

Overview of taxes and fees related to real estate transactions

Below we outline the main taxes and fees related to the transfer and ownership of real property under Bulgarian law.

1. Taxes

Real estate transfer tax

The direct acquisition of real property (asset deal) is subject to real estate transfer tax. The tax rate is individually defined for each municipality by the municipal council and may vary between 0.1% and 3% of the purchase price or tax value of the property (whichever is higher). With respect to the donation of real property, the tax rate may vary between 3.3% and 6.6%.

No real estate transfer tax is due in the case of a share deal (acquiring a company which owns real property) or if the property is transferred to a company's capital as a contribution-in-kind. The same applies to acquisitions as a result of corporate transformations (merger, spin-off, etc.).

VAT

Transfers of ownership of urbanized land and new buildings (60 months or less from the date of issuance of the use permit) are subject to VAT at 20%.

The following are exempt from VAT:

- transfers of ownership of buildings which are not new, as well as transfers of ownership of parts of urbanized land which are adjacent to such buildings (the adjacent area is defined as the built-up area of the construction and a certain area around the building);
- transfers of ownership of non-urbanized land (such as agricultural land);
- the letting of buildings to individuals for residential purposes.

Real property tax

Owners of real property pay annual property tax. The tax rate is individually defined for each municipality by the municipal council and may vary between 0.1 and 4.5 of the tax value. The tax rate is higher (up to 7) for properties located in certain resorts as defined by the government.

2. Fees

Registration fee

Any acts transferring real property rights must be registered in the Property Register. The same applies to contracts creating securities over real property (such as mortgage contracts) and lease

CHSHCEE NEWSLETTER Bulgaria



**SPECIAL ISSUE
on Real Estate**

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Palais des Festivals, Cannes, Stand R7.E2**

agreements with respect to real property with a term exceeding one year.

The registration fee due upon registration in the Property Register is 0.1% of the respective contract value.

Notary fees

Most acts transferring ownership rights (such as sale and purchase contracts), as

well as contracts creating real securities, have to be notarized. In order to be registered in the Property Register, long-term lease contracts should also be notarized. The notary fees depend on the transaction value, and are capped at EUR 3,000.

For more information

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