

BULGARIA MEASURES VS COVID - 19

1. Key tax and spending measures have been implemented under the revised 2020 state budget, allowing for a budget deficit of BGN 3.5 billion (€1,75 billion) and increased ceiling on newly incurred public debt of up to BGN 10 billion (approx. €5 billion) for 2020. By doing so, the Bulgarian government is able to implement a measure that will cover 60% of the wages of employees in affected sectors that would otherwise have been laid off, including the social security contributions that are to be paid by the employers (over 1.2 percent of 2019 GDP). The Emergency and Measures Act adopted measures to compensate for the businesses affected by the epidemic.

The following types of activities remain outside the scope of the measures - Classes A - Agriculture, K - Financial and Insurance Activities, O - Government, P - Education, Q - Human Health and Social Work, T - Household Activities as Employers, and U - activities of extraterritorial organizations and services. All other companies outside the above may apply for compensation. Those whose activities that are directly prohibited by restrictive measures do not need to prove a reduction in their income (it is presumed). Businesses that do not have a direct prohibition of activity may apply if their earnings in the month preceding the application have decreased by 20% compared to the same month in 2019. In addition, the employer cannot dismiss employees for whom he or she receives compensation, after the end of the state of emergency for an additional period equal to that for which he was compensated. Employers will be able to establish part-time work for the whole enterprise or its unit and at the same time receive compensation in proportion to the reduced working hours. **Measure 60/40 is the most significant in its scope and volume of funding. Thanks to it, as of May 20, more than 220,000 employees kept their jobs and 100% of their previous incomes.**

2. The JOBS microfinance institution, part of the Bulgarian Development Bank Group, has announced a microbusiness loan with 10% interest for companies affected by the COVID-19 pandemic. It allows young companies to be able to finance themselves with a working loan to retain staff if there are other reasons not to take advantage of the 60:40 measure. The bank considers a possibility to make the credits interest-free over the period of the coronavirus crisis.

The portfolio guarantee applied by the Fund may also be used after the end of the period of emergency and, according to the Fund, is a suitable product for financial recovery at a time when banks would again be uncertain about lending to the business. The Fund of the Bulgarian Development Bank will provide banks with guarantees worth of BGN 170 million (approx. €85 million), and expects them to provide loans of up to BGN 850 million (€425 million), mainly for small and medium-sized enterprises, in the next one year. The Microcredit Fund tool is aimed at small companies - the so-called micro-enterprises, as well as companies that have just started their business (to have up to three years of business history at the moment, with possible expansion - up to five years).

The idea is to enable banks to support this vulnerable group of start-ups that may have started a small family business with loans up to BGN 50,000 (€25,000). This will support their investment plans for the crisis and working capital so that they can continue their operations. This tool is aimed at a target group of recipients who generally do not have easy access or have no access to bank financing at all - companies with no credit history.

3. Freelance artists will be entitled to one minimum wage, together with social security contributions, for the period of emergency plus one month thereafter - that is, for 3 months. The money will be donated through the Culture Fund and will be applied for online and by mail. The criteria are to be announced. Acceptance of applications and then disbursements should start by 15 April 2020. The idea is to support the most needy artists, who have relatively lower incomes compared to others in their industry.

Artists who had monthly incomes of less than BGN 1,000 (€500) last year could benefit from the support. The measure will cost BGN 2,7 million (€1,35 million) to the budget of the Ministry of Culture. More projects are being considered through the National Culture Fund, for example a drastic increase the budgets of these projects. So far, 10% of their value has been for administrative expenses. In addition, the duration of many cultural projects, which have been delayed by the pandemic, will be extended. In this way the ministry hopes to sustain art teams. There are around 2,200 freelance artists in Bulgaria. According to preliminary estimates, at least 50% of them will be able to benefit from the measure.

4. Parents of children up to 12 years of age, who due to the declared state of emergency, are taking unpaid leave of at least 20 working days for childcare at home are entitled to an additional single childcare allowance. The assistance has an allocated budget of BGN 20 million (€10 million) allocated. They could reach approximately 55,000 families, according to the Minister of Labour and Social Policy. The one-time assistance amounts 375 BGN (approx. €200).

Income tested benefit: the monthly income of a family member for the month preceding the use of unpaid leave does not exceed BGN 610 (€305) (minimum working salary for 2020).

The family aid, which amounts 375 BGN (approx. €200), is granted if:

- Both parents / single parent enjoy continuous unpaid leave of at least 20 working days due to the inability to provide the employer with remote home work;
 - Both parents / single parent do not receive:
 - Social assistance benefits under the LPA (Labour Policy Assistance);
 - Both parents / single parent are not entitled to paid leave, or it has already been realised;
 - The two parents / single parent are not included in the 60/40 compensation scheme (under Decree No. 55 of the Council of Ministers of March 30, 2020 laying down the conditions and procedure for payment of compensation to employers in order to maintain the employment of workers and emergency workers, announced by a decision of the National Assembly of 13 March 2020);
 - Both parents / single parent have been insured in the last 6 months;
 - If only one parent is on unpaid leave, the other parent shall not receive: 1) unemployment benefit, temporary disability benefit or pension (excluding disability pension), 2) compensation for use of parental leave up to 2 years;
 - The child is not placed outside the family in accordance with the Law on Child Protection;
 - The child attended kindergarten / day nursery / school before 13 March 2020;
 - There is no possibility of taking care of the child from other relatives and relatives.
5. The government approved capital increase of the state-owned Bulgarian Development Bank (BDB) by BGN 700 million (approx. €350 million; 0.6 percent of 2019 GDP). The bank can now have the opportunity to provide BGN 200 million (approx. €100 million) for the issuance of portfolio guarantees to commercial banks to provide interest-free loans to workers on

unpaid leave. The measure targets short-term funding for people also employed in the hardest hit sectors. The BDB will once again be the guarantor of commercial banks, which have the possibility to lend small, interest-free loans to individuals under a certain mechanism.

The measure is part of the country's economic measures to assist those affected by the coronavirus. People who are on unpaid leave or are self-employed because of the restrictions imposed by the spread of the coronavirus will be able to withdraw interest-free loans of up to BGN 1,500 (approx. €750) guaranteed by the state.

6. A new opportunity for registered unemployed individuals to sign temporary labour contracts with agriculture producers without losing their unemployment benefits has been approved by the Bulgarian government. The new amendment gives a legal right to an unemployed person to receive unemployment benefits from the state and at the same time work at a rural stop and take a salary from there.

According to unofficial information, the Ministry of Agriculture is also discussing the possibility of workers in enterprises that have been introduced to reduced working hours due to the coronavirus crisis and are being compensated under the 60/40 scheme, to be able to start additional work in agriculture

People receiving unemployment or social assistance benefits can earn additional income from seasonal work in agriculture without losing their entitlement to state support. Those who are currently on unpaid leave can also sign a second employment contract without permission from their primary employer. These are the two approved measures that, at the threshold of the active season in agriculture, should divert employees to this sector.

Amendments to the Emergency Legislation adopted in April 2020 introduce the possibility for farmers to conclude temporary employment contracts similar to one-day contracts to hire employees for activities such as harvesting. The key change in this case is that the conclusion of such contracts would not affect the receipt of unemployment benefits or social benefits by employees, which in previous years was a serious obstacle to securing seasonal workers on the field.

7. The Bulgarian government has approved an extension of the tax declaration deadline from 31 March 2020 to 30 June 2020 for filing the annual income tax return of persons engaged in business activities as traders within the meaning of the Commercial Act.

The measure aims to ensure more liquidity for businesses during the state of emergency by delaying payment and filing of tax returns. In addition, the measure guarantees less administrative burden for businesses at present. Preliminary estimates show that losses to the state budget will be approx. €300 million.

The deadline for declaring and paying corporate tax under the Corporate Income Tax Act (CITA) has been extended to 30 June 2020, according to the National Revenue Agency (NRA). By this date, the tax on expenses, on the revenues of budgetary enterprises, the tax on the income from ancillary and auxiliary activities within the meaning of the Gambling Act, as well as the tax on the operation of ships, must also be taken into account.

So far, the corporate tax reporting deadline has been 31 March 2020, with an annual activity report filed with the annual tax return. Persons who have not performed any activity within the meaning of the Accounting Act during a given tax period should not file these documents unless a corporate or expense tax liability arises. There are currently over 200,000 corporate tax returns applications and all the data has been sent online.

The main requirements for applicants for interest-free loan are: 1) The person must be on unpaid leave; 2) Or be self-employed; 3) Have an employment relationship at least 6 months back from the date of application; 4) The applicants should not have obligations in the Central Credit Register with a delay of more than 90 days.

Credit Terms: 1) Maximum application amount up to BGN 1,500 (approx. €750); 2) No interest and fees; 3) Granting a grace period of 6 to 12 months; 4) Maximum payment period is 24 months.

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