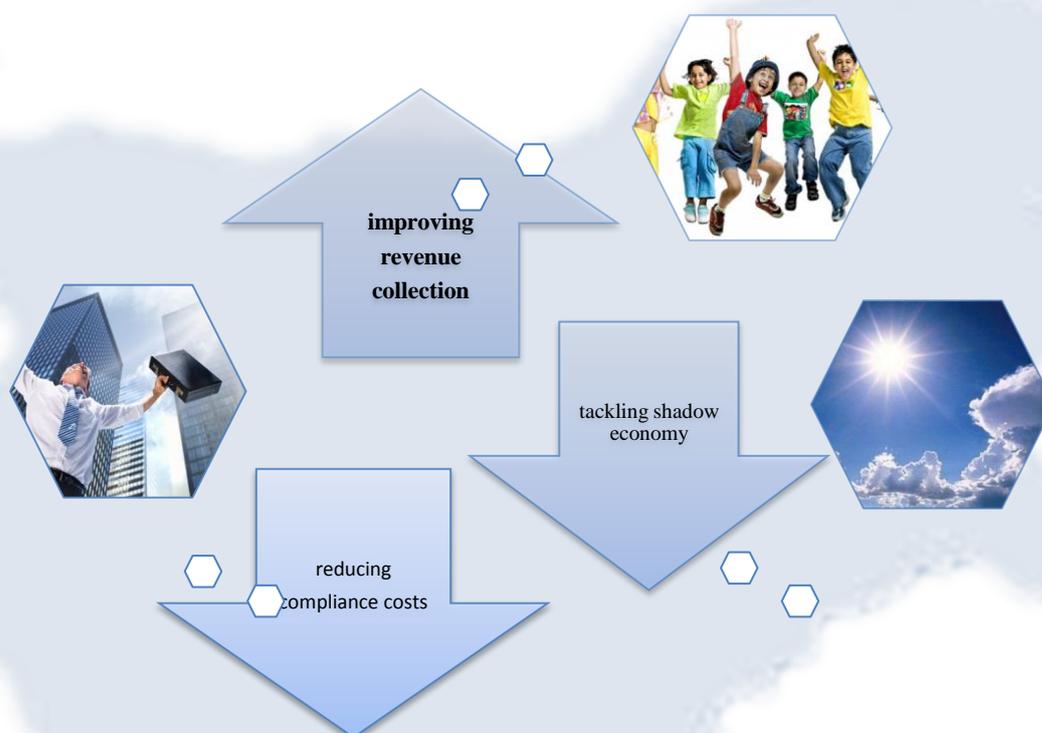




Evaluation Report

on the implementation of the Single National Strategy for
improving tax collection, tackling shadow economy and reducing
compliance costs 2015 -2017

2018



<i>CONTENTS</i>	2
<i>ABBREVIATIONS USED</i>	3
<i>INTRODUCTION</i>	5
<i>TAX POLICY</i>	6
<i>RESULTS ACHIEVED IN THE IMPLEMENTATION OF SNS 2015-2017</i>	8
<i>STRATEGIC OBJECTIVE 1. TACKLING SHADOW ECONOMY</i>	9
Scope	9
Presenting Bulgaria in documents and studies	9
Key results from implementation of measures for tackling shadow economy	12
Control over supplies and movement of liquid fuels.....	12
Fiscal control of high fiscal risk goods	15
Limiting cash payments and concealing sales	16
Risk management.....	21
Reducing undeclared work	22
<i>STRATEGIC OBJECTIVE 2. IMPROVING REVENUE COLLECTION</i>	27
Report on of tax revenue execution	27
Tax revenues for 2018	27
Tax and social security revenues for 2015-2018	30
Summary of key administrative measures implemented for the period 2015 - 2018 and results achieved.....	35
Key results obtained in implementing the measures for improving tax collection	37
Coordination and close operational cooperation	37
Digital economy taxation.....	42
Encouraging voluntary compliance.....	43
Collection of public liabilities.....	47
<i>STRATEGIC OBJECTIVE 3. REDUCING COMPLIANCE COSTS</i>	49
Policy implementation	49
Key results obtained in implementing the measures for reducing the administrative burden	52
Facilitating the administrative regimes and procedure and shortening the deadlines for provision of services	52
Extending the scope of online services	57
<i>REPORT ON THE IMPLEMENTATION IN 2018 OF THE MEASURES FROM THE ACTION PLAN ANNEXED TO SNS 2015 – 2017 (TABLES)</i>	59

Abbreviations used

RA – Registry Agency	EC – European Commission
BICA – Bulgarian Industrial Capital Association	SNS – Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs
EA – Employment Agency	EP – European Parliament
AFCOS - Protection of the European Union Financial Interests Directorate (AFCOS) to the Ministry of Interior	EU – European Union
CA – Customs Agency	ESF – European Social Fund
AEAO – Act for establishing an administrative offence	FMES – Fiscal Memory Electronic System
RN – Recovery Notice	SP – Sole Proprietor
BFSA – Bulgarian Food Safety Agency	EDTWA – Excise Duties and Tax Warehouses Act
BEDCIS – Bulgarian excise duty centralized information system	HSW – health and safety at work
GDP – gross domestic product	ASA – Amending and Supplementing Act
BNB – Bulgarian National Bank	SBRBA – State Budget of the Republic of Bulgaria Act
ICS – Intra-Community Supply	VATA – Value Added Tax Act
ICA – Intra-Community Acquisition	PITA – Personal Income Tax Act
GDCOC, GDNP and GDBP – General Directorates “Combating Organised Crime”, “National Police” and “Border Police” to the MoI	HIA – Health Insurance Act
ATR – Annual Tax Return	CIA – Credit Institutions Act
LSTI – Large Sized Taxpayers and Insurers	CITA – Corporate Income Tax Act
GDFC – General Directorate Fiscal Control to the Central Administration of the NRA	LTFA –Local Taxes and Fees Act
GLI and GLI EA – General Labour Inspectorate Executive Agency	OMF – Order of the Minister of Finance
BCCP – Border Crossing Checkpoint	EPA – Employment Promotion Act
CRAS - Directorate General Civil Registration and Administrative Services to the Ministry of regional Development and Public Works	ARARACEA - Act Restricting Administrative Regulation and Administrative Control over Economic Activity
AFR – Annual Financial Report	PPA – Public Procurement Act
SANS – State Agency for National Security	PSPSA – Payments Services and Payments Systems Act
SB – State budget	LMLMA – Labour Migration and Labour Mobility Act
SG – State Gazette of the Republic of Bulgaria	EAAA – Executive Agency “Automobile Administration”
VAT – Value Added Tax	EAMA – Executive Agency Marine Administration
PIT – personal income tax	IS – Information System
TP / LP – taxable persons / liable persons	FCIS – Fuel control information system
TSIPC – Tax and Social Insurance Procedure Code	ITC - Information telephone campaigns
PTP - Pre-trial proceedings	CAS – complete administrative service
TW – Tax Warehouse	QES – Qualified Electronic Signature
SFA – State Fund Agriculture	CPC - Consumer Protection Commission
SF – State Fund	CN – Combined Nomenclature
EEA – European Economic Area	CEIB – Confederation of Employers and Industrialists in Bulgaria
	LC – Labour Code
	CFP – Consolidated Fiscal Program

MoI – Ministry of Interior
 IMF –International Monetary Fund
 ICCSCMRGC and ICCICC – Interinstitutional coordination centre for counteracting smuggling and controlling movement of risk goods and cargo
 CM – Council of Ministers
 SME – small and medium-sized undertakings
 MLSP– Ministry of Labour and Social Policy
 MTITC – Ministry of Transport, Information Technologies and Communications
 MF – Ministry of Finance
 NRA – National Revenue Agency
 UTC – unrecovered tax credit
 AO – Amending Ordinance
 NHIF - National Health Insurance Fund
 PC – Penal Code
 NSSI – National Social Security Institute
 OGRISREAS - Ordinance on the general requirements for information systems, registers and electronic administrative services
 PPC – Criminal Procedure Code
 NSI – National Statistical Institute
 OECD – Organization for Economic Cooperation and Development
 OLAF - European Anti-Fraud Office (in French: Office Européen de Lutte Anti-Fraude), known by the Bulgarian abbreviation: OLAF
 OP HRD – operational programme Human Resource Development
 PIC – Personal Identification Code
 TFP – Transitional and final provisions
 DCM– Decree of the Council of Ministers
 RAS – Rules Amending and Supplementing
 POS terminal - POS terminal device (or POS terminal) is a device for accepting direct payment with debit and credit cards (POS - point of sale, point of service)
 PIC – Pension Insurance Company
 RAVATA - Rules on the Application of the Value Added Tax Act
 RAEDTWA – Rules for the Application of the Excise Duties and Tax Warehouses Act
 PORB – Prosecutor's Office of the Republic of Bulgaria
 FCFI – Facts and Circumstances Finding Inspection
 RB – the Republic of Bulgaria
 RLCA - Register of Liabilities to the Customs Administration
 WG – Working Group
 DCM – Decree of the Council of Ministers
 DSA – duty suspension arrangement
 ISC – Investigation of special cases
 HFRG – high fiscal risk goods
 MDIRDMoI – Metropolitan Directorate of Interior and Regional Directorates of the Ministry of Interior
 MSTI – Medium Sized Taxpayers and Insurers
 CJ - Court of Justice
 CADT – convention for the avoidance of double taxation
 SP – Specialized Prosecutor’s Office
 TD – territorial directorate
 ER – Employment Relationship
 TCE - Technical Control Equipment
 ISM - Management of Information Systems
 FD – Fiscal Device
 CO – Central Office
 BEPS – Base Erosion and Profit Shifting
 EMCS - Excise Movement and Control System
 GPS – Global Positioning System
 SEED - System for Exchange of Excise Data
 TFDE - Task Force on Digital Economy -
 VIES – VAT Information Exchange System

Introduction

This report is a fourth report on the implementation of the Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs (SNS) 2015 – 2017. The report has been prepared pursuant to Decree of the Council of Ministers No.95 of 16.02.2018 setting the reporting on the implementation of the strategy for 2018.

With the establishment of the Strategy in 2015 Bulgaria introduced a very good practice of a single interinstitutional approach for coordination and close operational cooperation between competent national revenue institutions, a system of indicators for monitoring and evaluation was developed with specific deadlines for implementation and responsible institutions. In response to the specific recommendation of the Council of the European Union of 11 July 2017, and given the positive results achieved in recent years in terms of increasing tax revenue, optimizing control activities, preventing tax avoidance and evasion, the Strategy deadline was extended by DCM No. 95 of 16.02.2018, and an action plan with specific measures to be implemented in 2018 was approved.

Budget revenue-boosting measures support the maintenance of a policy of gradual consolidation, budget deficit reduction in the medium term and a balanced budget position in 2021, which is set as an objective in the Updated Medium-Term Forecast for 2019-2021 and other strategic documents.

Monitoring is carried out for the implementation of SNS 2015-2017 and its main objective is to ensure coherence, coordination and mutual assistance in the implementation of identified measures and activities. The Ministry of Finance is the institution responsible for the direct control of the implementation of the Strategy and the Action Plan. Within that responsibility, a Strategy Implementation Monitoring Group was set up by an Order of the Minister of Finance (OMF-260/04 April 2016). It includes representatives of the Ministry of Finance, the National Revenue Agency, the Customs Agency, the State Agency for National Security, the Supreme Prosecutor's Office of Cassation and the General Labour Inspectorate Executive Agency. Reporting information is provided by the competent ministries and agencies and has been analysed and summarized by the Strategy Implementation Monitoring Group.

The first three evaluation reports on the implementation of the SNS for 2015, 2016 and 2017 were approved by the Council of Ministers respectively, with Protocol No. 17 / 27.04.2016, with Protocol No. 13 / 22.03.2017 and with Protocol No. 12 / 21.03. 2018. They are published on the Ministry of Finance website in Bulgarian and English in the "Taxation in Numbers" column.

This report contains information on the progress made in implementing the measures set out in the Action Plan to SNS 2015-2017 for the period January 1 to December 31, 2018. Reporting information covers measures addressing specific recommendations made by the Council of the European Union to Bulgaria over the last few years. In line with the latest of these tax policy recommendations, Bulgaria should improve tax collection, including by stepping up enforcement of measures to reduce the extent of the informal economy. In light of this, in the 2018 Action Plan to SNS 2015-2017, based on ongoing revenue agencies' analyses of the effects of the anti-tax fraud measures implemented in the fight against tax fraud, measures and actions are planned that integrate all aspects and constitute a single measure aimed at creating a common interinstitutional approach for improving tax collection, decreasing informal economy's share and reducing compliance costs.

In view of the final nature of the report in terms of the operation of the Strategy, it also includes summarized results. It should be noted that most of the measures foreseen in the Action Plan to the SNS are permanent. These measures, together with a number of others, are included in the strategy papers that each of the responsible institutions develops and implements. The main results from the implementation of the measures for improving compliance, as well as increasing tax revenues, insurance contributions and fees, through greater efficiency in their

administering, encouraging voluntary compliance and preventing opportunities for tax avoidance and evasion will be presented in the coming years in the National Reform Program in Bulgaria within the framework of the European Semester.

The 2019 Report on Bulgaria recently published by the European Commission, which includes an in-depth review on the prevention and correction of macroeconomic imbalances (Brussels, 7.3.2018 SWD(2018) 201 final¹), positive effect of measures is reported to raise collection rates in the sectors with a high risk to the shadow economy, undeclared work including. The EC notes that, despite the relatively simple tax structure, compliance costs remain high. To justify this, the EC draws attention to Bulgaria's consistent low-ranking in paying taxes index in the World Bank's Doing Business reports.

The Commission acknowledges that measures taken to improve tax compliance have yielded some positive results, which it relates in particular to consumption taxes such as VAT and excise duties and to corporate income tax. In the field of combatting undeclared work it considers successful NRA's measures on the implementation of information campaigns and realized projects to increase e-services to taxpayers as well as measures taken to introduce one-day flexible contracts in agriculture, the exclusion from public procurement of companies, convicted in the last three years for undeclared work and the agreement reached between the General Labour Inspectorate Executive Agency and the trade unions for a joint initiative against undeclared work. Among measures evaluated as successful is also the campaign conducted by the NRA for checking cash declared by companies, as well as the introduction of tax controls on the movement of high-risk goods. It is pointed out that most of the measures were included in the SNS, the last action plan of which was in effect until the end of 2018.

As stated in the Strategy itself, budget revenue collection is crucial for the good government management. Combating shadow economy and undeclared work and removing administrative obstacles to voluntary implementation should also contribute to the achievement of this key objective. Improving tax collection is the guideline in the recommendations of the EU Council as well. Taking this into account and because of the large amount of information, similarly to the previous reports, the implementation progress reported during the period is presented separately for each area, measure and activity in the tables only. The measures intended to achieve strategic objectives set out in SNS 2015-2017 are examined in three separate tables of the report.

The textual part of the report examines positive developments that have helped to achieve the strategic goals of SNS for the period of its action, presenting in detail those measures, the results of which have a key role in the progress achieved in improving revenue collection, reducing shadow economy and compliance costs.

Tax Policy

The tax and social security policy in the Republic of Bulgaria continues to be oriented towards supporting economic growth, improving business environment and increasing fiscal sustainability in the long run. Tax policy is characterized by predictability, while promoting business development and investment activity by maintaining low tax rates on direct taxes (corporate and personal income taxes), a broad tax base, and a small number of tax preferences. In an international aspect, tax policy is aimed at supporting the functioning of the European Union's single market and addressing challenges of globalization and digitization of the economy.

The tax policy in 2018 is oriented towards achieving macroeconomic and budgetary stability over the medium and long term and providing necessary financial resources for

¹ https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en

implementation of the government's spending policies. The main priorities of the tax policy correspond to the SNS 2015-2017 objectives and are tied to the specific recommendations made by the Council of the European Union to Bulgaria in recent years

The main priority of tax policy for 2018 is to increase collection of tax revenues and reduce shadow economy share by preventing opportunities for tax evasion and non-payment of taxes and tax avoidance. Achieving this goal has led to maintaining a sustainable level of budget revenue while preserving the taxation burden. The objective of reducing administrative burdens and costs for businesses and citizens has been maintained, with a view to reducing compliance costs and enhancing voluntary implementation.

Measures implemented in 2018 include both legislative changes as well as measures taken by the revenue administrations in the field of collection and control. Improved effectiveness achieved in implementing the measures is directly related to the strengthening of interinstitutional cooperation, coordination and effective exchange of information both at national level and with the EU Member States and third countries.

Results achieved in the implementation of SNS 2015-2017

In order to make significant progress in improving tax revenues collection as well as in the fight against shadow economy, the measures from the Plan to the Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs (SNS) were implemented. Legal and administrative measures adopted have a positive effect for increasing fiscal revenue as well. Competent institutions will continue to apply best practices recommended by the EU Council, adhering to planning, interinstitutional cooperation and coordination, and implementing a systemic approach to the measures implemented and effect pursued.

With the SNS 2015-2017, the government has implemented a commitment to adopt a single strategy paper set in the update of the 2015 National Reform Program.

The main objective of the Strategy is to improve compliance, protect the country's fiscal stability and ensure equal treatment and competitiveness of all economic actors by implementing measures and activities that increase revenues from taxes, insurance contributions and fees through greater efficiency in their administration and prevention of their evasion, as well as stimulation of voluntary performance. This objective of the Strategy requires interinstitutional coordination and cooperation, enhanced activity in the field of risk assessment, auditing and capacity of the administration in the field of information technology.

Three main strategic objectives have been formulated:

- Strategic objective 1. Tackling shadow economy;
- Strategic objective 2. Increasing revenue collection;
- Strategic objective 3. Reducing compliance costs.

Measures and actions to achieve the objectives set out were outlined in a Strategy Action Plan which was updated for each of the four years of SNS's operation. Strategy implementation reports include both data on the individual areas of action against strategic objectives as well as detailed information on the implementation of those measures, the results of which have a key role in the progress made in improving revenue collection, reducing shadow economy's size and compliance costs.

It should be noted that both limiting shadow economy and reducing compliance costs are associated with higher tax collection. In this respect, results achieved in Bulgaria regarding collection rate improvement should also be seen as a consequence of the implemented activities and measures under all objectives of the strategy. It should also be noted that measures to achieve these objectives should be balanced in order to avoid excessive administrative burdens when identifying measures and activities to combat shadow economy and to ensure conditions for prevention of infringements and control by the administration when planning measures to limit manifestations of shadow economy.

Strategic objective 1. Tackling shadow economy

This section contains information on shadow economy factors, manifestation of which is subject to treatment by the measures included in the Action Plan to the SNS. A summary is made of the country's presentation in some of the most recent published analyses. Implementation of key actions is presented in relation to the measures for achieving strategic objective 1 of the SNS.

Scope

Various documents and studies show² that high levels of tax legislation complexity, its weak or inefficient enforcement and the lack of incentives to trade and make payments through the banking system are among factors that affect shadow economy level. Another important factor is the level of confidence that taxpayers have in government³. There are a number of other factors that may affect shadow economy level, such as development of the official economy, indicators related to management - quality of regulation and corruption control, labour-leisure choices, quality of public sector services and culture of tolerance, but these factors cannot be influenced by tax policy and tax administration measures.

As laid down in the SNS, measures to reduce shadow economy are limited to those actions and measures of the state administration that may have an impact on the prerequisites and indicators for the emergence of the shadow economy and its impact on the amount of tax revenues in the state budget. Such prerequisites and indicators are: cash payments, unregistered activities or undeclared work for remuneration, concealment of sales or reporting sales at discounted prices, dual accounting. In this context, technological solutions are commonly used to stop the non-reporting or under-reporting of sales or the increase in expenses through fake invoices, and measures are being taken to make payments through banks more "attractive" than using cash payments.

To address the factors that can help reduce shadow economy size and which can be influenced by tax policy and tax administration measures, the Strategy and the measures of the plan to it rely on utmost comprehensiveness involving all stakeholders. In this respect, mixed policy measures in the field of various policies have been specified to increase revenue collection. In view of this, a single interinstitutional approach for co-ordination and close operational cooperation between MoF, NRA, CA, the MoI, GANS, the MLSP, GLI EA, NSSI, Employment Agency, Prosecutor's Office of the Republic of Bulgaria, the BNB and other competent national institutions was created and used in the implementation of SNS 2015-2017.

Presenting Bulgaria in documents and studies

In the Country Report Bulgaria 2019 that includes an in-depth review on the prevention and correction of macroeconomic imbalances (Brussels, 27.2.2019 SWD (2019) 1001 final), the European Commission points out regarding shadow economy that research shows that the shadow economy in Bulgaria is higher than in many other countries of the European Union, and this statement is supported by a reference to the European Commission document, 2018a. According to the index at the end of the report the cited document is in fact the Commission

² For example in the article "Estimating the Size of the Shadow Economies of Highly-Developed Countries" Friedrich Schneider systematizes the determining factors in a table which includes seven elements - tax-insurance burden, quality of public institutions, degree of regulation, public sector services, tax morality, development of the official economy and share of the self-employed.

³ WB, Policy Research Working Paper 8391, Taxation and the Shadow Economy, How the Tax System Can Stimulate and Enforce the Formalization of Business Activities, Rajul Awasthi and Michael Engelschalk (<http://documents.worldbank.org/curated/en/497071522428886160/pdf/WPS8391.pdf>).

report for Bulgaria for the previous year - 2018 (European Commission (2018a), Country Report Bulgaria 2018, SWD (2018) 201 final). In it, the Commission states that although there is no official measurement of the shadow economy size, according to some studies the shadow economy in Bulgaria is twice as high as the average for the European Union countries. To substantiate this, in this case a reference is made to Schneider (2016), Estimating the Size of Shadow Economies of Highly Developed Countries: Selected New Results, CESifo DICE Report 4/2016⁴. In this article, Mr. Schneider briefly presents the groups of methods for estimating shadow economy size as well as the latest results for the size in 36 highly developed countries for 2005 - 2016. It should be borne in mind that data presented in the article are forecast data as it concerns 2016. According to the material presented, as well as in the preparation of the Strategy, Bulgaria ranks first in respect of shadow economy size for 2016 compared to other EU countries. The size of the indicator falls to 30.2% of GDP in 2016, keeping the trend of reducing shadow economy's relative share as a percentage of official GDP. By comparison, the indicator for Bulgaria for 2014 is 31% of GDP and for 2015 - 30.6% of GDP. For the same period, the average indicator for European Union countries has changed as follows: for 2014 it is 18.6%, for 2015 it is 18.3% and for 2016 it is 17.9%. To obtain these results, the MIMIC (Multiple Indicators and Multiple Causes) method is used combined with additional calibration methods. According to the projection data, Bulgaria is among the 25 EU Member States in which shadow economy shrinks. According to the author, one of the main reasons for this downward trend in shadow economy in most Member States is the continuing recovery of the formal economy. In countries where the trend is different (France, Hungary and Luxembourg), slower economic development in these countries or political decisions that promote shadow economy are pointed out as reasons for that.

In January 2018 was published the study of Leonardo Medina and Friedrich Schneider, "Shadow Economies Around the World: What Did We Learn Over The Last 20 Years?"⁵ This paper examines existing and new methods for assessing shadow economy, in particular the method based on the Currency Demand Approach (CDA) and Multiple Indicators and Multiple Causes (MIMIC). The strengths and weaknesses of the methods are evaluated and comparison and evaluation between them is performed. Results for the shadow economy for 158 countries around the world are presented for the period 1991 - 2015. According to the survey, the average shadow economy of the 158 countries in 1991-2015 was 31.9%. It is highest in Zimbabwe with 60.6% and Bolivia with 62.3% of GDP. The lowest ones are in Austria with 8.9% and Switzerland with 7.2%. The comparative analysis of the results of different models applied for estimating shadow economy size gives a pretty clear idea of the need for careful analysis and a thorough review of the method used when drawing conclusions on the basis of specific results. Depending on the method used, differences in the results are significant. For example, as shown in Table 21 for the Czech Republic, using the different methods, shadow economy size for 2008 varies from 17.6% of GDP to 4.0% of GDP. Consequently, it can be concluded that there is no method at present among those reviewed by the authors that can give an accurate estimate in absolute value or as a percentage of the GDP of the size of shadow economy in a given country, but the results of a specific study as far as they are obtained based on one and the same methodology can serve as a basis for comparison of the situation between individual countries or to show process development trends. Figure 18 of the study presents the size of shadow economy in 31 European countries for 2017, calculated using two versions of the MIMIC method - macro and adjusted. According to the macro version of the method, the estimate for Bulgaria is 29.6 and using the adjusted version it is 19.2 points for 2017. In table A.1 - Size and development of the shadow economy of 158 countries for 1991 - 2015 - Part 2 (2004-2015), for Bulgaria for 2014 is shown the figure 21.6 and for 2015 - 20.83. According to the results for our country there

⁴ <http://www.cesifo-group.info/DocDL/dice-report-2016-4-schneider-december.pdf>

⁵ <https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583>

is a downwards trend concerning shadow economy's size for almost all years over the long-term research period.

According to NSI estimates the informal economy in Bulgaria in 2013 represented about 13% of GDP - information available during the preparation of the SNS. Indeed, the term used in statistics is "non-observed economy", and the size of this indicator, according to NSI data, decreases in each of the following years, reaching 6.5% of GDP in 2017.

The Formal Economy Composite Index, by means of which the Bulgarian Industrial Capital Association (BICA)⁶ measures Bulgarian economy's formal share, has increased by more than 3 points to 74.78 in 2017 (25.22 remain for the shadow economy). BICA reported a clear trend of accelerating the shrinking dynamics of informal economy over the past three years (compared to data presented in 2018 these are 2017, 2016 and 2015). BICA calculates the Formal Economy Composite Index since 2011. From the beginning of the calculations until 2013 it is growing steadily. For 2014, it dropped by 1.2 percentage points and in 2015 it increased by 1.26 points to 68.92 points and offset the decline of 2014. In 2016, the index grew by 2.96 points and reached a value of 71.88 points (28.12 remain as a shadow economy share). The reported growth of 3.07 points for 2017 is a record.

In relation to the results achieved in terms of shadow economy size in cigarette trade, account should be taken of the data from the traditional survey of the five companies in the Anti-Illicit Trade Initiative which measures level of illicit trade in cigarettes by collecting and analyzing empty cigarette packs every quarter. In the fourth quarter of 2018, according to survey results, the share of cigarettes consumed not targeted for the Bulgarian market was 4.4%. This is the lowest level since the survey is conducted in Bulgaria. Compared to the third quarter of 2018 (5.3%), the level decreased by 0.9 percentage points. The level of cigarettes consumed that are not intended for our market continues to decline for a third consecutive year.

The Anti-Illicit Trade Initiative was launched in 2010. It involves five tobacco companies and its main purpose is to assist law enforcement authorities in Bulgaria in the fight against illegal cigarette trade through data exchange and other activities. The survey is commissioned to an independent research agency by the 5 companies which are a part of the Anti-Illicit Trade in Cigarettes Initiative and is conducted annually by the method of analysis based on empty cigarette packs collected in 20 big cities of the country with over 47% of the population in Bulgaria. In addition, illegal consumption is also measured in some smaller cities, the results of which are also presented separately for each of them. As a result of the dialogue between the companies, the Ministry of Finance and the Customs Agency, additional joint initiatives are planned, related to the fight against illegal trade in tobacco products.

In view of the presentation of Bulgaria in the above-mentioned documents and studies, the size of shadow economy in Bulgaria is higher than in many other European Union countries, but there is a steady downward trend. Changes in the overall level of shadow economy during the period of Strategy's operation cannot be presented given the absence of comparable results of studies and analyses covering the period under review. Factors affecting shadow economy level are diverse and not all of them can be influenced by fiscal policy and measures of the tax administration. Restricting the shadow economy is associated with improved tax collection.

⁶ <http://bica-bg.org/?lang=en>

Key results from implementation of measures for tackling shadow economy

One of the main priorities of the Government of the Republic of Bulgaria⁷ is to increase budget revenues by effectively preventing and combating customs, tax and social insurance fraud, tax evasion and reducing shadow economy.

In order to implement this governmental priority and in line with the first strategic goal of SNS 2015-2017, both regulatory changes and activities of revenue administrations have been carried out in the field of collection and control. To increase budget revenue and reduce shadow economy, measures have been taken in recent years to strengthen interinstitutional cooperation, coordination and effective exchange of information both at national level and with EU Member States (EU) and third countries. Actions aim at effective control and correct determination of tax obligations.

Control over supplies and movement of liquid fuels

Measure 1.2: Unified counteraction to customs and tax offenses the subject of which are excisable goods, as well as to tax frauds involving excise duty and VAT.

The measures implemented in recent years are aimed at introducing comprehensive control over the process related to the supply and movement of liquid fuels from manufacturer and importer to end user and the exchange of data between the information systems of the two revenue agencies. Control of excisable goods is one of the priority tasks associated with reducing shadow economy share and tax evasion. Given the broad business application of energy products and their character of fast moving goods, they form a significant share of the total revenue from indirect taxes in the state budget. In this respect, intensified tax policy measures are taken for bringing the fuel business to light and involving different competent bodies in overall control implementation.

In the beginning of February 2019, public attention was given to the organization and inter-institutional control performed over fuel. It was demonstrated how the Port Infrastructure State Enterprise and GDBP / MoI monitor vessels transporting fuels arriving in Bulgarian ports - through 24-hour video surveillance, by using thermal cameras, FM radio systems, radars, automatic identification system AIS. The possibility to track the complete history of vessels movements was also presented. The interinstitutional control over bringing in, moving out, production and distribution of fuels on the territory of the country is performed at the different stages by the State Enterprise Port Infrastructure, Executive Agency Maritime Administration, MoI authorities, Customs Agency, NRA, Interinstitutional Coordination Centre for Counteracting Smuggling and Controlling the Movement of Risk Goods and Cargo at the GDCOC, State Agency for Metrological and Technical Surveillance, Executive Agency Automobile Administration, Bulgarian Institute of Metrology and others. Inter-institutional control provides a guarantee to reduce to a minimum the risk of unauthorized transportation, unloading and distribution of motor fuels in the country, all departments being able to carry out immediate control actions, place objects and companies under monitoring and impose coercive measures in case of infringement.

During the last years, measures have been implemented consistently to reduce shadow economy and avoid tax evasion in the fuel sector, such as: an obligation to establish a remote connection to the NRA of all fiscal devices and integrated automated systems for commercial activities management; an obligation to transmit data on the quantities of liquid fuel entering into the storage tanks at the liquid fuels points of sale through the remote connection to the NRA; introduced control over the entire process related to the supply and movement of liquid fuels

⁷ Governance Programme of the Government of the Republic of Bulgaria for the period 2017-2021, http://www.gov.bg/files/common/GovPr_2017-2021.pdf

from producer and importer to the end user and exchange of information between the information systems of the Bulgarian Customs Agency (Bulgarian Excise Duty Centralised Information System) and that of the National Revenue Agency (Fuel Control Information System - FCIS); an obligation for all taxable persons that carry out refuelling for their own needs to register and report refuelling according to Ordinance No. N-18 of 13 December 2006 on the Registration and Reporting of Sales in Retail Premises through Fiscal Devices and to transmit remotely to the NRA the data that allows defining the quantities of fuels available in the storage tanks in the facility. An obligation was introduced to provide collateral for the VAT due on the supply of liquid fuels and, in certain circumstances, due to further refinement of the provisions, the obligation to provide collateral for end-users - non-traders that only directly consume liquid fuels was eliminated; an obligation was introduced for persons -owners or users of containers for transport of marked energy products and energy products at a reduced rate of excise duty to use the global positioning system and the means of measurement and control as intended within their scope of work by ensuring and monitoring their technical performance, proper use and continuous transmission of data to a GPS service provider. Fuels were included in the list of high fiscal risk goods. Requirements were introduced on the minimum storage capacity of LPG storage tax warehouses. Specific restriction was introduced on exemption from excise duty of energy products used in a tax warehouse for the production of other energy products if the latter are not intended for motor fuel or heating fuel and the elaboration of a scheme approved in advance by the NRA and the Bulgarian Institute of Metrology for each specific liquid fuel sales outlet that reflects all the components of the electronic fuel sales system and the relationship between them. Specific requirements have been introduced for the operation of the FMES under which the operation of the system is blocked in case of an interruption of the connection / communication between its components and a public electronic register was established of persons who have performed intra-Community acquisition of liquid fuels or have received liquid fuels released for consumption in case of removal from a tax warehouse, when these fuels are destined for own consumption (Art. 176c VAT).

In order to optimize control of excise goods and reduce the risk of excise duty evasion, provisions on application of technical devices and technical controls have been further developed in the EDTWA. It was also prohibited to issue / complete documents for excise goods that were not produced or have not physically entered the tax warehouse / facility. Proving this circumstance is a responsibility of the customs authorities. An administrative penalty was introduced for the carriage of excisable goods without a simplified accompanying document and their forfeiture for the benefit of the State in the event that an infringement is established.

At the same time, in order to ensure interinstitutional cooperation and coordination during the period of the Strategy (with Council of Ministers Decree No. 89 / 16.04.2015), a Single Interinstitutional Coordination Centre for Counteracting Smuggling and Controlling the Movement of Risk Goods and Cargo (ICCCSCMRGC) was established on the territory of the Republic of Bulgaria which ensures interaction and coordination between the bodies of NRA, CA, the MoI, SANS, EA "AA" working under continuous 24-hour duty. An Agreement (No. 43 / 24.03.2015) was signed between the Prosecutor's Office of the Republic of Bulgaria, the MoI, SANS, NRA and the Customs Agency, with which experts are appointed to operate in a permanent composition of the specialized interinstitutional unit supporting the investigation of organized crime related to tax offenses as well as an Agreement on cooperation and interaction between the General Directorate for Combating Organized Crime at the Ministry of Interior and the National Revenue Agency which establishes an analytical unit to support prevention, detection and investigation of organized criminal activity involving crimes against credit, tax and social security system. The unit aims at providing teamwork of NRA and GDCOC authorities in connection with the implementation of their functions, achieving higher information exchange efficiency, confidentiality of information, cooperation and interaction

By means of risk events identified (REI) in BEDCIS are monitored both uninterrupted transmission of data from taxable persons to the information system of the Customs Agency and correspondence between data entered in the documents issued by the persons and data from the respective measurements. An opportunity was created to generate risk profiles through which customs authorities have the possibility to receive preliminary information on emerging events for specific risk persons and / or objects, vehicles or documents issued. The new Instruction signed in 2017 between CA and NRA provides reciprocal access to the software of the two agencies. It aims at improving quality of information exchanged, joint control actions and coordination of actions.

In 2018, following main activities were carried out to implement Measure 1.2 of the Action Plan:

An analysis was carried out to track persons who should but have not provided collateral under Art. 176c of the VATA (in full or in a reduced amount). More than 550 persons have been analysed for whom a risk assessment and assignment of control actions are carried out in the TD of the NRA. 45 sites with FMES with discrepancy data after analysis were selected, including also by means of the FCIS, for which under ICCSCMRGC's coordination inspections were appointed according to a timetable agreed with the rest of the controlling institutions in the fuel sector.

In 2018 the joint inspections of customs authorities and NRA revenue authorities at sites for storage and sale of energy products are more than 20. In 2018, customs authorities carried out a total of over 16,000 physical inspections for compliance with the requirements of the EDTWA and the statutory instruments for its implementation

In 2018, the number of pre-trial proceedings initiated by investigating customs inspectors for excise goods is 244. In 2018, in GDNP, MDMoI and in RDMoI were initiated 462 pre-trial proceedings under Art. 255 - Art. 260 of the Criminal Code that deal with crimes against tax and social security system.

As a result of the excise duty and customs control carried out in 2018, losses were prevented to the budget amounting to over BGN 12 million (over BGN 10.4 million from excise duty on cigarettes, over BGN 0.8 million from excise duty on smoking tobacco, over BGN 0.8 million from excise duty on alcohol and alcoholic beverages, over BGN 0.07 million from excise duty on energy products).

A total of 45 audits of taxable persons were completed to establish excise duty obligations. The amount of excise duty and default interest established as a result of the audits amounted to BGN 24.2 million.

In 2018 fiscal control authorities have performed fiscal control of more than 65 tax warehouses, the verified quantity at BCCP was 143 179 831 litres, the verified quantity at tax warehouse exit (released for consumption with excise duty paid) was 130 581 655 litres, checked quantity under deferred excise duty regime for fuel entered in and exited to another tax warehouse is 70 074 890 litres. 1 413 pcs. technical means of control were placed and 303 (to 129 persons) collaterals were imposed, amounting to BGN 739 985.

In addition, with regard to measures aimed at other types of excise goods, the RDMoI and MDMoI perform weekly following activities:

- report quantities of excise goods seized without the necessary excise labels - cigarettes and chopped tobacco. Results are summarized weekly and reported to the management of the GDNP - MoI in order to systematise and analyse data characterizing the operational situation regarding crimes committed in this type of offences and plan countermeasures. In 2018, 19,097,580 cigarettes and 73,235 kg chopped tobacco were seized on the territory of the country. A total of 1,070 AEAOs have been drawn up, 2,357 files were filed and 844 pre-trial proceedings were filed.

- report results of inspections carried out by the RDMoI in the country and by the MDMoI in order to effectively counter crimes committed against the customs regime, in particular those aimed at producing, holding and distribution of alcohol and alcoholic beverages in violation of the legislation in force, as well as those aimed at producing, holding and distributing fuels. In 2018, 16,745 litres of ethyl alcohol and 35,609 litres of gas oil were seized.

Fiscal control of high fiscal risk goods

Measure 1.3: Expansion of the scope and improvement of the mechanism for implementation of fiscal control over movement of high fiscal risk goods (HFRG)

Fiscal control has been exercised since 2014 at the BCCP of the Republic of Bulgaria and inside the country at the point of receipt/ unloading of high fiscal risk goods and this includes imposing collaterals to liable persons having a risk profile. Fiscal checkpoints are organized on the territory of the Republic of Bulgaria in the immediate proximity of border crossing checkpoints, as well as inside the country on the territory of large exchanges and marketplaces.

Detailed information is published on the webpage of the NRA, in the “Fiscal control” column (www.nap.bg), in thirteen languages (English, Turkish, Polish, Macedonian, Serbian, Romanian, Greek, Italian, German, French, Russian, Spanish and Hungarian): what HFRG are, which are the competent control authorities and what procedural actions do they carry out, about the location of the fiscal checkpoints, which persons are checked and what their obligations are, when a preliminary collateral applies in case of fiscal control and how can the revenue authorities’ actions be appealed against.

At the end of 2018 the number of fiscal checkpoints for fiscal control is already 306, and monitored goods included in the list of goods of high fiscal risk number 563.

In 2018, under the project of the General Directorate Fiscal Control to the Central Office of the NRA (GDFC), for technical assistance for fiscal control of the movement of HFRG, by the EC Support Office:

- Functional and technical specifications describing business and technical requirements of GDFC were developed;
- A two-tier menu for questions concerning fiscal control was introduced in the Integrated Voice Portal of the NRA (0700 18 700);
- Proposals were made for amendments to TSIPC;
- Workflow processes at the OC of GDFC (1st stage) were optimized.

For 2018, a total of 374,599 inspections of transport vehicles were carried out at the fiscal checkpoints, 94,189 of them were equipped with technical control devices. The inspections carried out by the mobile teams at the point of arrival / unloading numbered 58 064. As a result of the control actions, 1 208 collaterals were imposed on 787 liable persons. The total value of collaterals is BGN 7.3 million. In the case of 14 liable persons the goods were abandoned in favour of the state.

18 audit proceedings and 226 facts and circumstances finding inspections / FCFI / were assigned in connection with the fiscal control performed.

In compliance with Order No. 8121h-46 / 16.01.2015 of the Secretary General of the Ministry of the Interior on Providing Assistance to the Ministry of Interior Staff in Controlling the Movement of High Fiscal Risk Goods, Performed by Employees of the General Directorate Fiscal Control to the NRA Headquarters in 2018 assistance was provided to MoI staff in 126 cases.

As a result of the fiscal control carried out in 2018, following effects are reported regarding persons performing ICA, ICS and companies transporting high fiscal risk goods:

- Growth of declared tax base of ICA by BGN 1 185.3 million (9.2%) (2018 compared to 2017);
- Growth of declared tax base of ICS by BGN 273.8 million (5.3%) (2018 compared to 2017);
- Growth of tax revenues and mandatory insurance contributions of persons that performed ICA and ICS of HFRG by BGN 239.5 million (12.3%) (2018 compared to 2017);
- Growth of revenue from tax and mandatory insurance contributions of persons transporting HFRG by BGN 195.3 million (21.6%) (2018 compared to 2017).

Table 1: Key results from the activity of fiscal control of high fiscal risk goods, 2014 – 2018

	2014	2015	2016	2017	2018
Inspections of vehicles performed	133 418 pcs.	280 040 pcs.	322 957 pcs.	308 391 pcs.	374 599 pcs.
Technical control devices installed	50 591 pcs.	73 314 pcs.	94 146 pcs.	92 316 pcs.	94 189 pcs.
Securities imposed	265 pcs.	1 367 pcs.	1 459 pcs.	1 477 pcs.	1 208 pcs.
Persons with imposed securities	231 pcs.	755 pcs.	973 pcs.	852 pcs.	787 pcs.
Total value of securities	BGN 3,3 million	BGN 12 million	BGN 11,3 million	BGN 13,2 million	BGN 7,3 million
Tax base of ICA declared by persons who carried out ICA of HFRG	BGN 373 million	BGN 605,5 million	BGN 861,3 million	BGN 1 195,7 million	BGN 1 185,3 million
Growth of a tax base of an ICA declared by persons who carried out ICA of HFRG	20,07%	16,50%	18,20%	11,90%	9,50%
List of high financial risk goods	111 pcs.	334 pcs.	427 pcs.	555 pcs.	555 pcs.

Source: NRA

Limiting cash payments and concealing sales

Measure 1.6: Conducting a lottery

Measure 1.7: Using electronic and card payments systems to enhance transactions transparency

Following main results can be reported in connection with the implementation of the Strategy and Measures 1.6 Conducting a lottery and 1.7 Using electronic and card payments systems to increase transactions transparency of the Action Plans to the Strategy (DCM No. 806 of 15.10. 2015 and DCM No 95 of 16.02.2018),:

Updating the legislative framework in the field of payment services and payment systems

In 2016, requirements of Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features were included in the Payment Services and Payment Systems Act. Directive 2014/92/EU includes a package of measures aimed at improving financial inclusion of the population by providing consumers with access to affordable payment products and services by opening and using a new type of account - a payment account with basic features as well as facilitating consumers and achieving greater transparency in the choice and use of payment services.

A new Payment Services and Payment Systems Act was adopted in 2018, which introduced the requirements of Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on Payment Services in the Internal Market, and the regulatory framework of the payment services was updated. Similarly to the repealed PSPSA, the new law introduced in the Bulgarian legislation Directives 98/26/EC, 2009/44/EC, 2009/110/EC, 2010/78/EU and 2014/92/EU. Significant changes were made in the new law concerning electronic payment services as well as concerning those relating to a wider choice of payment services when applying higher requirements to suppliers that provide them and better information and consumer protection.

In view of the above changes in the PSPSA, amendments to the secondary legislation on its implementation have also been made.

Introduction of relevant European requirements and thorough and comprehensive review of payment services and payment systems regulatory framework as well as its improvement as a result of past experience in payment supervision aim at providing a more favourable and secure environment for market participants and better guaranteeing of payment services users rights, taking into account changes in the field of cashless payments.

Register of bank accounts and safe deposit boxes

With respect to the objectives and results addressed in the Strategy, concerning improvement of transactions transparency, tackling the shadow economy and organization of the administration and the interinstitutional cooperation, as of 3 January 2017 the BNB operates a Register of Bank Accounts and Safe Deposit Boxes established under Art. 56a of the Credit Institutions Act (CIA).

The Bank Accounts and Safes Deposit Boxes Register contains centralized information provided by the banks and branches of banks operating on the territory of the country for bank account numbers, their holders and persons authorized to manage the accounts, as well as for persons booking safes deposit boxes in banks and their proxies.

Pursuant to the Credit Institutions Act, access to information from the Register in connection with the fulfilment of their official duties lies with the bodies of the judiciary (courts, prosecution and investigative bodies), General Directorate National Police, General Directorate for Combating Organized Crime and Regional Directorates of the Ministry of Interior, State Agency for National Security, National Revenue Agency, Commission for Counteracting Corruption and for Removal of Unlawfully Acquired Property, and other authorities specified in Art. 56a of the CIA. Legal and natural persons have the right to receive information about the data contained about them in the Register.

Payment account with basic features

As of September 18, 2016, according to the requirements of the Payment Services and Payment Systems Act, all banks licensed by the BNB and branches of banks operating on the territory of the country providing payment services to consumers (natural persons) offer a new type of payment account - a payment account with basic features, denominated in Bulgarian lev, in accordance with Art. 118-121 of the PSPSA. With it, banks provide users with the option to use the basic types of payment services listed in Appendix 1 to Ordinance No. 3 of the BNB, free of charge or against acceptable fees, regardless of the number of payment transactions executed on the account.

Eligible charges should be in line with the level of income in the country, lower than the average amount of fees charged by banks for relevant services on current consumer accounts and the amount of fees a bank applies in accordance with the tariff for the respective consumer current account services.

Opening a payment account with basic features may be refused to a user only if he already has a payment account with basic features maintained by a bank on the territory of the country or holds more than one payment account through which he can use all the services as a payment account with basic features maintained by a bank on the territory of the country unless he has been informed that his account will be closed.

Measures are proposed to raise public awareness of the possibility of using a payment account with basic features under which banks should make available a brochure as per the BNB model, on paper at the premises of the banks to which consumers have access and in electronic form on their websites.

Website comparing fees

With effect from 31 October 2018, in accordance with Art. 109, paragraph 3 of the Payment Services and Payment Systems Act, functions the website set up and maintained by the BNB to compare fees charged by payment service providers to the consumers (natural persons). Thus free access to up-to-date information in one place is provided about the prices of 18 services included in the national list of the most representative payment account services and their varieties according to the applicable tariffs for the fees and commissions of all suppliers of payment services (banks, payment institutions and electronic money companies) licensed by the BNB and branches of banks operating on the territory of the country providing payment services to consumers.

Interchange fees for card-based payment transactions

In 2018, the BNB verified compliance with the requirements of Regulation (EC) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions. This Regulation establishes a maximum amount of interchange fees for payments to consumer credit and debit cards, fees that the payment service provider of the merchant owes to the payment service provider of the cardholder for each purchase paid with a payment card, as well as requirements related to branding and choice of a payment brand, the application of different fees for different categories and payment cards, the rule for accepting all cards, the rules for guiding user's choice to determine payment instrument and information about individual card payment transactions provided to the recipient.

Payment service providers (banks, payment institutions and electronic money companies licensed by the BNB) were the subject of verification as issuers and / or receiving entities (accepting institutions) regarding payment transactions related to payment cards. The audit covered 30 payment service providers licensed by the BNB, of which: 20 banks, 5 payment institutions and 5 electronic money companies. Certain discrepancies have been identified for the removal of which providing instructions to payment service providers is forthcoming.

Project for provision of service for card payment of public liabilities administered by the National Revenue Agency (NRA)

In 2018 started a joint project of the NRA, the Ministry of Finance and the BNB for the provision of service for card payment of public liabilities administered by the National Revenue Agency (NRA) by means of a virtual POS terminal on the NRA website and physical POS terminals in the NRA offices, which operate since February 2018.

The Bulgarian National Bank has established necessary organization to implement the project activities falling within its competence, issuing a license to "BORICA" JSC for carrying out activity as a payment institution, opening and servicing a separate account of the NRA at the BNB and mediating the payment process.

The new payment option created for card payment via the virtual POS terminal of the NRA enables liable persons to make a free of charge payment to the NRA whereby a real time payment statement is effected in the tax account of the liable person.

Restricting cash payments

The Restriction of Cash Payments Act has been in force since 2011. In order to reduce the number of cash payments, legislative changes in 2015 changed the threshold for such payments - from BGN 15,000 in 2015 to BGN 10,000 as of 01.01.2016

Conducting a lottery with fiscal receipts

A concept was developed and a lottery game with fiscal receipts was organized in 2015. The lottery started in November 2015. In the first season of the game, which ended in 2016, were registered 160,000 user accounts and were registered more than 51 million cash receipts worth more than BGN 670 million. 65 winners were awarded - 52 weekly, 12 monthly and 1 big prizes.

In connection with the lottery were published 683 articles in the Internet media, 200 articles in print media, 28 television news reports and 7 radio interviews, news and materials. The effect on budget revenue for 2016 amounts to BGN 26 million. In October 2017, the second edition of the national campaign "Lottery with cash receipts" was launched. The "Lottery with cash receipts" initiative is continuing, with more than 30 million cash receipts totaling BGN 417 million being recorded in the second edition that ended in mid-December 2018. Immediately after the end of the awards, the new, third season begins. The lottery with cash receipts has also gained popularity in the Facebook social network. There the game page - <https://www.facebook.com/kasovbon>, has over 6000 followers. Over ¼ of the followers of the Lottery in Facebook are from the capital, and 75% are women.

Correct reporting of sales revenues

Since 01.01.2007, a new Value Added Tax Act has been in force in Bulgaria, on the basis of which Ordinance No. N-18 of 13.12.2006 on the Registration and Reporting of Sales in Sales Outlets through Fiscal Devices (promulgated SG , SG No. 106/2006, in force as of 01.01.2007) - Ordinance No. N-18 was issued. This Ordinance regulates public relations in the field of registering and reporting sales in sales outlets through fiscal devices as of 01.01.2007. Ordinance No. N-18 specifies conditions, procedure and way of approving or cancelling the type, placing in service / decommissioning, registration / deregistration, reporting, storing of documents issued by / in connection with a fiscal device (FD) and an integrated automated system for commercial activity management (IASCAM); servicing, expertise and control of FD and IASCAM, technical and functional requirements to them; requirements, order and way of establishing a remote connection and submission of data to the National Revenue Agency; issuance of fiscal receipts from the FD and receipts from the IASCAM and mandatory requisites to be included; type of data provided, format and timing of submission. In accordance with the amendments of 2018, the Ordinance further defines the terms and procedure for issuing and withdrawing authorizations of persons performing maintenance and repair of a fiscal device (FD / IASCAM); sales management software requirements at the sales outlets and to the manufacturers, distributors and users of such software; requirements for those who sell through an e-shop.

All persons are obliged to register and report their sales of goods or services to or from a sales outlet by issuing a fiscal receipt from the FD or a cash receipt from IASCAM, except when the payment is made by depositing cash on a payment account, credit transfer, direct debit or cash remittance made through a payment service provider within the meaning of the Payment Services and Payment Systems Act or by postal money order performed through a licensed postal operator for the performance of postal money orders within the meaning of the Postal Services Act. This exemption does not apply to persons selling liquid fuels through flow measuring devices that are required to register and report sales of liquid fuels by issuing a fiscal receipt from a fiscal memory electronic system (FMES) for the reporting of sales of liquid fuels, including those paid by bank transfer. There are also persons exempted from the obligation to use FD with some clarifications related to the manner and conditions for performing the respective activities exempt from reporting in accordance with the Ordinance.

One of the important amendments to the Ordinance is the one in force since 29.06.2010, the purpose of which is to regulate the establishing of a remote connection between the fiscal devices (FD) and the National Revenue Agency (NRA) (amendment to Ordinance No. N-18, SG No. 49/2010). The main purpose of the remote connection is to provide the possibility of transmitting data about the turnover of the FD to a NRA server according to a task assigned in advance by the agency. The data are prepared and sent by the FD automatically, without interrupting FD's normal working process. Another important change is the introduction of an electronic control tape (ECT). It is a control tape that is formed at the same time the receipt is issued, but without printing, being stored in an energy-independent electronic carrier (so the second paper tape is not needed). The fiscal device provides a possibility to print a copy of each document stored in the ECT in the manner and in the fiscal receipts printing sequence. The

electronic control tape is stored within 5 years of disassembling and is stored in the outlet for the first three months of this period.

In March 2011, an amendment to the Value Added Tax Act (VATA) entered into force, providing for an obligation for any person supplying or selling liquid fuels from a trading site to transmit via a remote connection to the National Revenue Agency (NRA) data that enables determining quantities of fuels available in the storage tanks at the liquid fuel trading sites. In this respect an amendment to Ordinance No. N-18 was made, promulgated in State Gazette, no. 49 of 29.06.2011 (in force as of 29.06.2011). The change aims to achieve full control and accountability of fuels at liquid fuel sales sites, from the moment the fuel enters the site's tanks until its purchase by end-user. In this respect, and in accordance with Art. 3 of the Regulation, a level gauge system for measuring liquid fuels is used as a measuring instrument of an approved type. It has a data output for connection to a central recording device of the electronic fiscal memory electronic system (FMES) which meets the requirements set out in the annex to the Ordinance and is subject to metrological control. In order to determine quantities available and sold from the FMES, following additional information must be provided through the remote connection in accordance with the amendments:

- data from the level gauge system - automatically transmitted data on delivery and available quantities;
- data on quantities of fuels sold from the aggregate counters of the flow measuring devices;
- fuel delivery data according to delivery document upon delivery completion.

In 2017 for improvement of accountability of sales and enhancing control, amendments were made to Ordinance No. N-18 (OA of Ordinance No. N-18, promulgated, State Gazette No. 76 of 19.09.2017) which include:

- elaboration of a scheme pre-approved by the NRA and the Bulgarian Institute of Metrology (BIM) for each specific liquid fuel sales outlet that reflects all components of the electronic system for selling liquid fuels and the relationship between them;
- performance of FMES servicing by service technicians who have a unique service key provided by the manufacturer / importer;
- introduction of specific requirements for the operation of the FMES under which the operation of the system is blocked in case of an interruption of the connection / communication between its components;
- introduction of an obligation for the persons to submit data to the NRA for each receipt printed - data from each fiscal receipt is transmitted automatically by the FD / IASCAM through the remote connection to the NRA.

It is provided that a two-dimensional bar code (QR code) should be printed on every receipt handed to the customer. Through this QR code, any person can check the reporting to the NRA of the cash receipt issued. A new version of the 2019 NRA Mobile Application allows you to check whether a receipt is genuine or fake. The Mobile Application of the revenue agency has over 50,000 user installations and their number is constantly growing. The checking is made by scanning the QR code, which will gradually become mandatory on any cash receipt issued by a Bulgarian merchant. At present, some 50 000 cash registers print such codes on the receipts they issue.

In September 2018, an Ordinance amending Ordinance No. N-18 was promulgated. The amendments are related to reversal operations in reporting of sales in the sales outlets, order for issuance and revocation of FD and IASCAM maintenance and repair permits, introduction of requirements to the sales management software in the sales outlets, to producers, distributors and users of such software, as well as to those who sell through an e-shop.

In order to reduce shadow economy and the opportunity for rogue liable persons not to register and not to report in full revenues from their commercial activity, a ban was imposed on the issuance of service receipts in the course of sale / order for clients' orders made. For the sake

of clarity, it is stipulated that after the FD / IASCAM is put into operation only fiscal / system receipts or service receipts may be issued in explicitly specified cases – to documents certifying officially entered / deducted amounts and when issuing a daily financial report without zeroing and a record in the fiscal memory (X report), as well as to documents related to the performance of official operations concerning fiscal device accounting. This aims at eliminating opportunities for manipulation of fiscal devices currently in operation by introducing a requirement for the transmission of information on each fiscal / system receipt for sale of goods / services at the premises within five minutes to the NRA's servers. This, on the one hand, will ensure fair competition between market participants and, on the other, will provide an opportunity for civilian control - through the aforementioned scanning of the two-digit code / QR code printed on the fiscal / system receipt.

The amendments to the Ordinance introduced changes to the order for issuance and revocation of FD and IASCAM maintenance and repair permits.

When sales management software is used in a sales outlet, it must be connected to the fiscal device that records and reports the turnover in the outlet. Requirements for sales management software in sales outlets include: obligatory connectivity to the FD, generation of a unique sales number, non-allowing correction of sales data, storing information for all reversed and cancelled sales, "audit profile" configuring and data exporting in a structured form.

Manufacturers and distributors of sales management software at sales outlets are obliged to submit a declaration of compliance to the NRA (with data under Art. 118 (14) of the VATA) together with basic technical information about the software. The NRA maintains a public list of software that has been declared compliant with the regulatory requirements. Traders that use such software in turn, must submit information to the revenue agency about it.

The new requirements adopted by the Ordinance are in the process of being implemented, additional discussion being held on the deadlines for achieving compliance with the regulatory framework.

Risk management

Measure 1.12: Analyses and periodic assessments of the risk of non-compliance and of the existence of indications of concealment of profits and other manifestations of shadow economy, participation in tax and / or insurance fraud schemes or deviation from normal commercial practices

The National Revenue Agency applies "Model for Management of Non-compliance with Tax and Social Security Legislation Risk" as a primary tool. Within the risk management model NRA periodically prepares a Compliance and Risk Mitigation Program, which sets a plan of the measures that will be undertaken for decreasing the level of manifestation of external risks of non-compliance. For the purposes of the program and the identification of priority risks to be treated in the new programming period (2018-2019), current characteristics of all external risks monitored and managed by the NRA were assessed in advance and the impact was measured on those with measures implemented for their treatment. 2018 is the first year of implementation of the new Compliance and Risk Mitigation Program which has a two-year implementation term. The program includes 27 risks about which a regular meeting of the Risk Management Board has decided that they should be treated. An evaluation of results and effect of the measures implemented will be made after the end of the programming period at the end of 2019.

Table 3: Control actions performed on the basis of risk analyses in the previous programming period (2016-2017)

Number of control actions under the Program for compliance with legislation 2016 – 2017	Planned total	Proceedings entrusted	Finished total	Implementation of the actions planned in view of actions entrusted
Audits	3 096	3 159	2 138	102%
FCFI	6 030	6 572	5 745	109%
Inventories	811	887	887	109%
Monitoring in days	2 171	1 912	1 912	88%
On-the-spot checks	3 966	3 319	3 319	84%

Source: NRA

In 2018, analyses were completed of 4 new risks related to concealment of profits / income from persons providing services of different kinds, medical services, legal services, car repair services, road passenger transport.

Activities under a national market survey project were completed in cooperation with an external contractor. For this purpose a social empirical sample survey of income and expenditure for certain products and services of the households in the country as well as a survey of their perceptions and attitudes towards compliance with the rules and laws of the state was carried out. The results of the conducted sociological survey are an independent source of information for defining the main features of some of the specific risks currently under investigation by the NRA, as well as a basis for assessing the attitudes of society towards certain patterns of behaviour and the reasons for them. This will be implemented within the project of segmentation and profiling of the liable persons in the country.

Activities were carried out under a project for providing technical assistance for assessing the tax deficiencies from non-compliance with the tax legislation at a high level realized under the Revenue administration - Gap analysis program, provided by the International Monetary Fund. The results achieved from the implementation of the project are:

- Transfer and acquired knowledge of the IMF methodology for top-down assessment of tax gaps;
- Report on the results of the high-level tax gap assessment prepared by the IMF experts and adopted by the NRA management.

Reducing undeclared work

Measure 1.10, Measure 1.11, Measure 1.12, Measure 1.13

Undeclared work is one of the forms of shadow economy that covers not only those employed without an employment contract but also those who receive remuneration outside what is set out in the employment contract or the so called “salary in an envelope”. The presence of undeclared employment not only causes damages to the state budget in the short run with respect to unpaid social and health insurance contributions and personal income tax, but it also has an impact in the long run on future employees’ rights related to the receipt of benefits from the social and health insurance system (in case of sickness, maternity, unemployment, etc.), retirement age and amount of pension, inability to protect the rights in case of dismissal.

Bulgaria is making progress in the fight against undeclared work. Within the European Union, countries where undeclared work is comparatively higher than the EU average are mostly

new EU Member States (NMS). In January 2018 was published the EC report An Evaluation of the Scale of Undeclared Work in the European Union and Its Structural Determinants: Estimates Using the Labour Input Method. Among Member States Bulgaria reports the 5th lowest level of undeclared work in the private sector as a share of Gross Value Added (GVA) in 2013 - 19.2%, compared to values for the Baltic countries and some countries in Central Europe that range from 21.3% to 27.3%. Considered as a share of the labour resource employed, undeclared work in Bulgaria is estimated at 17.8%, the fifth highest level among the new EU member states⁸.

From the point of view of improving revenue collection through coordinated actions of the responsible agencies, within the SNS measures are included which aim at strengthening control functions, increasing detection of violations and preventive measures to reduce undeclared work and its negative consequences: Measure 1.10, Measure 1.11, Measure 1.12, Measure 1.13, Measure 1.15. The measures are implemented by the joint actions of the General Labour Inspectorate Executive Agency (GLI EA), the Employment Agency (EA), the National Revenue Agency (NRA) and the National Social Security Institute (NSSI).

In implementing these measures, a number of activities have been carried out for the term of the Strategy and following results have been achieved:

Regulated employment contract for short-term seasonal agricultural work

With the introduction of Art. 114a of the LC on 21.07.2015, a measure was taken to combat labour without an employment contract in the economic activity "Crop Production" for manual harvesting of fruits, vegetables, rose flowers and lavender. A prerequisite for receipt and registration of forms of one-day employment contracts (OEC) is advance payment under the SIC and the HIA for one or more forms for which relevant notes / payment documents are provided. The purpose of these contracts is a part of employers and workers in agriculture and, above all, the assignment and the performance of unskilled and manual labour to come out the bright. In 2017, GLI EA completed the upgrading of the system used for provision of OEC forms, reducing the time and resources (human and financial) for servicing the registration process and for concluding the contracts. This facilitated farmers' access to the system by enabling online registration (outside the offices of GLI EA and after Agency's working hours) as well as a technical opportunity to automatically prepare one-day contracts if employer has already signed a labour contract with the same employer once and has entered his data into the system.

The Labour Code ASA (promulgated SG 42/2018) introduced changes that extend the possibilities for concluding a labour contract for short-term seasonal agricultural work under Art. 114a of the Labour Code, stipulating that this type of employment contract may be of the standard working time of 8 hours, and the parties to the employment contract can also negotiate work for half of it. The change in legislation takes into account the nature of agricultural work, which implies cases where it can be carried out for a shorter period, such as taking place only before sunrise. Thus, farmers will not have to hire workers for work of eight hours for activities that are shorter. The possibility of employing workers with a labour contract under Art. 114a of the LC for four hours provides greater opportunities for the use of legal employment by farmers. In this regard, in 2018 GLI EA upgraded the system used to provide forms of one-day employment contracts, giving the opportunity to receive not only one-day full-time contracts but also one-day contracts for a half day - for 4 hours. In this way, the system creates an option for employers to choose depending on their needs for hiring workers - for a longer or shorter period.

For the 5 months since the entry into force of the LC amendment until the end of 2015, 81 000 forms of one-day labour contracts were provided to 1 004 farmers, of which 8 876 were returned unused by employers. In 2016, farmers were provided with 199 173 forms of one-day employment contracts. In the same year were carried out 3 911 inspections of employers from

⁸ <https://publications.europa.eu/en/publication-detail/-/publication/8c3086e9-04a7-11e8-b8f5-01aa75ed71a1/language-en>

Agriculture economic activity, with 13 512 violations, out of which 1 325 for the occurrence of ER, and 847 violations of labour remuneration. At the end of 2016, the MLSP commissioned a research consulting company to assess effectiveness of one day employment contracts in agricultural work at national level. According to the analysis the assessment of the effectiveness of one day contract is positive. There is a significant increase in the number of employed in agriculture in 2016 compared to 2015. The employed in 2016 are 6,000 more than the employed in the sector in 2015. On average, in 2015 and 2016, 78 per cent of the persons socially insured under one-day employment contracts were not insured on another basis under an employment relationship, so one day contracts do not replace other types of contracts. In 2017 GLI EA provided a total of 203,952 forms. Actually, 199,166 forms of one-day labour contracts were used, which is 15 346 more than the forms actually used for the same period in 2016. Like in the previous year, the largest number of one-day employment contracts was granted to farmers growing vines, cherries, oil-bearing roses and raspberries.

In 2018, GLI EA provided to registered agricultural producers 223,016 forms of one-day labour contracts. Of these, 17 576 were for a 4-hour working day (after the amendment of legislation from 7 September 2018 to 31 December 2018) and 205 440 for a working day of 8 hours. The number of forms provided and actually used increased by 16,586. For 2016 and 2017, the one-day contracts were for 8 hours only. 4 859 agricultural inspections were carried out in 2018. The inspections report a reduction in the number of people working without a written contract in agriculture, and until 31 December 2018, 174 such cases were identified, while 200 violations of this type were detected for the same period in 2017. The statistics for the control activity of GLI EA definitely shows a higher degree of use of one-day labour contracts.

In addition to the control over compliance with the requirements for securing HSW and the lawful arising of ER under Art. 114a of the Labour Code in the "Plant Growing" branch, information campaigns were held among employers in the agricultural sector. Messages from GLI EA regularly circulate in the mass media and remind employers of the opportunities they have for settling legal relationships with their employees, as well as of their obligations regarding provision of health and safety at work. Information campaigns concerning employees are also carried out through the media and by dissemination of special brochures prepared by GLI EA for the unemployed.

Joint campaign "Money in an Envelope"

The Money in Envelope campaign was initiated by the NRA in 2015 and was dedicated to the fight against shadow economy and paying salaries "under the table". Consecutively, meetings were held between NRA, NSSI, GLI, BICA and CEIB for the implementation of the campaign. In 2016, the NRA printed and distributed the Money in Envelope brochure informing workers about the consequences for them in the short and long term as a result of their unlawfully received remuneration.

In the beginning of 2016, the National Revenue Agency checked 300 people who have been insured for minimum insurable earnings during the last years but have also bought expensive property such as real estate and cars. Among those checked, there are owners of houses in prestigious areas and holders of luxury limousines. The NRA monthly selects individuals at risk and the analysis covers official income received and its comparison to the real estate and vehicle data that are automatically transferred to the NRA by the police and the municipal authorities. In cases where there is no explanation as to the origin of the funds for expensive purchases, NRA inspectors carry out inspections and audits, taxing undeclared income for five years together with interest, and in cases where the amount of tax evasion is significant, data is sent to a prosecutor to look for criminal liability. For tax evasion in particularly large scale the Penal Code provides for imprisonment of up to 8 years.

To determine cases of undeclared labour remunerations, in September 2016 the National Revenue Agency started inspections of 1,900 employers in Sofia, where a significant proportion

(more than a half) of the full-time employees receive the minimum wage. In over 80% of the cases there is a significant risk that remuneration is such on paper, but that the difference is actually paid off the books. Previous NRA inspections have shown that often in the case of concealment of actual wages, employer also conceals sales revenue to provide funds for the so called slush fund, and average wages in the capital significantly exceeded the minimum wage. After analysis of the results, a decision was taken to monitor the risk groups of employers. Since September 2017 an organization has been set up to carry out on-going control of persons performing transport activities concerning their obligation to insure their staff. Checks are carried out in the Service Directorates, and for persons that do not submit the data they are invited to provide under of Art.103 of the TIPC - in the Controls Directorates as well. By the end of 2017, 65 inspections have been completed, 14 AEOs, 2 ARNs were drawn up and 2 revisions were assigned.

Control activity of GLI EA

General Labour Inspectorate Executive Agency exercises control to prevent undeclared work in all its manifestations - working hours, labour remuneration and employment relationship. The identification of objects of control for the respective year is based on an analysis of the results of the control activity in the previous year / s and the detection of cases of systematic or frequent violations in one or more forms of manifestation of undeclared work established in a certain area, activities or specific businesses. GLI EA inspections throughout the year are focused on the economic sectors with highest risk of unregulated practices as well as on small and medium-sized enterprises. Control of undeclared work is a part of every inspection.

In 2015, inspections were carried out in 18 960 enterprises. The total number of violations found was 102 207, and those under employment relationships were 53 859. 2 412 violations concerning work of persons without written contracts were established. After the intervention of labour inspectors, delayed wages and other payments to workers to the total amount of BGN 24 million were paid. 26 cases of workers transferred from part-time to full-time jobs were identified following the intervention of GLI EA bodies. 900 work-related violations were found of labour in excess of the working hours agreed in the employment contracts.

In 2016, employment relationships (ER) violations established numbered 18 159, with 3 135 cases of undeclared employment recorded. Control bodies have established unpaid labour remunerations amounting to BGN 21.2 million, due to delayed payment of remuneration in 443 enterprises to 55 624 persons. Compared to 2015, a reduction in the amount of unpaid wages has been found, with the delay period rarely exceeding two to three months.

In 2017 45,645 inspections were carried out in 37,284 enterprises, of which 36,108 were small and medium-sized enterprises. 195,783 violations were reported, of which 97,615 were under the HSWA and 96,426 on the implementation of employment relationships. 22,012 violations related to payment of wages were found, a decrease of approximately 36% being observed. As a result of the intervention of GLI EA, delayed wages to the amount of BGN 20.2 million were paid (including wages in arrears). Serious growth of all major violations of employment relationships - work without a written employment contract, distribution of working time, remuneration of labour - was reported during the inspection campaign of GLI EA in the seaside resorts during the active summer season of 2017. The improved efficiency achieved results also from the active work of the coordination centres established in Burgas and Varna, which have improved communication with the rest of the control authorities.

In 2018, 43,958 inspections were carried out in 32,309 enterprises, of which 31,304 were small and medium-sized enterprises. 174,318 violations were found, of which 85,197 were committed under the HSWA and 88 538 were related to the implementation of employment relationships. 21,356 violations related to payment of wages have been found, with a decrease of approximately 3%. As a result of the intervention of GLI EA, delayed wages amounting to over BGN 19 million (including wages in arrears) were paid. During the of GLI EA's inspection

campaign at the seaside resorts during the active summer season in 2018, an increase in the labour remuneration violations (over two times) and the distribution of the working time (about 27%) was marked, whereas a significant decrease (about 54%) was recorder concerning persons found working without an employment contract.

Performance of joint inspections of GLI EA with NSSI and NRA or inspections at the request of one of the two institutions with the purpose of prevention and avoidance of undeclared work.

The aim of the joint actions is rogue employers that hide income, and in terms of remuneration and social security contributions to workers, to be forced to declare their actual earnings and to enter into written employment contracts with workers. In order to identify the objects of control and organize the inspections, information stored or specially collected by the NRA or GLI EA is used. This includes specific information about persons and objects in relation to the powers they exercise, as well as information from other control bodies. The NRA provides GLI EA with information on the notifications submitted concerning conclusion, modification and termination of employment contracts, social and health insurance information, as well as information about the A1 certificates issued. GLI EA provides the NRA with information about cases of declared existence of an employment relationship when the check reveals the masking of this relationship by means of a civil contract.

The implementation of joint inspections and the exchange of information, based on the Instruction on Interaction between the NRA and the GLI EA is essential for increasing the effectiveness of GLI EA’s control activities. The Parties shall carry out their joint activities at national level through plans and programs developed by the coordination group and endorsed by the Heads of Department.

When performing joint checks, parties shall exchange information on the scope of the inspection, officials involved, start of the actions, manner in which they are to be carried out and the presentation of the generalized results. Each party provides the results of the joint inspections within one month of their completion. The representatives of the parties in the Coordination Group may assist in the organization and aggregation of the inspections results. If cooperation is necessary, a written request is made and, in cases of urgency, the request is made orally and further recorded.

In order to strengthen the fight against undeclared work and reduce activity in the informal economy in 2018, the Instruction on Interaction between the National Revenue Agency and GLI EA has been supplemented.

Joint inspections of GLI EA

	2015	2016	2017	2018
With the NRA	434	434	290	209
By request of the NRA		212	237	217
With the NSSI	378		280	193
By request of the NSSI		488	400	379
With the MoI				436
By request of the of Moi				253

Source: GLI EA

Strategic objective 2. Improving revenue collection

This section contains information about the execution of tax revenues for 2018 as well as for the period 2015-2018. A summary is included of the main administrative measures implemented for the period 2015-2018 and the results achieved. Key activities and measures for achieving the strategic objective of the Action Plan to the SNS 2015-2017 are presented together with a brief description of the nature, objectives and results of the implementation of the measure or activity.

Increasing budget revenues is a prerequisite for providing necessary funds to finance expenditures from the state budget, a way to reduce budget deficit and a condition for maintaining economic and financial stability.

Improving revenue collection is a direct result of activities for improving services and raising awareness of citizens and businesses and their culture of compliance. Over the period of the Strategy the intensity of the measures related to encouragement of the voluntary compliance of obligations has been increased. These measures are aimed at real receipts, provoking active behaviour on the part of individuals to pay obligations, reducing administration's cost of liability collection by reducing the number of persons for whom compulsory collection actions will be undertaken.

At the same time, increasing the collection of overdue public liabilities is also a priority. In this regard, ongoing operational monitoring of the liable persons is carried out by determining collection actions and selective approach to the debtors based on the degree of risk for the collection of the liability and their behaviour towards the observance of the obligations for registration, declaration and payment of taxes, and other public state receivables.

The challenges of direct and indirect taxation over the period are also driven by the widespread deployment and peculiarities of the digital economy: mobility (intangible forms, users and business functions), reference to data and user participation, network effects, multilateral business models, unpredictability.

A single interinstitutional approach is applied for coordination and close operational cooperation between MoF, NRA, CA, MoI, SANS, MLSP, GLI EA, NSSI, Employment Agency, Prosecutor's Office of the Republic of Bulgaria, BNB and other competent national institutions.

Report on of tax revenue execution

Tax revenues for 2018

Revenue execution for 2018 reflects the positive development of the main macroeconomic indicators related to taxes such as GDP, consumption, compensation of employees, unemployment rate and other indicators on the one hand, and the effect of collection improving measures included in the action plan to the SNS 2015-2017 on the other hand. The increase in tax revenues is realized through greater efficiency in its administration, encouragement of the voluntary compliance and prevention of the possibilities of tax evasion and avoidance.

The total amount of **tax revenues in the central budget** for 2018 amounts to BGN 21 788.2 million or 103.6% execution of 2018 SBRBA budget estimates. Relative share of tax revenues to GDP⁹ for 2018 remains at the level of the previous year and is at the rate of 20.1%.

⁹ GDP for the respective years is in line with the indicators in the preliminary macroeconomic forecast of the MoF of 8 February 2019.

Compared to the 2017 report, revenues are up by BGN 1 498.1 million (7.4%), mainly due to indirect taxes. Revenues from indirect taxes for 2018 amounted to BGN 15 531.0 million or 102.5% of the annual plan. Compared to 2017, indirect taxes increased by BGN 998.5 million (6.9%), mainly due to high value added tax (VAT) and excise duties revenues. Revenues in respect of direct taxes amounted to BGN 6 111.9 million or 106.5% of the annual plan. Direct taxes increased by BGN 489.5 million (8.7%) on an annual basis, to which personal income taxes and corporate income taxes contributed. Receipts from other taxes (including other taxes under the CITA) amounted to BGN 145.3 million or 98.3% of the projected estimates, and fell by 7.5% (BGN 10.1 million) compared to 2017.

In nominal terms, the highest growth compared to 2017 is that of VAT revenues (BGN 743.8 million), followed by personal income taxes (BGN 333.1 million), excise duties (BGN 218.7 million) and corporate income taxes (BGN 156.4 million). Highest execution in nominal value compared to the indicators set in the 2018 SBRBA is achieved in respect of VAT revenues - BGN 284.0 million (102.9%), personal income taxes – BGN 275.0 million (108.2%) and corporate income taxes - BGN 100.5 million (104.3%).

Corporate income taxes

Revenues from **corporate income taxes** (including corporate income tax and tax on dividends, liquidation shares and income of legal entities) for 2018 amount to BGN 2 464.5 million, accounting for 104.3% execution of the annual plan. Compared to the previous year, receipts increased by BGN 156.4 million (6.8%).

Corporate income tax receipts from non-financial undertakings and financial institutions amount to BGN 2 377.2 million, which is 103.6% of the envisaged indicators in the 2018 SBRBA. On an annual basis, tax revenues increased by BGN 136.0 million (6.1%). The reported execution is due to higher receipts from non-financial *undertakings*, which represent 92.1% of the total corporate income tax and increased by BGN 213.3 million (10.8%) compared to 2017. Revenues from financial institutions decreased by BGN 77.3 million (29.2%) for the reporting period.

Revenues from *tax on dividends, liquidation shares and income of local and foreign legal entities* for 2018 amount to BGN 87.2 million or 124.8% annual plan execution. Compared to 2017, revenues are BGN 20.4 million higher (30.5%).

Personal income taxes

Receipts from personal income taxes (PIT) for 2018 amount to BGN 3 647.4 million, or 108.2% of the annual plan. Compared to 2017, revenues from these taxes increased by BGN 333.1 million or 10.1%. The highest relative share in the total result for the revenues from PIT belongs to receipts from *taxes on the income from employment and equivalent relationships* - 80.9%, followed by revenues from *taxes on income from non-employment legal relationships* - 9.6%, revenues from *final tax on local and foreign natural persons and the tax on dividends and liquidation shares of local and foreign natural persons* - 9.2% and revenues from the *tax on bank accounts interest* - 0.3%.

Revenues from employment relationships for 2018 amount to BGN 2 952.1 million, which is a 106.2% execution of the indicators set. Compared to 2017, receipts increased by BGN 308.0 million (11.7%). Positive developments in key labour market parameters and adopted changes to social and tax legislation for 2018 are the main reasons for the high income earned on employment income related taxes.

Receipts from non-employment relationships (Sole Proprietor, liberal professions, civil contracts, annual and advance tax, etc.) for 2018 amount to BGN 348.6 million or 101.8% of the annual plan. Compared to 2017, revenues increased by BGN 32.0 million or 10.1%.

Receipts from *final tax on local and foreign natural persons and tax on dividends and liquidation shares of local and foreign natural persons* for 2018 amount to BGN 335.9 million or 149.0% execution of the plan, indicating a growth of BGN 3.4 million (1.0%) compared to 2017.

Value added tax

Receipts from **value added tax** (VAT) account for the highest relative share of the total revenues in the central budget for 2018 – 46,2% and represent 9.3% of GDP in 2018, compared to 9,2% of GDP for the previous year. VAT receipts (net) for 2018 amount to BGN 10 064.0 million or 102.9% of the annual estimate. Compared to 2017, growth of BGN 743.8 million or 8.0% was reported.

Revenues from domestic transactions and intra-Community acquisitions (ICA)

Net VAT receipts from domestic transactions and ICA for 2018 amounted to BGN 5 599.3 million and they have increased by BGN 361.1 million (6.9%) on an annual basis. The main indicators that form net VAT revenues from domestic transactions and ICA are amounts effectively paid and VAT refunded. VAT effectively paid is BGN 12 569.5 million or BGN 1 088.7 million (9.5%) more than in 2017. VAT refund for 2018 is BGN 6 970.2 million and has increased by BGN 727.6 million (11.7%) on an annual basis. The amount of non-refundable VAT (NRV) is BGN 53.1 million at the end of the reporting period, retaining its low level from the previous year.

Revenue from non-EU imports

VAT revenue (net) from non-EU imports for 2018 amounted to BGN 4 464.7 million, marking an increase by BGN 382.7 million (9.4%), compared to the previous year, which is mainly due to the increase in imports of industrial supplies by BGN 202.0 million (12.2%) on an annual basis. Factors influencing the reported execution of VAT revenues from imports are related to the significant increase of stock prices (in dollars) of raw materials which form a major part of the imports from third countries and the growth of the physical volumes in all groups of goods excluding fuels and lubricants.

Excise duties

For 2018, **excise duty revenues from imports, domestic production and excisable goods imported in the country from other EU Member States** (net) amount to BGN 5 203.2 million, or 101.0% execution of the plan. Excise duty receipts form 23.9% of tax revenues in the central budget and account for 4.8% of GDP in 2018. For the reporting period receipts from this tax, increased by BGN 218.7 million (4.4%), compared to 2017.

Tobacco products account for the largest share of the total revenues from excise duties (48.7%), followed by receipts from *fuels* (44.5%), *alcoholic beverages and beer* (6.0%) and *other excise goods* (0.8%). For 2018, the share of excise revenues for tobacco and tobacco products increased by 1.2 percentage points. (from 47.5% in 2017 to 48.7% in 2018), mainly at the expense of a reduction in the share of excise duty revenues for fuels.

In 2018, revenues from tobacco products amounted to BGN 2 536.2 million, with an increase by 7.1% (BGN 167.5 million) on an annual basis, mainly due to the net revenues from excise duty on cigarettes with a growth of BGN 136.0 million (5.9%) and the excise receipts for smoking tobacco (including heated smokeless tobacco products) with a growth of BGN 48.5 million (64.0%). The smokeless tobacco products released for consumption account for 73.6% of the increase in tobacco excise revenues in 2018. The excise rate for smoking tobacco in 2018 remains at BGN 152 / kg and the rate for heated smokeless tobacco products rises to BGN 233.0 per kilogram as of 01.10.2018.

Fuel revenues amount to BGN 2 315.7 million, recording an increase of 1.9% (BGN 42.8 million) on an annual basis due to higher revenues from gas oil and kerosene (BGN 64,5 million). Excise receipts for gas oil and kerosene account for 72.2% of fuel revenues. For 2018, excise duty revenues for gasoline decreased by BGN 5.7 million compared to the previous year and account for 19.8% of the excise duties revenues for fuels.

Net income from excise duties on alcoholic beverages and beer amount to BGN 310.5 million and increased by 3.4% (BGN 10.2 million) compared to 2017, with a major part of these revenues being excise duties on alcohol and alcoholic beverages (BGN 231.0 million).

Tax on insurance premiums

Revenues from *the tax on insurance premiums* under taxable insurance contracts for 2018 amount to BGN 37.6 million or 103.5% of the indicators estimated in the 2018 SBRBA. Compared to 2017, proceeds increased by BGN 4.1 million (12.3%). Tax revenues depend mainly on the growth or decrease of the insurance premiums written and the cost of the insurance service.

Customs duties and fees

Revenues from *customs duties* are a traditional EU own resource and the legislation that applies to them is entirely at the EU level. EU trade policy is increasingly liberal, and as a result there are many agreements or autonomous preferential tariffs.

In 2018 receipts from customs duties amounted to BGN 226.2 million or 119.0% execution of the annual plan, increasing by BGN 31.9 million (16.4%) compared to 2017. Reported execution is affected the annual growth of the statistical value (5.9%) and of the quantities (15.0%) of the imported goods subject to a duty rate other than zero. For the period, the average rate of duty applied to imports of goods imported from third countries increased by 12.3% compared to 2017.

Other taxes under CITA

Revenues from Other Taxes under CITA for 2018 amount to BGN 144.6 million or 98.3% of the annual plan. Compared to 2017, receipts increased by BGN 10.5 million (7.8%). Revenues from final taxes on gambling and gambling facilities (48,0%) account for the largest relative share in the total amount of this item. For 2018, receipts from these taxes amount to BGN 69.4 million and have increased by BGN 3.7 million (5.7%) compared to the previous year.

Tax and social security revenues for 2015-2018

A number of measures have been introduced and implemented during the period of operation of the SNS 2015-2017 to achieve the main goals of the strategy and the tax policy of the country. Some of the measures are permanent and will continue to be active in the future. The positive results of the implemented actions and measures included in the Action Plan to the SNS are evidenced by the results achieved in relation to the improvement of compliance and the increase of revenues from taxes, social-insurance contributions and fees through higher efficiency in their administration, voluntary compliance and prevention of tax evasion and avoidance.

There is a steady trend of increase of the taxes and social-insurance contributions in 2015-2018, the highest nominal increase being for 2017 (compared to 2016) - **10.0%** (BGN 2 678.6 million) compared to **2.9%** (657.4 million BGN) in 2014 (compared to 2013) before the entry into force of the SNS, which is an increase of **7.1 percentage points**. With the highest nominal growth for the reporting period are social-insurance contributions amounted to BGN 3 009.5 million (46.7%), followed by VAT revenues of BGN 2 799.6 million (38.5%). Total tax revenues increased by **40.0% (BGN 9 207.8 million)**.

The relative share of tax revenues to GDP also increases, from **27.5%** in 2014 to **29.8%** in 2018, which represents a growth of **2.3 percentage points** over the reporting period.

Throughout the entire SNS period, tax revenue rates are higher than GDP growth rates, reflecting the effect of measures implemented in the Action Plan to the SNS. The highest annual growth of tax revenues over nominal GDP growth is reported in 2017 (2.6 pp), compared to (0.6 pp) in 2014, before the entry into force of the SNS.

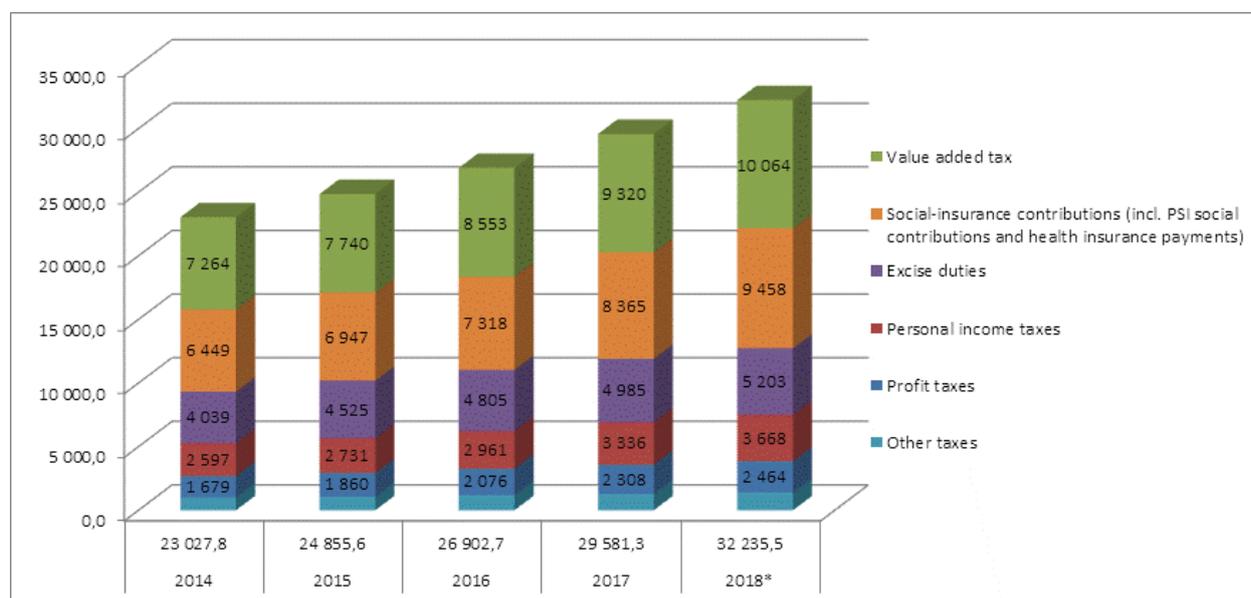
Taxes and social-insurance contributions under the consolidated fiscal program for the period 2014-2018

	2014	2015	2016	2017	2018*
Tax revenues (incl. social-insurance contributions)	23 027,8	24 855,6	26 902,7	29 581,3	32 235,5
<i>Tax revenues (BGN million) (incl.):</i>	<i>16 579,0</i>	<i>17 908,5</i>	<i>19 584,9</i>	<i>21 216,2</i>	<i>22 777,3</i>
Profit taxes	1 679,3	1 860,4	2 076,3	2 308,1	2 464,5
Personal income taxes	2 596,6	2 731,2	2 961,0	3 336,2	3 668,0
Value added tax	7 264,4	7 740,0	8 553,0	9 320,2	10 064,0
Excise duties	4 038,7	4 525,0	4 805,0	4 984,5	5 203,2
<i>Social-insurance contributions (incl. PSI social contributions and health insurance payments)</i>	<i>6 448,8</i>	<i>6 947,1</i>	<i>7 317,8</i>	<i>8 365,2</i>	<i>9 458,3</i>
Nominal growth of total tax revenues compared to the previous year (BGN million)	657,4	1 827,9	2 047,1	2 678,6	2 654,2
<i>Nominal growth of total tax revenues compared to the previous year (%)</i>	<i>2,9%</i>	<i>7,9%</i>	<i>8,2%</i>	<i>10,0%</i>	<i>9,0%</i>
Total tax revenues to GDP (%)	27,5%	28,1%	28,6%	29,3%	29,8%
GDP (BGN million)**	83 756	88 575	94 130	101 043	108 168
<i>Nominal GDP growth compared to the previous year (%)</i>	<i>2,3%</i>	<i>5,8%</i>	<i>6,3%</i>	<i>7,3%</i>	<i>7,1%</i>

*Preliminary data.

**GDP for the respective years is in line with the indicators in the preliminary macroeconomic forecast of the MoF of 8 February 2019.

Value added tax receipts (over 31% share) and social-insurance contributions (over 27% share) for each of the years in the reporting period have the largest relative share in the amount of taxes and social-insurance contributions under the Consolidated fiscal program.



Value added tax revenues

Value added tax revenues account for most of the tax receipts under the CFP and reach **9.3%** of GDP in 2018, compared to **8.7%** of GDP in 2015. The annual revenue growth for 2018 is **8.0%** (**BGN 743.8 million**), with growth of **6.5%** (**BGN 475.6 million**) in 2015. For the whole period 2015-2018, tax receipts increased by **38.5%** (**BGN 2 799.6 million**), mainly due to the VAT receipts from domestic transaction which indicated a growth of 53.7% (BGN 1 956.4 million), followed by VAT on imports - 23.3% growth (BGN 843.2 million).

	BGN million									
	2014	2015	2016	2017	2018*	Growth 2015/ 2014	Growth 2016/ 2015	Growth 2017/ 2016	Growth* 2018/ 2017	Growth* for the period 2015- 2018
Value added tax revenues (net)	7 264,4	7 740,0	8 553,0	9 320,2	10 064,0	6,5%	10,5%	9,0%	8,0%	38,5%
VAT from domestic transactions	3 643,0	4 364,1	5 280,4	5 238,3	5 599,3	19,8%	21,0%	-0,8%	6,9%	53,7%
VAT from import	3 621,4	3 375,9	3 272,5	4 082,0	4 464,7	-6,8%	-3,1%	24,7%	9,4%	23,3%
VAT effectively paid	13 236,6	13 746,5	14 137,4	15 562,8	17 034,2	3,9%	2,8%	10,1%	9,5%	28,7%
VAT refunded	5 971,9	6 006,5	5 584,4	6 242,5	6 970,2	0,6%	-7,0%	11,8%	11,7%	16,7%

*Preliminary data

The main indicators that form net VAT revenues from domestic transactions and ICA are VAT *effectively paid*, formed as tax from tax returns and additional amounts paid, revealed by tax audit statements, and VAT refunded. Revenues from VAT effectively paid reported an annual growth of **9.5%** in 2018 compared to **3.9%** in 2015, with an increase of **28.7%** (**BGN 3 797.6 million**) for the whole period. The amount of VAT refunded (by offsetting and effectively) also increased by **16.7%** (**998.3 million BGN**) over the period 2015-2017, keeping the established practice in recent years to have no tax credit retention.

Other indicators and factors with a significant impact on the implementation of VAT revenues are dynamics of consumption, prices of oil and other raw materials that form a major part of imports from third countries and the change in imports and exports of goods and services.

The key measures implemented for the period 2015-2018 related to the increase in VAT revenues are: application of a *VAT reverse charge mechanism* for VAT on supplies of cereal and industrial crops as an effective tool to prevent VAT fraud and increase revenues in the budget (from 1 January 2014, extended to date until 30.06.2022); *Fiscal control on the movement of high fiscal risk goods* (from the beginning of 2014); *a gradual increase in the excise rate of cigarettes*; introduction of *compulsory VAT registration of an unincorporated company* in the presence of partners registered under the law (from the beginning of 2018); from the beginning of 2018 filing of the returns, VIES-declaration and accounting registers shall be done only electronically under the terms and procedure of the Tax and Social Insurance Procedure Code, except in cases expressly provided for by the law.

Revenues from excise duties

Revenues from **excise duties on imports, domestic production and excise goods imported in the country from other EU Member States** forms the third largest share (after VAT and social-insurance contributions) of the total amount of tax revenues, which exceeds 17% for each of the years in the reporting period. As a share of GDP in 2018, receipts represent **4.8%**, compared to **5.1%** of GDP in 2015. For 2015-2018, excise revenues increased by **28.8%** (**BGN 1 164.6 million**). The largest contributor to this growth is revenues from tobacco products, followed by fuels. For the reporting period, receipts from tobacco products increased by **41.9%** (**BGN 749.0 million**) and from fuels - by **18.8%** (**BGN 366.4 million**), with a constant trend of

increase of the share of tobacco and tobacco products (from 46.0% in 2015 to 48.7% in 2018), mainly at the expense of a reduction in the share of excise duty receipts from fuels.

In 2018, consumption of heated smokeless tobacco products, which account for about 3.8% of cigarettes released for consumption by the end of the year, significantly affected excise revenues for tobacco and tobacco products.

BGN million										
	2014	2015	2016	2017	2018*	Growth 2015/ 2014	Growth 2016/ 2015	Growth 2017/ 2016	Growth* 2018/ 2017	Growth* for the period 2015- 2018
Revenues from excise duties, incl.:	4 038,7	4 525,0	4 805,0	4 984,5	4 851,9	12,0%	6,2%	3,7%	-2,7%	20,1%
Tobacco products	1 787,2	2 082,0	2 304,0	2 368,6	2 536,2	16,5%	10,7%	2,8%	7,1%	41,9%
Fuels	1 949,3	2 118,2	2 164,1	2 272,9	2 315,7	8,7%	2,2%	5,0%	1,9%	18,8%
Beer, alcoholic beverages and other goods	302,1	324,9	336,9	343,0	0,0	7,5%	3,7%	1,8%	-100,0%	-100,0%

*Preliminary data

Key measures related to raising excise revenues, improving excise control efficiency, limiting opportunities for tax evasion and avoidance and improving collection rates for the period 2015-2018 are: a gradual increase in the excise rate of cigarettes to reach the minimum excise duty of € 90 per 1000 pieces (BGN 177 per 1000 pieces) as of 01.01.2018 according to the provisions of Council Directive 2011/64/EU; increasing the *excise rate of heated tobacco products*; *fiscal control on the movement of high fiscal risk goods*; *introducing an obligation for all economic operators engaged in energy products operations to use measuring and control instruments* as well as transmission of data from electronic means for measurement and control to revenue agencies and exchange of information between them; from the beginning of 2018 there is a *legal opportunity for the customs authorities to receive assistance from other competent authorities* (MoI, EAAA, EAMA, etc.) to identify and stop transport vehicles; *bans introduced on the publication of advertisements or electronic messages* through which goods without a check band are offered for sale and for which excise duty has not been paid.

Personal income tax revenues

Receipts from **personal income taxes (PIT)** under the CFP reported a nearly two-fold higher annual growth rate in 2018 - **9.9%**, compared to **5.2%** annual growth for 2015. In nominal terms, revenues increased by **BGN 331.8 million** in 2018 compared to 2017 and by **BGN 134.7 million** in 2015 compared to 2014. For the whole period 2015-2018 revenues from PIT increased by **41.3% (BGN 1 071.5 million)**.

BGN million										
	2014	2015	2016	2017	2018*	Growth 2015/ 2014	Growth 2016/ 2015	Growth 2017/ 2016	Growth* 2018/ 2017	Growth* for the period 2015- 2018
PIT revenues, incl.:	2 596,6	2 731,2	2 961,0	3 336,2	3 668,0	5,2%	8,4%	12,7%	9,9%	41,3%
Revenues from employment relationships	2 089,2	2 220,4	2 416,4	2 644,1	2 952,1	6,3%	8,8%	9,4%	11,6%	41,3%
Revenues from non-employment relationships	270,9	280,6	290,4	316,5	348,6	3,6%	3,5%	9,0%	10,1%	28,7%

*Preliminary data

A major share of PIT revenues pertain to income from employment relationships, which accounts for more than 80% of the proceeds of this tax group, followed by income from non-employment relationships with a share of about 10% in total revenues.

Key factors affecting revenues from taxes on employment relationships of natural persons

	2014	2015	2016	2017	Q4 2017	Q4 2018*	Growth 2015/ 2014	Growth 2016/ 2015	Growth 2017/ 2016	Growth for the period 2015- 2017	Growth* Q4 2018/ 2017
Growth of the average monthly salary for the country (%)	6,0%	6,8%	8,0%	9,4%	10,6%	6,9%	0,8 pp	1,2 pp	1,4 pp	3,4 pp	-3,7 pp
Growth of the minimum salary (BGN, annual data)	340	BGN 360 from BGN 380 from	420	460	460	510	8,8%	13,6%	9,5%	35,3%	10,9%
Employment rate (annual coefficients)	61,0%	62,9%	63,4%	66,9%	67,5%	67,7%	1,9 pp	0,5 pp	3,5 pp	5,9 pp	0,2 pp
Unemployment rate (annual coefficients)	11,5%	9,2%	7,7%	6,2%	5,7%	4,7%	-2,3 pp	-1,5 pp	-1,5 pp	-5,3 pp	-1,0 pp

*Preliminary data

Positive developments in the main parameters of the labour market and changes adopted in the social and tax legislation constitutes the major causes for high revenues from employment relations during the reporting period. Results of the annual tax returns under Art. 50 of the PITA (tax payable additionally or overpaid tax), advance payments due and payments for past years have a major impact on receipts from non-employment relationships.

In addition, the legislative and administrative measures taken in 2015-2018 to reduce undeclared work, measures to increase the collection of past due liabilities , encouragement of the voluntary compliance and reducing administrative burdens also influence the increase in the revenues from PIT. The key ones are: *widening the tax base for interest income tax - from 1 January 2015; a 5% discount on the tax for submitting annual tax returns by electronic means; introduction of taxation on certain earnings from money and object gains derived from participation in games that are not gambling within the meaning of the Gambling Act or within the meaning of the legislation of an EU or EEA Member State, in accordance with changes made to the PITA since the beginning of 2017; introduction of tax relief for individuals who use non-cash payments when paying their expenses; electronic filing of tax returns under the PITA - by companies and self-employed individuals - payers of income; optimization of the processes related to inspections and audits of individuals with a view to establishing a comparison between the assets acquired during the year and the income declared by the individuals (amended from the beginning of 2018).*

Corporate income tax revenues

Corporate income tax receipts (including corporate income tax and tax on dividends, liquidation shares and income of legal entities) have increased by **46,8% (BGN 785,1 million)** for the period 2015-2018.

BGN million

	2014	2015	2016	2017	2018*	Growth 2015/ 2014	Growth 2016/ 2015	Growth 2017/ 2016	Growth* 2018/ 2017	Growth* for the period 2015-
Corporate income tax revenues, incl.:	1 679,3	1 860,4	2 076,3	2 308,1	2 464,5	10,8%	11,6%	11,2%	6,8%	46,8%
<i>Corporate income tax</i>	<i>1 612,8</i>	<i>1 803,7</i>	<i>2 010,9</i>	<i>2 241,2</i>	<i>2 377,2</i>	<i>11,8%</i>	<i>11,5%</i>	<i>11,5%</i>	<i>6,1%</i>	<i>47,4%</i>
From non-financial undertakings	1 466,7	1 623,6	1 797,3	1 976,4	2 189,7	10,7%	10,7%	10,0%	10,8%	49,3%
From financial institutions	146,1	180,1	213,7	264,9	187,5	23,3%	18,6%	24,0%	-29,2%	28,4%
<i>Tax on dividends, liquidation shares and income of local and foreign legal entities</i>	<i>66,5</i>	<i>56,7</i>	<i>65,3</i>	<i>66,9</i>	<i>87,2</i>	<i>-14,8%</i>	<i>15,3%</i>	<i>2,3%</i>	<i>30,5%</i>	<i>31,1%</i>

*Preliminary data

Corporate income tax revenues from non-financial undertakings and financial institutions account for the major part of total corporate income tax revenues (about 97%). Receipts from these taxes increased by **47.4% (BGN 764.4 million)** for the reporting period. The annual growth of *corporate income tax from non-financial undertakings* is mainly due to the higher profits declared, respectively higher surcharges, as well as higher prepayments by companies as a result of increased economic activity in the country. Revenue from corporate income tax from *financial institutions* depends on the post-tax profit of the banking system.

In 2017 and in the beginning of 2018, a measure related to the inspection of the cash balances of the companies declared in the annual tax return (ATR) under CITA for 2016 influenced the revenues from taxes on dividends, liquidation shares and income of local and foreign natural and legal persons. As a result of the NRA's actions, a significant part of the companies have adjusted their financial results or declared dividend payments. This initiative is in line with the new revenue administration approach *to focus on -encouraging voluntary compliance*.

Other key measures implemented for the period 2015-2018 that have an impact on the increase of corporate income tax revenues, are as follows: obligation to submit electronically tax returns in a standard form under the CITA, for which the filing obligation arises after 31 December 2017; *easing the mechanism for correcting accounting and other errors in CITA; introduction of rules for exchange of information on preliminary cross-border tax opinions and preliminary pricing agreements (Council Directive (EU) 2015/2376 of 8 December 2015); introducing country-by-country reporting rules for multinational enterprises groups (Council Directive (EU) 2016/881 of 25 May 2016).*

Summary of key administrative measures implemented for the period 2015 - 2018 and results achieved

During the period, a ***process of regular cooperation*** between the NRA and key institutional partners such as the MoI, SANS, MLSP, GLI EA, NSSI, Employment Agency, the Prosecutor's Office of the Republic of Bulgaria, the BNB has been developed and implemented, at the same time strengthening and improving exchange of information with CA, the MoF, NSI and PA.

The established Interdepartmental Coordination Centre between NRA, CA, the MoI, SANS, EA AA regularly provides for exchange of information between institutions and joint risk assessment.

Interfaces are built and information exchange is carried out between the NRA and the IS of the institutional partners for the purposes of joint control.

Regular *monitoring and analysis is carried out of business activities of companies - large retail chains*, registered at the RD of the NAP LSTI and the MSTI Directorate at the RD of NRA Sofia.

Sending reminders and / or holding meetings with LP was established as a lasting practice aimed at preventing fraud and encouraging timely, voluntary correction of disorderly behaviour.

In order to stimulate correct declaration of the and social security liabilities, various types of reconciliations are carried out of data from tax returns and information available to the NRA, including data provided by third parties. Various measures are applied to persons found to be inconsistent - informing individuals by sending emails about the possibility to adjust their data within a legal deadline, invitations to remove discrepancies after expiry of the voluntary correction period and submitting corrective statements, performing checks, etc.

Capacity *is built up and the volume of e-audits* is increasing each year, improving the quality of revisions and increasing data analysis capabilities. At the same time, the number of control procedures to persons performing online e-commerce is also increasing.

As a result of the complex and systematic implementation of specific organizational and management measures and campaigns, as well as the initiation of new ones in 2018, *a sustained change in the LP's behaviour is reported*. The amounts of taxes and mandatory social-insurance contributions declared to NRA in 2018 increased by BGN 2 686.4 million compared to 2017 (10.7% growth) and by BGN 7 062.3 million compared to 2014 (34.1% growth).

In 2018, 86.3% of the declared liabilities were repaid before the expiry of the voluntary payment period, with 86.1% voluntary fulfilment of declared liabilities in 2017 and 80.6% in 2014.

Regardless of the better voluntary performance, due to the significant growth of the declared liabilities - almost twice the average growth rate in 2014-2017, the amount of unpaid liabilities increased by 4% - BGN 178,9 million compared to the same period of 2017. At the same time, for their repayment in 2018 were collected BGN 364.1 million more than in 2017, as a result of which by the end of 2018 the outstanding balance of the new debt was BGN 185.2 million (9.9%) less compared to the outstanding balance at the end of 2017. *Increased voluntary implementation and higher collection of new overdue liabilities are the main reasons the amount of the outstanding balance at the end of each of the last four years is decreasing steadily*, the reduction being by BGN 974.6 million - 36.6%.

Approximately 97% of all tax and statutory social-insurance contributions liabilities declared in 2018 are collected within the same calendar year (this includes both voluntary execution and the overdue public liabilities levied by public contractors).

In 2018, a total of BGN 3 672.4 million was paid for the repayment of overdue public liabilities for taxes, mandatory social-insurance contributions and fines / property sanctions imposed by the NRA authorities, which is BGN 362.9 million (11%) more than in 2017. A 9.8% increase in the overall collection of overdue liabilities claimed by public enforcement agents other than NRA is achieved.

In addition, during the year, public enforcement agents of the NRA have collected BGN 46.5 million - 13% more than in 2017 for repayment of public receivables claimed by public enforcement agents other than NRA.

As a result of the implementation of the measure for *collection of overdue public liabilities from contractors under contracts with budget spending units* (DCM No. 788 of 28.11.2014 (revoked), DCM No. 593 of 2016 and DCM No. 592 / 21.08.2018) the sums received for the four-year period of action of the SNS amounted to a total of BGN 803.9 million (BGN

188.1 million in 2015, BGN 160 million in 2016, BGN 230.2 million in 2017 and BGN 225.6 million in 2018).

NRA annually serves more than 5.4 million customers. More than 50 million tax and insurance returns are received and processed on a yearly average. ***More than 90% of all basic returns (tax, insurance, notifications under the LC) are received electronically at the NRA.*** Annually, the NRA exchanges with its customers a total of over 100 million electronic documents, which saves businesses and citizens directly over BGN 300 million administrative costs.

In accordance with the Electronic Governance Act on access to government administration registers in the RegiX environment, the NRA provides access to registers administered by the NRA and receives access to registers of offices and government agencies.

Key results obtained in implementing the measures for improving tax collection

Coordination and close operational cooperation

Measure 2.4: Enhanced coordination between the bodies of NRA, CA, EA “Automobile Administration” in MTITC and the pre-trial authorities in cases of detected tax frauds during audit procedures and inspections

Measure 3.3: Increasing the share of the information exchanged ex officio with other state structures, including in relation to the application of complete administrative service. Provision of access to databases and information systems of other institutions

The availability of mechanisms for sharing information collected by different government bodies makes it possible to improve the prevention and detection of financial offences, to conduct investigations in a more effective and efficient manner resulting in more expedient and successful prosecution and higher likelihood of collection of taxes and other public liabilities in relation to that activity. In that light, the following activities were implemented within SNS:

Exchange of information between NRA, MoI, SANS and the Prosecutor’s Office (PORB) on specific cases of avoiding the assessment and payment of tax liabilities.

The legal rule governing this activity is Art. 205 of PPC under which PORB is notified of any detected cases of offences against the tax and social security system, detected by NRA, SANS and MoI. Furthermore, SANS actively and regularly interacts and exchanges information with international bodies, partner offices of EU member states and competent state bodies (Ministry of Interior, Prosecutor’s Office of the Republic of Bulgaria, National Revenue Agency, Customs Agency, State Agency for Metrological and Technical Surveillance and the Bulgarian Metrology Institute).

In fulfilment of its information function, SANS provides information about detected risk processes related to the fiscal system, as well as proposals for legislative changes and measures for strengthening control and improving the interdepartmental coordination, to the higher state bodies and to the competent institutions. Data on criminal offenses is transmitted to the prosecutor’s office.

In that light, NRA sent 729 notifications to the prosecutor’s office in 2015 and 939 in 2016. Twelve pre-trial proceedings were opened in 2015 and 34 in 2016. Fifteen pre-trial proceedings on cases of avoidance of assessment and payment of particularly large amounts of tax liabilities were opened based on information notices from SANS and the investigating customs inspectors from CA opened one pre-trial proceedings under Art. 255 of the Penal Code concerning energy products.

In 2017, NRA sent 1 077 notifications to the prosecutor's office, resulting in 87 pre-trial proceedings opened. Ten pre-trial proceedings and 2 prosecutorial inspections were initiated in 2017 based on information notices from SANS. In order to counteract the risks and threats under point 6 of Art. 4(1) of SANSA, 56 prosecutorial inspections were further carried out and 25 competency proceedings in 25 pre-trial proceedings were performed in 2017. Based on information from SANS, eleven specialized information procedures were carried out in 2017 to counteract crimes having negative effect on the treasury (including tax frauds, illegal import, storage and distribution of excisable goods and goods bearing trademarks).

Analysis of tax information was conducted on 43 pre-trial proceedings / prosecution cases in 2018, and 280 taxable persons (TP) involved in fraud were identified. The tax fraud mechanisms in 39 tax fraud schemes were described and 453 tax profiles were prepared as a result of the analyses. Furthermore, NRA officers, seconded to GD COC under an Agreement, analysed tax information from operational investigations conducted by GD COC officers as a result of which further 940 taxable persons involved in fraud were identified. SANS also carried out activities in fulfilment of prosecution orders in relation to the joint work on opened criminal proceedings, providing reports on the results and initiating the opening of proceedings. Work was carried out on 22 pre-trial proceedings (PTP) opened for tax legislation offenses and on 2 PTP opened for customs regime offenses. The prosecuting authorities were approached for tax system offenses which have caused financial losses to the national budget estimated at an aggregate of more than BGN 31.9 million.

A specialised unit for investigation of tax crimes involving organised criminal groups is operational at the Specialised Prosecutor's Office. An agreement between the Prosecutor's Office of the Republic of Bulgaria, MoI, SANS, NRA and the Customs Agency has been signed.

Agreement No. 43/24.03.2015 was signed in 2015 in relation to the implementation of this activity of the SNS Action Plan. The number of the pre-trial proceedings supervised by the specialised unit at the Specialised Prosecutor's Office (SPO) in the same year was 79, including 49 opened by the unit. In 2016, the specialised unit at SPO supervised 97 proceedings, including 26 opened in the same year. The estimated amount of established losses is BGN 100 million in 2015 and BGN 130 million in 2016.

Nine (9) joint specialised operations were performed in 2017. The losses for the treasury are established at BGN 29.8 million, and prevented losses are estimated at BGN 5 million.

Setting up joint investigation teams including representatives of MoI, SANS, NRA, CA and PORB.

A special inter-service unit providing expert assistance in the investigation of organised crime involving tax offenses was set up pursuant to an Agreement between the Prosecutor's Office of the Republic of Bulgaria, MoI, SANS, NRA and the Customs Agency. Pursuant to Art. 194(3) and (4) and Art. 196(1) of PPC, every supervising prosecutor shall assign investigation actions to the respective authorities with an order.

In 2016, tax information on pre-trial proceedings and other cases was studied and analysed for 42 cases. Descriptions of the tax fraud mechanisms involving 587 taxable persons were prepared as a result of the analysis. In 2017, tax information on pre-trial proceedings and other cases was studied and analysed for 7 cases, resulting in prepared descriptions of tax fraud mechanisms involving 389 taxable persons.

Four specialised operations for detecting, preventing and curbing tax legislation offenses were initiated and performed in 2018, putting an end to the operation of unregulated arrangements causing financial losses to the national budget. Funds in the amount of BGN 10.6 million were seized within the operations. Operations were carried out in joint teams involving

SANS, MoI, NRA, PORB. Ongoing coordination with the Interinstitutional Coordination Centre (ICC) was carried out on cases of national tax and customs legislation offenses in trade, imports, exports, etc.

An Interinstitutional Coordination Centre was set up in 2015 in order to strengthen the cooperation of NRA, CA, MoI, SANS, EA “Automobile Administration” in identifying cases of smuggling and tax abuse (Council of Ministers Decree No. 89/16.04.2015). Inter-agency cooperation rules have been approved. Institutions have permanent representatives in ICC operating under 24/7 on-duty regime.

In 2016, control actions were taken in respect of 369 taxable persons who had declared intra-Community acquisition of goods under customs procedure, code 4200, with final destination Bulgaria. Nine joint specialised operations were conducted. Losses to the treasury were established at BGN 89 million, prevented losses were estimated at BGN 5.7 million. 190 joint inspections of fuel trading outlets were carried out in 2017 under the coordination of ICC. 629 operational inspections were carried out and 8 audit proceedings were assigned in relation to planned control at the simultaneous release for free circulation and end-use of goods which are subject to VAT exempt supplies to another EU member state (customs regime code 4200). In 2018, 1005 inspections of means of transport carrying goods, identified as risk-bearing under the plan, were carried out. Evidence taking actions of 271 of them under Art. 40(2) of TSIPC.

In 2018, ICC took actions in relation to the enhanced control on the production and trade in certain groups of goods such as meat and meat products, raw milk and goods, raw material and equipment for tobacco industry productions.

According to an approved plan, in the period 22.12.2017 – 01.03.2018, the import, intra-Community acquisition and supply within the territory of the country of goods belonging to the group “meat and meat products” were placed under enhanced control with the cooperation of NRA, CA, the Bulgarian Food Safety Agency (BFSA), the Commission for Consumer Protection (CCP), Chief Directorate “Border Police” (CDBP), National Police Directorate General (GDNP) and the Regional Directorates of the Ministry of Interior (RDMoI)). Inspections over the period include 5 642 at BCCP and 5935 within the territory of the country. 5939 technical means of control over vehicles were installed. 160 seizures for a total amount of BGN 560 790 were imposed pursuant to Art. 121a (33) of TSIPC. Seven AEAOs were issued to drivers of transport means.

Monitoring of the period 05.04.2018 – 27.04.2018 of all transport means (tanker trucks) carrying raw milk and passing through BCCP was carried out in relation to a letter from the Ministry of Agriculture, Food and Forestry. Technical means of control (TMC) were installed on all transport means. Inspections at the destination/place of unloading upon removal of the TMC were carried out jointly with BFSA officers. 82 inspections of 30 taxable persons were carried out over the monitoring period. Infringements were not detected.

Control of goods, raw materials and equipment intended for tobacco industry productions is carried out under the Interinstitutional Control Centre for counteracting smuggling and controlling movement of risk goods and cargo (ICCCSCMRGC) at Chief Directorate “Combating Organised Crime” since October 2018 according to an approved plan. Technical control means are installed on all transport means going through BCCP and carrying the above goods. 299 inspections were carried out at the destination/place of unloading of goods. Inspections were carried out in cooperation with MoI officers.

Improvement and extension of NRA’s e-services for other administrations

Complete administrative service was implemented in NRA in 2015. The following new e-services for other administrations were developed: information from purchase and sales ledgers under VATA; information on tax returns filed under Art. 50 of VATA and information about

annual tax returns filed under Art. 92 of CITA. The electronic information exchange and cooperation with other institutions (NHIF, NSSI, RA, Directorate General “Civil Registration and Administrative Services” (DG CRAS), etc.) was expanded in the same year and interoperability with the information systems of the different institutions was achieved. Eight agreements were concluded in 2015.

Since 01.11.2016, having implemented 2 e-services, NRA has enabled the contracting authorities under the PPA and the competent CAS authorities to submit electronically requests for the issuance of certificates for presence or absence of liabilities of taxable persons participating in PPA or CAS procedures, as well as to request the methods of obtaining the certificates issued, including electronically. Further 8 new electronic services for other administrations enabling them to exercise their powers were developed over the year. Further 26 new bilateral agreements for information exchange and cooperation between administrations and exclusion of obligations on individuals to provide information that could be obtained ex-officio were signed.

Further 5 new electronic services for other administrations enabling them to exercise their powers were developed in 2017. The following activities were also carried out over the year with a view to improving and expanding the e-services for other administrations:

a) According to the amended Art. 87(11) of TSIPC, the cooperation with other administrations is simplified by eliminating the certificate for presence or absence of liabilities under Art. 87(11) of TSIPC and obtaining the same information electronically, on an ex-officio basis;

b) The existing services for other administrations have been improved and new ones are under development;

c) NRA enables access to the registers of administrative bodies through the connected registers “Register of Liable Persons” with “Report on the presence/absence of liabilities” and “Register of Notifications for Signing, Amending or Terminating Employment Contracts and Notifications of Changing the Employer” in the register-to-register exchange environment (RegiX).

Technical and information means were provided for the exchange of information and use of the e-services developed by NRA for administrations/institutions. In the Employment Agency, NRA E-Service Users were created for checking target groups, employers, etc.

Eight new bilateral agreements for the exchange of information and cooperation between administrations and exclusion of obligations on individuals to provide information that could be obtained ex-officio were concluded in 2017. Four new bilateral agreements for access to e-services with municipalities and 1 new bilateral agreement with the Central Depository were signed in 2017. On the basis of the agreements, persons holding a PIC issued by NRA may use it as an identifier to access the electronic services of other state and municipal administrations.

Amendments to VATA and its Regulations for Application were adopted in 2018 to enable CA to make ex-officio checks whether the conditions concerning persons exercising the right of deferred charging of VAT upon importation are fulfilled. Four instructions and 2 bilateral agreements for the exchange of information and cooperation between administrations and exclusion of obligations on individuals to provide information that could be obtained ex-officio were concluded. An agreement was signed with the Supreme Judicial Council for cooperation on granting judicial bodies access to NRA’s e-services, under which officers from 176 courts were granted access. At the end of 2018 220 users were created in all EA structures for making checks in the registers of NRA. In 2017, the users were 77 in number.

In 2018, NRA developed 6 new e-services for other administrations: report on payments transferred to NRA’s accounts and liabilities repaid thereby, for a given period; report on liabilities, specifying the period, amount and type of liability; accepting statements for

establishing public receivables of creditors other than NRA; report on liabilities for real estate and motor vehicles; information about real estates and motor vehicles for natural and legal persons and Data from the “Register of Administrative Penal Files”.

Pursuant to Art. 8(2) of the Ordinance on the general requirements to information systems, registers and electronic administrative services (OGRISREAS), in relation to Art. 17(5) of the General terms and conditions for access to data of the state administration registers in the register-to-register exchange environment, on the basis of submitted applications for inclusion in registers administered by NRA and following a check, the Agency granted 151 institutions and state agencies access to the Register of Liable Persons with Report on the Presence or Absence of Liabilities and 85 institutions and state agencies access to the Register of Notifications for Signing, Amending or Terminating Employment Contracts and Notifications for Changing the Employer”.

In 2018, with Order No. ДАЕУ-9688/29.10.2018 of the Chairperson of the State e-Government Agency, NRA was granted real access to 45 registers of 22 institutions and agencies in the register-to-register exchange environment (RegiX).

In relation to the activities for coordination and close operational cooperation it should be noted that in 2016 the Republic of Bulgaria joined the Inclusive Framework for Implementing Tax Measures Against Base Erosion and Profit Shifting (BEPS) based on protocol DCM No. 23 / 8 June 2016, which allowed the country to participate in the activities related to the enforcement of standards in the field of tax arrangements and transfer pricing, as well as to join the process of developing monitoring in connection with the implementation of the four minimum standards and other elements of the BEPS package of measures that were already agreed upon by the OECD. The introduction of minimum standards is related also to the fulfilment of Bulgaria’s obligations as a member state of the EU that is a member of the G-20 and is also committed to introducing the standards into the European legislation. In that light, the following amendments were introduced in 2017 by the Amending Act of the Tax and Social Insurance Procedure Code (promulgated, SG, No. 63 / 04.08.2017):

- rules on the exchange of information on advance cross-border tax rulings and advance pricing agreements (Council Directive (EU) 2015/2376 of 8 December 2015). The main objective is to enhance the effectiveness of administrative cooperation between tax administrations by extending the scope of the automatic exchange of information. The rules introduced are essential to the strengthening of the fight against tax evasion and aggressive tax planning, which is a prerequisite for improving collection and increasing revenue;

- rules for country-by-country reporting by multinational groups of enterprises (Council Directive (EU) 2016/881 of 25 May 2016). The exchange of information included in the country-by-country reporting will allow tax administrations in different countries to take action against harmful tax practices and identify persons (undertakings) that artificially transfer a significant part of their profits to jurisdictions with more favourable tax regimes.

Bulgaria participated actively in meetings of OECD working groups and initiatives in the field of tax policy such as: Inclusive Framework for Implementing Tax Measures Against Base Erosion and Profit Shifting (BEPS), Working Group 2 Taxation and Tax Statistics Analysis, Working Group 6 Taxation of Multinational Enterprises, Working Group 9 Taxes on Consumption, Working Group 11 Aggressive Tax Planning, Task Force on Digital Economy, Forum on Harmful Tax Practices.

In line with international commitments under the CADTs concluded and Directive 2011/16 EU on administrative cooperation in the field of direct taxation, effective exchange of information with foreign jurisdictions is in place to provide the necessary data to combat tax evasion and money laundering.

The National Revenue Agency carries out efficient and effective administrative cooperation and exchange of information with the revenue administrations of the EU member states in the areas of VAT and collection of public receivables. The instruments of administrative cooperation are used to control the differences between ICA declared by the Bulgarian liable persons compared to the data received through the VAT Information Exchange System (VIES) for ICS declared by the European traders to them. In order to efficiently collect revenues from excise duty, the Customs Agency cooperates administratively and exchanges information with EU member states in connection with carrying out controls.

Representatives of the revenue agencies take part in multilateral audits initiated by other members states and aimed at detecting and preventing cases of fraud related to fictitious movement and sale of excisable goods (mainly alcoholic beverages) within the EU.

As a member of the Council for coordination in the fight against infringements affecting the EU's financial interests to AFCOS, NRA provides information on OLAF requests. Reports on the actions taken to secure and enforce public and private state receivables, handed over to the NRA by the state authorities and institutions managing EU funds, are provided to the AFCOS Directorate of MoI on a monthly basis, such as cases of irregularities and/or fraud affecting the EU's financial interests and the national budget.

Digital economy taxation

Measure 2.6: Monitoring and effective control of electronic trade

The widespread use of information and communication technologies (ICT) in all public spheres is the basis of the need to adapt taxation to the challenges of the digital economy and to take action to address them. The main challenges of direct and indirect taxation arise from the specificities of the digital economy: mobility (intangible forms, users and business functions), reference to data and user participation, network effects, multilateral business models, unpredictability.

In addressing this prominent problem, the Ministry of Finance takes part in the EU initiatives on digital economy taxation. As a member of the BEPS Inclusion Framework, in 2016 Bulgarian was invited to join the OECD Task Force on Digital Economy (TEDE). The Task Force on Digital Economy is a subsidiary body of the OECD's Committee on Budgetary Issues which aims to assist the Committee on Fiscal Affairs in respect of the responsibilities for implementation of the BEPS project, in particular under Measure 1 "Addressing the Challenges of the Digital Economy" of BEPS, as well as to provide political, legal, administrative and technical support for the work on digital economy issues.

In response to the challenge, an Electronic Audit Department was set up at the Control Directorate of the Head Office of NRA in April 2016, with the function to monitor trade on the Internet and to assign and coordinate controls on Internet traders. In 2016, NRA's specialised electronic data analysis software was used in 197 closed audit proceedings and 135 inspections. Over the same period, the specialised electronic audit teams in the TD of NRA established tax and social security liabilities in the amount of BGN 12.7 million. Work to increase the share of control proceedings using specialised electronic data analysis software continued in 2017. The number of the specialised electronic audit teams in TD of NRA increased to 16, staffed with a total of 69 people and the total number of the control function employees actively using electronic data analysis now exceeds 136 people. A total of 647 inspections and 310 audits with the specialised software were assigned in 2017. The number of completed inspections and audits using the software is 384 and 240, accordingly. Additional liabilities in the amount of over BGN 22 million were established using the software.

60 audits and 129 inspections of e-traders were assigned in 2016. Additional tax liabilities in the amount of BGN 1.6 million were established as a result of the 20 closed audit

proceedings. Way more control actions against persons who failed to declare income/profits from doing business on the Internet were taken in 2017 compared to 2016. 220 audit proceedings and 1828 inspections of e-traders were assigned. Additional tax and social security liabilities in the amount of over BGN 13 million were established as a result of the 123 audits completed over the year. 2 107 control proceedings (inspections and audits) of persons trading on the Internet were closed in 2018. Additional liabilities in the amount of BGN 27.2 million were established as a result of the audit proceedings closed. Voluntary payments by persons, pursuant to Art.103 of TSIPC, amounted to BGN 2.9 million.

The operation of online stores was regulated in the Bulgarian legislation in 2018. Requirements to persons selling via online stores are also laid down (VATA, Ordinance No. N-18). According to the definition of the term, “online store” means a website selling goods/services by distance contracts under Art. 45 of the Consumer Protection Act and containing a built-in functionality for selecting, placing and removing goods/services in/from a shopping cart, entering information about the buyer, delivery address, and choosing methods of payment. Pursuant to the law, NRA creates and maintains a public electronic list of online stores. The list will be accessible from Agency’s website. The public list is under development. Traders using their own or hired online stores, or publicly accessible online sale platforms, are under an obligation to provide information thereof to NRA by 29 March 2019. This requirement applies to persons who have started up business before 29 December 2018, whereas traders, who are to use online stores in the future, have to send information thereof before they start up operations.

With the 2018 amendments to the Excise Duty and Tax Warehouses Act (EDTWA), the publication of advertisements and announcements, including online, offering excise goods, as well as tobacco refuse, is prohibited. Sending same goods through the postal network is also prohibited. The above prohibitions do not apply to traders offering alcoholic drinks via online stores in the meaning of VATA, provided that the goods are with excise labels or the excise duty has already been paid. In the event of a control purchase pursuant to EDTWA, the customs authorities are legally enabled to instruct the postal operators on the actions they are to take so that the sender of the parcel could be identified at a point of time when such person’s administrative or criminal liability could be engaged. In the light of the prohibition to offer for sale excisable goods without excise label or without paid excise duty, in 2018 the customs authorities issued 18 AEAOs to owners of free online classifieds platforms who permitted publication of multiple ads for prohibited excisable goods and tobacco refuse.

Encouraging voluntary compliance

Measure 2.2: Improving the conditions for voluntary compliance

Supporting voluntary compliance by taxpayers is among the major strategic approaches applied by the National Revenue Agency and the Customs Agency to increase tax revenues. Voluntary compliance is encouraged and tax, social security and health insurance contribution evasion and avoidance are prevented by providing adequate services for citizens and businesses. Major activities implemented under this measure include:

Continuous monitoring of and communication with taxable persons making up a significant share of the national economy.

The monitoring of taxable persons providing significant revenues to the budget and having effect on the national economic climate yields positive results in the light of the changes identified in monitored persons’ behaviour towards respecting the guidance provided by the revenue authorities as a result of the activities related to sending notification letters, holding meetings or carrying out FCFIs, etc. The main objective of this approach is to protect conscientious taxpayers from engaging in in tax fraud schemes or tax evasion and to inform them of the adverse effects of tax and social security non-compliance. Positive results have been consistently reported throughout the years of Strategy’s operation, including improved behaviour

of persons, as far as they know that the data and the economic activity they declare are analysed on a monthly basis.

A further focus of the activity of counteracting tax frauds is the monitoring of food chain stores and chains of stores for radios, television receivers and household appliances. Monitoring of the behaviour of large supermarket chains started in 2014 and monitoring of chains of stores for radios, television receivers and household appliances was launched in early 2016.

3 580 persons with large-scale economic activity, including 11 chains of stores, were monitored in 2015. Seventy (70) notification letters were sent, 36 meetings with business representatives were held in relation to detected departures from normal commercial practice, guidance and explanations on avoiding involvement in tax fraud schemes were provided. 68 % of the persons have discontinued deducting tax credit from deliveries by risky counterparties, in the amount of BGN 7.7 million.

438 companies with large-scale economic activity and high effect on the revenue part of the treasury were under continuous monitoring in 2016. As a result of the measures taken in respect of taxable persons with detected departure from normal commercial practice or other irregularities, tax credit in the amount of BGN 2.0 million was voluntarily adjusted. In most cases, the persons are influenced by the fact that they are under continuous monitoring and reduce or completely stop deducting tax credit from deliveries by risky counterparties. 61 inspections of large retail chains were carried out, 1 person was audited, 4 letters of warning were sent, monitoring was carried out on 41 persons and 28 persons were subjected to selection to assess the need for control actions.

882 persons with large-scale activity were under continuous monitoring in 2017. Tax credit in the amount of BGN 1.06 million was voluntarily adjusted. The business behaviour of 16 taxable persons operating as 11 chains of stores was monitored in 2017. 23 inspections were carried out based on the analysis and monitoring of large retail chains. Monthly monitoring and analysis were carried out in respect of the operations of 14 companies – large food chain stores and chains of stores for radios, television receivers and household appliances registered in TD of NRA, Large Taxpayers Office, and TD of NRA – Sofia, Medium-Sized Taxpayers and Insurers Office. The monitoring carried out in 2018 resulted in six summary reports prepared and 10 letters sent to TD of NRA for taking control actions in respect of 21 taxable persons.

The above activities indicate a positive trend of minimizing the amount of tax credit used on deliveries by risky counterparties, increasing the amount of intra-Community acquisition directly by the retail chains and establishing permanent cooperation with the revenue administration towards helping to curb the grey economy in the sector.

Implementation and development of an approach encouraging voluntary compliance by conscientious persons who have erred and taking of enforcement or punitive action in respect of those who deliberately do not comply with the law.

The procedure for correcting accounting and other errors under CITA has been changed with effect from the beginning of 2017. In order to alleviate the mechanism for correcting accounting and other errors and to facilitate the implementation of the reliefs provided under CITA and CADT, an amendment has been adopted whereby taxable persons themselves shall adjust their tax financial result according to the requirements of the existing legislation through a single submission of a new tax return with the correct details by the 30th of September. Natural persons are legally enabled to adjust the information in the tax returns they have submitted provided that it is established following an analysis of the data declared, including in the course of control actions and proceedings, that they have committed errors in the fulfilment of their tax and social security obligations.

The above amendment has also proven effective in NRA's initiative in 2017 and early 2018 for checking the available cash declared by companies in the 2016 annual tax returns (ATR) under CITA, as a result of which a significant number of the companies adjusted their financial results or declared dividend payments, which had a positive effect on revenues from taxes on dividends, liquidation shares and income of local and foreign natural and legal persons under CITA and PITA.

318 letters were sent to and 113 meetings were held with TP in 2018 in order to prevent frauds and encourage timely and voluntary remedying of defaulting behaviour. As a result of the letters sent and/or meetings held taxable persons made 4012 adjustments.

The number of adjusted annual tax returns submitted in 2018 is:

- annual tax returns:
 - under Art. 50 of PITA – 54 302, including 15 215 based on Art. 53(2) of PITA (granted additional statutory option for adjustment of detected errors after the deadline for submission of ATR);
 - under Art. 92 of CITA – 24 639, including 2 518 based on Art. 73(3) of CITA;
- VAT returns under VATA – 84 966.

Monthly monitoring of the behaviour of and data declared by selected taxable persons.

Information campaigns were held in 2015, e-mailing reminders to 11 796 persons with outstanding liabilities under VATA for three consecutive periods. NRA held information campaigns for collection of overdue public liabilities, including of civil servants. Reminders for social security compliance, etc. were sent to 14 thousand risky employers. An information campaign was conducted on the risk of failure to submit declaration form 6 and failure to pay compulsory social security contributions by self-insured persons as well as by risky persons in the hairdressing, cosmetics and other beauty treatment sector.

Different information campaigns and activities were carried out in 2016 with a view to improving the awareness of and reducing the administrative burden on NRA clients, by e-mailing thematic reminders and messages to over 640 000 persons, including to 10 219 persons with outstanding liabilities under VATA for three consecutive periods. NRA's Information Centre organised and held 24 campaigns, initiated 228 707 calls with 93 355 taxable persons with outstanding liabilities selected. Information telephone campaigns covered liabilities in the amount of BGN 118.3 million against total liabilities of BGN 391.9 million. Contacted were 76 455 taxable persons making up 82% of the initially selected persons. An increase of 25% against the previous year is observed in the number of contacted persons with whom voluntary tax and social security compliance has been negotiated. In 2016, the number of persons who took steps to pay as a result of the campaigns increased by 23% against the previous year, to 35 930. Liabilities treated by the so-called "soft methods" have decreased by BGN 34.2 million paid by 29 663 persons; the total decrease of all liabilities amounts to BGN 67.1 million paid by 34 139 taxable persons. 52% of the persons on average have taken steps to pay their liabilities covered by the respective campaign as a result of a telephone call, with campaigns on newly emerging debts registering achievements at over 71 %.

A total of 26 information campaigns were held and 198 614 calls to 88 452 taxable persons were initiated in 2017 through NRA's Information Centre. Three information telephone campaigns (ITC) were carried out to 15 399 persons to help encourage voluntary declaration of data and tax and social security compliance. There were also 23 ITC to 80 601 persons with overdue liabilities in the amount of BGN 117.7 million covered by soft telephone collection methods, the total liabilities of said persons amounting to BGN 274.5 million. Contacted were 74 470 TP making up 84% of the selected persons. As a result, the liabilities treated by telephone negotiations decreased by BGN 63.5 million paid by 45 304 taxable persons. Full repayment of liabilities was reported for over 14 000 TP (17%). 40% of the persons on average took steps to

repay their liability covered by the respective campaign as a result of a telephone call, with campaigns on newly emerging debts registering achievements at over 65-70%.

In 2018, the information campaigns for improving voluntary compliance targeted at taxable persons include:

- reminders sent to VAT registered persons who have failed to pay the VAT due in the course of three consecutive months – 4 722;
- e-mails sent to preparers of financial statements whereby NRA reminded them to declare their income, for preparers of AFS – to 11 409 legal persons and 18 431 natural persons.
- reminders on the changed procedure of using discount when submitting annual tax returns (ATR) under Art. 50 of PITA sent to persons who submitted ATR under Art. 50 of PITA for 2016 in 2017 – 174 332.

Sending letters and holding meetings on detected inconsistencies in the tax returns submitted and/or correction of errors in submitted tax returns.

In order to encourage correct declaring of tax and social security liabilities, different types of comparisons of the data in the declarations and the information available in NRA, including data provided by third parties, are made. Different measures are applied in respect of persons for whom inconsistencies are detected – informing them by e-mail of the possibility to adjust themselves the data in their declarations within the statutory period, invitations to correct inconsistencies after the deadline for voluntary adjustment and submission of adjusted tax returns, conducting inspections, etc.

Every year, NRA sends messages on basis of Art. 103 of TSIPC for remedying inconsistencies in annual tax returns submitted under Art. 92 of CITA and under Art. 50 of PITA.

The actions taken in 2018 in respect of detected inconsistencies include:

a) for the beneficiaries of subsidies from State Fund “Agriculture” who failed to submit returns or submitted returns with detected inconsistencies in the amount of the declared income, an information campaign towards correct declaring within the statutory period was held as follows:

- failed to submit returns – over 55 000 persons;
- submitted returns with detected inconsistencies – over 27 000 persons;
- b) invitations to remedy inconsistencies in annual tax returns sent to over 15 000 persons;
- c) checks for making adjustments in social security declarations – over 125 000 checks.

In addition, during the term of the Strategy, NRA continued its educational project “Get to know taxes”. The main objective of the campaign is to improve the tax and fiscal literacy of teenagers and to provide them with basic and fundamental knowledge about the Bulgarian tax and social security system. The 2017 campaign included online video lessons and a specially designed for the purpose tax portal www.vlezvchas.bg. Within the campaign, NRA officers met with students aged 14 – 18 from the general education schools in the 28 district centres in Bulgaria. NRA’s education campaign was awarded at the BAPRA Bright Awards competition organised by the Bulgarian Association of PR Agencies. The international jury appreciated “Get to know taxes” as a project with an effective and longer-term result with clear recognition. The project was also the big winner in the “Public Sector PR Project” category of the PR Prize 2017 competition organised by the Bulgarian Society for Public Relations (BSPR). NRA’s education project “Get to know taxes” received high praise in Brussels where the Agency presented its experience in fiscal education to the working group of the European Commission.

For three successive years NRA organises a free seminar on changes in tax and social security legislation which is broadcast live on the Internet. The video can also be watched on the YouTube NRA channel.

Collection of public liabilities

Measure 2.3: Improving the collection of overdue public liabilities

Pursuant to Art. 163(3) of TSIPC, public liabilities shall be collected by public enforcement agents at NRA, unless otherwise provided for in a law. As a result of the comprehensive and systematic implementation of specific organisational and governance measures and campaigns, a sustainable change in the behaviour of TPs is reported. The positive results that have been achieved are due to the changed treatment of debtors as a result of a selective approach complying with the level of the liability collection risk and the behaviour demonstrated in terms of compliance with the obligations to register, declare and pay.

In 2018, the functionality of NRA's Management Information System was upgraded to bring together the core information about a debtor – new criteria for identifying individual groups / subgroups of debtors showing similar characteristics and behaviour were added. Grouping debtors according to the new criteria will contribute to defining new rules / measures for treating the individuals in each group ensuring equal treatment of persons with similar profile and escalating the strictness and intensity of the measures applied.

Upgrading and improvement of the Collection information system continued in 2018, implementing new functionalities and reports in support of the operational and management activities within the public receivable collection process. On 03.12.2018, in relation to Art. 220(1) of TSIPC, a new e-service was implemented for online claiming of public receivables on the basis of statements issued by public creditors – state, municipal or judicial authorities, for enforcement of recovery to NRA. Furthermore, via the service, the respective public creditor accesses up-to-date information about the status and amount of its public receivables claimed for recovery to NRA. The purpose is to stop the exchange of information on paper carrier and to optimise the procedure of interaction between NRA and public creditors.

An improved version of the Sales portal for publishing public sales announcements under the TSIPC was implemented in February 2018. The information about public sales (through open or secret bidding tenders) is visualised for NRA's clients via the public section of the portal at any time and is free for access. The portal enables easier and more accessible search by an external user in the public sales announcements, things being grouped in four core categories. It is compatible with and accessible by mobile devices, the number of tender procedures announced in 2018 is 3 164, 15% up on the 2 750 tender procedures announced in 2017.

As a result of the new public receivable collection approaches applied in 2018, the share of liabilities paid on time increased by 0.7 % compared to 2017, voluntary payment reaching 86.3%. In the period 2015 – 2018, the share of liabilities paid on time increased by 5.6 percentage points (from 79.1% as of 31.12.2014 to 84.7% as of 31.12.2018).

Total collection of overdue public tax liabilities, mandatory social-insurance contributions and fines/pecuniary sanctions imposed by the NRA authorities increased by 9.8% in 2018 compared to 2017.

The good practice of early notification of taxable persons who have failed to pay on time the full amount of their public liabilities continued in 2018. Using the functionality implemented at the end of 2017, three consecutive e-mails with different content – notification, reminder and warning, are automatically sent to the respective taxable person for each newly emerging / claimed for recovery to NRA public receivable. Fifteen national telephone campaigns focused on selected persons with outstanding public debts were carried out. According to the reporting data, over half of the persons paid their debts in full within 3 months after the notification message and the amount of the debt treated by the measure decreased by almost 70% within that period. More than 76 thousand taxable persons were contacted by phone. The amounts paid to the

budget as a result of the measure amount to more than BGN 100 million and 35% of the contacted persons have paid their obligations in full.

Debtors having the highest amount of overdue tax and social security liabilities are under continuous monitoring. Ongoing monitoring was carried out in 2018 with respect to public liabilities incurred by liquid fuel traders, persons licensed for the production and storage of excisable goods under an excise duty deferred payment arrangement, for organising games of chance and activities in the meaning of Art. 4 of the Gaming Act, or pursuing activities under the Private Security Activities Act. The measure is of a preventive nature and aims to change the behaviour of monitored persons towards paying their liabilities on time. The relevant licensed authorities are notified of the persons who fail repeatedly to pay their liabilities on time with a view to taking steps for withdrawal of their licenses. As a result of the monitoring decrease in the amount of the debt by BGN 421.2 million was registered for 2 766 of the monitored persons within the period of monitoring. 516 persons have paid in full their overdue public liabilities.

Strategic objective 3. Reducing compliance costs

This section contains information about the government policy for reducing the administrative burden. The results of some measures in the context of the national policy in the field are included. Activities and measures from the Action Plan annexed to SNS 2015 – 2017, which are key to achieving the strategic objective, as well as a brief description of the essence, objectives and the results obtained in implementing the measure or activity are presented.

Policy implementation

Reducing the administrative burden on citizens and businesses, creating better conditions for economic and investment activity and developing e-government as a basis to modernise public administration and optimise the processes of administrative assistance of citizens and businesses are among the priorities laid down in the Government Program 2017-2021¹⁰. In that light, actions to improve administrative assistance in the country have been taken. Reducing the administrative burden on businesses greatly facilitates starting and doing business and makes the country a more attractive place for new investments. Along with the actions taken to comply with the country specific recommendations, reducing the administrative burden and costs for businesses and citizens remains in the focus of the tax policy¹¹.

In connection with the administrative reform and the policy for modernisation of the state administration implemented in the Republic of Bulgaria, including the requirements and principles of e-Government for official exchange of data and information between administrative authorities and for reducing the administrative burden on citizens and businesses, in the period 2015 – 2018, a number of requirements for the submission of supporting documents on paper carrier were removed and administrative procedures were simplified, including through a number of legislative changes in the field.

In the Country Report Bulgaria 2019 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances (Brussels, 27.2.2019 SWD(2019) 1001 final) the European Commission finds that despite the relatively simple tax structure, tax compliance costs remain high. To explain this, the Commission takes note that Bulgaria has consistently ranked low on paying taxes in World Bank's "Doing Business" report.

As regards Bulgaria's ranking on paying taxes in World Bank's "Doing Business" index, it should be noted that our country ranked 83rd in 2016 (Doing Business 2017), 90th in 2017 (Doing Business 2018) and 92nd in 2018 (Doing Business 2019). One of the components examined, the post-filing index, was introduced in 2017 (this means that data for 3 years are available) and it examines the post-filing administrative burden. It aims in particular to cover post-filing processes – value added tax refund, corporate income tax return adjustments, measuring also how long it takes to make a tax audit which may be required within the above processes. When Bulgaria dropped from 83rd to 90th place in 2017, the post-filing index also registered a negative change from 73.3 to 69.3 points, which may be explainable by the lower ranking in this transitional period. In 2018, however, the index improved from 69.3 to 71.02 (Doing Business 2019), whereas Bulgaria dropped from 90th to 92nd place. It should be noted also, that in World Bank's latest report there has been almost no change in the other indicators examined compared to the previous year. Only Total tax and contribution rate (% of profit) deteriorated, increasing from 27.1 to 27.7, which is probably due to the increased social security contributions. The results show that in the absence of source data and failing an analysis of the

¹⁰ http://www.government.bg/files/common/GovPr_2017-2021.pdf

¹¹ 2018 update of Europe 2020: National Reform Programme of the Republic of Bulgaria <http://www.minfin.bg/bg/867>

performance of other countries in the study it is not possible to arrive at a final conclusion about the reasons for the lower ranking in 2018 compared to 2017 or about the negative trend in Bulgaria's performance on the Paying Taxes index in World Bank's Doing Business reports.

In response to Commission's recommendations on administrative burden and in pursuance of the policy in the field, in October 2018 the Government approved a package of 1528 measures to change and improve the administrative assistance for citizens and businesses. *Measures to improve the administrative assistance model in Bulgaria*¹² were approved with Decision No. 704/ 5 October 2018 of the Council of Ministers under which a total of 373 administrative services and regulatory regimes will be eliminated in order to facilitate citizens and businesses and to create better conditions for economic and investment activity. The decision reduces the documents required from applicants, increases the ex-officio exchange of documents, shortens some deadlines, standardises services provided by administrations with similar profile of activities.

The important measures contained in the plan concern proposals for eliminating or reducing the cases in which the most common certificates serving in administrative procedures are required and having the data established ex officio by the administrations: sketches, certificates of absence of liabilities to municipalities, tax assessment certificates, farmland characteristics certificates, document evidencing education, requirements to submit permits and environmental impact assessments, requirements to present tax assessment certificates when acquiring immovable property. The deadlines of the services are shortened, the data that do not have to be completed are eliminated, the requirement to have the certificates stamped by legal entities is eliminated and the services are standardises.

According to the plan for implementation of the measures, by the end of 2018 the ministers are to organise the deletion from or entry into the Administrative Register of Provided Administrative Services and by 31 March 2019 they are to prepare and submit to the Council of Ministers for approval the draft amendment to laws and regulations in relation to the changes undertaken, as well as to develop and issue the acts which are within their competence.

Pursuant to Council of Ministers Decision No. 704/5 October 2018 and with a view to standardising the above services, measures for changes to the tax return templates under the Local Taxes and Fees Act were implemented in 2018, thereby easing the regime of submission of certificates of succession by citizens, standardising services and reducing the administrative burden¹³.

During the SNS period, the Plan to reduce the administrative burden on citizens and businesses by removing the requirement to submit certain official supporting documents on paper carrier when administrative services / regimes are provided by the administrative authorities was approved with Council of Ministers Decision No. 338 / 23.06.2017. The register-to-register exchange environment is used to implement the Plan. It provides ex officio access between primary data controllers and the administrative authorities which are authorised under regulations to access the data concerned, including for the purposes of the administrative services they provide to citizens and/or businesses¹⁴. Measures as part of the plan annexed to SNS have been implemented in connection with the decision. They include mainly amendments to TSIPC, EDTWA, CITA, LTFA and VATA concerning the requirement for NRA and CA to issue paper versions of certificates of presence or absence of liabilities. The amendments to TSIPC have removed the regulatory barrier to issuing the certificate electronically signed. The

¹² http://pris.government.bg/prin/document_view.aspx?DocumentID=gRy5NtRx8nQXOXc7g2Frsg==

¹³ Order No. 3MΦ-1288 / 21.12.2018 of the Minister of Finance approving tax return templates under the Local Taxes and Fees Act (promulgated, SG, No. 107 / 28.12.2018)

¹⁴ Information on the register-to-register exchange environment RegiX is available at: <http://regixaisweb.gov.bg/RegiXInfo/>

certificate is provided as an administrative service entered in the Administrative Register. The legal basis for the provision of the service is Art. 87(6), (10) and (11) of TSIPC, in relation to point 1 of Art. 162(2) of TSIPC. The information provided is of the “yes”/”no” service type which means that only name of person and information on presence or absence of liabilities is provided, without specifying any amount with a view to protecting tax information in accordance with Art. 74 of TSIPC.

In 2006, the European Commission set out an ambitious Action Programme to eliminate unnecessary administrative burdens on businesses in the EU, which was endorsed by the European Council in March 2007. In pursuance to the national commitments under the **Action Programme for Reducing Administrative Burdens in the EU**, three action plans for reducing administrative burdens have been prepared and implemented¹⁵. The programme focuses on removing obsolete, unnecessary or repetitive obligations to provide information. The data¹⁶ announced by the Ministry of Economy in early 2017 show that two action plans for reducing the administrative burden on businesses by 20% have been implemented since 2007 in pursuance of the national commitments under Commission’s Action Programme, amending 3 codes, 23 laws and 5 ordinances, instructions and rules. 233 (77%) of a total of 302 measures planned have been implemented. The estimated reduction of the administrative burden on business is 19% of the planned 20%. The third action plan envisaging reduction by 30% of selected legislation in the period 2015-2017 is being implemented. It contains 130 measures having the potential to reduce the administrative burden on businesses by BGN 144.5 million per year. A total of 50 measures have been implemented since the adoption of the plan till end of June 2016. As a result, the administrative burden on businesses is reduced by 25 % of the planned 30%. The administrative burden under EDTWA has been analysed and measures to reduce the administrative burden under the law and its implementing regulations have been planned within the third action plan under the project.

Efforts to simplify legislation, avoid overregulation and reduce the regulatory burden at the EU level continue. Bulgaria takes part in the implementation of the Regulatory Fitness and Performance Programme (REFIT)¹⁷ that is considering different proposals for simplification in a number of policy areas.

The **Action Plan with measures to address the main problem areas that impede growth in investment** was adopted with Council of Ministers Decision No. 411/19 May 2016, approved with Council of Ministers Decision No. 617/12 August 2015 and supplemented with Council of Ministers Decision No. 609/22 July 2016. The document contains three lines of action: Legal measures, Administrative measures and Open points. The approved Action Plan contains a total of 97 measures envisaging amendments to 21 laws and the relevant implementing regulations. Many of the measures have been initiated by the business through the representatives of different business associations involved in the preparation of the measures and address real economic problems. These measures are prepared in order to better position Bulgaria as an attractive investment destination in prestigious international rankings.

The progress reports on the implementation of the Action Plan with measures to address the main problem areas that impede growth in investment, approved by the Government, include the following measures for problem area “Time required to pay taxes” in 2018:

- Amendments to the Accountancy Act exempting from statutory independent financial audit the financial statements of joint-stock companies and limited partnerships with shares which are microenterprises have been adopted;

¹⁵ <http://abrio.mee.government.bg/page.php?category=512>

¹⁶ <https://www.mi.government.bg/bg/news/otchet-na-ministerstvo-na-ikonmikata-za-perioda-2014-2016-v-izpalnenie-na-programata-na-pravitelstvo-2780.html>

¹⁷ https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly_bg

- A new NRA e-service for online submission of applications for certificates of residence has been designed and implemented in a real-life environment¹⁸;
- Amendments to the Tourism Act, classifying *guest houses* as *residential buildings*, have been adopted, thereby eliminating the problems for investors arising from the uncertain status of and failure to include guest houses in a specific category of construction;
- The administrative procedures and requirements to NRA clients upon submission of applications and confirmation of access to NRA services from every NRA office have been eased. The practice of all NRA offices has been harmonised and the e-services provided by the Agency have been expanded, improving thereby the implementation of the regulated rules for obtaining documents signed with electronic signatures at the official e-mail addresses of NRA.

Key results obtained in implementing the measures for reducing the administrative burden

Providing quality service and enabling customers to comply with their obligations is a guiding priority of national revenue administrations. The development measures related to the service provided in the period 2015-2018 are focused on enhancing the quality of service, encouraging voluntary compliance and improving the collection of tax and social security and health insurance contributions, improving tax and social insurance culture of clients and decreasing costs incurred by the clients and by the administration.

Facilitating the administrative regimes and procedure and shortening the deadlines for provision of services

Measure 3.1: Facilitating the administrative regimes and procedures and shortening the deadlines for provision of services by CA

Measure 3.2: Facilitating the administrative procedures and requirements for NRA clients

Measure 3.3: Increasing the share of the information exchanged ex officio with other state structures, including in relation to the application of complete administrative service. Provision of access to databases and information systems of other institutions

The following actions have been taken during the term of the Strategy in order to **reduce the administrative burden on and costs for taxable persons under EDTWA**:

- Direct exemption from excise duty instead of exemption by refund of excise duty has been introduced for taxable persons using alcohol denatured according to a particular method for the production of goods not for human consumption (2015);
- It has been regulated that moving excisable goods with tax markings affixed to them between tax warehouses of the same licensed warehouse keeper within the territory of Bulgaria shall not be considered release for consumption and goods can be moved between the two warehouses under duty suspension arrangements following a permission from the Customs Agency's director (2015);
- Excise duty subject to refund will be refunded within shorter time limits and the requirement for licensed warehouse keepers to submit reports for the excise labels received has been eliminated on the account that the reporting of excise labels is reflected in the warehouse stocks log (2015);
- The regulatory regime for lubricants was simplified by exempting from excise duty lubricants in packages of up to 5 litres and introducing a simplified procedure for notification

¹⁸ Reports on the implementation of the Action Plan with measures to improve the investment environment <http://www.gov.bg/special/bg/prestsentar/zasedaniya-na-ms/dneven-red-na-zasedanieto-na-ministerskiya-savet-na-23-01-2019-g> and <http://www.gov.bg/bg/prestsentar/zasedaniya-na-ms/dneven-red-na-zasedanieto-na-ministerskiya-savet-na-01-08-2018-g#block1>

under Art. 76c of EDTWA of lubricants in quantities above 5 litres and up to 210 litres received from another member state (2015);

- As regards licensing and registration regimes, the obligation to submit certificates of presence or absence of tax liabilities and liabilities for mandatory social and health insurance contributions to the customs administration is removed from the administrative obligations of persons. This information is obtained by NRA ex officio (2016);

- In cases of refundable excise duty, the time limit for refunding or offsetting the amounts against due public liabilities of the person collected by the Customs Agency is shortened from 14 to 7 days (2016);

- The requirement for persons to submit statements that they have not committed any serious infringement or repeated infringements of EDTWA is removed. The information is provided ex officio by authorised access to the Register of Liabilities to the Customs Agency (RLCA) maintained by the Customs Agency (2017);

- The obligation for licensed warehouse keepers, registered consignees, temporary registered consignees and registered consignors to submit to the customs administration the names of the officers authorised to sign electronic administrative documents and specimens of their signatures has been removed (2018);

- A procedure for cancelling/deactivating incorrectly submitted excise label requests, inventories and reports has been introduced (2018);

- In light of the statutory period laid down in EDTWA for bank guarantees which have to be valid not less than one year after the date they are issued and in order to avoid difficulties in adopting annexes to bank guarantees, the requirement to specify in the document template the trader's domicile and registered address has been removed (2018);

- The obligation for economic operators to submit the excise duty return upon payment of the excise liability and to attach to the excise duty declaration the payment documents in evidence that the excise duty has been paid to the state budget has been removed (2018);

- The requirement for persons, who have notified their request to be issued certificates of registered price or certificates of changed registered price, to present documents evidencing payment of stamp duty under Art. 11a(1) of Tariff No. 12 on duties charged within the Ministry of Finance's system under the Stamp Duty Act, approved with Council of Ministers Decree No. 55/1993, on account or at the cashier desk at the Central Customs Directorate of the Customs Agency, has been removed (2018);

- Amendments regulating the issuance of summary excise invoices for the sales on the relevant day and the entry of the quantities sold in a separate line have been adopted in respect of sales of liquefied petroleum gas (LPG) in bottles for use as fuel to natural persons (2018);

- BECIS has been amended to reduce the administrative burden in issuing licenses/registrations under EDTWA (2018).

The 2017 amendments made with the Amending Act of the Act Restricting Administrative Regulation and Administrative Control of Economic Activity introduced a requirement for submission of certificates of conviction status ex officio in the Tax and Social Insurance Procedure Code, the Insurance Code, the Social Security Code, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act, etc.

Worth noting are also the results reported along the following lines of action: applying an automatic risk assessment and a simplified procedure for recovering VAT declared for reimbursement and overpaid amounts under the annual tax return under Art. 50 of PITA for natural persons and introducing and developing a new approach to bona fide liable persons who made mistakes in declaring obligations and promoting voluntary compliance. Along these lines of action, regard should be given to the role of the following changes in the legal framework and in the organisation of the work of NRA:

- Applying a simplified procedure for recovering VAT declared for reimbursement and overpaid amounts on the annual tax return under Art. 50 of PITA for natural persons. In 2017,

VAT was refunded according to the simplified procedure to 14 588 VAT registered persons and 15 272 natural persons were reimbursed the overpaid tax on ATR pursuant to Art. 50 of PITA. In 2018 income tax was refunded according to the simplified procedure to more than 38 000 natural persons and VAT was reimbursed to over 16 000 VAT registered persons;

- The requirement to attach documents evidencing the justification for tax relief is waived when the full amount of the relevant tax relief is used by the employer under the basic employment relationship;

- The requirement to file a declaration under Art. 55 of PITA for the final tax payable by local natural persons under Art. 46 of the same act on income from sources abroad is waived. With effect from 2018, this tax is to be declared under annual tax return under Art. 50 of PITA within the term for payment of the annual tax (by the 30th of April of the year following the year of income acquisition), not in four instalments (by the end of the month following the quarter of income acquisition) as was required before 2018;

- The obligation of persons, who have not carried out any activity in the meaning of the Accountancy Act, to submit an annual tax return under Art. 92 of CITA and an annual activity report for the legal persons is waived. In 2016, total 517 977 annual tax returns were submitted under Art. 92 of CITA, including 195 837 declarations by persons who did not carry out such activity. In 2018, taxable persons did not carry out any activity in the meaning of the Accountancy Act during the tax period were enabled to submit annual tax declarations in certain cases. The same option was introduced for cases of dissolution and winding up or declaring bankrupt;

- The obligation to notify NRA before a sole trader is deleted from the Commercial Register is waived. Before the change, in 2017 over 2500 persons submitted such notices under Art. 77 of TSIPC;

- The obligation of persons to draw up and file inventories of available assets upon initial registration and re-registration under VATA is waived. Before the change, in 2017 over 2 800 persons filed asset inventories upon registration under VATA;

- TL are enabled to make changes by submitting a new declaration once, by 30 September of the year following the year of income acquisition, in case of identifying errors in the declared data or circumstances;

- Heirs by law or by will are enabled to submit tax returns for deceased persons;

- Persons are enabled to correct data in the declarations they have filed, in cases where, following an analysis of the declared data, including in the course of control actions and proceedings, it is established that they have made mistakes in the performance of their tax and insurance obligations. As a result of this and the above two changes, in 2017 (by 30.09.2017) 3814 corrective tax returns were submitted under Art. 53(2) of PITA and 3179 – under Art. 75(3) of CITA. In 2017, 812 tax returns were filed by heirs of deceased persons.

In the light of the foregoing, it should be further noted that different measures are applied in respect of persons for whom inconsistencies with the declared data are established – informing the persons by e-mailing notices of the possibility to correct themselves the data in their tax returns within the statutory period for remedying inconsistencies; invitations to remedy inconsistencies after the deadline for voluntary correction and submission of corrective tax returns, making checks, etc. The actions taken in 2018 in relation to established inconsistencies include:

- a) for persons granted subsidies from SFA, who failed to submit tax returns (55 000 persons) or with established inconsistencies in their tax returns as regards the income declared (over 27 000 persons), an information campaign was carried out towards declaring correct data within the statutory period;

- b) invitations to remedy inconsistencies in the annual tax returns were sent to over 15 000 persons;

- c) checks for corrections in social security declarations – over 125 000 checks.

Further legislative changes implemented in 2018 towards lowering the administrative burden include:

- the deadline for submission of tax returns and payment of the taxes due for the last taxable period was unified for all hypotheses of expungement / dissolution of the person taxable under CITA and for all types of taxes payable under CITA. The same approach was also applied in respect of declaring and paying withholding tax, tax on costs and tax payable by persons liable to alternative tax instead of corporative tax for the activities specified in the act;

- the persons were facilitated in benefiting from the tax reliefs under PITA – for young families, for children and for children with disabilities, by eliminating the obligation of attach to the annual tax return a declaration by the spouse that he/she will not benefit from the tax relief;

- the regime of taxation of taxable income acquired from prizes in cash or in kind from games, contests and competitions, which are not provided by an employer or a contracting entity, was changed –they are subject to a final tax instead of a tax on the annual taxable base. This change reduced the administrative burden on the persons, who will not be under an obligation to declare such income in their tax returns, as well on the undertakings paying the prizes, which will not be under an obligation to issue certificates;

- the method of rounding the amounts of annual taxes on incomes of natural persons was elaborated so that the amount of tax to be paid on the annual tax return is expressed in leva only, without stotinki.

The option to apply to the Registry Agency for VAT registration (under Art. 100(1) and (2) of VATA) when applying for entry of initial registration pursuant to Chapter Two of the Commercial Register and Register of Non-Profit Legal Entities Act was introduced in the reference period. The measure was laid down in the Action Plan under Council of Ministers Decision No. 411 / 19 May 2016.

In 2015, NRA implemented a mobile application granting access to information via a mobile phone. The use rate of PIC was increased by:

- enhancing its security by having PICs generated in advance and then provided in sealed envelopes, and by imposing an obligation to enter and confirm an up-to-date e-mail address when services with PIC are first used;

- creating a client account through which changes can be made;

- enabling the taxable persons to change the PIC online, to narrow the scope of services with PIC and to discontinue the PIC;

- enabling PIC issuance by any NRA office, regardless of where the person is registered, or by mail.

In 2018, as a result of the new option of filing returns, documents and data online, with a PIC, granted to natural persons, new 159 926 PICs were issued to natural persons, the number of PICs now exceeding 560 000. More than 164 510 persons submitted their tax returns using PIC.

Documents		2016 number	2016 Submitted online	2017 number	2017 Submitted online	2018 number	2018 Submitted online
Returns	under	609 254	29.81%	590 506	35.74%	649 174	41.25%
PITA							

Source: NRA

In 2017, four new bilateral agreements for access to e-services were signed with municipalities and 1 new bilateral agreement was signed with the Central Depository. In 2018, the bilateral agreements for access to e-services signed with municipalities were also 4 and one

new bilateral agreement was signed with the National Health Insurance Fund. Based on the agreements, the persons holding PICs issued by NRA may use the same identifier to access the e-services provided by other central and municipal administrations. Applications are issued for and access to NRA's e-services is confirmed on a unified basis by any NRA office. According to the data on the use rate of the services with PIC offered by NRA, in 2018, the reports issued by the service "Provision of tax and social security information and information on tax and social security accounts" total 8 645 488, and documents and returns submitted total 829 186.

In early 2018, NRA's clients were enabled to pay public liabilities with debit and credit cards via POS terminals: a virtual POS terminal and physical POS devices installed in all offices of the Agency. Acceptance of payments started on 01.02.2018. Payments by MasterCard, Maestro, Bcard, Visa, Diners Club and Discover issued by issuers in the Republic of Bulgaria and issuers abroad are accepted. Taxable persons do not pay transfer charges and payments are deemed received on the date on which the order for payment is authorised. For the period from the launch of the service till the end of 2018, more than 300 000 persons made payments via the virtual POS terminal and the physical POS terminals.

The need for the revenue authorities to elaborate the information requests submitted by taxable persons in the course of the control proceedings was put on the agenda in 2018. An option for adding documents submitted in the course of previous proceedings has been enabled in the IS Control system. A text informing the persons that they may specify previous proceedings in which they have submitted the required information or documents without having to submit the same again in the course of the current proceedings has been inserted in the information requests submitted by taxable persons. Instructions regulating the procedure of accepting and providing documents signed with electronic signature at NRA's official e-mail addresses were given with Letter No. 20-00-52/29.03.2018 issued by the Executive Director of NRA. The information request template for taxable persons has been updated.

An opinion was prepared on the application of the provision of Art. 132(5) and (6) of the Value Added Tax Act (VATA) and §46 of the Transitional and Final Provisions of the Amending Act of the Excise Duty and Tax Warehouses Act (TFP of ASA VATA) in respect of unincorporated company contracts concluded subject to a condition having suspensory effect. Instructions on the procedure of accepting and providing documents signed with electronic signatures at NRA's official e-mail addresses were issued with Letter No. 20-00-52/29.03.2018 of the Executive Director of NRA.

In addition, the 2018 legislative amendments contain an entirely new concept for eliminating the paper certificates for the taxable income received during the year and the tax withheld, issued under Art. 45 of PITA to natural persons. In that light, the legal obligation for employers to issue certificates is to be eliminated and certificates will only be issued at the request of the persons. According to the mechanism of the change, the information from the certificate is to be provided by the income payers when they submit the report under Art. 73(1) of PITA, after some minor changes are made in the current template. Thus, not only the obligation to issue certificates and the obligation to attach them to the annual tax return are eliminated; the data provided will be automatically uploaded in the annual tax returns of the persons which will significantly simplify the process of completion and online submission of the annual tax returns.

This concept with all resulting changes is to take effect for the income paid after 31 December 2018. The earlier adoption aims to support the preparation for and smooth implementation of the change by the affected persons.

Extending the scope of online services

Measure 3.4: Creating differentiated service channels depending on clients' needs and with a focus on the use of advanced technologies

In 2015, NRA offered 18 new services with PIC and QES and the Customs Agency implemented 13 new administrative e-services offered via the Agency's E-Portal. NRA's website was elaborated towards making it a single point for the provision of information to person on the presence or absence of central and local tax liabilities. In that light, issuing reports on local tax and fee liabilities to municipalities via the NRA portal, with an option for payment thereof, was made possible.

In 2016, NRA implemented 11 new e-services. PICs were issued to 100 647 Agency clients. Over 90% of all major declarations (tax returns, social security declarations, notifications under LC) are accepted by NRA online. It was reported in 2016 that NRA exchanges with its clients a total of over 100 million e-documents annually, saving more than BGN 300 million in administrative costs to businesses and citizens.

In 2017, it was regulated that since 2018 the declaration under Art. 55(1) prepared and filed by undertakings, which are income payers obliged to withhold and pay taxes, will be filed online only. In 2018, the measure was expanded and since 2019 self-insured persons are obliged to submit the declaration under PITA online only. This amendment unifies the procedure of submission of declarations with the procedure regulated for the declaration under Art. 201(1) of CITA which is filed online only. Another amendment was also adopted in 2018, under which the report on income paid under Art. 73(1) of PITA is to be filed by the undertakings and self-insured persons who are income payers online only. The VAT return, the VIES-declaration and the reporting registers will be filed online only under the terms and procedure of TSIPC, except in the cases expressly provided for in the law.

In 2017, NRA designed and implemented in a real-life environment 12 new e-services with QES and PIC. The e-service enabling online serving of documents to taxable persons was implemented. The Control IS system provides e-services enabling NRA clients to receive and submit documents online, including to search for audits or checks and for the status of the documents sent online by and to NRA. In the course of the control proceedings, 384 262 documents were served or provided to taxable persons in 2017.

From the beginning of September 2017, following an amendment to the regulatory provisions of TSIPC, a telephone service for obtaining a wide circle of information and assistance upon client identification has been implemented and made available to NRA's clients. Clients who identify themselves with a PIC on NRA's telephone number 0700 18 700 can obtain detailed information about the data declared by and for them to NRA and about data contained in their tax and social security accounts. The service was used by 1085 NRA clients in the period between the service launch September 2017 and 31.12.2017.

EDTWA and its Rules for the Application lay down options for economic operators to submit online different requests and notifications to the customs authorities, as well as to submit online excise duty and recapitulative declarations, e-EDTD (electronic excise duty taxation documents), e-AD (electronic administrative documents). The requirements for online information exchange are mandatory for the majority of the economic operators; an exception to the general rules is made only for registered SSDs (specialised small distillers) and SPWs (small producers of wine). As a result of this regulation, 639 352 declarations and other documents were processed online at the Customs Agency in 2017.

In 2018, NRA designed and implemented in a real-life environment 15 new e-services. The updated version of all declarations, reports, etc. submitted online were tested and implemented in 2018. The scope of two e-services offered by NRA has been expanded since 01.02.2018:

- Report on liabilities with an option to pay – accessible with PIC and QES. An option for payment with payment cards via a virtual POS terminal of NRA was added to the service. The new option provides a free of charge possibility for taxable persons to make payments to NRA with the payment reflected in real time in the Tax and Social Security Account of the taxable person;

- Online payment of liabilities to the budget – this service is freely accessible. An option for payment with payment cards via a virtual POS terminal of NRA was added to the service. The new option provides a free of charge possibility for taxable persons to make payments to NRA with the payment reflected in real time in the Tax and Social Security Account of the taxable person.

As a result of the measures implemented, persons can see via NRA's website their liabilities to NRA and to certain municipalities and can file online their declarations under the Local Taxes and Fees Act. NRA improved the existing e-services on a regular basis, according to a pre-approved plan for the development of e-services in the respective year.

Report on the implementation in 2018 of the measures from the Action Plan annexed to SNS 2015 – 2017 (tables)

This section contains information on the implementation in 2018 of all measures from the Action Plan annexed to SNS 2015 - 2017. The report is presented in three separate tables (by strategic objective), which contain data for the specific activities performed in 2016, the rate of implementation of the measure, the activities planned as at the end of the period, as well as the quantitative and qualitative measures of the results and their values.

Strategic Objective 1: Tackling the shadow economy

Tale with measures and activities for attainment of Strategic Objective 1 of SNS 2015-2017

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
1.1	Expanding the scope of the implemented mechanism for control of the supplies and the movement of excisable goods (currently only for liquid fuels), by adding two other groups of excisable goods – alcohol and tobacco products	<p><i>Preparing and building new or improving the existing information systems of CA and NRA.</i></p> <p>The reference capabilities of the Fuel Control Information System have been improved). The interface and the data sources for the purposes of FCIS have been optimised. The information exchange interfaces between FCIS and NRA’s e-services, as well as external to NRA information services have been updated.</p> <p>New functionality for taxable person data comparison has been built.</p> <p>Created in 2018:</p> <ul style="list-style-type: none"> - a new e-service in NRA for submission of data in relation to Art. 176c(14) of VATA for the purposes of entry in the register pursuant to paragraph 15 of the same article of VATA; - an application in Management of Information Systems (ISM) providing detailed information on the interruption/recovery of the connection between the Fiscal Memory Electronic System (FMES) and NRA, with a focus on the localisation of sites sending connection interruption messages which are not followed by a connection recovery message for a period longer than 24. <p>Improved functionalities of the BEDCIS system in relation to the legislative changes adopted and the changes in Community specifications.</p> <p><i>Evaluation and proposals for amendments to the relevant pieces of legislation (VATA, EDTWA, etc).</i></p>	<p>Approved draft amending acts of the relevant laws and regulations</p> <p>Relevant modules or new information systems implemented in a real-life environment</p>	<p>Fuel Control Information System (FCIS) improved.</p> <p>New e-service offered by NRA in relation to Art. 176c(14) of VATA and an application in Management of Information Systems (ISM).</p> <p>Improved functionalities of the BEDCIS system.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>Ordinance No. N-18 (promulgated, SG, No. 80/28.09.2018) was amended to counteract tax frauds, in particular to prevent violations in trade in fuels. The amendments concern NRA's control activity in sites using FMES.</p> <p>Implementing the relevant modules or new information systems. Activities for the commissioning of changes in module "Measuring Devices" and module "Notification" of BEDCIS were implemented under project 3.3.2.14 on the 2018 timetable in relation to the application of Art. 103c of EDTWA.</p> <p>The EMCS systems (Community system for movement of excise goods under duty suspension in the EU), phase 3.4, and SEED (Community system for confirmation of the authentication of persons who can receive and send excise goods under duty suspension), version 1.11, have been commissioned.</p>		<p>AO Ordinance No. N-18 (promulgated, SG, No. 80 / 28.09.2018).</p> <p>Commissioned - EMCS phase 3.4 and SEED v. 1.11</p>
1.2	Uniform counteraction to customs and tax violations involving excisable goods and to tax frauds involving excise duty and VAT	<p>Joint risk assessment by CA and NRA in respect of persons operating with excisable goods. An analysis was carried out to track persons who should have but failed to provide collateral under Art. 176c of VATA – in full or in a reduced amount. More than 550 persons were analysed, in respect of whom a risk assessment and assignment of control actions are carried out in TD of NRA. 45 sites with FMES with information on inconsistencies were selected following an analysis, including also by means of the FCIS, in respect of which inspections are assigned in coordination with ICCSCMRGC, based on a timetable agreed with the other control institutions in the fuel sector.</p> <p>Conducting case-by-case checks of individuals introducing lubricants and base oils in the territory of the country. Ongoing daily 24/7 monitoring of the activity of 1 tax warehouse carried out.</p> <p>Joint inspections by CA and NRA at points of storage and sale of energy products.</p>	<p>Number of inspections carried out</p> <p>Excise duty liabilities established during ex-post control of persons involved in excise duty and VAT tax fraud schemes</p> <p>Number of pre-trial proceedings initiated by investigating customs inspectors for offenses involving excise goods</p>	<p>Fiscal control of over 65 tax warehouses:</p> <ul style="list-style-type: none"> - quantity verified at BCCP – 143 179 831 litres - quantity verified at TW exit (released for consumption with excise duty paid) – 130 581 655 litres - quantity under deferred duty verified for fuel entered and exited to another TW – 70 074 890 litres; - technical means of control installed – 1 413; - collaterals imposed – 303 /to 129 persons/ amounting to BGN 739 985 in total.

1 Number of the measure in the Action Plan	2 Title of the measures	3 Activities for the implementation of the measures performed/started in 2018	4 Performance indicator	5 Effect / value of the performance indicator as of 31.12.2018
		<p>Over 20 joint inspections by customs and NRA authorities in points of storage and sale of energy products in 2018.</p> <p>In 2018, the customs authorities conducted over 16 thousand physical inspections for compliance with EDTWA and its implementing regulations.</p> <p><i>Whistle-blowing to the competent prosecutor's office if there is any reason to believe that an offence is committed.</i></p> <p>Number of pre-trial proceedings initiated by investigating customs inspectors for offenses involving excise goods - 244.</p> <p><i>Preventing VAT abuse and fraud in trade in liquid fuel.</i></p> <p>Losses to the budget prevented as a result of the excise duty and customs control carried out in 2018, amount to over 12 million BGN (over 10.4 million in excise duty on cigarettes, over 0.8 million BGN in tobacco for smoking, over 0.8 million BGN in excise duty on alcohol and alcoholic beverages, over 0.07 million BGN in excise duty on energy products).</p> <p>A total of 45 audits of taxable persons were completed to establish excise duty liabilities. The amount of excise duty and default interest established as a result of the audits amounted to BGN 24 215 473.88.</p> <p>A total of 462 pre-trial proceedings under Articles 255 – 260 of the Penal Code were initiated in 2018 in GDNP, MDMoI and RDMoI for crimes against the tax and social security system.</p> <p>Pursuant to Order Letter No. 11938p-6693/03.04.2015 of the Director of GDNP - MoI, the RD of MoI in the country and MDMoI report on a weekly basis the quantities of excise goods seized which lack the necessary excise labels – cigarettes, and chopped tobacco. The results are summarised on a weekly basis and are reported to the management of GDNP – MoI with a view to systematizing and analysing the data characterising the operational situation regarding crimes committed in this type of offenses and the countermeasures planned. In 2018, 19 097 580 cigarettes and 73 235 kg chopped tobacco were seized in Bulgaria. 1 070 AEAO were drawn up, 2 357 files were opened and 844 pre-trial</p>		<p>Over 16 000 physical inspections for compliance were carried out.</p> <p>Over 20 joint inspections by NRA and CA were carried out.</p> <p>244 pre-trial proceedings initiated by investigating customs inspectors for offenses involving excise goods.</p> <p>Prevented losses to the budget amounting to over 12 million BGN.</p> <p>45 audits completed – established excise duty and default liabilities in the amount of over 24 million BGN.</p> <p>462 pre-trial proceedings under Articles 255 – 260 of the Penal Code.</p> <p>19 097 580 cigarettes and 73 235 kg chopped tobacco seized. 1 070 AEAO drawn up, 2 357 files opened, 844 pre-trial proceedings initiated.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>proceedings were initiated.</p> <p>Pursuant to Order Letters No. 3286p-3183/2016 and No. 3286p-3800/2016 of the Director of GDNP – MoI and with a view to effectively counteracting committed crimes against the customs regime, in particular those aimed at producing, holding and distributing alcohol and alcoholic beverages in violation of the existing legislation, as well as those aimed at producing, holding and distributing fuels, the results of the inspections carried out RD of MoI in the country and MDMoI are reported on a monthly basis. 16 745 litres of alcohol and 35 609 litres of gas oil were seized in 2018.</p>		<p>16 745 litres of alcohol and 35 609 litres of gas oil.</p>
1.3	Expanding the scope and improving the mechanism of fiscal control on the movement of high fiscal risk goods	<p>Improving the organisation of work on fiscal control.</p> <p>Under the project of General Directorate Fiscal Control to the Central Office of NRA (GDFC), for technical support of fiscal control on the movement of HFRG, by the EC Support Office:</p> <ul style="list-style-type: none"> - Functional and technical specifications describing business and technical requirements to GDFC were developed - A two-tier menu for questions concerning fiscal control was introduced in the Integrated Voice Portal of the NRA (0700 18 700) - ASA of TSIPC was drafted - Workflow processes at the OC of GDFC (1st stage) were optimised <p>Between 01.01.2018 and 31.12.2018, a total of 374 599 inspections of transport vehicles were carried out and technical control devices were placed on 94 189 of the vehicles. The inspections carried out by the mobile teams at the point of arrival / unloading numbered 58 064. As a result of the control actions, 1 208 collaterals were imposed on 787 liable persons. The total value of collaterals is BGN 7 278 550. In the case of 14 liable persons the goods were abandoned in favour of the State.</p> <p>Actions to prevent illegal trade schemes: prevented illegal import of frozen pork ragout with a total weight of about 17 442 kg, 600 kg of frozen goose liver, 1700 kg of oranges, 21 000 kg of powdered milk; an attempt to hide 1520 kg of nuts</p>	Number of cases of abuse in the trade in high fiscal risk goods identified	<p>Collaterals imposed – 1 208, amounting to a total of BGN 7 278 550.</p> <ul style="list-style-type: none"> • Increase in declared tax base of ICA by BGN 1 185.3 million (9.2%); • Increase in declared tax base of ICS by BGN 273.8 million (5.3%); • Increase in revenues from taxes and social security contributions of persons who performed ICA and ICS of HFRG by BGN 239.5 million (12.3%); • Increase in revenues from taxes and social security contributions of persons transporting HFRG by BGN 195.3 million (21.6%). <p>18 audit proceedings and 226 facts and circumstances finding inspections (FCFI) were assigned in connection with the fiscal control performed.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>(almonds and cashew) was prevented.</p> <p>Assistance by MoI officers in the control on the movement of high fiscal risk goods at the point of arrival / unloading – 126:</p> <p>Assistance to MoI staff is provided on the basis of Order No. 81213-46/16.01.2015 of the Secretary General of the Ministry of the Interior on Providing Assistance to the Ministry of Interior Staff in Controlling the Movement of High Fiscal Risk Goods, Performed by Employees of the General Directorate Fiscal Control at the NRA Headquarters</p> <p>The results achieved in 2018 in pursuance of Order No. 81213-46/16.01.2015 of the Secretary General of the Ministry of the Interior on Providing Assistance to the Ministry of Interior Staff in Controlling the Movement of High Fiscal Risk Goods, Performed by Employees of the General Directorate Fiscal Control at the NRA Headquarters include:</p> <p>A total of 374 598 inspections of transport vehicles were carried out at the fiscal checkpoints; technical control devices were installed on 94 189 vehicles. Inspections at the point of arrival / unloading numbered 58 064.</p> <p>As a result of the control actions, a total of 1 208 collaterals were imposed on 787 liable persons; in the case of 14 liable persons the goods were abandoned in favour of the state. The total value of collaterals is BGN 7.2 million.</p>		
1.4	Improving the regulatory framework and enhancing the efficiency of control on failure to report sales, including by making control purchases	Improving the rules on implementing individual means of control on the failure to register turnovers – using the data from the system for remote connection of fiscal devices to NRA, control purchases, acting on citizen alerts, rapid response teams, etc.	Legislative instrument drafted	Art. 118 of VATA amended (No. 98 / 2018, effective 1.01.2019) in respect of e-trade. Adopted amendment of Art. 103 of EDTWA under which funds for control purchases made by customs authorities in exercising control on excise goods come from the budget of CA.
1.5	Reducing public tolerance for the shadow economy, promoting the rights and obligations of citizens and of the business and increasing	Conducting uniform information campaigns to raise the awareness about the negative aspects of participation in the informal economy and promote the benefits of taxes, possible sanctions, as well as to raise the awareness of all interested	Joint information campaign conducted	Joint information campaign conducted.

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
	the confidence in the public administration and in the policies	<p><i>public and private law subjects and of individuals about the negative effect of the tax fraud mechanisms and the damages incurred to the national economy.</i></p> <p>A media campaign conducted to promote new regulatory requirements on offering excise goods online, including on prohibitions to offer excise goods without excise labels.</p> <p>CA, in cooperation with MF, MoI and the Bulgarian Tobacco Industry Association, conducted a national information campaign on combating illegal trade in cigarettes (the campaign included distribution of posters and billboards)</p> <p>CA organised a media campaign on restricting the offering and sale of illegal alcohol and other illegal excise goods along the Black Sea Coast</p> <p>Organisation of a media campaign on protection of intellectual property rights</p> <p>63 press releases concerning the activities of NRA were sent over the review period; Five press conferences were organised; A round table on undeclared work organised; A video seminar on changes in tax and social security and health insurance legislation organised and broadcast in the official Youtube channel of NRA;</p> <p>Personalised mailing to over 12 000 LP;</p> <p><i>Joint SANS – GDCOC-MoI campaign in enhanced coordination with EUROPOL to raise the awareness of the competent public and private institutions about the negative effects of tax frauds.</i></p>	Letters of reminder sent for compliance with the tax and social security and health insurance legislation, etc.	<p>Letters of reminder sent for compliance with the tax and social security and health insurance legislation, etc.</p> <p>Media campaign conducted in January 2018.</p> <p>A national information campaign conducted between 29.01.2018 and 25.02.2018.</p> <p>Media campaigns conducted in the summer season.</p> <p>A media campaign conducted by CA in the period June – July 2018. Summary information published on counterfeit goods in different segments.</p> <p>63 press releases by NRA, Five press conferences, A round table on undeclared work, A video seminar on changes in tax and social security and health insurance legislation, Personalised mailing to over 12 000 LP.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>SANS have prepared an internal organisation plan for the execution of the activity including a set of actions for acquiring, systematising and summarising the relevant information on possible negative effects and risks associated with the behaviour of the individuals from the vulnerable groups. Letters to MF, MLSP, the Association of Municipalities in RB and NSSI were prepared with a view to identifying and defining, in line with the regulations in the different sectors, specific risks and consequences which may occur for persons in whose name commercial companies used for tax and financial crimes are registered.</p> <p>A model information leaflet has been designed to serve as a basis of the campaign.</p>		<p>A model information leaflet designed.</p>
1.6	Organizing a lottery game with non-monetary prizes	<p>The second edition of the lottery was organised. Analysis of results.</p> <p>The “Lottery with cash receipts” initiative continues. Over 30 million cash receipts were registered in the second part, which was closed in mid-December 2018.</p>	Organising the lottery	The second edition of the lottery organised.
1.7	Using the electronic and card payment systems to enhance the transparency of transactions	<p>Monitoring by BNB (as the supervisory body and the authority competent for the implementation) for compliance with regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, effective 8 June 2015, which is directly applicable in Bulgaria. The Regulation establishes a maximum amount of interchange fees.</p> <p>1. Verification by BNB for compliance with Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.</p> <p>The subject of the verification, which was addressed to payment service providers (banks, payment institutions and electronic money companies licensed by BNB) as issuers and/or receiving entities (accepting institutions) in respect of payment transactions related to payment cards, was compliance with Regulation (EU) 2015/751 in relation to:</p> <ul style="list-style-type: none"> • the interchange fees applied by payment service providers (Articles 3–5); 	Results of the actions taken – verification conducted	<p>The audit covered 30 payment service providers licensed by BNB, including 20 banks, 5 payment institutions and 5 electronic money companies.</p> <p>Certain inconsistencies have been identified, for the removal of which provision of instruction to payment service providers is forthcoming.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<ul style="list-style-type: none"> • co-badging and choice of payment brand (Art. 8); • unblending (Art. 9); • “Honour All Cards” rule (Art. 10); • steering rules (Art. 11); • rules on information to the payee on individual card-based payment transactions (Art. 12). 		
		<p>2. Entry into force of the new Payment Services and Payment Systems Act (PSPSA) prepared by BNB, which transposes Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on Payment Services in the Internal Market (the second payment services directive) into the national legislation and updates the regulations in the field of payment services. Similar to the repealed PSPSA, the new law also transposes Directives 98/26/EC, 2009/44/EC, 2009/110/EC, 2010/78/EU and 2014/92/EU into the national legislation.</p> <p>The provisions of the Second Payment Services Directive transposed with the new PSPSA cover in general the following major changes: completing the legal framework of the services excluded from the scope of the Act, introducing new types of payment services and regulating the business of the providers offering such services; introducing additional licensing requirements for payment institutions and electronic money companies; introducing a registration requirement for the new type of account information service providers; introducing precise control requirements for participation in the capital of a payment institution and an electronic money company; a more detailed description of the procedure for exercising the right to establish and the freedom to provide services and of the cooperation between the supervising bodies; changes in the information requirements and the rights and obligations of payment service providers and expanding the range of payment transactions to which they apply; new security requirements for payments, in particular when they are performed remotely or in an internet environment; introduction of measures for the management of operational and security risks in the provision of payment services, and monitoring and notification of major operational or security incidents; more detailed arrangements for internal complaint handling procedures at the payment</p>	<p>New PSPSA passed by the National Assembly on 22 February 2018</p>	<p>The new PSPSA was promulgated in the State Gazette, No. 20 / 6 March 2018.</p> <p>Articles 103–109 of the new PSPSA took effect on 31 October 2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>service providers, etc. The new Act also transposes provisions stemming from other European regulations and international standards, including Principles for Financial markets Infrastructure of The Bank for International Settlements (BIS) and International Organisation of Securities Commissions (IOSCO), and Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.</p> <p>Entry into force, from 31 October 2018, of the requirements laid down in Art. 103–109 of PSPSA under which all payment service providers licensed by BNB, as well as the branches and representatives of payment service providers operating on the territory of Bulgaria, have to provide to users a set of documents enabling them to compare with greater ease the prices and conditions of the payment accounts offered: a document with information on fees and the relevant applicable fees; a report on the fees charged by the payment services provider in the past twelve months for the services provided under the payment account; a glossary of the terms used in relation to payment accounts. Users are also entitled to free access at national level to at least one website to compare the fees charged by the payment service providers for the provision of the services included in the list of the most representative services linked to a payment account.</p>		
		<p>3. BNB adopted new Ordinance No. 3 on the Terms and Procedure for Opening of Payment Account, Executing Payment Transactions and Using Payment Instruments, repealing BNB Ordinance No. 3 / 16 July 2009 on the terms and procedure for execution of payment transactions and the use of payment instruments.</p> <p>Similar to the repealed ordinance, the new Ordinance No. 3 regulates the opening and keeping of payment accounts, the requirements to the execution of payment transactions and corrective transfers, the requirements to the execution of payment transactions through payment and prepaid cards, the calculation and application of reasonable fees charged for services on payment accounts with basic features, with the</p>	<p>New Ordinance No. 3 of BNB adopted by GC of BNB on 19 April 2018</p>	<p>New Ordinance No. 3 of BNB promulgated in State Gazette, No. 37 / 4 May 2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>required review and update of the provisions carried out in line with the new PSPSA and Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market.</p> <p>The new Ordinance No. 3 of BNB further introduces requirements to payment service providers regarding the management of operational and security risks and the provision of payment services and regarding the notification of major incidents. The Ordinance also defines the list of the most representative services linked to a payment account, the operation of fee comparison websites, the form and content of the fee information document and the statement of fees. These provisions stem from the requirements of the new PSPSA, as well as from Guidelines of the European Banking Authority (EBA/GL/2017/17 and EBA/GL/2017/10), from Delegated Regulation (EU) 2018/32 and Implementing Regulations (EU) 2018/33 and (EU) 2018/34 of the European Commission issued at the end of 2017 and in the beginning of 2018.</p>		
		<p>4. Pursuant to Art. 109(3) of PSPSA, the website set up and maintained by BNB to compare fees charged by payment service providers to consumers (natural persons) is operational with effect from 31 October 2018. This requirement has been transposed in the national legislation pursuant to Chapter Two of Directive 2014/92/EU of the European Parliament and of the Council on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features and it is part of the measures under the Directive which aim to ensure comparability of the fees related to payment accounts within the country as well as within the European Union.</p> <p>The website allows free access to information which enables users to compare the fees charged by 28 service providers (banks, payment institutions and electronic money companies licensed by BNB) for 18 services included in the national list of the most representative services linked to a payment account and for variants thereof, depending on the channel through which the service is requested, used or provided, and</p>	<p>The fee comparison website maintained by BNB is operational with effect from 31 October 2018</p>	<p>The information in the website is updated on a continuous basis upon any change in the fees, commissions or interest rates of the relevant payment service providers presented in the website.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>in different fee-charging instances of the provision of the service or depending on whether a specific condition for the same service is met or exists. The information in the website is updated on a continuous basis upon any change in the fees, commissions or the interest rates of the relevant payment service provider.</p> <p>The national list of the most representative services linked to a payment account has been prepared pursuant to Commission Delegated Regulation (EU) 2018/32 supplementing Directive 2014/92/EU of the European Parliament and of the Council with regard to regulatory standards for the Union standardised terminology for most representative services linked to a payment account. It was approved with BNB Ordinance No. 3 of 18 April 2018 and contains 18 services in accordance with Annex No. 3 to the Ordinance.</p>		
1.8	Strengthening the control functions, enhancing the detection of violations and offenses related to the labour and social security legislation	<p>Strengthening and expanding the control functions of GLI EA, EA, NSSI, elaborating their activity and improving their organisational structures with a view to covering all forms of employment.</p> <p>In 2018, GLI EA implemented a number of initiatives aimed at reducing public tolerance for the shadow economy promoting the rights and obligations of citizens and businesses and increasing the confidence in the public administration. Efforts are made to improve interinstitutional cooperation and coordination towards effective information exchange at the national level, as well as between EU member states and with third countries.</p> <p>The social partners have a specific role for achieving better results in counteracting undeclared work – the trade unions which have the potential to inform and advise workers on protecting their labour rights, and the employers for raising the awareness about the negative effect of non-compliance. In that light, in 2018 GLI EA and the two nationally representative trade unions in Bulgaria entered into a new agreement providing for joint execution of the obligations to counteract undeclared work.</p> <p>In 2018, GLI EA conducted 43 958 inspections in 32 309 enterprises, including 31 304 small and medium-sized enterprises. 174 318 offenses were detected, including a 85</p>	Control provided through inspections on contracts under encouraging measures, training and employment programmes and projects in the meaning of EPA and OP HRD	43 958 inspections carried out in 32 309, including 31 304 small and medium-sized enterprises. 174 318 offenses detected, including 85 197 under HSWA and 88 538 under employment relationships. 21 356 offenses related to work pay were detected – down by approximately 3%.

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>197 under HSWA and 88 538 under employment relationships. 21 356 offenses in relation to work pay were detected – down by approximately 3%. Delayed wages in the amount of over 19 million BGN (including back pay) were paid as a result of the intervention by GLI EA. During the inspection campaign of GLI EA in the seaside resorts in the 2018 active summer season, increase in offenses related to work pay (more than twice) and to the distribution of working time (about 27%) was registered, whereas the number of individuals working without an employment contract registered notable decrease (about 54%).</p> <p>In 2018, the Employment Agency amended its rules of procedure with a view to collecting information on the amount of sanctions imposed as a result of inspections, thereby enabling monitoring of the proper spending of funds from the state budget and ESF by monitoring the amount of the sanctions imposed.</p> <p>In 2018, EA penalised 146 employers under OP HRD 2014-2020 projects, penalties amounting to BGN 52 148. Penalised were also 24 training provides, penalties amounting to BGN 2 808 048.</p> <p>2 training institutions were penalised for 58 individuals in relation to contracts on the active policy under EPA, under training and employment programmes and projects accordingly, the penalties amounting to BGN 744, and 164 employers were penalised for 250 persons, the penalties amounting to BGN 23 201.</p> <p>248 employers were penalised for 371 persons under encouraging measures for training and employment, the penalties amounting to BGN 43 333.</p>		<p>Over the review period, EA penalised 146 employers under projects of OP HRD 2014-2020, penalties amounting to BGN 52148. Penalised were also 24 training providers, the penalties amounting to BGN 2 808 048.</p> <p>2 training institutions were penalised for 58 individuals in relation to contracts on the active policy under EPA, under training and employment programmes and projects accordingly, the penalties amounting to BGN 744 and 164 employers were penalised for 250 persons, the penalties amounting to BGN 23201.</p> <p>248 employers were penalised for 371 persons under encouraging measures for training and employment, the penalties amounting to BGN 43 333.</p>
1.9	Improving the control provided by GLI EA with regard to recruitment, working hours, holidays, pay, performance and reporting of extra work.	<i>Provision of one-day employment contracts by the Labour Inspectorate to agricultural producers and control for compliance with the requirements to ensure health and safety at work and lawful arising of ER under Art. 114a of the Labour Code in the Plant Production sector. Inspections by GLI EA.</i>		

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>In 2018, GLI EA upgraded the system used for provision of OEC templates, creating options for obtaining not only full-time but also part-time (four hours) employment contracts. They system thus enables employers to make choices depending on their needs of labour – for a longer or a shorter period.</p> <p>ASA of the Labour Code (promulgated, SG, No. 42/2018) introduced amendments which increased the options for conclusion of employment contracts for short-term seasonal agricultural work under Art. 114a of LC, laying down that this type of employment contract can be of the normal duration of working hours – 8 hours, whereas the parties to the employment contact may agree work for half of the duration. This legislative amendment takes into account the nature of agricultural work which implies that there are cases where work may be performed for a shorter period, for example, before sunrise. So, farmers will not need to hire workers for eight hours for activities of shorter duration. The opportunity to hire workers on employment contracts under Art. 114a of LC for four hours opens up greater opportunities to farmers to use legal employment.</p> <p>The GLI EA control activity statistics definitely indicates higher use rate of one-day employment contracts. The number of provided and actually used templates has increased by 16 586 As of 31.12.2018, registered agricultural producers were provided with 223 016 templates of one-day employment contracts, including 17 576 for a working day of four hours (following the legislative amendments in the period between 7 September 2018 and 31 December 2018) and 205 440 for a working day of 8 hours. The contracts provided over the same period of 2017 number 203 941 and the templates provided in 2016 number 199 173. In 2016 and 2017, one-day contracts were for 8 hours only.</p> <p>At the same time, decrease in the number of people working without written employment contracts is reported in agriculture, with 174 cases detected till 31.12.2018 against 200 offenses of the same type detected in the same period of 2017.</p> <p>Till the end of 2018, GLI EA conducted 4 859 inspections in the agriculture sector which identified 174 persons working</p>		<p>ASA of the Labour Code (Promulgated, AG, No. 42/2018).</p> <p>Registered agricultural producers were provided with 223 016 templates of one-day employment contracts, including 17 576 for a working day of four hours and 205 440 for a working day of 8 hours.</p> <p>4 859 inspections conducted in the agriculture sector, which identified</p>

1 Number of the measure in the Action Plan	2 Title of the measures	3 Activities for the implementation of the measures performed/started in 2018	4 Performance indicator	5 Effect / value of the performance indicator as of 31.12.2018
		<p>without employment contracts.</p> <p>Promoting one-day contracts and facilitating the use thereof by agricultural producers and workers. The focus in 2017 was on creating real benefits for the use of this type of contracts. In 2018, the efforts of GLI EA outside the control activity were focused mainly on promoting the benefits of one-day employment contracts for agricultural producers and job seekers in the sector. Before the beginning of the active season in each administrative territorial district and depending on the harvesting season of the crop concerned, each territorial directorate of GLI EA organised an explanatory campaign jointly with representatives of the territorial units of EA and the Social Assistance Agency (SAA), reminding employers of the opportunity to assign harvesting activities under one-day contracts pursuant to Art. 114a of the Labour Code (LC) or under seasonal work employment contracts.</p> <p>Joint inspections by NSSI and NRA or inspections at the request of either of the two institutions for prevention and avoidance of undeclared work. The Instruction for interaction between the National Revenue Agency and GLI EA was supplemented with a view to strengthening fight against undeclared work and decreasing work in the informal economy.</p> <p>875 joint inspections were carried out in 2018, including: - inspections at the request of NSSI - 379; - joint inspections by GLI EA and NSSI - 193; - inspections at the request of NRA - 217; - joint inspections by GLI EA and NRA - 209; - inspections at the request of the Ministry of Interior (MoI) - 253; - joint inspections with the police - 436.</p> <p>The results of the joint activity in 2017 are as follows: 400 inspections at the request of NSSI; 280 joint inspections by GLI EA and NSSI; 237 inspections at the request of NRA;</p>	<p>Number of joint inspections by GLI EA, NRA and NSSI for prevention and avoidance of</p>	<p>174 persons working without employment contracts.</p> <p>875 joint inspections carried out in 2018, including: - inspections at the request of NSSI – 379; - joint inspections by GLI EA and NSSI - 193; - inspections at the request of NRA</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		290 joint inspections by GLI EA and NRA.	undeclared work	– 217; - joint inspections by GLI EA and NRA - 209; - inspections at the request of the Ministry of Interior (MoI) - 253; - joint inspections with the police - 436.
1.10	Enhancing control on the recruitment of foreign nationals, including illegally staying foreigners, and on the placement of seconded workers and employees from EU Member States and non-EU countries	<p><i>Inspections by GLI EA for the legal recruitment of foreign nationals, including illegally staying foreigners, and on the placement of seconded workers and employees from the EU member states and from third countries in the undertakings in the territory of the Republic of Bulgaria.</i></p> <p>In 2018, GLI EA carried out a total of 326 inspections. The total number of offenses detected was 1365, including 279 directly related to the work of foreigners.</p> <p>A total of 62 coercive administrative measures were applied on the grounds of LMLMA. A total of 178 acts for establishing administrative offenses were issued.</p> <p>By comparison, in 2017, a total of 271 inspections were carried out in 251 undertakings. The total number of offenses detected was 1 306, including 279 directly relating to the work of foreigners.</p> <p><i>Control on the activity of undertakings seconding hired workers and employees within the provision of services in EU member states.</i></p> <p>Control of seconded workers - 467 inspections; 2 380 offenses.</p>	Number of inspections, detected offenses	<p>Total 326 inspections carried out; total offenses detected – 1365, including 279 offenses directly related to the work of foreigners.</p> <p>467 inspections carried out; 2 380 offenses detected.</p>
1.11	Enhancing control of the performance of a lawful employment intermediation and control on the undertakings providing temporary employment.	<p><i>Carrying out inspections for lawful performance of employment intermediation and inspection of undertakings providing temporary employment, with a view to limiting and putting an end to situations where intermediation is carried out without registration in EA</i></p> <p>A total of 213 inspections were carried out in 177 undertakings in 2018. 270 offenses under the legislation regulating the intermediation activity were detected. 5 cases of intermediation activity without registration in the EA were established;</p>	Number of established cases of intermediation carried out without registration in EA. Number of detected offenses in operating as an undertaking providing	A total of 213 inspections carried out in 177 undertakings.

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>212 coercive administrative measures were applied and 48 statements of administrative offenses were issued for the offenses detected, including 26 statements under EPA and 5 AEAOs for offenses under LMLMA.</p> <p>By comparison, a total of 152 inspections were carried out in 139 undertakings in 2017. 166 offenses under the legislation regulation the intermediation activities were detected. Number of detected cases of carrying out intermediation without registration in EA – 8; 179 coercive administrative measures were applied and 36 statements of administrative offenses were issued for the offenses detected.</p> <p>In 2018, GLI EA carried out 66 inspections in undertakings providing temporary employment. 1187 offenses were detected 134 user undertakings were also inspected.</p>	temporary employment	<p>212 coercive administrative measures were applied and 48 AEAO were issued for the offenses detected.</p> <p>66 inspections were carried out of undertakings providing temporary employment, 1187 offenses were detected.</p> <p>134 user undertakings were also inspected.</p>
1.12	Analyses and regular assessments of the risk of non-compliance and of the existence of evidence of concealment of profit and other manifestations of the shadow economy, participation in tax and/or social security fraud schemes or departure from normal accounting practice	<p>Preparing an analysis for the treatment of the non-compliance risks managed by NRA.</p> <p>1. The analyses on 4 new risks related to concealment of profit/income by persons providing different types of services, including medical, legal, car repair services, carriage of passengers by road, were completed in 2018.</p> <p>2. The activities under a project for a national market research by means of a social empirical sample survey of the income and expenditure of the households in Bulgaria for certain products and services, as well as a survey of their attitude to compliance with the rules and laws in the country, have been implemented together with an external contractor. The results of the conducted sociological study have been used as an independent source of information to determine the key features of part of the specific risks managed by NRA, which are currently under investigation and analysis, and also as a basis for assessment of the public attitude to certain behaviour models and the reasons therefor, which assessment will be carried out within the project for segmenting and profiling liable persons in the country.</p>	Risks analysed	4 analyses

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>3. 2018 is the first year of implementation of the Compliance and Risk Mitigation Programme which has a two-year implementation period. The programme included 27 risks for which a decision for treatment was taken at a regular meeting of the Risk Management Board. The results and the effect achieved by implementing the measures will be assessed after the closure of the programming period, at the end of 2019.</p> <p>4. The activities under the project for technical assistance for high-level assessment of tax shortfalls from tax non-compliance, implemented under the programme “Revenue administration – Gap analysis program”, provided by the International Monetary Fund, have been delivered. The project implementation results include:</p> <ul style="list-style-type: none"> - transferred and acquired knowledge about the IMF methodology for bottom-up assessment of tax shortfalls; - a report on the results of the high-level assessment of tax shortages prepared by the IMF experts and approved by NRA’s management. 		
1.13	Enforcement of Art. 255b of the Penal Code in respect of committed offenses of avoidance of social and health insurance payments	Identification and forwarding data to the competent prosecutor’s office on offenses committed under Art. 255b of the Penal Code.	Number of detected cases of concealment of social security contributions Number of cases referred to the prosecutor’s office Number of persons found guilty and sentenced	One case under Art. 255b of the Penal Code – a notification sent to the District Prosecutor’s with a copy to the Supreme Prosecutor’s Office of Cassation. There is no information about results and actions taken by the prosecutor’s office.
1.14	Introduction of an identification code for tracking the movement of high fiscal risk goods.	Preparation of a draft ASA TSIPC	Draft ASA TSIPC prepared	Draft ASA TSIPC prepared.

Strategic objective 2: Improving tax collection

Table with measures and activities for attainment of Strategic Objective 2 of SNS 2015-2017

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
2.1	Improving the excise duty legislation and including provisions for effective prevention and fight against excise duty avoidance and evasion	<p>Making changes to existing regulations – EDTWA and RAEDTWA</p> <p>1. Draft Act Amending and Supplementing the Customs Act prepared, amending the Excise Duty and Tax Warehouses Act (promulgated, SG, No. 24 / 16.03.2018);</p> <p>2. Draft Rules Amending and Supplementing the Rules for Application of the Excise Duty and Tax Warehouses Act prepared. The Rules were issued by the Minister of Finance and were promulgated in SG, No. 60 / 20.07.2018;</p> <p>- The procedure for applying excise duty on lubricants and notification by persons upon entry into national territory of lubricants, which are not in consumer packages of up to 210 litres, has been supplemented. The cases where lubricants are intended for ship supply are elaborated. Where lubricants are intended for ship supply, the names of the vessels are to be notified within 7 days after the date of delivery;</p> <p>- An imperative provision has been created (in relation to the obligation of licensed warehouse keepers to document established losses due to natural wastages) which imposes a duty for filing a document drawn up in a standard form together with the declaration relating to excise duties. The amendment aims to improve the effectiveness of excise duty control. In the cases where losses due to natural wastages are reported and entered in the warehouse stocks log should have been established within an</p>	<p>Adopted legislative instruments</p> <p>By means of the Rules Amending and Supplementing the Rules for Application of the Excise Duty and Tax Warehouses Act, as amended, SG, No. 60 / 20.07.2018. Effective 20.07.2018</p>	<p>Promulgated, SG, No. 24 / 2018.</p> <p>Amending and supplementing RAEDTWA, SG, No. 60 / 20.07.2018. Effective 20.07.2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>inspection (stocktaking) by the licensed warehouse keepers, documented with a document drawn up in a standard form according to Attachment No. 23 of RAEDTWA. Before the revision, the document could also be filed on paper which made difficult the analysis and control of such information and prevented the proper comparison of the declared information about the amount of losses due to natural wastages to the amounts of natural wastages of excise goods laid down in Ordinance No. 4 / 2006, which in turn made it difficult to establish excise duty liabilities during audits and the issuing of statements of offenses during inspections;</p> <p>3. A draft Act Amending and Supplementing the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products was prepared which also amends the Excise Duty and Tax Warehouses Act (promulgated, SG, No. 62 / 27.07.2018):</p> <ul style="list-style-type: none"> - A provision is created in the part concerning the minimum tax warehouse capacity for storage of LPG and it is laid down that a warehouse keeper of oil and petroleum products must have own or hired permanently fixed to the ground vessels for storage of LPG with minimum warehouse capacity of 50 cub. m., or hired vessels for storage of oil and/or petroleum products with minimum design capacity of each vessel of 50 cub. m., except for the vessels for storage of biocomponents and additives to improve the properties of fuels, for which the minimum warehouse capacity is 1000 cub. m. 	<p>By means of the Law on the Administrative Regulation of Economic Activities Related to Oil and Petroleum Products, EDTWA was amended and supplemented, SG, No. 62 / 2018. Effective 29.07.2020</p>	<p>Amended and supplemented EDTWA, SG, No. 62 / 2018. Effective 29.07.2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>This requirement does not apply to persons carrying out activities relating to the production of fuels from the processing of used tyres and plastic articles. The provision is effective from 29.07.2020.</p> <p>4. A draft Act Amending and Supplementing the Excise Duty and Tax Warehouses Act was prepared (promulgated, SG, No. 65 / 07.08.2018);</p> <p>5. A draft Act Amending and Supplementing the Corporate Income Tax Act was prepared, amending also the Excise Duty and Tax Warehouses Act (promulgated, SG, No. 98 / 27.11.2018);</p> <p>- It is regulated that taxable persons are the persons who have submitted requests for recover of excise duty and are not registered under EDTWA, as well as the persons for whom joint and several liability arises.</p> <p>- Created is a new hypothesis for release for consumption where energy products are used for purposes other than those for which exemption form excise duty or refund of excise duty was used and in such case joint and several liability for the excise duty is envisaged – for the person who has used the energy products and for the licensed warehouse keeper who has released the products for consumption without charging excise duty, where he was or should have been aware of the default of the conditions for release. It is laid down for the cases of refund of excise duty that jointly and severally liable are:</p>	<p>Act Amending and Supplementing the Excise Duty and Tax Warehouses Act (promulgated, SG, No. 65 / 07.08.2018)</p> <p>By means of the Act Amending and Supplementing the Corporate Income Tax Act, EDTWA was amended and supplemented, SG, No. 98 / 27.11.2018. Effective 01.01.2019</p>	<p>Act Amending and Supplementing the Excise Duty and Tax Warehouses Act (promulgated, SG, No. 65 / 07.08.2018).</p> <p>Amended and supplemented EDTWA, SG, No. 98 / 27.11.2018. Effective 01.01.2019.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>the persons who used the energy products and the person to whom the excise duty was refunded, where such person was or should have been aware of the default of the conditions for release. The amendment is in line with Art. 21(4) of Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.</p> <ul style="list-style-type: none"> - A specific restriction was introduced for the exemption from excise duty of energy products used in a tax warehouse for the production of other energy products, where the latter are not intended for motor fuel or heating fuel. This restriction reflects the judgement of the Court of Justice in case C-49/17 (Koppers Denmark ApS), where CoJ concluded that that excise duty taxation of intermediate products is necessary if the first-stage non-taxation is not compensated by the subsequent taxation of the final energy products produced because they are not used for motor fuel or heating fuel. The scope of exemption from excise duty includes energy products with CN codes from number 2711 12 11 to number 2711 19 00 (propane, butane, ethylene, propylene, etc.) in packages of up to 5 kg under the Consumer Protection Act. - In order for appeal proceedings to be possible, it is specified in the amendment that for the purposes of establishing chargeable excise duty there is no need to have an infringement established, including with an effective penalty enactment. - A special procedure is established for notifying the customs authorities about bottled 		

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>alcoholic beverages and limited editions of collectors' cigars. The purpose of the amendment is to regulate the possibility of collecting collectors' spirits without excise duty labels. If the collectors of such goods have complied with the law, they will not be criminally liable.</p> <p>- A regulatory option is created for the customs authorities to seal facilities or parts thereof for a given period where the collateral provided by the persons has been enforced. The measure is introduced in order to prevent the generation of additional public liabilities.</p> <p>- Rules and restrictions were introduced for the offering of excise goods, including online, and for their distribution in the national postal network. The amendments aim to curb the illegal sales of excise goods (mainly alcoholic beverages) which do not have excise duty labels and for which no excise duty was paid. In that light, the publication of ads and messages, including in electronic form, which offer for sale excise goods is prohibited. The prohibition does not apply to traders offering alcoholic beverages via online stores in the meaning of point of § 1, p. 87 of the Additional Provisions of VATA, where the goods have excise duty labels or the excise duty has been paid.</p>		
2.2	Improving the conditions for voluntary compliance.	<p><i>Continuous monitoring and communication with liable persons making up a significant share of the national economy.</i></p> <p>Monthly monitoring and analysis of the business activity of 14 companies – big food chain stores and chains of stores for radios, television receivers and household appliances, registered</p>	Legislative amendments adopted	Adopted amendments of VATA, CITA and PITA in order to reduce the administrative burden. Amendments to the LTFA in order to reduce the administrative burden, eliminate the obligation to declare vehicle

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>in TD of NRA Large Taxpayers Office, and the MSTI Directorate at the TD of NRA - Sofia. The monitoring carried out in 2018 resulted in 6 summary reports and 10 letters sent to TD of NRA for taking control actions in respect of 21 taxable persons. Two meetings with representatives of two chains of stores were held in 2018.</p> <p>Implementation and development of an approach encouraging voluntary compliance by conscientious persons who have erred and taking of enforcement or punitive action in respect of those who deliberately do not comply with the law.</p> <p>Letters sent to TP in order to prevent frauds and encourage timely and voluntary remedying of defaulting behaviour – 318.</p> <p>Meetings held with TP in order to prevent frauds and encourage timely and voluntary remedying of defaulting behaviour – 113</p> <p>Monthly monitoring of the behaviour of and data declared by selected taxable persons.</p> <p>Information campaigns targeting taxable persons were held in 2018 with a view to improving voluntary compliance, including:</p> <ul style="list-style-type: none"> • Reminders sent to persons registered under VATA who failed to pay the VAT due for three consecutive periods - 4 722; • E-mails sent to preparers of financial statements, whereby NRA reminded them to declare their income; for preparers of AFS – to 11 409 legal persons and to 18 431 natural 	<p>Number of adjusted tax returns submitted as a result of control activities and proceedings, letters sent and meetings held</p>	<p>ownership in most of the hypotheses and introducing a possibility to submit declarations online for the other hypotheses.</p> <p>Amount of adjustments made by persons as a result of letters sent and/or meetings held with them - 4 012.</p> <p>Number of adjusted tax returns submitted in 2018:</p> <ul style="list-style-type: none"> • annual tax returns: <ul style="list-style-type: none"> - under Art. 50 of PITA – 54 302, incl. 15 215 based on Art. 53(2) of PITA; - under Art. 92 of CITA – 24 639, incl. 2 518 based on Art. 73(3) of CITA; • VAT returns under VATA – 84 966.

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>persons.</p> <ul style="list-style-type: none"> • Reminders on the changed procedure of using discount when submitting annual tax returns (ATR) under Art. 50 of PITA sent to persons who submitted in 2017 ATR under Art. 50 of PITA for 2016 fiscal year - 174 332. <p><i>Sending letters and holding meetings on detected inconsistencies in the tax returns submitted and/or on correction of errors in submitted tax returns.</i></p> <p>In order to encourage correct declaring of tax and social security liabilities, different types of comparisons are made of data in the declarations and the information available in NRA, including data provided by third parties. Different measures are applied in respect of persons, for whom inconsistencies are detected – informing them by e-mail of the possibility to adjust themselves the data in their declarations within the statutory period, invitations to correct inconsistencies after the deadline for voluntary adjustment and submission of adjusted tax returns, conducting inspections, etc.</p> <p>Actions taken in 2018 in relation to detected inconsistencies:</p> <p>A) for the beneficiaries of subsidies from SFA who failed to file returns or filed returns with detected inconsistencies in the amount of the declared income, an information campaign towards correct declaring within the statutory period was held, as follows:</p> <ul style="list-style-type: none"> - failed to file returns – over 55 000 persons - filed returns with detected inconsistencies – over 27 000 persons 		

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>B) invitations to remedy inconsistencies in annual tax returns sent to over 15 000 persons;</p> <p>C) checks for making adjustments in social security declarations – over 125 000 checks.</p>		
2.3	Improving the collection of overdue public liabilities	<p><i>Segmenting the approaches for collecting overdue liabilities according to the behaviour and type of the liable persons and their categorization. Developing a debtor's profile.</i></p> <p>The functionality of NRA's Management Information System was upgraded to bring together the core information about a debtor – new criteria for identifying individual groups / subgroups of debtors showing similar characteristics and behaviour were added. Grouping debtors according to the new criteria will contribute to defining new rules / measures for treating the individuals in each group, ensuring equal treatment of persons with similar profiles and escalating the strictness and intensity of the measures applied.</p> <p>Upgrading and improvement of the Collection information system continued in 2018, implementing new functionalities and reports in support of the operational and management activities within the public liability collection process. On 03.12.2018, in relation to Art. 220(1) of TSIPC, a new e-service was implemented for online claiming of public liabilities on the basis of statements issued by public creditors – state, municipal or judicial authorities, for enforcement of recovery to NRA. Furthermore, the respective public creditor accesses via the service up-to-date information on the status and amount of its</p>	<p>A Concept for development of the processes and activities for collection of public receivables has been approved in accordance with NRA's vision for the period 2016 – 2020</p> <p>A new functionality developed in NRA's Management Information System – debtor's profile</p> <p>Increased share of liabilities paid on time</p>	<p>A concept is approved.</p> <p>A new functionality implemented.</p> <p>As a result of the applied new approaches to collecting public receivables, in 2018 the share of liabilities paid on time increased by 0.7% against 2017, voluntary compliance on declarations reaching 86.3%. In the period 2015 – 2018, the share of liabilities paid on time increased by 5.6 percentage points (from 79.1% as of 31.12.2014 to 84.7% as of 31.12.2018).</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>public receivables claimed for recovery to NRA. The purpose is to stop the exchange of information on paper carrier and to optimise the procedure of interaction between NRA and public creditors.</p> <p>An improved version of the Sales portal for publishing public sales announcements under the TSIPC was implemented in February 2018. The information about public sales (through open or secret bidding) is visualised for NRA's clients via the public section of the portal at any time and is free for access. The portal enables easier and more accessible search by any external user in the public sales announcements, things being grouped in four core categories. It is compatible with and accessible by mobile devices. The number of tender procedures announced in 2018 is 3 164, 15% up on the 2 750 tender procedures announced in 2017.</p> <p><i>Early implementation of methods encouraging voluntary payment of overdue liabilities, such as: sending notifications and warning e-messages to persons with a newly arisen debt and/or contacting by phone for undertaking a commitment to pay.</i></p> <p>The good practice of early notification of taxable persons who have failed to pay on time the full amount of their public liabilities continued in 2018. Using the functionality implemented at the end of 2017, three consecutive e-mails with different content –</p>	<p>An increase in the collection of public overdue liabilities</p>	<p>A 9.8% increase against 2017 in the total collection of public overdue liabilities, mandatory social security contributions and fines / pecuniary sanctions imposed by the NRA authorities was registered in 2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>notification, reminder and warning, are automatically sent to the respective taxable person for each newly emerging / claimed for recovery to NRA public liability.</p> <p>15 national telephone campaigns focused on selected persons with outstanding public liabilities were conducted.</p> <p><i>Continuous monitoring of the debtors with the highest amount of overdue tax and social security liabilities.</i></p> <p>Ongoing monitoring was carried out in 2018 with respect of public liabilities incurred by liquid fuel traders, persons licensed for the production and storage of excisable goods under an excise duty suspension arrangement, for organising games of chance and activities in the meaning of Art. 4 of the Gaming Act, or pursuing activities under the Private Security Activities Act. The measure is of a preventive nature and aims to change the behaviour of monitored persons towards payment their debts on time. The relevant licensed authorities are notified of the persons who repeatedly fail to pay their debts on time, with a view to taking steps for withdrawal of their licenses.</p> <p>4. Enforcement of claims on debtors by budget spending units – application of Council of Ministers Decision (CMD) No. 593 / 2016 and CMD No. 592/21.08.2018.</p>	<p>Increased share of liabilities paid before an enforcement action is taken. Decrease of the public debt collection costs due to a decrease in the number of persons for whom subsequent actions are to be taken for enforced collection</p> <p>Decreased number of defaulting debtors</p> <p>Decrease in the amount of the overdue debt</p>	<p>According to the reporting data, over half of the persons paid their debts in full within 3 months after the notification message and the amount of the debt treated by the measure decreased by almost 70% within that period.</p> <p>More than 76 thousand taxable persons were contacted by phone. The amounts paid to the budget as a result of the measure amount to more than BGN 100 million and 35% of the contacted persons have paid their debts in full.</p> <p>As a result of the monitoring decrease in the amount of the debt by BGN 421.2 million was registered for 2 766 of the monitored persons within the period of monitoring.</p> <p>516 persons have paid in full their overdue public liabilities.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
			Additional money brought to the state budget	<p>Total BGN 225.6 million was collected by NRA in 2018.</p> <p>As a result of the measure for enforcement of claims on debtors of SF Agriculture, in 2018, BGN 1.3 million was transferred to NRA. As of 31.12.2018, the total number of persons, checked for overdue public liabilities before payment by the SF "Agriculture" through the information system under CMD 593/2016, repealed by CMD 592/21.08.2018, was 3 663. The total number of contracts registered pursuant to CMD 592/2018 is 2 773.</p> <p>The amounts actually received in NRA as a result of the implementation of the measure from its introduction at the end of 2014 till the end of 2018 total BGN 821.5 million.</p>
2.4	Enhanced coordination between the bodies of NRA, CA, EA "Automobile Administration" in MTITC and the pre-trial authorities in cases of detected tax frauds during audit procedures and inspections	<p>Exchange of information between NRA, MoI, SANS and PORB on specific cases of avoiding the assessment and payment of tax liabilities;</p> <p>Analysis of tax information was conducted on 43 pre-trial proceedings / prosecution cases in 2018, and 280 taxable persons (TP) involved in fraud were identified. The tax fraud mechanisms in 39 tax fraud schemes were described and 453 tax profiles were prepared as a result of the analyses.</p> <p>In 2018, NRA officers, seconded to GD COC under an Agreement, analysed tax information from operational investigations conducted by GD COC officers, as a result of which further</p>	<p>Pre-trial proceedings / prosecution cases and operational investigations analysed</p> <p>Number of pre-trial proceedings opened on cases of avoiding the establishment and payment of very large amounts of tax liabilities</p>	<p>39 tax fraud schemes described and 453 tax profiles prepared.</p> <p>Pre-trial proceedings opened on CA cases of avoiding the establishment and payment of very large amounts of tax liabilities - 8.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>940 taxable persons involved in fraud were identified.</p> <p>SANS also carried out activities in fulfilment of prosecution orders in relation to the joint work on opened criminal proceedings, providing reports on the results and initiating the opening of proceedings. Work was carried out on 22 pre-trial proceedings (PTP) opened for tax legislation offenses, and on 2 PTP opened for national custom regime offences.</p> <p>Setting up joint investigation teams including representatives of MoI, SANS, NRA, CA and PORB;</p> <p>SANS initiated and performed 4 specialised operations for detecting, preventing and curbing tax legislation offenses, putting an end to the operation of unregulated arrangements causing financial losses to the national budget. Operations were carried out in joint investigation teams with MoI, NRA, PORB. Ongoing coordination with ICCICC was carried out on cases of national tax and customs legislation offenses in trade, imports, exports, etc.</p> <p>Continuing the operation of the Interinstitutional Coordination Centre set up in 2015.</p>		<p>The aggregate amount of the financial losses established within the investigation of the crimes under the pre-trial proceedings covered by SANS is approximately BGN 87 340 000.</p> <p>Funds in the amount of BGN 10 630 000 were seized during the operations.</p> <p>The prosecuting authorities were approached for tax system offenses which caused financial losses to the national budget estimated at an aggregate of more than BGN 31 896 390.</p>
2.5	Optimising and developing the business processes and information system within NRA's control activity	<p><i>Expanding the use of database analysis software in the so-called e-audits conducted by the NRA;</i></p> <p>In 2018, data analysis software was used in 1 016 closed control procedures (audits and inspections). Additional liabilities in the amount of BGN 35 826 672 were established as a result</p>	<p>Number of control procedures using electronic data analysis software</p> <p>Increased amount of established additional liabilities</p>	<p>Data analysis software was used in 1 016 closed control procedures (audits and inspections).</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>of the closed audit proceedings in which data analysis software was used. NRA's project proposal for funding from OLAF HERCULE for the purchase of specialised hardware and software for computer investigations /IT-Forensic/ was approved in December 2018.</p> <p><i>Development and implementation of new e-services.</i> In connection with the amendments to Ordinance No. N-18/2006 concerning the implementation of requirements to producers, distributors and users of sales management software in sales outlets, two new e-services were implemented in a real-life environment in 2018 – for declaring software's compliance with the ordinance, and a public electronic list of such software. A new e-service for entry in the register under Art. 176c (15) of VATA has been developed.</p>	<p>Enhanced e-communication</p> <p>New e-services designed and implemented in a real-life environment</p>	<p>Additional liabilities established as a result of the closed audit proceedings in which data analysis software was used amount to BGN 35.8 million.</p> <p>Two new e-services implemented in connection with amendments to Ordinance No. N-18/2006. A new e-service for entry in the register under Art.176c (15) of VATA has been developed.</p>
2.6	Monitoring and effective control of e-trade	<p><i>Conducting audits and inspections of taxable persons trading on the Internet</i> In 2018, NRA closed 2 107 control procedures (inspections and audits) of persons performing e-trade on the Internet. Additional liabilities in the amount of BGN 27 176 612 were established as a result of the audit procedures closed. Voluntary payments by persons pursuant to Art. 103 of TSIPC amounted to BGN 2 899 707. In the context of the prohibition to offer excise goods without excise duty labels introduced in EDTWA in 2018, during the same year the customs authorities issued 18 AEAOs to owners</p>	<p>A unit/team set up; Number of control procedures against persons performing e-trade</p>	<p>Additional liabilities in the amount of BGN 27.2 million established. Voluntary payments by persons pursuant to Art. 103 of TSIPC amounted to BGN 2.9 million.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		of free online classifieds platforms who permitted publication of multiple ads for prohibited excisable goods and tobacco refuse.		18 AEAOs issued to owners of free online classifieds platforms.
2.7	Alignment with EU legislation	<p>Drafting legislative instruments for achieving compliance with the EU legislation</p> <p>The provisions of the directives amending Council Directive 2006/112/EC on the common system of value added tax – Council Directive (EU) 2017/2455 of 5 December 2017 as regards certain value added tax obligations for suppliers of services and distance sales of goods, Council Directive (EU) 2016/1065 of 27 June 2016 as regards the treatment of vouchers, and Council Directive (EU) 2018/912 of 22 June 2018 as regards the obligation to respect a minimum standard rate, were transposed in VATA.</p> <p>VATA was amended to transpose the option - Art. 211(2) of Directive 2006/112/EC, for deferred charging of VAT by an importer upon importation of goods in the country at the time of importation.</p> <p>A provision of EDTWA was elaborated in the light of the judgement of the Court of Justice in case C-30/17 with regard to Art. 3(1) of Council Directive 92/83/EEC of 19 October 1992 on the harmonisation of the structures of excise duties on alcohol and alcoholic beverages.</p> <p>EDTWA was amended in relation to Judgement of the Court of Justice (CoJ) of 6 April 2017 in case C-638/15 and in accordance with the provisions of Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco.</p> <p>Two rules have been introduced in CITA in accordance with the provisions of Directive</p>	AAS drafted and adopted	Act Amending and Supplementing the Corporate Income Tax Act, SG, No. 98 / 27.11.2018.

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>2016/1164 limiting the possibilities for aggressive tax planning and tax evasion – interest deduction limitation rule (Art. 4 of Directive 2016/1164) and a controlled foreign companies rule and computation of controlled foreign company income (Art. 7 and 8 of Directive 2016/1164).</p> <p>LTFA was amended to introduce a new concept of assessing the motor vehicle tax for passenger cars and trucks with maximum technically permissible mass not exceeding 3.5 tonnes by including a property component and an environmental component. The property component takes into account the power and the year of manufacture of the car, and the environmental component takes into account the environmental category of the car, the pollution caused by the car, respectively.</p>		
2.8	Participation of the Republic of Bulgaria in initiatives of the Organisation for Economic Cooperation and Development (OECD) in the field of taxes and administrative cooperation	<p><i>Implementation of the commitment undertaken upon Bulgaria’s accession to the Inclusive Framework for Implementing Tax Measures Against Base Erosion and Profit Shifting (BEPS) and the commitment for participation in peer reviews.</i></p> <ul style="list-style-type: none"> • Participation in the meetings of the working groups at OECD’s Committee on Fiscal Affairs: Committee on Fiscal Affairs and Inclusive Framework for Implementing Tax Measures Against Base Erosion and Profit Shifting (BEPS), WG-2 Taxation and Tax Statistics Analysis, WG-6 Taxation of Multinational Enterprises, WG-9 Taxes on Consumption, WG-11 Aggressive Tax Planning, Forum on Harmful Planning, Task Force on the Digital Economy, Global Forum on VAT, Global Forum on 	<p>Legislative changes drafted and adopted</p> <p>Participation in the meetings of the working groups at OECD</p>	

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>Transparency and Exchange of Information for Tax Purposes;</p> <ul style="list-style-type: none"> • Legislative amendments to introduce measures for implementation of the OECD Base Erosion and Profit Shifting Project (BEPS) and introduction of rules limiting the possibilities for aggressive tax planning and tax evasion in the Corporate Income Tax Act pursuant to Directive 2016/1164. - the interest limitation rule aims to prevent practices resulting in base erosion and profit shifting through excessive interest payments by limiting the deductibility of exceeding borrowing costs. - the controlled foreign company rules introduce a new regime for taxation of profits from foreign entities and permanent establishments treated as controlled foreign companies and aim to prevent tax evasion in the country by shifting profits to countries with lower levels of taxation. 		<p>Act Amending and Supplementing the Corporate Income Tax Act, SG, No. 98 / 27.11.2018. Effective 01.01.2019.</p>

Strategic Objective 3: Reducing compliance costs

Table with measures and activities for attainment of Strategic Objective 3 of SNS 2015-2017

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
3.1	Facilitating the administrative regimes and procedures and shortening the time for provision of services by the CA	<p>Amending existing regulations</p> <p>1. The Act Amending and Supplementing the Tax and Social Insurance Procedure Code amended and supplemented EDTWA, promulgated, SG, No. 92 / 17.11.2017, removed the requirement for persons to submit declarations that they are not in insolvency or liquidation procedure (the requirement remains valid for persons who are not entered in the Commercial Register). The information is provided ex-officio through the Commercial Register maintained by the Registry Agency;</p> <p>2. The Amending Act of the Act Restricting Administrative Regulation and Administrative Control of Economic Activity amended and supplemented EDTWA, promulgated, SG, No. 103 / 28.12.2017, removing the requirement for submission of certificates of conviction status, while preserving the requirement for persons who are not Bulgarian nationals to submit a declaration that they have not been convicted for an ordinary criminal offense. The information is provided ex-officio through authorised access to an electronic certificate of conviction status (ESCS) maintained by the Ministry of Justice. Upon ex-officio checks for collection of information about the person's conviction status, if the person has been convicted, a request is sent to the Criminal Records Office at the person's place of birth for the purpose of fulfilment of the regulatory obligation of the administrative authority to collect ex officio information related to the conviction status of a natural person;</p>	<p>The Act Amending and Supplementing the Tax and Social Insurance Procedure Code amended and supplemented EDTWA, promulgated, SG, No. 92 / 17.11.2017.</p> <p>The Amending Act of the Act Restricting Administrative Regulation and Administrative Control of Economic Activity amended and supplemented EDTWA, promulgated, SG, No. 103 / 28.12.2017.</p>	<p>ASA TSIPC, promulgated, SG, No. 92 / 17.11.2017.</p> <p>ASA ARARACEA, promulgated, SG, No. 103 / 28.12.2017.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>3. The Act Amending and Supplementing the Tax and Social Insurance Procedure Code amended and supplemented EDTWA, promulgated, SG, No. 92 / 17.11.2017, removing the obligation for persons to submit statements that they have not committed any serious infringement or repeated infringement of the Excise Duty and Tax Warehouses Act (EDTWA). The information is provided ex officio by authorised access to the RLCA maintained by the Customs Agency;</p> <p>4. The Act Amending and Supplementing <u>the Corporate Income Tax Act</u> amended and supplemented EDTWA, <u>SG, No. 98/ 27.11.2018:</u></p> <ul style="list-style-type: none"> - Legislative amendments are provided, removing the obligation for licensed warehouse keepers, registered consignees, temporary registered consignees and registered consignors to submit to the customs authorities the names of the officers authorised to sign electronic administrative documents and specimens of their signatures. - A procedure for cancelling/deactivating incorrectly submitted excise label requests, inventories and reports has been introduced, thereby reducing the administrative burden of economic operators. <p>5. With the Rules Amending and Supplementing the Rules for Applying the Excise Duty and Tax Warehouses Act, amm. and supp., SG, No. 60 / 20.07.2018:</p> <ul style="list-style-type: none"> - in light of the statutory period laid down in EDTWA for bank guarantees which have to be valid not less than one year after the date they 	<p>The Act Amending and Supplementing the Tax and Social Insurance Procedure Code amended and supplemented EDTWA, promulgated, SG, No. 92 / 17.11.2017.</p> <p>The Act Amending and Supplementing <u>the Corporate Income Tax Act</u> amended and supplemented EDTWA, <u>SG, No. 98/ 27.11.2018.</u></p> <p>The Rules Amending and Supplementing the Rules for Applying the Excise Duty and Tax Warehouses Act, amm. and supp., SG, No. 60 /</p>	<p>AAS CITA, promulgated, SG, No. 98 / 27.11.2018.</p> <p>RAS RAEDTWA, promulgated, SG, No. 60 / 20.07.2018.</p>

1 Number of the measure in the Action Plan	2 Title of the measures	3 Activities for the implementation of the measures performed/started in 2018	4 Performance indicator	5 Effect / value of the performance indicator as of 31.12.2018
		<p>are issued, and in order to avoid difficulties in adopting annexes to bank guarantees, the requirement to specify in the document template the trader's domicile and registered address has been removed. The proposal is in line with the provisions of Art. 23(6) of the Commercial Register and Register of Non-Profit Legal Entities Act laying down that, since an identification code is specified, state authorities and persons who are assigned and exercise a public function do not have the right to require proof of circumstances entered in the commercial register and in the register of non-profit legal entities.</p> <p>- the obligation for economic operators to submit excise duty return upon payment of the excise liability and to attach to the excise duty declaration the payment documents in evidence that the excise duty has been paid to the state budget has been removed.</p> <p>6. With Decree of the Council of Ministers No. 330 / 22.12.2017 amending and supplementing the Ordinance on the terms and procedure of registration of prices of tobacco products, approved with Decree of the Council of Ministers No. 192 / 2004, promulgated, SG, No. 1 / 2018, effective 01.01.2018, the requirement for persons, who have notified their request to be issued certificates of registered price or certificates of changed registered price, to present documents evidencing payment of stamp duty under Art. 11a(1) of Tariff No. 12 on duties charged within the Ministry of Finance's system under the Stamp Duty Act, approved with Council of Ministers Decree No. 55/1993, on account or at the cashier desk at the Central Customs</p>	<p>20.07.2018.</p> <p>With Decree of the Council of Ministers No. 330 / 22.12.2017 amending and</p>	<p>DCM No. 330/2017, promulgated, SG, No. 1 / 2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>Directorate of the Customs Agency, has been removed.</p> <p><i>Amendments to BEDCIS to reduce the administrative burden in issuing licenses / registrations under EDTWA</i></p>	<p>supplementing the Ordinance on the terms and procedure of registration of prices of tobacco products, adopted with Decree of the Council of Ministers No. 192 / 2004, promulgated, SG, No. 1 / 2018</p>	<p>Amendments to BEDCIS.</p>
3.2	<p>Facilitating the administrative procedures and requirements for NRA's clients</p>	<p><i>Improving the services, technical assistance, documents and information made available to NRA's clients. Sending documents by means of PIC.</i></p> <p>In 2018, as a result of the new option of filing returns, documents and data online with a PIC, granted to natural persons, new 159 926 PICs were issued to natural persons, the number of PICs now exceeding 560 000. More than 164 510 persons submitted their tax returns using PIC.</p> <p>In 2018, NRA's clients were enabled to pay public liabilities with debit and credit cards via POS terminals: a virtual POS terminal and physical POS devices installed in all offices of the Agency. Acceptance of payments started on 01.02.2018. Payments by MasterCard, Maestro, Bcard, Visa, Diners Club and Discover, issued by issuers in the Republic of Bulgaria and issuers abroad, are currently accepted. Taxable persons – legal entities and natural persons, do not pay transfer charges for card payments via NRA's POS terminals and payments are deemed received on the date on which the order for payment is authorised.</p> <p>With a view to reducing the administrative burden and increasing customer satisfaction, an automatic assessment of the cases of</p>	<p>Increased usage rate of PIC</p> <p>Number of agreements on the use of NRA's PIC by external institutions signed between NRA and external institutions</p>	<p>Usage rate of the services with PIC provided by NRA in 2018:</p> <ul style="list-style-type: none"> - 8 645 488 reports were issued by the service "Provision of tax and social security information and information on tax and social security accounts", and - 829 186 documents and returns were submitted. <p>For the period from the date on which the service was launched till the end of 2018, more than 300 000 persons made payments via the virtual POS terminal and the physical POS terminals.</p>

1 Number of the measure in the Action Plan	2 Title of the measures	3 Activities for the implementation of the measures performed/started in 2018	4 Performance indicator	5 Effect / value of the performance indicator as of 31.12.2018
		<p>applying a simplified procedure for recovering VAT and overpaid personal income tax was carried out.</p> <p><i>Analysis of the information included in standard requests for provision of documents during inspections and audits by NRA with a view to assessing the possibilities to reduce the amount of information.</i></p> <p>The need for the revenue authorities to elaborate the information requests submitted by taxable persons in the course of the control procedures was put on the agenda. An option for adding documents submitted in the course of previous procedures has been enabled in the IS Control system. A text informing the persons that they may specify previous proceedings in which they have submitted the required information or documents, without having to submit the same again in the course of the current procedure, has been inserted in the information requests submitted by taxable persons.</p> <p>Instructions regulating the procedure of accepting and providing documents signed with electronic signature at NRA's official e-mail address were given with Letter No. 20-00-52/29.03.2018 issued by the Executive Director of NRA</p> <p><i>Submission of applications and confirmation of access to NRA's e-services from any office of the Agency.</i></p> <p><i>Signing of agreements on the use of NRA's PIC by external institutions signed between NRA and external institutions.</i> 4 new bilateral</p>		<p>In 2018, income tax was refunded according to the simplified procedure to more than 38 000 natural persons and VAT was reimbursed to over 16 000 VAT registered persons.</p> <p>Updated information request template for TP.</p> <p>Instructions regulating the procedure of accepting and providing documents signed with electronic signature at NRA's official e-mail address were given with Letter No. 20-00-52/29.03.2018 issued by the Executive Director of NRA.</p> <p>The service is available.</p> <p>4 new bilateral agreements for access to e-services with municipalities and 1 new</p>

1 Number of the measure in the Action Plan	2 Title of the measures	3 Activities for the implementation of the measures performed/started in 2018	4 Performance indicator	5 Effect / value of the performance indicator as of 31.12.2018
		<p>agreements for access to e-services with municipalities and 1 new bilateral agreement with the National Health Insurance Fund were signed in 2018. On the basis of the agreements, persons holding a PIC issued by NRA may use it as an identifier to access the e-services of other state and municipal administrations.</p>		<p>bilateral agreement with the National Health Insurance Fund.</p>
3.3	<p>Increasing the share of the information exchanged ex officio with other state structures, including in relation to the application of complete administrative service. Provision of access to databases and information systems of other institutions</p>	<p>Improvement and extension of e-services for other administrations Adopted amendments to VATA and RAVATA to enable CA to make ex-officio checks whether the conditions concerning persons exercising the right of deferred charging of VAT upon importation are fulfilled. Adopted relevant amendments to LTFA</p> <p>Signing of additional agreements with institutions on the use of NRA's e-services Concluded 4 instructions and 2 bilateral agreements for the exchange of information and cooperation between administration and exclusion of obligations on individuals to provide information that could be obtained ex-officio. Concluded agreement with the Supreme Judicial Council for cooperation on granting judicial bodies' access to NRA's e-services, under which officers from 176 courts were granted access.</p> <p>As of the end of the period, 220 users were created in all EA structures for making checks in the registries of NRA, against 77 users in 2017.</p>	<p>Implemented complete administrative service</p> <p>Designed new e-services intended for other administrations</p> <p>Electronic exchange of information with partners</p>	<p>6 new e-services for other administrations were developed in 2018:</p> <ul style="list-style-type: none"> • report on payments transferred to NRA's accounts and liabilities repaid thereby for a given period; • report on liabilities, specifying the period, amount and type of liability; • accepting statements for establishing public receivables of creditors other than NRA; • report on liabilities for real estate and motor vehicles; • information about real estates and motor vehicles for natural and legal persons; • Data from the Register of Administrative Penal Files. <p>Pursuant to Art. 8(3) of the Ordinance on the general requirements to information systems, registers and electronic administrative services (OGRISREAS), in relation to Art. 17(5) of the General terms and conditions for access to data of the state administration registers in the register-to-register exchange environment, on the basis of submitted in 2018 applications for inclusion in registers administered by NRA, and following a</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		Access to RegiX granted to CA and NRA experts		<p>check, 151 institutions and state agencies were granted access to the Register of Liable Persons with Report on the Presence or Absence of Liabilities and 85 institutions and state agencies were granted access to the Register of Notifications for Signing. Amending and Terminating Employment Contracts and Notifications for Changing the Employer with Report on Signing, Amending and Terminating Employment Contracts and Notifications for Changing the Employer.</p> <p>In 2018, with Order No. ДАЕУ-9688/29.10.2018 of the Chairperson of the State e-Government Agency, NRA was granted real access to 45 registers of 22 institutions and agencies in the register-to-register exchange environment (RegiX). 220 users were created in all EA structures for making checks in the registries of NRA.</p> <p>Access to RegiX granted.</p>
3.4	Building differentiated service channels depending on clients' needs and with a focus on the use of advance technologies	<p>Designing new e-services provided with QES and PIC, and updating existing services</p> <p>The updated versions of all declarations, reports, etc. submitted online in 2018 were tested and implemented.</p> <p>In 2018, NRA designed and implemented in a real-life environment 15 new e-services:</p> <ul style="list-style-type: none"> • notice under Art. 77 of TSIPC; • notice under Art. 77a of TSIPC; • notice under Art. 78 of TSIPC; • declaration under Art. 29a(4) of PITA by natural persons – registered farmers for exercising the right to choose taxation; • request for having a residence certificate 	Enhanced electronic communication	<p>The updated versions of all declarations, reports, etc. were tested and implemented.</p> <p>In 2018, NRA designed and implemented in a real-life environment 15 new e-services.</p> <p>The scope of 2 e-services provided by NRA has been expanded since as of 01.02.2018.</p>

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		<p>issued;</p> <ul style="list-style-type: none"> • application under Art. 169(4) of TSIPC; • report on mandatory social security contributions declared, computed and paid for a self-insured person for a given year; • notice of entry, change of circumstances or deletion from the register under Art. 176c(15) of VATA • data about service technicians trained and eligible to engage in service activity; • submission of declaration under Art. 219 of CITA; • provision of data by NRA to PICo and NSSI; • provision of data by PICo on the amount of funds transferred to NRA, for persons who have submitted applications under Art. 4b of the Social Insurance Code; • provision of data by PICo to NRA on funds accrued in the account of the persons who have submitted applications under Art. 4b of SIC; • declaration of compliance and information about the sales management software in sales outlets (SMSSO) according to Ordinance No. N-18/2006, filed by producer/ distributor <ul style="list-style-type: none"> • information provided under Art. 3 of Ordinance No. N-18/2006 by persons selling goods/services via online stores <p>The scope of 2 e-services provided by NRA has been expanded as of 01.02.2018:</p> <ul style="list-style-type: none"> • report on liabilities with an option to pay – accessible with PIC and QES. An option for payment with payment cards via a virtual POS terminal of NRA was added to the service. The new option provides a free of charge possibility for taxable persons to make 		

1	2	3	4	5
Number of the measure in the Action Plan	Title of the measures	Activities for the implementation of the measures performed/started in 2018	Performance indicator	Effect / value of the performance indicator as of 31.12.2018
		payments to NRA with the payment reflected in real time in the Tax and Social Security Account of the taxable person; <ul style="list-style-type: none"> • online payment of liabilities to the budget – this services is freely accessible. An option for payment with payment cards via a virtual POS terminal of NRA was added to the service The new option provides a free of charge possibility for taxable persons to make payments to NRA with the payment reflected in real time in the Tax and Social Security Account of the taxable person. 		

**DIRECTOR OF THE TAX POLICY DIRECTORATE
OF MF AND CHAIRPERSON OF THE SNS
IMPLEMENTATION MONITORING GROUP:**

/signed/

LYUDMILA PETKOVA

