

Accountancy Act

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Text in Bulgarian: Закон за счетоводството

Chapter One GENERAL PROVISIONS

Section I Scope

Article 1. This Act shall regulate:

1. the requirements to bookkeeping and accounting systems of enterprises, accounting documents and accounting information, the inventory of assets and liabilities and the storage of accounting information;
2. the applicable basis of accounting in financial reporting;
3. the content and the preparation of financial statements, management reports and reports on payments to governments of enterprises and groups of enterprises;
4. the obligations for independent financial audit and disclosure of financial statements, management reports and reports on payments to governments of enterprises and groups of enterprises;
5. the duties and responsibilities of the manager of the enterprise.

Article 2. For the purposes of this Act enterprises shall be:

1. (supplemented, SG No. 97/2016, effective 1.01.2017) merchants within the meaning of the Commerce Act, including branches of foreign merchants;
2. local legal entities other than merchants;
3. budget-funded enterprises;
4. (amended, SG No. 97/2016, effective 1.01.2017) consortia within the meaning of the Commerce Act, the companies under the Obligations and Contracts Act, joint ventures and other alliances based on contractual relations, in which the parties have rights to net assets;
5. the insurance funds under Article 8 of the Social Insurance Code;
6. trade representations;
7. foreign legal entities engaged in business activities in the Republic of Bulgaria through a place of business, except where the business is carried out by a non-resident of a Member State of the European Union or of another country – a signatory to the

Agreement on the European Economic Area, only under the conditions of freedom to provide services.

Section II

Bookkeeping, accounting documents, accounting information and accounting systems

Article 3. (1) Bookkeeping shall be organised in accordance with this Act and shall be carried out under the double-entry accounting method.

(2) Enterprises shall keep accounts of all business transactions resulting in changes in their property and financial position, the financial results from operations, the cash flows and equity, in a chronological order.

(3) Enterprises shall keep their accounts on the basis of documentary justification of business transactions and facts while observing the requirements for drawing up documents hereunder.

(4) Sole traders with net sales revenue for the previous period not exceeding BGN 50,000 may account for their operations applying the single-entry accounting method.

Article 4. (1) An accounting document shall be any paper or technical carrier of accounting information, classified as primary, secondary and a ledger.

(2) A primary document shall carry information about a business transaction recorded for the first time.

(3) A secondary document shall carry processed (summarised or differentiated) information derived from primary accounting documents.

(4) A ledger shall carry chronologically systematised information about business transactions derived from primary and/or secondary accounting documents.

(5) (Amended, SG No. 85/2017) An accounting document under paragraph (1) may be an electronic document containing the information required under this Act, issued and obtained in any electronic format subject to the requirements of the Electronic Document and Electronic Trust Services Act.

Article 5. (1) Primary accounting documents of enterprises shall be drawn up in the Bulgarian language, in Arabic numerals and in Bulgarian leva (BGN). Accounting documents may also be drawn up in the respective foreign language and in foreign currency in cases of transactions negotiated in foreign currency with foreign contractors. When the transaction is negotiated in foreign currency, its BGN equivalent amount shall be determined by applying the central exchange rate of the Bulgarian National Bank to the foreign currency amount as of the date of the transaction.

(2) The accounting documents received at the enterprise in a foreign language shall be translated in Bulgarian in the cases set forth by law.

Article 6. (1) A primary accounting document addressed to an external recipient shall contain at least the following information:

1. name and number of the document, including only Arabic numerals;
2. date of issue;
3. company name or name, address and identification code from the Commercial Register or unified identification code under BULSTAT or personal identification number or serial number of foreigner of the issuer and the recipient;
4. subject, physical and value expression of the business transaction.

(2) The address under paragraph (1), item 3 shall be the address for correspondence referred to in Article 28 (1) of the

Tax-Insurance Procedure Code.

(3) The primary accounting document which pertains only to the enterprise's operations shall contain, at a minimum, the following information:

1. name and number of the document, including only Arabic numerals;
2. date of issue;
3. name of the enterprise;
4. subject, physical and value expression of the business transaction;
5. name and signature of the individual drawing up the document.

(4) When drawing up an accounting document pertaining only to the enterprise's operations by means of automatic devices or systems, the signature of the drawer may be substituted by a digital signature or by another identifier, unambiguously identifying and recognising the drawer of the accounting document.

(5) The documentary justification shall be present when part of the required information under paragraphs (1) and (3) in the primary accounting document is missing, but there are documents verifying it.

(6) Beyond the cases referred to in paragraph (5), documentary justification shall be deemed to exist also where the primary accounting document has been issued by a person which is not an enterprise in the meaning of this Act and there is some missing information in the document, which is required under paragraph (1), provided such document reflects correctly the documented business transaction.

(7) Upon payment of public and private government and municipal liabilities arising on the grounds and in accordance with a law, it shall be deemed that the business transaction is justified by a document based on the presence of the relevant payment document for the payment made.

Article 7. (1) A primary accounting document under Article 6 (1) shall be issued, where this is provided for in a law.

(2) Issuance of a primary accounting document shall be optional when the business transaction is documented with a fiscal receipt or a system receipt, issued under the ordinance under Article 118 (4) of the Value Added Tax Act or by a security issued under the Ordinance on the terms and procedure for the printing and control of securities (promulgated, State Gazette No. 101/1994; amended, No. 38/1995, No. 73 of 1998, No. 8/2001, No. 54/2008, No. 22/2011 and No. 60/2015) and the recipient thereon is a natural person other than a merchant.

(3) Paragraph (2) shall not apply where the recipient has required the issuance of a primary accounting document.

Article 8. No corrections or additions shall be allowed in the primary accounting documents. Any primary accounting documents that have been erroneously drawn up shall be cancelled and new ones shall be drawn up.

Article 9. The following shall not be allowed:

1. accounting for business transactions outside accounting books or records;
2. accounting of fictitious or insufficiently identified transactions, non-existent expenses and liabilities of inaccurately identified subject, carried out for the purpose of bribing officials or concealing a bribe.

Article 10. The persons who have drawn up and signed the accounting documents and technical information carriers shall be liable for the authenticity of the information contained therein.

Article 11. (1) In establishing and maintaining its accounting system, an enterprise shall ensure:

1. a comprehensive chronological registration of the accounting transactions;
2. receipt of analytical and summary information through accounting means, representing most accurately and appropriately the annual financial statements of the enterprise;
3. interim and annual closing of accounting records;
4. making changes in the book entries made, by making adjusting accounting entries;
5. application of an individual chart of accounts as approved by the manager of the enterprise;
6. application of an accounting policy as approved by the manager of the enterprise.

(2) Where accounting software is used for the purposes of bookkeeping, such software must have been developed in compliance with the requirements of this Act and shall support data processed by means thereof and the output documents shall be in the Bulgarian language.

Section III

Storage of accounting information

Article 12. (1) Accounting information shall be stored on paper and/or technical carrier in the enterprise within the following time limits:

1. payrolls – 50 years from 1 January of the reporting period, following the accounting period to which they refer;
2. accounting records and financial statements, including documents for tax control, audit and subsequent financial inspections – 10 years from 1 January of the reporting period, following the accounting period to which they refer;
3. all the other carriers of accounting information – three years from 1 January of the reporting period, following the accounting period to which they refer.

(2) Accounting information may be stored in private or public records in accordance with the National Archive Fund Act subject to compliance with the requirements under paragraph (1).

(3) Where an enterprise is wound up by reorganisation, carriers (paper and/or technical) of accounting information shall be handed over to the receiving and/or newly established enterprise/enterprises.

(4) Upon winding up of an enterprise or if the enterprise has no legal successor, the payrolls shall be handed over to the National Social Security Institute under the procedure of Article 5 (10) of the Social Security Code.

Article 13. Upon expiry of the prescribed time limit for storage, the carriers (paper or technical) of accounting information that are not subject to submission to the National Archive Fund or to the National Social Security Institute may be destroyed.

Article 14. (1) Upon termination of employment, civil service or contractual relationship with a person who carries out bookkeeping and draws up financial statements, the accounting records shall be handed over to a person designated by the manager of the enterprise.

(2) The acceptance and hand-over referred to in paragraph (1) shall be performed in the presence of a committee following a procedure as established by the manager of the enterprise.

(3) Upon termination of the employment, civil service or contractual relationship of the manager of the enterprise such manager shall hand over the whole accounting and other official documentation available to him/her to a person designated by the relevant competent authority.

Section IV

Powers of the minister of finance

Article 15. The minister of finance shall:

1. be responsible for the coordination and interaction with the European Commission and the Council of the European Union in the harmonisation of Bulgarian accounting legislation with the EU accounting legislation;
2. give opinions and methodological guidelines on the implementation of this Act and the National Accounting Standards;
3. undertake measures for the development and improvement of accounting.

Section V

Rights and obligations of the manager of the enterprise

Article 16. (1) The manager of the enterprise shall:

1. approve the individual chart of accounts of the enterprise;
2. arrange the bookkeeping in accordance with the provisions of this Act;
3. approve the accounting form that shall ensure the synchronised execution of the chronological and systematic (analytical and synthetic) accounting;
4. be responsible for the preparation, content and publication of the annual financial statements and reports required under this Act;
5. determine the frequency of financial statements for the purposes of the management of the enterprise;
6. be responsible for the conduct of an independent financial audit by registered auditors;
7. determine the terms and procedure for inventory taking;
8. be responsible for the storage of accounting information under the procedure and within the time limits set out in Section III;
9. determine the procedure for and the flow of accounting documents from their generation or receipt at the enterprise to their destruction or submission as required hereunder.

(2) The manager and the members of the management and supervisory bodies of the enterprise shall be responsible for the preparation, the conduct of an independent financial audit by registered auditors and the publication of the annual financial statements, the consolidated financial statements and the annual reports under Chapter Seven in accordance with the requirements hereunder and in accordance with their powers set out in the Commerce Act.

Section VI

Drawers of financial statements

Article 17. (1) Interim, annual and consolidated accounts of enterprises shall be drawn up by individuals who are in employment, civil service or contractual relationship with the enterprise, or by accounting firms.

(2) Paragraph (1) shall not be mandatory for the annual financial statements of sole traders applying the single-entry accounting system under Article 3 (4), and for micro-enterprises under Article 19 (2) that have not carried out any activity during the reporting period. In these cases, the financial statements shall be drawn up by the owners or the partners of such enterprises.

Article 18. Individuals under Article 17 (1) who draw up the financial statements, and the managers and/or the representatives of accounting firms who sign the financial statements when the financial statements are drawn up by accounting firms, shall meet the following requirements:

1. shall have acquired compulsory minimum degree of completed education and practical experience corresponding to it, as follows:

a) higher education in accounting and economics, and previous employment in the area of accounting, external and internal audit and financial inspection, tax audits or as an educator in accounting and control, as follows:

aa) for the master's degree, two years;

bb) for the bachelor's degree, three years;

cc) for the professional bachelor's degree, 4 years;

b) other tertiary economic education and 5 years of previous employment in the area of accounting, external and internal audit and financial inspection, tax audits or as an educator in accounting and control;

c) secondary economic education and 8 years of previous employment as an accountant;

2. shall have not been convicted of an indictable offence under Chapter Five and Chapter Six, Section I of the Special Part of the Criminal Code.

Chapter Two

CATEGORIES OF ENTERPRISES AND GROUPS OF ENTERPRISES

Section I

Categories of enterprises

Article 19. (1) For the purposes of this Act, the following categories of enterprises shall exist:

1. micro-enterprises;

2. small enterprises;

3. medium-sized enterprises;

4. large enterprises.

(2) Micro-enterprises shall be enterprises which at 31 December of the current reporting period do not exceed at least two of the following criteria:

1. book value of the assets – BGN 700,000;

2. net sales revenue – BGN 1,400,000;

3. average number of employees for the reporting period: 10.

(3) Small enterprises shall be enterprises which at 31 December of the current reporting period do not exceed at least two of the following criteria:

1. book value of the assets – BGN 8,000,000;
2. net sales revenue – BGN 16,000,000;
3. average number of employees for the reporting period: 50.

(4) Medium-sized enterprises shall be enterprises other than small enterprises which at 31 December of the current reporting period do not exceed at least two of the following criteria:

1. book value of the assets – BGN 38,000,000;
2. net sales revenue – BGN 76,000,000;
3. average number of employees for the reporting period: 250.

(5) Large enterprises shall be enterprises which at 31 December of the current reporting period exceed at least two of the following criteria:

1. book value of the assets – BGN 38,000,000;
2. net sales revenue – BGN 76,000,000;
3. average number of employees for the reporting period: 250.

Article 20. (1) A change in the category under Article 19 shall be made when the enterprise no longer meets two of the three criteria for the relevant category in the last two accounting periods. The category shall be changed from the beginning of the next (third) reporting period.

(2) In the cases referred to in paragraph (1) when the enterprise meets the indicators for two different categories in the last two accounting periods, it shall be categorised by the indicators of the last accounting period.

(3) For the reporting period in which an enterprise referred to in § 1, item 22 of the supplementary provisions ceases to be a public interest enterprise, it shall keep its accounts as a public interest enterprise.

Section II

Categories of groups of enterprises

Article 21. (1) For the purposes of this Act, the following categories of groups of enterprises shall exist:

1. small groups;
2. medium-sized groups;
3. large groups.

(2) Small groups shall be groups of enterprises, whose sum of the indicators based on their annual financial statements on a consolidated basis, prepared as of 31 December of the current reporting period, does not exceed the thresholds of at least two of the three following criteria:

1. book value of the assets – BGN 8,000,000;
2. net sales revenue – BGN 16,000,000;
3. average number of employees for the reporting period: 50.

(3) Medium-sized groups shall be groups of enterprises, whose sum of the indicators based on their annual financial statements on a consolidated basis, prepared as of 31 December of the current reporting period, does not exceed the thresholds of at least two of the three following criteria:

1. book value of the assets – BGN 38,000,000;
2. net sales revenue – BGN 76,000,000;
3. average number of employees for the reporting period: 250.

(4) Large groups shall be groups of enterprises, whose sum of the indicators based on their annual financial statements on a consolidated basis, prepared as of 31 December of the current reporting period, exceeds the thresholds of at least two of the three following criteria:

1. book value of the assets – BGN 38,000,000;
2. net sales revenue – BGN 76,000,000;
3. average number of employees for the reporting period: 250.

(5) (New, SG No. 97/2016, effective 1.01.2017) The categories of groups of enterprises may be furthermore defined on the basis of the sum of the values of the indicators in the individual annual financial statements of the companies in the group, prepared as of 31 December of the current reporting period. In this case, in determining the category of the group, the thresholds of the indicators for the book value of assets and the net sales revenue under paragraphs (2), (3) and (4) shall be increased by 20 per cent.

Article 22. (1) A change in the category under Article 21 shall be made when the enterprise for the last two reporting periods no longer meets two of the three criteria for the relevant category. The category shall be changed from the beginning of the next reporting period.

(2) In the cases referred to in paragraph (1) when the enterprise meets the indicators for two different categories in the last two reporting periods, it shall be categorised by the indicators of the last accounting period.

Chapter Three

FINANCIAL STATEMENTS

Section I

General requirements to the financial statements

Article 23. The financial statements shall be drawn up in the Bulgarian language, with Arabic numerals and in thousands of leva (BGN).

Article 24. (1) The financial statements shall give a true and fair view of the property and financial position and financial performance of the enterprise, its cash flows and equity.

(2) The true and fair presentation requires a reliable disclosure of the effects of the operations, other events and conditions in accordance with the definitions and the recognition criteria for assets, liabilities, income and expenses set out in the applicable accounting standards.

(3) The content of the financial statements shall be clear and understandable.

Article 25. (1) The financial statements shall indicate:

1. the name of the enterprise, its legal form, seat and registered office, as well as information as to whether the enterprise is wound up;
2. the register in which the enterprise is recorded, and its registration number from such register;
3. other information required under this or any other act and the applicable accounting standards.

(2) The financial statements shall be signed by:

1. the manager of the enterprise;
2. the individual who has prepared the financial statements or by the representative and/or manager of the accounting firm when the financial statements have been prepared by an accounting firm.

(3) The financial statements shall indicate the name of the person referred to in paragraph (2) and the seal of the enterprise and the seal of the accounting firm shall be affixed.

(4) Where the financial statements are subject to an independent financial audit, the signatures and seals of the persons who conducted the independent financial audit of the financial statements shall be affixed in accordance with the requirements of the Independent Financial Audit Act.

Article 26. (1) The items to be presented in the financial statements shall be recognised and measured in accordance with the following principles:

1. going concern: it is assumed that the enterprise is a going concern and will remain one in the foreseeable future; it is assumed that the enterprise does not have either the intention or the need to liquidate or significantly reduce the size of its operations;
2. consistency of presentation and comparative information: the presentation and classification of items in the financial statements, the accounting policies and methods of evaluation shall be retained and applied consistently and in subsequent reporting periods in order to achieve comparability of the financial data and indicators of financial statements;
3. prudence: evaluation and consideration of potential risks and estimated potential losses in the accounting treatment of business transactions to ensure that an actual financial result is obtained;
4. accrual: the enterprise shall prepare its financial statements, except for the cash flow statements, based on the accrual concept – the effects of transactions and other events shall be recognised when they occur, regardless of the time of receipt or payment of cash or its equivalents, and shall be included in the financial statements for the period to which they refer;
5. independence of the individual reporting periods and value link between opening balance and closing balance: each reporting period shall be treated per se in accounting terms, independent of its objective relation to the previous and the following reporting periods, while data in the financial statements at the beginning of the current reporting period shall match the data at the end of the previous reporting period.
6. materiality: the enterprise shall present separately each material group of items of similar nature; consolidation of amounts by items of similar nature is admissible where the amounts are immaterial or their consolidation aims to achieve greater clarity; the amount of an item is material if any deficiencies and incorrect presentation of the item could affect the business decisions of the users, based on the financial statements, or could lead to a violation of the requirement for a true and fair presentation of the property and financial position, the financial results of its operations, and changes in cash flows and equity;
7. offset: the enterprise does not offset assets against liabilities or income and expenses and reports separately both assets and liabilities, and income and expenses;
8. substance over form: transactions and events are accounted for in accordance with their content, essence and business reality, not formally, based on their legal form;
9. measurement of items which are recognised in the financial statements is carried at cost, which may be the purchase price or production cost or by some other method, when this is required by the applicable accounting standards.

(2) Enterprises shall keep their accounts in accordance with the principles referred to in paragraph (1) or in compliance with the principles and requirements of the International Accounting Standards when the accounting basis of the enterprise is based on the International Accounting Standards.

Article 27. Enterprises shall compile:

1. annual financial statements as of 31 December in thousands of Bulgarian levs (BGN);
2. consolidated financial statement as of 31 December of the reporting period, when the parent company is a company under Title Three of Part Two of the Commerce Act;
3. interim financial statements covering a shorter period than one reporting period, when this is required by a law or by a decision of the manager of the enterprise.

Section II

Inventory taking

Article 28. (1) Enterprises shall take inventory of the assets and liabilities at least once a year for the purpose of their fair presentation in the financial statements.

(2) Enterprises whose net sales revenues do not exceed BGN 200,000 for the current reporting period, shall not take mandatory inventory under paragraph (1).

(3) Inventory taking shall be carried out also on a decision of the manager of the enterprise, at the request of the authorities of the judiciary and other authorities, as may be provided for by a law.

Section III

Annual financial statements

Article 29. (1) The annual financial statements for all enterprises shall comprise at least a balance sheet, an income statement and notes.

(2) The format, structure and content of the full set of the financial statements shall be defined by the applicable accounting standards.

(3) The annual financial statements of sole traders whose net sales revenues for the current reporting period do not exceed BGN 200,000 and are not subject to statutory independent financial audit may consist only of an income statement.

(4) (Amended, SG No. 97/2017, effective 1.01.2018) The annual financial statements of micro-enterprises may consist only of a summary balance sheet by sections and a summary income statement.

(5) Paragraph (4) shall not apply to investment firms and financial holding companies, categorised as micro-enterprises.

(6) (Amended, SG No. 97/2017, effective 1.01.2018) The annual financial statements of small enterprises may consist of a summary balance sheet by sections, a summary income statement, and notes.

(7) The annual financial statements referred to in paragraphs (3), (4) and (6) shall give a true and fair view of the assets, liabilities, financial position and the results of the operations of the enterprise.

(8) The enterprises referred to in paragraphs (1), (3), (4) and (6) may choose to compile a full set of financial statements.

(9) The annual financial statements of medium-sized and large enterprises and of public interest enterprises shall be drawn up in the full set in accordance with the applicable accounting standards.

(10) Enterprises, when controlled by the State or municipalities, or when assisted thereby through subsidies, preferential loans, government guarantees or other forms of state aid, may be required by the minister of finance to present additional statements and information following requirements as to format, contents, timing and procedure for drawing up and presentation as set by the minister of finance.

Article 30. (1) Large enterprises and public interest enterprises shall disclose in the notes the amounts charged for the year for the services provided by registered auditors, separately for:

1. independent financial audit;
2. tax advice;
3. other non-audit services.

(2) Similarly, the notes to the consolidated financial statements shall contain a disclosure of the information under paragraph (1) with regard to enterprises included in the consolidation.

Section IV

Consolidated financial statements

Article 31. (1) Consolidated financial statements shall be drawn up by the parent enterprise in accordance with the rules and requirements of:

1. the National Accounting Standards – for the enterprises that compile and submit annual financial statements on the basis of the National Accounting Standards;
2. the International Accounting Standards – for the enterprises that compile and submit annual financial statements on the basis of the International Accounting Standards.

(2) Consolidated financial statements shall be drawn up by the parent enterprise regardless of the location of the seats of its subsidiaries.

Article 32. The preparation of consolidated financial statements shall not be mandatory for the parent enterprise of a small group, unless the group has at least one public interest enterprise.

Article 33. The format, structure and content of the full set of the consolidated financial statements shall be defined by the applicable accounting standards.

Chapter Four

APPLICABLE BASIS OF ACCOUNTING

Article 34. (1) The annual financial statements of public interest enterprises shall be drawn up on the basis of the International Accounting Standards.

(2) The annual financial statements of micro-enterprises, small, medium-sized and large enterprises shall be drawn up on the basis of the National Accounting Standards.

(3) The enterprises under paragraph (2) may choose to compile their annual financial statements based on the International Accounting Standards, provided that no change in the basis of accounting has occurred.

(4) An enterprise which in one reporting period has prepared and presented its annual financial statements on the basis of the International Accounting Standards may not apply the National Accounting Standards.

(5) Consolidated and interim financial statements shall be prepared on the basis of the accounting standards on the basis of which the annual financial statements of the enterprise producing such consolidated and interim financial statements have been prepared.

Article 35. (1) The annual financial statements of enterprises in liquidation or in bankruptcy shall be drawn up on the basis of a national accounting standard.

(2) Enterprises – non-profit legal entities, regardless of their category under Article 19, shall draw up their annual financial statements on the basis of a national accounting standard.

Article 36. (1) The National Accounting Standards shall be adopted by the Council of Ministers and shall comply with the European Union acts and national specifics.

(2) The National Accounting Standards shall be promulgated in the State Gazette.

Chapter Five

INDEPENDENT FINANCIAL AUDIT

Article 37. (1) Subject to statutory independent financial audit by registered auditors shall be the annual and consolidated financial statements of:

1. small enterprises which at 31 December of the current reporting period exceed at least two of the following indicators:

a) book value of the assets – BGN 2,000,000;

b) net sales revenue – BGN 4,000,000;

c) average number of employees for the reporting period: 50;

2. medium-sized and large enterprises;

3. public interest enterprises;

4. medium-sized and large groups and groups in which there is at least one public interest enterprises;

5. enterprises for which this requirement is established by law.

(2) Notwithstanding paragraph (1), the annual and consolidated financial statements of joint-stock companies and limited partnerships with shares shall be subject to statutory independent financial audit, save for cases where such companies have not carried out activity during the reporting period.

(3) The consolidated financial statements and the annual financial statements of enterprises included in the consolidation shall be subject to independent financial audit.

(4) The annual financial statements of non-profit legal entities designated as operating for the public benefit shall be subject to independent financial audit by registered auditors where they exceed one of the following criteria for the current year:

1. book value of the assets as of 31 December: BGN 1,000,000;

2. net income from profit-generating and non-profit operations for the current year: BGN 2,000,000;

3. total amount of financings received during the current year and not utilised as of 31 December of the current year financings, received in previous reporting periods: BGN 1,000,000.

(5) Subject to statutory independent financial audit by registered auditors shall be the annual financial statements of non-profit legal entities designated as operating for the public benefit and established to carry out activity under Article 116 of the Family Code.

(6) The registered auditors who carry out independent financial audit of the annual and consolidated financial statements shall give an opinion in the audit report as to:

1. whether the management report matches the financial statements for the same reporting period;

2. whether the management report is prepared in accordance with the applicable legal requirements and shall state whether as a result of the acquired knowledge and understanding of the activities of the enterprise and the setting in which it operates they have found cases of material misrepresentation in the management report and shall indicate the nature of such misrepresentation;

3. whether the corporate governance statement contains the information required by the relevant regulations;

4. whether the non-financial declaration is submitted and whether it is drawn up in accordance with the requirements of this Act;

5. whether a report on payments to governments is submitted and whether the report is prepared in accordance with the requirements of this Act.

Chapter Six

PUBLICITY OF THE FINANCIAL STATEMENTS

Article 38. (1) Enterprises shall publish the annual financial statements, the consolidated financial statements and the annual reports under Chapter Seven, adopted by the general meeting of partners or shareholders or by the appropriate body, as follows:

1. all merchants within the meaning of the Commerce Act – upon application for recording and submission for announcement in the commercial register, by 30 June of the following year;

2. (amended, SG No. 74/2016, effective 1.01.2018) non-profit legal entities pursuing public-benefit activities – by filing for the purpose of disclosure and submission to the Central Register of Non-profit Legal Entities, managed by the Registry Agency, under the conditions and following the procedures of the Non-profit Legal Entities Act, by June 30 of the following year;

3. the other enterprises shall publish their statements and reports in a business publication or Internet, by 30 June of the following year.

(2) When the financial statements were originally requested for publication in the period referred to in paragraph (1) and a denial for publication under Article 22 (5) of the Commercial Register Act is issued and within 14 days from the date of its entry into force a new application for publication is submitted, it shall be deemed that the financial statements are submitted on time.

(3) The annual financial statements and the management report shall be published in the form and with the text on the basis of which the registered auditor has expressed his/her opinion. The full text of the audit report shall also be subject to publication.

(4) Small enterprises not subject to statutory independent financial audit are not required to publish their income statements and management reports.

(5) Following the procedure set out in paragraph (1), together with their annual financial statements, joint stock companies,

partnerships limited by shares and limited liability companies which are medium-sized or large enterprises or public interest enterprises shall also publish information on the proposal of the managing body for profit distribution or for covering a previous year's loss and the decision of the general meeting of shareholders/partners on the manner of profit distribution or for covering a previous year's loss.

(6) The annual financial statements of a parent enterprise which prepares consolidated financial statements shall be published concurrently with the consolidated financial statements of the group, together with the annual reports under Chapter Seven thereto.

(7) Where the statements and reports of the enterprises referred to in paragraph (1), item (3) are published in Internet, free and free of charge access shall be ensured to them for a period not shorter than three years following the date of their publication.

(8) Upon request, the enterprises referred to in paragraph (1), item (3) shall provide information about the site where their statements and reports are published.

(9) (Amended, SG No. 92/2017, effective 1.01.2018) Paragraphs (1) to (8) shall not apply to:

1. budget-funded enterprises and sole traders not subject to statutory independent financial audit; and

2. companies that have not carried out activity during the reporting period; this fact shall be declared by a declaration, which shall be published in the Commercial Register not later than 31 March of the following year; no fees under Article 12, paragraph (1), item (1) of the Commercial Register and Register of Non-Profit Legal Persons Act for the publication of the declaration shall be payable.

(10) (Amended and supplemented, SG No. 97/2017, effective 1.01.2018) A parent enterprise which is at the same time a subsidiary (intermediate parent) and according to the applicable accounting standards is not obliged to compile consolidated financial statements, shall publish in the Bulgarian language the consolidated financial statements of the first parent enterprise, in which the intermediate parent is consolidated, within three months of the deadline for the publishing of these statements by the consolidated parent enterprise. The consolidated annual reports under Chapter Seven and the audit report shall be published together with the consolidated financial statement. When the parent enterprise is governed by the law of a third country, the consolidated financial statements shall be certified by auditors or audit firms performing audit under the legislation of the country applicable to the parent enterprise.

(11) (New, SG No. 95/2016) By the 31st of July of the current year, the Registry Agency shall provide electronically to the National Revenue Agency a list of the entities which failed to publish their annual financial statements for the previous year within the time limit stipulated in Paragraphs 1 and 2. The list shall contain the name of the entity and the BULSTAT code. By the 30th of September of the current year, the National Revenue Agency shall undertake the necessary measures for the implementation of audits and for the establishing of violations under Paragraphs 1 - 10.

Chapter Seven

ANNUAL REPORTS

Section I

Annual management report

Article 39. Enterprises shall draw up an annual management report, which shall contain at least the following information:

1. an objective review, giving a true and fair view of the development and results of the operations of the enterprise and of its position, together with a description of the main risks facing it;

2. analysis of financial and non-financial key performance indicators relevant to the business, including information on issues related to environment and employees; when preparing the analysis for the management report references to expenses reported

in the annual financial statements and additional explanations thereon may be included therein;

3. all significant events that have occurred after the date of drawing up the annual financial statements;

4. the probable future development of the enterprise;

5. activities in the area of research and development;

6. information on the acquisition of own shares as required under Article 187e of the Commerce Act;

7. existing branches of the enterprise;

8. any financial instruments used by the enterprise, and where material for the purposes of evaluating the assets, the liabilities, the financial position and the financial result, the following shall be disclosed:

a) the objectives and policies of the enterprise concerning financial risk management, including its hedging policy for each main type of hedged item to which hedge accounting is applied;

b) the enterprise's exposure to price, credit and liquidity risks and cash flow risk.

Article 40. (1) The public interest enterprises under § 1, item 22, "a", "b" and "c" of the supplementary provisions shall include in its management report a corporate governance statement in accordance with the Public Offering of Securities Act.

(2) The corporate governance statement may be presented as:

1. a separate report published together with the management report;

2. a document that is publicly available on the website of the enterprise.

Article 41. Large enterprises which are public interest enterprises and which, at 31 December of the reporting period, exceed the criterion of the average number of employees during the financial year of 500 people, shall include a non-financial declaration under Article 48 in their management report.

Article 42. (1) Micro- and small enterprises which are not subject to statutory independent financial audit are not required to draw up a management report, provided that the information regarding the acquisition of their own shares, as required by Article 187e of the Commerce Act, is disclosed in the notes to the annual financial statements or in a footnote to the compiled balance sheet.

(2) Paragraph (1) shall not apply to investment firms and financial holding companies, categorised as micro- or small enterprises.

Article 43. Micro-, small and medium-sized enterprises shall not be required to include non-financial information in the management report.

Section II

Consolidated management report

Article 44. A parent enterprise required to compile consolidated financial statements in accordance with Article 31 shall draw up a consolidated management report.

Article 45. The consolidated management report shall contain the information required under Articles 39 – 41, taking into account the material adjustments resulting from the specific characteristics of the consolidated management report, and the

information shall be presented so as to facilitate the assessment of the status of the enterprises included in the consolidation as a whole.

Article 46. When a parent enterprise is required to draw up an annual management report and a consolidated management report, both reports may be prepared as a single report.

Article 47. In the consolidated management report, the following corrections to the information required under Articles 39 – 41 shall apply:

1. when reporting data on acquired own shares and holdings in the consolidated management report the number and the nominal value shall be specified, and in the absence of such information, the book value of all shares and holdings of the parent enterprise, held by the parent enterprise, its subsidiaries or persons acting on their own behalf but at the expense of any of those enterprises shall be stated;
2. when disclosing the internal control and risk management systems in the corporate governance statement the main characteristics of the risk control and management systems shall be specified for the enterprises in the consolidation as a whole.

Section III

Non-financial declaration

Article 48. (Effective 1.01.2017 - SG No. 95/2015) (1) (Amended, SG No. 97/2017, effective 1.01.2018) The non-financial declaration shall contain a description of the policies of enterprises regarding their activities in the field of ecology, social issues and those related to employees, human rights, the fight against corruption.

(2) The non-financial declaration shall include:

1. a brief description of the business model of the enterprise – goal, strategy, organisational structure, infrastructure, products, policies pursued in relation to the primary and ancillary activities of the enterprise and other;
2. a description of the policies adopted and followed by the enterprise in respect of environmental and social issues, including the activities performed during the reporting period and the results thereof;
3. the objectives, risks and tasks that lie ahead in terms of environmental and social policies, including a description of activities that would have an adverse impact on ecology, employees or other social issues;
4. a description of the key indicators of the results of the activities related to environmental and social issues.

(3) Where an enterprise does not comply with the policies adopted in respect of one or more of the issues included in the non-financial declaration, the latter shall contain a clear and reasoned explanation of the reasons for non-compliance with the adopted policies.

(4) The non-financial declaration under paragraph (1) shall also include, where appropriate, references to and additional explanations of amounts of expenses reported in the annual financial statements.

(5) Enterprises shall not be required to publish information on upcoming changes in their policies relating to environmental or social issues which are in the process of negotiation, when the publication of such information would harm the enterprise. Non-publication of the information in the process of negotiation shall not prevent the objective understanding of the development, results, position of the enterprise and the impact of its activities on the environment and social issues. When such information is not published, the manager and the members of the management and supervisory bodies of the enterprise shall submit a reasoned opinion on the reasons for not publishing the information.

Article 49. (Effective 1.01.2017 - SG No. 95/2015) Enterprises have complied with the obligation for preparation of a non-financial declaration where:

1. in the management report they have included information and analysis on issues related to ecology and employees;
2. a separate report has been prepared for the information required for the non-financial declaration, provided that such report:
 - a) is published together with the management report;
 - b) is publicly available by 30 June of the following year on the website of the enterprise, and that fact shall be disclosed in the management report.

Article 50. (Effective 1.01.2017 - SG No. 95/2015) An enterprise which is a subsidiary shall not draw up a non-financial declaration if the enterprise and its subsidiaries are included in the consolidated management report or in the separate report of another enterprise, drawn up in accordance with the requirements of this Act.

Section IV

Consolidated non-financial declaration

Article 51. (Effective 1.01.2017 - SG No. 95/2015) Public interest enterprises which are parent enterprises in a large group that as at 31 December exceeds on a consolidated basis the criterion of average number of employees of 500 people during the financial year, shall include in the consolidated management report a consolidated non-financial declaration containing the information referred to in Article 48 (2).

Article 52. (Effective 1.01.2017 - SG No. 95/2015) The provisions of Article 48, paragraphs (3) – (5) and Article 49 shall also apply to the consolidated non-financial declaration.

Section V

Report on payments to governments

Article 53. (1) Large companies and public interest enterprises operating in mining, quarrying or logging of primary forests shall prepare and publish an annual report on payments made to governments, together with the annual management report.

(2) A subsidiary shall not be required to prepare an annual report on payments to governments, when the following conditions are met simultaneously:

1. the parent enterprise is governed by the law of a Member State of the European Union;
2. payments to governments made by the enterprise are included in the consolidated report on payments to governments, drawn up by the parent enterprise under Section VI.
- (3) An annual report on payments to governments shall not be prepared in the event that a lump-sum payment or a series of payments amounting of up to BGN 195,600 is made in one reporting period.
- (4) The annual report on payments to governments shall not include payments on projects amounting of up to BGN 195,600.

Article 54. (Supplemented, SG No. 97/2017, effective 01.01.2018) The annual report on payments to governments shall be prepared in the Bulgarian language, in BGN thousands, and shall contain the following information for the relevant reporting period:

1. the total amount of payments made to each government;

2. the total amount for each of the payment types made to each government, as follows:

a) rights in production;

b) profit taxes and income taxes; the value added tax paid, excise duties and income tax on individuals paid shall not be disclosed;

c) copyright, licence and related rights;

d) dividends;

e) bonuses for signing a contract, opening and production;

e) licence fees, rents, registration fees, and other payments for licences and concessions;

g) payments for infrastructure improvements;

3. the total amount of payments for each project separately, as well as the total amount on the types of payments under paragraph (2) for each project; when an enterprise has made payments on several projects to the same person representing the government within the meaning of the law, the disclosure may be on individuals rather than on projects.

Article 55. Payments in kind shall be recorded at cost and, if possible, by volume. The report shall contain explanatory notes on the method of calculating their value.

Article 56. The annual report on payments to governments shall reflect the substance, not the form of the relevant payments or activities. Payments and activities may not be split or combined for the purposes of avoidance of application of this Act.

Article 57. (1) A report on payments to governments shall not be prepared in the event that enterprises are required to draw up such a report for third parties under a law, and the report complies with the requirements of this Act.

(2) The report referred to in paragraph (1) shall be published together with the annual financial statements.

Section VI

Consolidated report on payments to governments

Article 58. Parent enterprises operating in the field of mining, quarrying or logging of primary forests, which are required to prepare consolidated financial statements, shall draw up a consolidated report on payments to governments in accordance with the requirements of Section V.

Article 59. It is deemed that the parent enterprise operates in the field of mining, quarrying or logging of primary forests, if any of its subsidiaries operates in these fields.

Article 60. The consolidated report shall include only payments arising from operations relating to mining, quarrying and logging.

Article 61. The parent enterprise shall not be required to draw up a consolidated report under Article 58:

1. for a small or medium group of enterprises, except where a related enterprise is a public interest enterprise;

2. (supplemented, SG No. 97/2016, effective 1.01.2017) where the parent enterprise which is governed by the law of a Member State of the European Union at the same time is a subsidiary and its parent enterprise is governed by the law of a

Member State of the European Union.

Article 62. (1) A subsidiary, including a public interest enterprise, shall not be included in the consolidated report of payments to governments, where one of the following conditions is met:

1. the parent enterprise is significantly impeded by long-term restrictions in the exercise of its rights in the assets or management of the subsidiary;
2. the information necessary for the preparation of the consolidated report of payments to governments may not be derived without making excessive expenses or undue delay;
3. the shares or holdings in the enterprise are held only for the purpose of their re-sale.

(2) Paragraph (1) shall apply only in the event that, under the same conditions, the subsidiary is not included in the consolidated financial statements.

Chapter Eight

BUDGET-FUNDED ENTERPRISES

Article 63. (1) Budget-funded enterprises shall keep their accounts in compliance with the requirements set out in Chapter Fifteen of the Public Finance Act.

(2) Enterprises from the general government sector, other than those referred to in paragraph (1), which keep their accounts in accordance with the requirements applicable to budget-funded enterprises, shall be determined pursuant to Article 165 of the Public Finance Act.

(3) Budget-funded enterprises and enterprises referred to in paragraph (2) shall draw up and submit their annual financial statements in accordance with the requirements set out in Article 166 (1) of the Public Finance Act.

(4) The reported data on assets, liabilities, income, expenses and operations of all budget-funded enterprises and the enterprises referred to in paragraph (2) shall be consolidated by the Ministry of Finance in accordance with Article 167 of the Public Finance Act.

(5) The format, structure and content of the annual and interim financial statements of budget-funded enterprises and enterprises referred to in paragraph (2) shall be determined by the minister of finance in accordance with Article 166 (2) of the Public Finance Act.

(6) The procedure, method and time limits for drawing up and submitting the financial statements of budget-funded enterprises and publication of information thereof shall be determined in accordance with Article 170 of the Public Finance Act.

Article 64. For the accounting for certain business transactions, assets and liabilities of budget-funded enterprises, the minister of finance may determine the terms and procedure for documenting, the format and requisite details of accounting documents whose application shall be mandatory.

Article 65. Depreciation/amortisation in budget-funded enterprises shall be charged pursuant to an enactment of the Council of Ministers.

Article 66. The minister of finance may set time limits for inventory taking for budget-funded enterprises, other than those set out herein.

Article 67. (Repealed, SG No. 97/2016, effective 1.01.2017).

Chapter Nine

ADMINISTRATIVE PENAL PROVISIONS

Article 68. (1) A manager who violates the provisions of Article 9 shall be punishable by a fine of BGN 500 to BGN 5,000, and the enterprise shall be penalised by a pecuniary sanction in the amount of BGN 2,000 to BGN 10,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 69. (1) Whoever fails to comply with the requirements for storage of accounting information under Chapter One, Section III, shall be penalised by a fine ranging from BGN 500 to BGN 3,500, and the enterprise shall be penalised by a pecuniary sanction in the amount of BGN 2,000 to BGN 7,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 70. (1) Whoever assigns the preparation of financial statements in violation of Article 17 (1) shall be penalised by a fine of BGN 500 to BGN 3,000, and a pecuniary sanction ranging from BGN 2,000 to BGN 5,000 shall be imposed on the enterprise.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 71. (1) A person who draws up financial statements without meeting the requirements under Article 17 (1) and Article 18 shall be penalised by a fine of BGN 500 to BGN 3,000. An accounting firm which compiles financial statements without meeting the requirements of Article 18 shall be penalised by a pecuniary sanction ranging from BGN 2,000 to BGN 5,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 72. (1) Whoever is required and fails to draw up financial statements and/or annual reports under Chapter Seven, Sections I – IV, shall be penalised by a fine ranging from BGN 500 to BGN 3,000, and the enterprise shall be penalised by a pecuniary sanction ranging from BGN 2,000 to BGN 5,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 73. (1) Whoever is required and fails to draw up annual reports on payments to governments under Chapter Seven, Sections V and VI, shall be penalised by a fine ranging from BGN 1,000 to BGN 3,000, and the enterprise shall be penalised by a pecuniary sanction ranging from BGN 2,000 to BGN 15,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 74. (1) (Supplemented, SG No. 95/2016) Whoever is required and fails to publish financial statements within the time limits under Article 38 shall be penalised by a fine ranging from BGN 200 to BGN 3000, and the enterprise shall be penalised by a pecuniary sanction ranging from 0.1 to 0.5 per cent of the net sales revenue for the reporting period for which the unpublished financial statements refer, but not less than BGN 200.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 75. (1) Whoever is required and fails to assign the conduct of independent financial audit shall be penalised by a fine ranging from BGN 500 to BGN 5,000, and the enterprise shall be penalised by a pecuniary sanction ranging from BGN 2,000 to BGN 10,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 76. (1) Whoever assigns the conduct of independent financial audit to a person pursuing business as registered auditor without being registered under the Independent Financial Audit Act shall be penalised by a fine ranging from BGN 500 to BGN 5,000, and the enterprise shall be penalised by a pecuniary sanction ranging from BGN 2,000 to BGN 10,000.

(2) Whoever conducts audit without being a registered auditor under the Independent Financial Audit Act shall be penalised by a fine ranging from BGN 500 to BGN 5,000.

(3) In the event of repeated violation under paragraphs (1) and (2) a fine or a pecuniary sanction in double amount shall be imposed.

Article 77. (1) Whoever fails to fulfil any other obligation arising from this Act, shall be penalised by a fine ranging from BGN 200 to BGN 1,000, and the enterprise shall be penalised by a pecuniary sanction ranging from BGN 300 to BGN 2,000.

(2) In the event of repeated violation under paragraph (1) a fine or a pecuniary sanction in double amount shall be imposed.

Article 78. (1) Protocols attesting to administrative offences shall be produced by the authorities of the National Revenue Agency or the Public Financial Inspection Agency.

(2) Penalty warrants shall be issued by the minister of finance or by officials authorised thereby.

(3) The drawing up of protocols, the issuance, appeal and execution of penalty warrants shall be done under the procedure set up in the Administrative Offences and Penalties Act.

ADDITIONAL PROVISIONS

§ 1. In the meaning of this Act:

1. "Budget-funded enterprises" shall mean all persons that apply budgets, accounts for European Union Funds, and accounts for external funds pursuant to the Public Finance Act, including the National Social Security Institute, the National Health Insurance Fund, public institutions of higher education, the Bulgarian Academy of Sciences, the Bulgarian National Television, the Bulgarian National Radio, the Bulgarian News Agency, as well as all other persons that are budgetary organisations within the meaning of § 1(5) of the Public Finance Act.

2. "Group of enterprises" shall mean the parent enterprise and all of its subsidiaries.

3. "Actual length of service" shall be the actual time spent under an employment contract or civil service contract, the time during which the person has worked without employment relationship, as well as the time during which the person has performed personal work or has worked as a freelancer and has paid in full his/her social insurance contributions. The term "actual length of service" shall exclude the period of doing compulsory military service and the period of raising an infant.

4. "Subsidiary" shall be a legal entity controlled by another legal entity (parent enterprise). Legal entities that are subsidiaries of the subsidiary shall also be considered subsidiaries of the parent enterprise.

5. "Inventory taking" shall be the process of preparing and actually checking, through various means, the physical and value parameters of assets and liabilities of an enterprise as of a specific date, comparing the results against accounting data and establishing any mismatches.

6. "Investment firms" shall be:

a) companies the sole object of which is investment of their funds in various securities, real estate and other assets for the sole purpose of spreading investment risks and their shareholders to benefit from the results of the management of their assets;

b) companies connected to investment firms with fixed capital if the sole object of those connected companies is to acquire fully paid shares issued by those investment firms without prejudice to Article 22, paragraph (1), "h" of Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 for coordination of safeguards required of companies in the Member States within the meaning of Article 54, second subparagraph of the Treaty on the Functioning of the European Union, on the protection of the interests of both shareholders and third parties as regards the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (OJ L 315/74 of 14 November 2012).

7. "Consolidated financial statements" shall be a set of financial statements which presents the property and financial position, the reported financial result, changes in the cash flows and equity of the enterprises included in the consolidation as if they were one enterprise.

8. "International Accounting Standards" (IAS) shall be those adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and shall include the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB).

9. "Place of business" shall be the place of business activity in the meaning of § 1, item 5 of the additional provisions of the Tax and Social Insurance Procedure Code.

10. "Independent financial audit of financial statements" shall be the audit as defined in the Independent Financial Audit Act.

11. (Amended, SG No. 97/2017, effective 1.01.2018) "Net sales revenue" shall be the proceeds from sale of products, goods and services less any commercial discounts, value added tax and any other taxes directly related to revenue.

12. (Repealed, SG No. 97/2017, effective 1.01.2018).

13. "Primary activity" in the meaning of paragraph 22, "i", "k" and "l" shall be the activity of a company, where the total value of the net sales revenue from such activity comprises over 50 per cent of the total value of net sales revenue for the reporting period.

14. "Reporting period" shall mean the calendar year (1 January – 31 December), unless otherwise provided for herein.

15. "Payment to government" for the purposes of Chapter Seven, Section V shall be an amount paid in monetary terms or in kind by a company operating in the field of mining and quarrying, or by a company operating in the logging of primary forests, for liabilities to the government under Article 54, item 2.

16. "Repeated violation" shall be a violation committed within one year of the entry into force of the penalty warrant wherewith the offender is penalised for a violation of the same type.

17. "Government" for the purposes of Chapter Seven, Section V shall be a national, regional or local authority of a Member State of the European Union or of a third country. The term "government" shall include a directorate, agency or entity, controlled by the authorities of the State.

18. "Parent enterprise" shall be a legal person exercising control over one or more subsidiaries.

19. "A company operating in the field of mining and quarrying" shall be an enterprise carrying out business involving survey, search, detection, development of mineral deposits and the extraction of minerals, oil, natural gas or other raw materials falling within the scope of economic activities listed in Annex I, Section C, items 05-08 to Regulation (EC) No. 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Rev. 2 and amending Council Regulation (EEC) No 3037/90 and certain EC regulations on specific statistical areas, hereinafter referred to as "Regulation (EC) No 1893/2006".

20. "A company operating in the logging of primary forests" shall be an enterprise performing its business in primary forests in accordance with Annex I, Section A, item 02, group 02.2 to Regulation (EC) No 1893/2006.

21. "Project" for the purposes of Chapter Seven, Section V shall be operational activities managed under contract, licence, lease, concession or similar legal agreements, representing the basis of a payment obligation to a government. If such agreements are related to each other, they shall be deemed as a single project.

22. "Public interest enterprises" shall be:

- a) enterprises whose transferable securities are admitted to trading on a regulated market in a Member State of the European Union;
- b) credit institutions;
- c) insurers and reinsurers;
- d) pension insurance companies and funds managed by them;
- e) investment firms, which are large enterprises under this Act;
- f) collective investment schemes and management companies within the meaning of the Collective Investment Schemes and Other Collective Investment Undertakings Act, which are large enterprises under this Act;
- g) financial institutions within the meaning of the Credit Institutions Act, which are large enterprises under this Act;
- h) Holding Bulgarian State Railways EAD and its subsidiaries; the National Railway Infrastructure Company;
- i) companies whose primary business is to produce and/or to transfer, and/or to sell electricity and/or heat and which are large enterprises under this Act;
- j) companies whose primary business is to import and/or to transfer, and/or to distribute or transit natural gas and which are large enterprises under this Act;
- k) (amended, SG No. 95/2016) Water Supply and Sewerage operators within the meaning of Article 2 (1) of the Regulation of Medium and Large Water Supply and Sewerage Companies Act.

23. "Regulated market" shall be a market in the meaning of Article 73 of the Markets in Financial Instruments Act.

24. "Manager of an enterprise" shall be a person or persons who manage the enterprise personally in the capacity of owners, managing directors or persons authorised by contract, who are responsible for the entire economic activity of the enterprise before the owner or owners – shareholders, partners, before the local administration or before the State.

25. "Connected enterprises" shall be any two or more enterprises within a group.

26. "General government sector" shall mean a General government sector that meets the requirements set out in the European system of national and regional accounts in the Community.

27. "Accounting firm" shall be any person registered in accordance with the Commerce Act or under the legislation of another Member State of the European Union, or a country signatory to the Agreement on the European Economic Area, including in its scope of business the organising of accounting and drawing up financial statements.

28. "Financial holding companies" shall be companies the sole object of which is the acquisition of holdings in other companies, management of such holdings and profiting from them without they themselves participating directly or indirectly in the management of such companies, and without prejudice to the rights they possess in the financial holding companies as shareholders.

29. "Digital or another type of identifier" shall be a digital or another type of unique repetitious code which corresponds unambiguously to the person bearing the rights to perform certain actions.

30. (New, SG No. 97/2016, effective 1.01.2017, amended, SG No. 92/2017, effective 1.01.2018) "Enterprises that have not carried out any activity during the reporting period" means undertakings for which the following conditions are true simultaneously:

- a) during the reporting period no transactions under Article 1 (1) of the Commerce Act have been effected;
- b) during the reporting period no conditions for recognizing income under the Accountancy Act and applicable accounting standards have occurred;
- c) have not carried out activity related to investment, production and/or sales;

d) have not effected purchases of goods and services aimed at earning income and profits.

§ 2. This Act shall introduce the requirements of

1. Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on annual financial statements, consolidated financial statements and related reports of certain types of companies and amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182/19 of 29 June 2013).

2. Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330/1 of 15 November 2014).

§ 3. Micro-enterprises, beyond reliefs for them under this Act, shall be treated as small enterprises.

§ 4. Public interest enterprises for the purposes of this Act shall be treated as large enterprises, with the exception of the applicable accounting basis, regardless of the book value of the assets, the net sales revenue and the average number of employees.

§ 5. Where an enterprise referred to in § 1, item 22 of the supplementary provisions ceases to be a public interest enterprise, it may, once in the first reporting period following the period in which the enterprise ceased to be a public interest enterprise, change its applicable accounting basis.

§ 5a. (New, SG No. 97/2017, effective 1.01.2018) An enterprise which uses the International Accounting Standards within the meaning of § 1, Item 8 as its basis of accounting, shall carry out bookkeeping and draw up its financial statements in accordance with the requirements of these standards, in full and without any modifications. Where the International Accounting Standards contain provisions other than the provisions of the Act, the provisions of the International Accounting Standards shall apply.

TRANSITIONAL AND FINAL PROVISIONS

§ 6. This Act shall repeal the Accountancy Act (promulgated, SG No. 98 of 2001; amended, SG No. 91/2002, SG No. 96/2004, SG Nos. 102 and 105/2005, SG No. 33, 63, 105 and 108/2006, SG No. 57/2007, SG Nos. 50, 69 and 106/2008, SG No. 95/2009, SG No. 94/2010, SG Nos. 19, 34 and 99/2011, SG No. 94/2012 and Nos. 15, 91 and 100/2013).

§ 7. Enterprises and groups of enterprises shall specify their category for 2016 in accordance with Articles 19 and 21, according to their indicators as of 31 December 2015.

§ 8. Enterprises which as of 1 January 2016 meet the criteria for micro-, small or medium-sized enterprise pursuant to Article 19 of this Act and draw up their annual financial statements based on the International Accounting Standards, may switch one-off to application of the National Accounting Standards following the adoption of a national accounting standard.

§ 9. Administrative penal proceedings pending until the entry into force of this Act shall be completed in accordance with the previous procedure.

§ 10. (1) Financial statements and management reports for 2015 shall be drawn up and audited in accordance with the repealed Accountancy Act.

(2) Financial statements and management reports for 2015 shall be published in accordance with this Act.

§ 11. (1) Large enterprises hereunder shall draw up their annual financial statements for 2016 in accordance with the International Accounting Standards.

(2) The provision of Article 34 (2) as regards large enterprises shall be in effect since 1 January 2017.

§ 12. The Political Parties Act (promulgated, SG No. 28/2005; amended, SG No. 102/2005, SG Nos. 17 and 73/2006, SG Nos. 59 and 78/2007, SG No. 6/2009, SG Nos. 54 and 99/2010, SG Nos. 9 and 99/2011, SG Nos. 30, 68 and 71/2013, SG No. 19/2014 and SG No. 32/2015) shall be amended as follows:

1. Article 23 (5) shall be amended as follows:

"(5) The non-monetary income under paragraph (1) shall be measured under the procedure of Article 26 (2) of the Accountancy Act."

2. Article 34 (1) shall be amended as follows:

"(1) Political parties shall draw up financial statements for the preceding calendar year in accordance with the requirements of Chapter Three, Section III of the Accountancy Act."

§ 13. In the Insurance Code (promulgated, SG No. 103/2005; amended, SG No. 105/2005, SG Nos. 30, 33, 34, 54, 59, 80, 82 and 105/2006, SG Nos. 48, 53, 97, 100 and 109/2007, SG Nos. 67 and 69/2008, SG Nos. 24 and 41/2009, SG Nos. 19, 41, 43, 86 and 100/2010, SG Nos. 51, 60 and 77/2011, SG Nos. 21, 60 and 77/2012 and SG Nos. 20, 70 and 109/2013) in § 1, item 29 of the supplementary provisions, the words "Article 37 (2)" shall be replaced by "Article 31 (1)".

§ 14. In the Social Insurance Code (promulgated, SG No. 110/1999, Decision No 5 of the Constitutional Court of 2000 – SG No. 55/2000; amended, SG No. 64/2000, SG Nos. 1, 35 and 41/2001, SG Nos. 1, 10, 45, 74, 112, 119 and 120/2002, SG Nos. 8, 42, 67, 95, 112, and 114/2003, SG Nos. 12, 21, 38, 52, 53, 69, 70, 112 and 115/2004, SG Nos. 38, 39, 76, 102, 103, 104 and 105/2005, SG Nos. 16, 30, 34, 56, 57, 59 and 68/2006; corrected, SG No. 76/2006; amended, SG Nos. 80, 82, 95, 102 and 105/2006, SG Nos. 41, 52, 53, 64, 77, 97, 100, 109 and 113/2007, SG Nos. 33, 43, 67, 69, 89, 102 and 109/2008, SG Nos. 23, 25, 35, 41, 42, 93, 95, 99 and 103/2009, SG Nos. 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100/2010; Decision No. 7 of the Constitutional Court of 2011- SG No. 45/2011; amended, SG Nos. 60, 77 and 100/2011, SG Nos. 7, 21, 38, 40, 44, 58, 81, 89, 94 and 99/2012, SG Nos. 15, 20, 70, 98, 104, 106, 109 and 111/2013, SG Nos. 1, 19, 27, 35, 53 and 107/2014, and SG Nos. 12, 14, 22, 54, 61 and 79/2015) in Article 186a (2), the words "with the content of Article 26 (1)" shall be replaced by "pursuant to Article 29 (1)".

§ 15. The Excise Duties and Tax Warehouses Act (promulgated, SG No. 91/2005; amended, SG No. 105/2005, SG Nos. 30, 34, 63, 80, 81, 105 and 108/2006, SG Nos. 31, 53, 108 and 109/2007, SG Nos. 36 and 106/2008, SG Nos. 6, 24, 44 and 95/2009, SG Nos. 55 and 94/2010, SG Nos. 19, 35, 82 and 99/2011, SG Nos. 29, 54 and 94/2012, SG Nos. 15, 101 and 109/2013, SG Nos. 1 and 105/2014, and SG No. 30/2015) in Article 84 (6) in the text before item 1, the words "Article 7" shall be replaced by "Article 6."

§ 16. The Water Act (promulgated, SG No. 67/1999; amended, SG No. 81/2000, SG Nos. 34, 41 and 108/2001, SG Nos. 47, 74, and 91/ of 2002, SG Nos. 42, 69, 84, and 107/2003, SG Nos. 6 and 70/2004, SG Nos. 18, 77 and 94/2005, SG Nos. 29, 30, 36 and 65/2006; corrected, SG No. 66/2006; amended, SG Nos. 105 and 108/2006, SG Nos. 22 and 59/2007, SG Nos. 36, 52 and 70/2008, SG Nos. 12, 32, 35, 47, 82, 93, 95 and 103/2009, SG Nos. 61 and 98/2010, SG Nos. 19, 28, 35 and 80/2011, SG Nos. 45, 77 and 82/2012, SG Nos. 66 and 103/2013, SG Nos. 26, 49, 53 and 98/2014, and SG Nos. 12, 14, 17, 58 and 61/2015) § 4, paragraph (4) of the transitional and final provisions shall be amended as follows:

"(4) For the fixed assets of the entities under paragraph (3) and for the other water systems and facilities for which a concession has been established, depreciation shall be charged in accordance with the applicable accounting standards in compliance with Chapter Four of the Accountancy Act."

§ 17. The Income Taxes on Natural Persons Act (promulgated, SG No. 95/2006; amended, SG Nos. 52, 64 and 113/2007, SG Nos. 28, 43 and 106/2008, SG Nos. 25, 32, 35, 41, 82, 95 and 99/2009, SG Nos. 16, 49, 94 and 100/2010, SG Nos. 19, 31, 35, 51 and 99/2011, SG Nos. 40, 81 and 94/2012, SG Nos. 23, 66, 100 and 109/2013, SG Nos. 1, 53, 98, 105 and 107/2014, and SG Nos. 12, 22, 61 and 79/2015) in Article 9 (2) the words "Article 7" shall be replaced by "Article 6."

§ 18. In the Special Purpose Investment Companies Act (promulgated, SG No. 46/2003; amended, SG No. 109/2003, SG No. 107/2004, SG Nos. 34, 80 and 105/2006, SG Nos. 52 and 53/2007, SG No. 77/2011 and SG No. 34/2015) in Article 12 (2), second sentence, the words "Article 34 (2)" shall be replaced by "Article 18".

§ 19. In the Corporate Income Tax Act (promulgated, SG No. 105/2006; amended, SG Nos. 52, 108 and 110/2007, SG Nos. 69 and 106/2008, SG Nos. 32, 35 and 95/2009, SG No. 94/2010, SG Nos. 19, 31, 35, 51, 77 and 99/2011, SG Nos. 40 and 94/2012, SG Nos. 15, 16, 23, 68, 91, 100 and 109/2013, SG Nos. 1, 105 and 107/2014, and SG Nos. 12, 22, 35 and 79/2015) in Article 10 (3) the words "Article 1 (2)" shall be replaced by "Article 2".

§ 20. In the Medical-Treatment Facilities Act (promulgated, SG No. 62/1999; amended, SG Nos. 88 and 113/1999; corrected, SG No. 114/1999; amended, SG Nos. 36, 65 and 108/2000; Decision of the Constitutional Court No. 11 of 2001 – SG No. 51/2001; amended, SG Nos. 28 and 62/2002, SG Nos. 83, 102 and 114/2003, SG No. 70/2004, SG Nos. 46, 76, 85, 88, and 105/2005, SG Nos. 30, 34, 59, 80 and 105/2006, SG Nos. 31, 53 and 59/2007, SG No. 110/2008, SG Nos. 36, 41, 99 and 101/2009, SG Nos. 38, 59, 98 and 100/2010, SG Nos. 45 and 60/2011, SG Nos. 54, 60 and 102/2012, SG Nos. 15 and 20/2013, SG No. 47/2014, and SG No. 72/2015) in Article 102 (4), the words "Article 15 of the Accountancy Act" shall be replaced by "the applicable accounting standards in accordance with Chapter Four of the Accountancy Act".

§ 21. The Financial Support for Culture Act (promulgated, SG No. 103/2005; amended, SG Nos. 30, 34, 63 and 80/2006, SG Nos. 53 and 109/2007, SG No. 42/2009, and SG No. 20/2012), Article 21 (2) shall be amended as follows:

1. In item 1, the words "Article 1 (2)" shall be replaced by "Article 2".
2. In item 2, the words "Article 1 (2)" shall be replaced by "Article 2".

§ 22. The Environmental Protection Act (promulgated, SG No. 91/2002; amended, SG No. 98/2002, SG No. 86/2003, SG Nos. 70, 74, 77, 88, 95 and 105/2005, SG Nos. 30, 65, 82, 99, 102 and 105/2006, SG Nos. 31, 41 and 89/2007, SG Nos. 36, 52 and 105/2008, SG Nos. 12, 19, 32, 35, 47, 82, 93 and 103/200, SG Nos. 46 and 61/2010, SG Nos. 35 and 42/2011, SG Nos. 32, 38, 53 and 82/2012, SG Nos. 15, 27 and 66/2013, SG Nos. 22 and 98/2014, and SG No. 62/2015) in Article 62 (7) the words "Article 33 (6)" shall be replaced by "Article 63 (4)".

§ 23. The Public Offering of Securities Act (promulgated, SG No. 114/1999; amended, SG Nos. 63 and 92/2000, SG Nos. 28, 61, 93 and 101/2002, SG Nos. 8, 31, 67 and 71/2003, SG No. 37/2004, SG Nos. 19, 31, 39, 103 and 105/2005, SG Nos. 30, 33, 34, 59, 63, 80, 84, 86 and 105/2006, SG Nos. 25, 52, 53 and 109/2007, SG Nos. 67 and 69/2008, SG Nos. 23, 24, 42 and 93/2009, SG Nos. 43 and 101/2010, SG Nos. 57 and 77/2011, SG Nos. 21, 94 and 103/2013, SG No. 109/201, and SG Nos. 34, 61 and 62/2015) shall be amended as follows:

1. In Article 81 (3), second sentence, the words "Article 34 (2)" shall be replaced by "Article 18".
2. In Article 100m (3), second sentence, the words "Article 34 (2)" shall be replaced by "Article 18".
3. In Article 124 (2) item 4, the words "Article 26 (1)" shall be replaced by "Article 29 (1)".

§ 24. The Roads Act (promulgated, SG No. 26/2000; amended, SG No. 88/2000, SG No. 111/2001, SG Nos. 47 and 118/2002, SG Nos. 9 and 112/2003, SG Nos. 6 and 14/2004, SG Nos. 88 and 104/2005, SG Nos. 30, 36, 64, 102, 105 and 108/2006, SG No. 59/2007, SG Nos. 43 and 69/2008, SG Nos. 12, 32, 41, 42, 75, 82 and 93/2009, SG No. 87/2010, SG Nos. 19, 39, 55 and 99/201, SG Nos. 38, 44, 47 and 53/2012, SG Nos. 15 and 66/2013, SG Nos. 16, 53 and 98/2014, and SG Nos. 10, 14, 37 and 61/2015) in Article 28h (2) the words "Article 33 (6)" shall be replaced by "Article 63 (4)".

§ 25. In the Commercial Register Act (promulgated, SG No. 34/2006; amended, SG Nos. 80 and 105/2006, SG Nos. 53 and 59/2007, SG Nos. 50 and 94/2008, SG No. 44/2009, SG No. 101/2010, SG Nos. 34 and 105/2011, SG Nos. 25, 38 and 99/2012, SG No. 40/2014, and SG Nos. 22 and 54/2015) in Article 6 (3) the words "Article 40 (1) – (3)" shall be replaced by "Article 38 (1), (3) and (5)".

§ 26. The Commerce Act (promulgated, SG No. 48/1991; amended, SG No. 25/1992, SG Nos. 61 and 103/1993, SG Nos. 63/1994, SG No. 63/1995, SG Nos. 42, 59, 83, 86 and 104/1996, SG Nos. 58, 100 and 124/1997, SG Nos. 21, 39, 52 and 70/1998, SG Nos. 33, 42, 64, 81, 90, 103 and 114/1999, SG No. 84/2000, SG Nos. 28, 61 and 96/2002, SG Nos. 19, 31 and 58/2003, SG Nos. 31, 39, 42, 43, 66, 103 and 105/2005, SG Nos. 38, 59, 80 and 105/2006, SG Nos. 59, 92 and 104/2007, SG Nos. 50, 67, 70, 100 and 108/2008, SG Nos. 12, 23, 32, 47 and 82/2009, SG Nos. 41 and 101/2010, SG Nos. 14, 18 and 34/2011, SG Nos. 53 and 60/2012, SG Nos. 15 and 20/2013, SG No. 27/2014, and SG No. 22/2015) shall be amended and supplemented as follows:

1. In Article 221:

a) in item 6 at the end shall be added "when the conduct of an audit is mandatory in the cases provided for by law or a decision is made for conduct of an independent financial audit";

b) in item 7 after the word "auditor" shall be added "when an independent financial audit has been conducted".

2. a) in Article 245 at the end shall be added: item 6 at the end shall be added "when the conduct of an audit is mandatory in the cases provided for by law or a decision is made for conduct of an independent financial audit".

3. Article 248 (1) shall be amended as follows:

"(1) The annual financial statements shall be audited by the registered auditors appointed by the general meeting in the cases provided for by law."

4. In Article 249 (1), after the word "When" shall be added "the annual financial statements of the company are subject to statutory independent financial audit by law and".

5. In Article 251:

a) in paragraph (3), first sentence shall be amended as follows: "When conduct of an independent financial audit is mandatory in the cases provided for by law, or when a decision is made on conduct of an independent financial audit, the general meeting shall adopt the annual financial statements after the completion of the audit and presentation of the audit report. The registered auditor shall participate in the meeting of the Supervisory Board or the Board of Directors under paragraphs (1) and (2) accordingly";

b) in paragraph (4), the words "Audited and approved" shall be replaced by "Adopted by the general meeting".

§ 27. In the Independent Financial Audit Act (promulgated, SG No. 101/2001; amended, SG No. 91/2002, SG No. 96/2004, SG Nos. 77 and 105/2005, SG Nos. 30, 33, 62 and 105/2006, SG No. 67/2008, SG No. 95/2009, SG No. 54/2010, SG No. 99/2011, SG Nos. 38, 60 and 102/2012, SG No. 15/2013, and SG No. 61/2015) in § 1 of the supplementary provision, item 11 shall be amended as follows:

"11. "Public interest enterprises" shall be enterprises in the meaning of § 1, item 22 of the supplementary provisions of the Accountancy Act."

§ 28. In the Public Finance Act (SG No. 15/2013) in Article 168 (1) the words "Article 1 (2)" shall be replaced by "Article 2".

§ 29. This Act shall enter into force on 1 January 2016, except for Articles 48 – 52, which shall be effective as of 1 January 2017.

This Act was adopted by the 43rd National Assembly on 24 November 2015 and was stamped with the official seal of the National Assembly.