



**REPUBLIC OF BULGARIA**  
**MINISTRY OF FINANCE**

**Tax Policy Directorate**

**TAX EXPENDITURE FORECAST IN 2017**

Type of Tax	Number of Tax Expenditure	Number of Tax Expenditure	Estimate 2017
			(in BGN)
VAT	2	1	107 472 000
Excise duties	8	7	158 485 000
Corporate income taxes	19	8	279 926 000
Personal income taxes	10	10	44 720 000
<b>Total</b>	<b>39</b>	<b>26</b>	<b>590 603 000</b>

**Explanatory note for Tax Expenditure Forecast in 2017**

Annual Tax Expenditure Reports are prepared and published in order to provide transparency concerning the provisions regulating tax incentives and reliefs. The preparation of the Tax Expenditure Report is legally regulated by Article 16, paragraph 4 of the Public Finance Law and in line with Article 14, paragraph 2 of Directive 2011/85/EU of the Council of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Currently in Bulgaria there were prepared several Tax Expenditure Reports covering the period from 2007 to 2015. Reports on tax expenditures have been prepared and published annually since 2012. All the reports for past reference periods are used as a basis for prevision of future tax expenditures.

In 2015 a Tax Expenditure Forecast for 2016 has been published for the first time. The forecast represents a preliminary assessment of the tax expenditures by tax incentives and tax reliefs, regulated under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act, for the respective year.

The applied methodology for the forecast of tax expenditures for 2017 is the same used in the preparation of the previous tax expenditures reports and includes the following main stages:

- Making a list of the active tax incentives and reliefs under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act for 2017;
- Determination of the tax incentives and reliefs as tax expenditures or as a part from the benchmarking items;
- Making a list of the 2017 tax expenditures;
- Selecting the appropriate methods for the tax expenditures measuring;
- Analysing the available information and the sources of information for the tax expenditures measuring;
- Measuring Tax Expenditures.

For the purposes of the present forecast the method of revenue foregone is used. This is the most commonly used method of measuring taxes, which involves estimation of amounts not paid for the budget as a result of the existence of a certain tax expenditure item.

The evaluation of tax expenditures of different type of tax is based on the available information from the Autumn Macroeconomic Forecast of the Ministry of Finance for the period 2016 - 2019, the acting legislation, the underlying basic assumptions in the updated medium term budget forecasts, some of the 2017 State Budget Act provisions and on the basis of information provided by the National Revenue Agency, the National Customs Agency, the National Statistical Institute, the Bulgarian National Bank etc.