occupation is a regular, full-time job. Side gigs are just a way to earn extra income.

**Job type: we discuss typical remote work, such as programming, graphics, copy-writing, translations, online customer service etc.**

## Individual with no registered business, working remotely

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# Tax residency

In this article, for the most part, **we consider a situation where both sides of a contract are Bulgarian tax residents.**

## Is Bulgaria a tax heaven for those who work remotely?

Key factors...	in Bulgarian tax law
<ul style="list-style-type: none"> <li>obligation to register a company</li> </ul>	<ul style="list-style-type: none"> <li>No obligation</li> </ul>
<ul style="list-style-type: none"> <li>income tax(PIT)</li> </ul>	<ul style="list-style-type: none"> <li>10% of taxable income</li> </ul>
<ul style="list-style-type: none"> <li>compulsory social security contributions</li> </ul>	<ul style="list-style-type: none"> <li>27,8% of taxable income</li> </ul>
<ul style="list-style-type: none"> <li><b>statutory tax-deductible costs*</b></li> </ul>	<ul style="list-style-type: none"> <li>25% of gross remuneration</li> </ul>
<ul style="list-style-type: none"> <li><b>social charges-free allowance</b></li> </ul>	<ul style="list-style-type: none"> <li>560 BGN/month ~ 285 EUR From 3000 BGN/month (1530 EUR) these charges become flat</li> </ul>
<ul style="list-style-type: none"> <li>obligation to register as a VAT payer</li> </ul>	<ul style="list-style-type: none"> <li>Yes, if a freelancer works for an EU based client** or if annual turnover exceeds 50 000 BGN (25 500 EUR)</li> </ul>
<ul style="list-style-type: none"> <li>How often do you need to report income and pay taxes?</li> </ul>	<ul style="list-style-type: none"> <li>Income tax: quarterly. Declaration including Q4 must be submitted by April 30th of the following year. Social contributions: monthly (by the 25th day of the following month)</li> </ul>

It might be so. The tax burdens are relatively low if you analyze the nuances well. This seems to be confirming Bulgaria's position in the classification of countries ranked by the sum of taxes and social security contributions paid in relation to GDP. In Bulgaria, this indicator equals 29.9% which is the third-lowest, result in the EU (followed only by Romania and Ireland).

\* 'fictional' costs, fixed by the state, deducted from a contract amount, expressed as % of remuneration. They diminish taxable income resulting in increasing net remuneration.

\*\* see the last paragraph.

## No need to register a business

First of all, you do not need to register a business to legally freelance for a local company and live in Bulgaria. You only need to report income and pay income tax and social contributions, as described below

Both the corporate tax rate and the one applicable to individuals are the same and equal 10%. It is calculated on the basis of taxable income which, in the case of a remote worker, happens to be 75% of gross payment. Why is it so? The legislator decided that a freelancer should be able to include certain costs on their side. In Bulgaria, these costs are 25% of the contract value. It is a friendly tax structure, which translates into an effective tax rate of only 7.5%. What's more, pension contributions are also calculated from this reduced value

**Social charges are divided between the two sides, however...**

**Social charges won't apply for the income less than ~ 560 BGN**

## Statutory tax-deductible costs

Unfortunately, pension and health contributions are obligatory in civil contracts. They total to 27.8% of remuneration and are normally divided between the two sides. This is the case when the contract is concluded locally, i.e. when both parties are Bulgarian tax residents and the freelancer is not self-employed.

However, if the remote employee runs a company or works for a foreign employer, then (s)he must pay all contributions by himself.

Fortunately, the Bulgarian legislator has introduced the social charges-free allowance, which is relatively high (BGN 560). This value should be understood as taxable income, and as we remember, it equals 75% of turnover. Therefore, in practice, income not subject to social charges is 745 Lev (380 EUR). This tax structure means that even after our earnings exceed that amount, the actual burden will not be as severe as it seems at first glance.

In addition, there is a maximum income beyond which the contributions cease to accrue. This flat rate applies when the taxable base exceeds 3000 BGN.

**In Bulgaria, a non-registered freelancer is responsible for:**

- paying income tax quarterly (excluding Q4)
- paying social security contributions monthly
- annual settlement of tax and social security contributions.

## Frequency of settlements with offices in Bulgaria

## What if I work for a foreign client?

**Then you must be in the VAT register**

There is a tiny drawback when freelancing for a foreign client. If a client(s) is EU based there's an obligation to register to the VAT. The process takes about two weeks. Once a freelancer becomes registered (s)he is required to submit monthly VAT reports to the state. The reports contain details of all sales & purchases during the month. The upside of it is the fact that when being VAT-registered, one is fully able to invoice their clients as an individual.

Do you have a remote worker from Bulgaria or are you pondering how to legally hire one? Consider Useme - with us the whole HR process is completely non-engaging, and thus simple and trouble-free for both sides.

Propose your remote co-worker to issue an invoice as an individual or use our API to account a whole team of Freelancers. Useme will take care of the formalities, payment security, transaction history, file storage and more.

**Questions?** Don't hesitate to drop a message on [info@useme.eu](mailto:info@useme.eu).

## Encouraged to hire a Bulgarian freelancer?