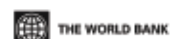




**INVEST IN  
BULGARIA**



**NEXT STEP TO SUCCESS**



"In the decade leading up to EU accession, Bulgaria embraced difficult reforms to build macroeconomic stability and stimulate growth. It built fiscal buffers by accumulating fiscal surpluses between 2004 and 2008, and reduced public debt from over 70 % of GDP in 2000 to 16.3 % in 2010, one of the lowest debt levels in the EU today. Between 2000 and 2010, average annual growth reached 4.7 %. During that same period, Bulgaria's per capita income as a share of the EU average increased dramatically from 28 % to 44 %. Today, Bulgaria remains among the most fiscally disciplined EU member states - an important feat in the context of global and European economic uncertainties".

**INVESTBULGARIA AGENCY**



**INVEST IN BULGARIA**

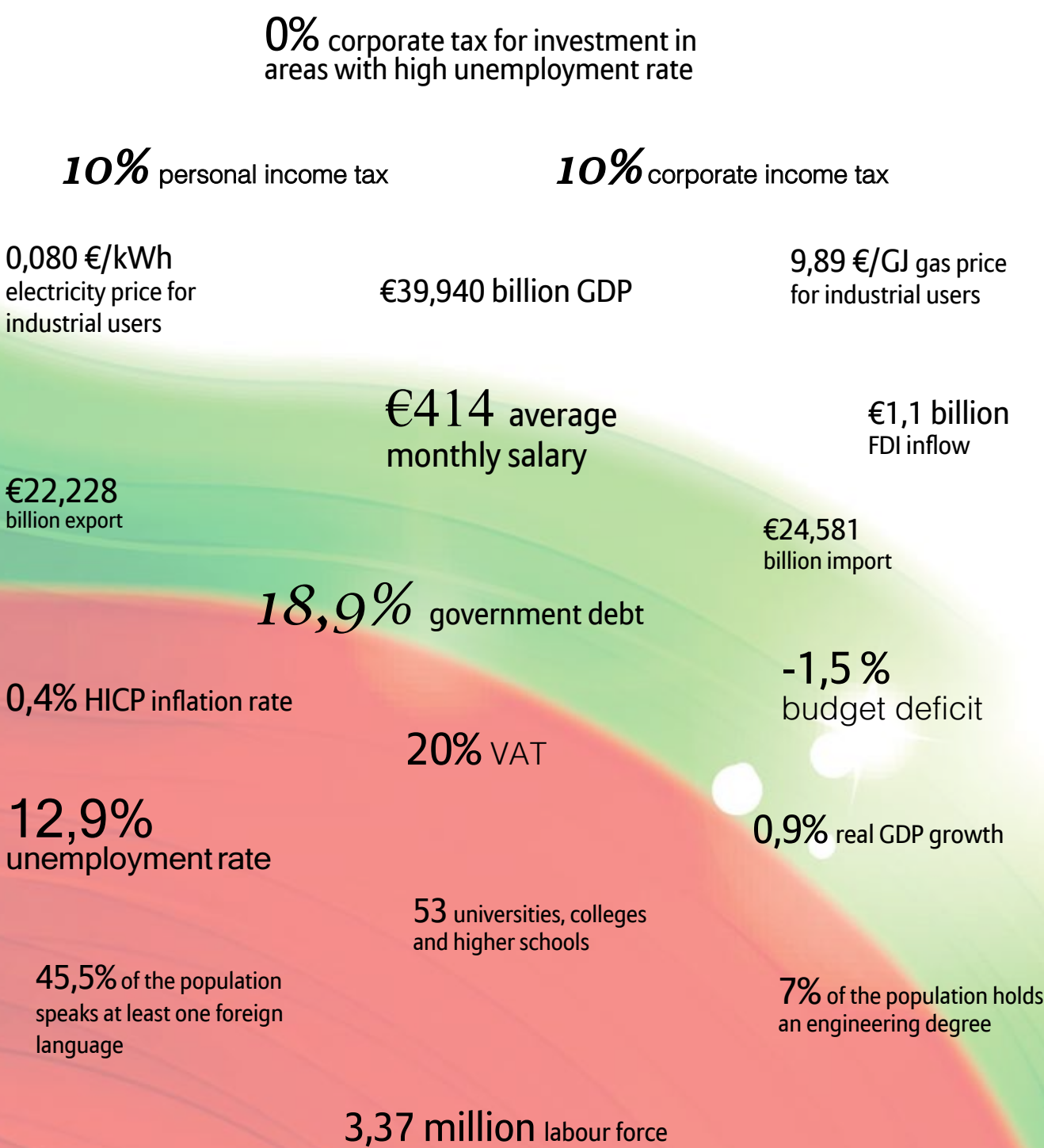
[WWW.INVESTBG.GOVERNMENT.BG](http://WWW.INVESTBG.GOVERNMENT.BG)



# Bulgaria: Your success story

MAKE THE STORY OF YOUR INVESTMENT A SUCCESS IN BULGARIA WITH ITS STRATEGIC **LOCATION**, ECONOMIC **STABILITY** AND **LOW BUSINESS COSTS**

## FIGURES WHY:



## GENERAL INFORMATION



Official name:	Republic of Bulgaria
Area:	110 994 sq.m
Population:	7.3 million
Capital:	Sofia
Time zone:	EET (UTC+2)
Official language:	Bulgarian
Currency:	Lev (BGN)
Fixed exchange rate:	€ 1= BGN 1.95583
Corporate income tax:	10%
Personal income tax:	10%
VAT (standard):	20%
Type of government:	Parliamentary democracy
Proportional representation:	4 years (Parliament) 5 years (President)
Member of:	EU, NATO, WTO

## 1. INTRODUCTION

InvestBulgaria Agency acquaints the reader with the economic facts and figures of Bulgaria, information on the business environment, sectors strengths, potential investment projects, vision and strategy for economic development and other useful information.

### WHY INVEST IN BULGARIA?

5 reasons to invest in BULGARIA

- Political and business stability

- Low cost of doing business

- Access to markets

- Educated and skilled workforce

- Government incentives

#### Bulgaria offers great advantages to investors:

##### Strategic location

- Bulgaria is located at the cross-road of Europe and Asia
- Bulgaria is in the center of the South East Europe market - a high growth market with 122 mn inhabitants
- Bulgaria is a suitable export base for serving the region, the EU, Russia and CIS, the Middle East and Africa

##### Macroeconomic and financial stability:

- Real GDP growth rate of 0.9% (2013)

- Inflation rate, annual change of 0.4% (2013)
- Unemployment rate of 11.8% (2013)
- No currency risk - local currency (BGN) is pegged to Euro (€)
- General government surplus for the years before 2009 (-1.5% for 2013)
- Bulgaria is the only country in Europe with a credit rating upgrade by Moody's since the beginning of 2010
- Skilled labor force, available at Europe's most competitive salary levels
- Low operational costs

## 2. INVESTMENT ENVIRONMENT

### 2.1 Economy

For the last decade, Bulgaria has been one of the fastest growing Eastern European economies. It is characterized by a stable macroeconomic environment, the most favorable tax treatment in the European Union, highly skilled labor force and one of Europe's lowest operational costs. The strong fiscal performance of Bulgaria for 2013 is confirmed by the one of the lowest budget deficits in Europe: -1.5% and the second lowest government debt to GDP ratio in the EU27.

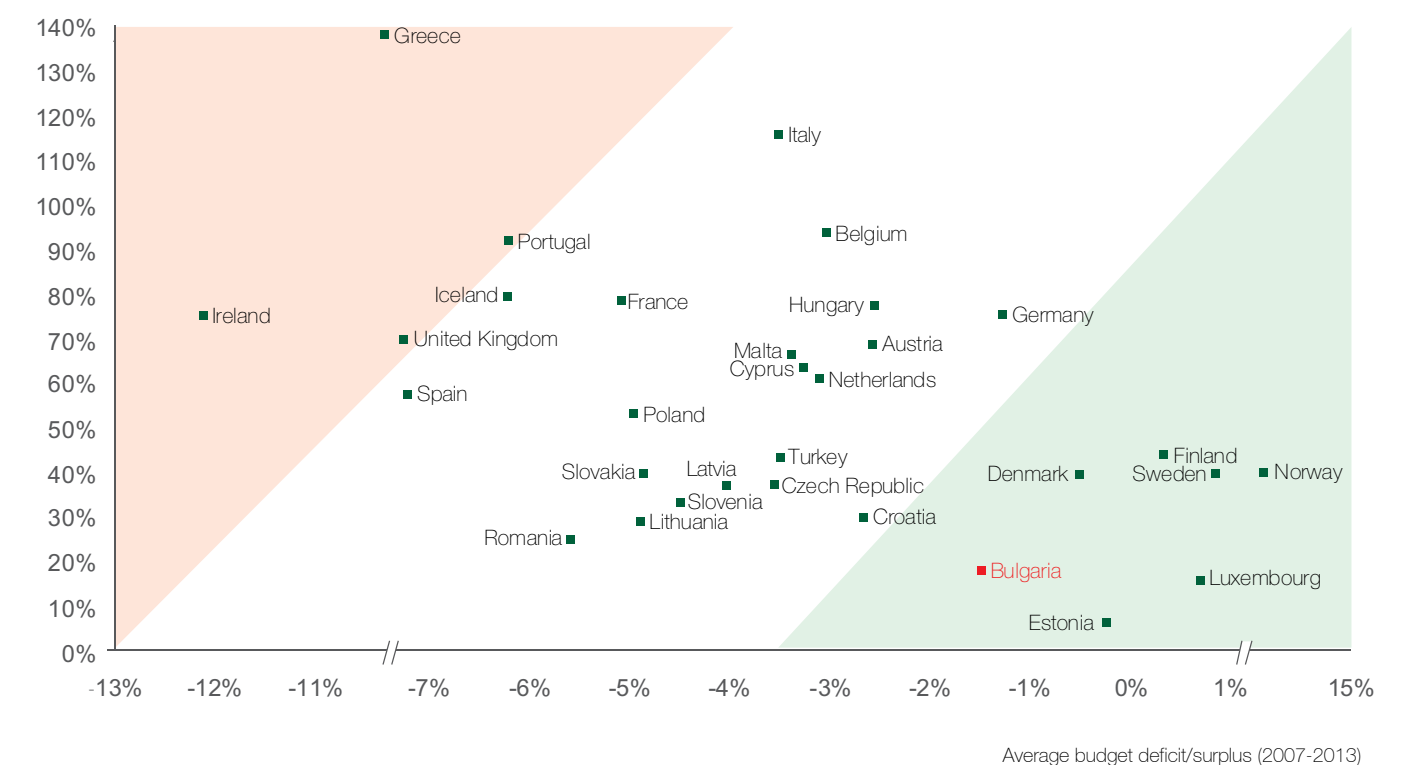
#### 2.1.1 Macroeconomic indicators

	2007	2008	2009	2010	2011	2012	2013	2014 Q2
Real GDP Growth	6.4	6.2	-5.5	0.4	1.8	0.8	0.9	1.6
Inflation (HICP)	7.6	12.0	2.5	3.0	3.4	2.4	0.4	-1.6 Q2
Unemployment rate	6.9	6.3	9.1	9.2	10.4	11.4	11.8	11.4
Currency exchange rate BGN/EUR*	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Exports FOB (% GDP)	43.9	42.9	33.5	43.2	52.6	52.4	55.8	25.4
Imports FOB (% GDP)	67.5	67.2	45.4	50.8	58.2	61.1	61.8	29.4
Government deficit/surplus (% of GDP)	1.2	1.7	-4.3	-3.1	-2.0	-0.8	-1.5	n/a
General government gross debt (Maastricht debt)	17.2	13.7	14.6	16.2	16.3	18.5	18.9	19.9 Q1

\*-currency board

Sources: Eurostat, Bulgarian National Bank, National Statistical Institute

#### Government deficit dept comparison





### 2.1.2 Country credit ratings

Bulgaria was the only European country with increased credit rating by Moody's in 2010 and 2011.

Country credit ratings comparison Q2 2014

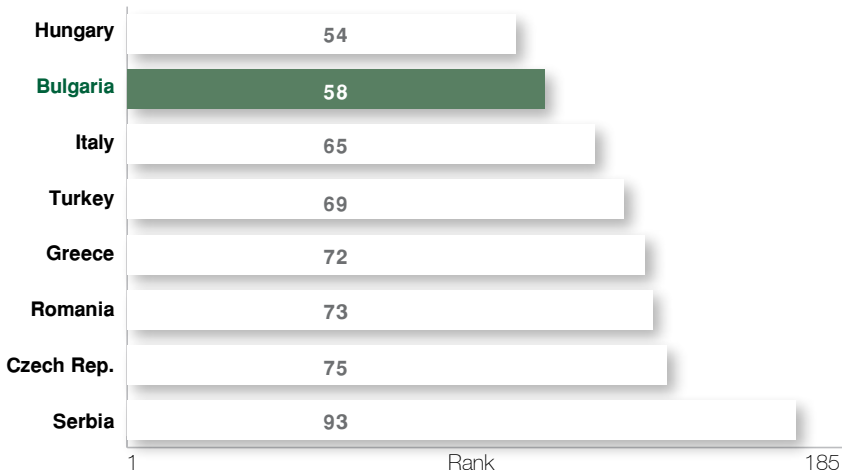
Country	S&P Rating		Moody's rating		Fitch Rating		TE Rating*	
Czech Republic	AA-	Stable	A1	Stable	A+	Stable	79.28	Stable
Poland	A-	Stable	A2	Stable	A-	Stable	67.41	Stable
<b>Bulgaria</b>	<b>BBB-</b>	<b>Stable</b>	<b>Baa2</b>	<b>Stable</b>	<b>BBB-</b>	<b>Stable</b>	<b>54.24</b>	<b>Stable</b>
Croatia	BB+	Stable	Baa3	Negative	BBB-	Negative	48.85	Stable
Macedonia	BB	Stable			BB+	Stable	47.5	Stable
Romania	BB+	Stable	Baa3	Negative	BBB-	Stable	47.35	Stable
Turkey	BB+	Stable	Ba1	Positive	BBB-	Stable	44.58	Stable
Hungary	BB	Stable	Ba1	Negative	BB+	Stable	42.58	Stable
Serbia	BB-	Negative			BB-	Negative	40	Negative
Ukraine	B	Negative	Caa1	Negative	B	Stable	28.75	Negative

\* The TE credit rating is driven by a model created at Trading Economics.  
Source: Trading Economics Rating - <http://www.tradingeconomics.com/country-list/rating>

### 2.1.3 Ease of doing business

This ranking of the World Bank considers the quality and attractiveness of the business environment. Economies are ranked on their ease of doing business, from 1-183, with first place being the best. A high ranking on the ease of doing business index means that the regulatory environment is conducive to the operation of business. The rating factors are: political and institutional environment, macroeconomic stability, market potential, private entrepreneurship support, taxation system, finance, enforcing contracts, the starting and closing of a business, labour market and infrastructure.

Ranking on the ease of doing business



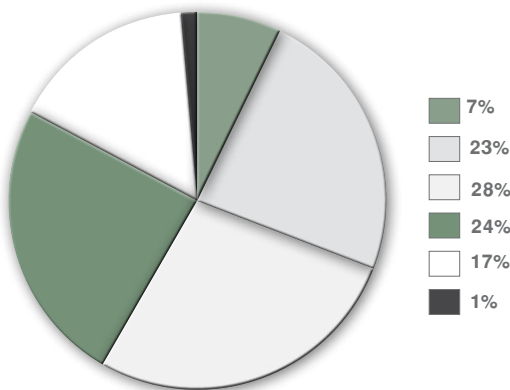
Source: Doing Business 2014, 11<sup>th</sup> Edition

## 2.2 Labour market

### 2.2.1 Labour force

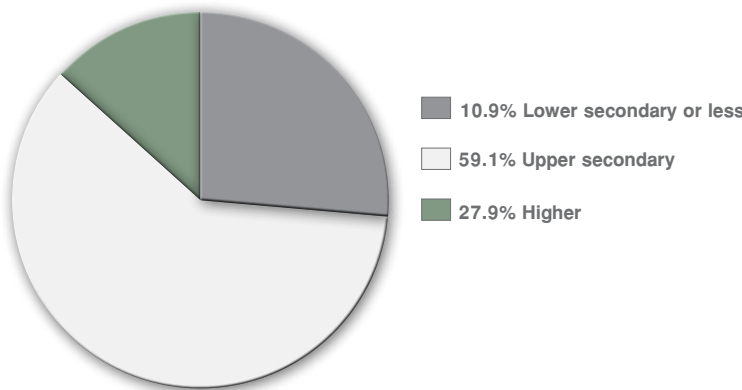
Approximately 3.3 million individuals or around 54 percent of the population aged 15 and over comprised the country's labor force in 2013. While the Bulgarian labor force is generally highly skilled and well educated, wage levels in the country are significantly lower than those in Western Europe, creating significant upside potential for labor-intensive investments.

Structure of labour force by age



Source: National Statistical Institute

Structure of labour force by level of education



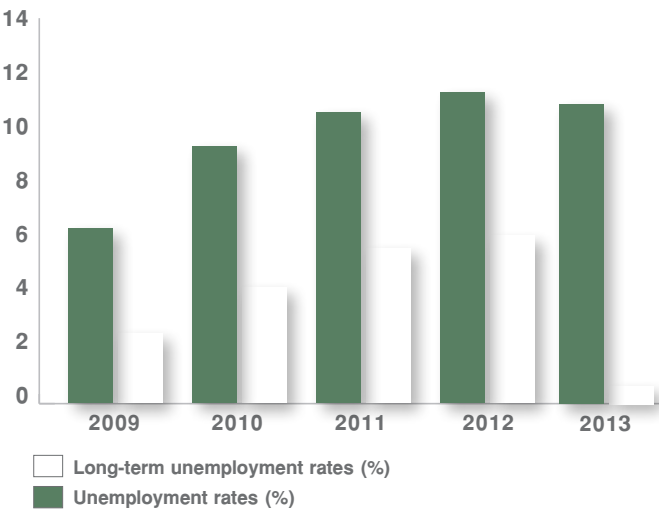
### Unemployment

The unemployment rate is the ratio between the unemployed persons and the economically active population (the labour force). The long-term unemployment rate is the ratio between the number of the long-term unemployed persons (unemployed for one or more years) and the economically active population. Discouraged persons are the persons, who are not in the labour force (economically inactive population) and who want to work,

but who do not actively look for a job, because they do not believe they will find one.

In 2013 the unemployment rate decreased by 0.4 percentage point in comparison with the previous year and stood at 11.8%. The long-term unemployed (unemployed for one or more years) were 55.2% of all unemployed persons.

Unemployment rates and long-term unemployment rates





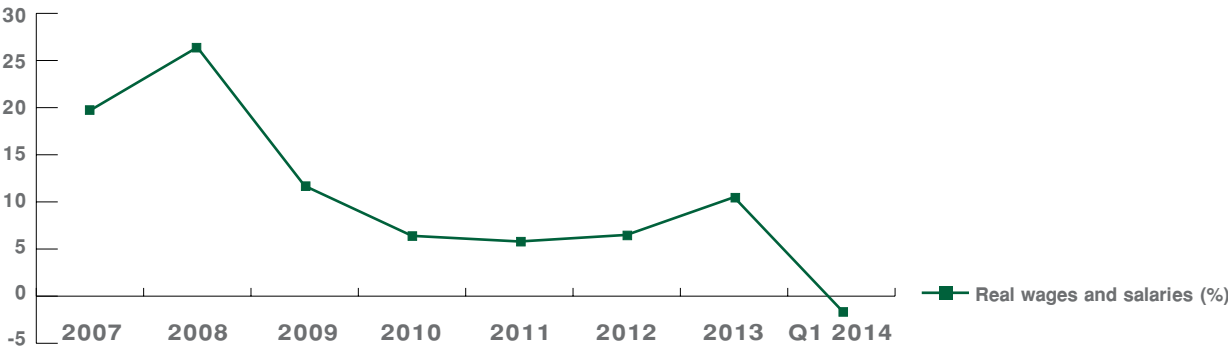


2.2.2 Wages

Average growth of annual wages

Gross annual wages and salaries are the remunerations paid regularly to the employees by the employers before the deduction of any tax and social security contributions payable by the employees and withheld by the employers.

The average annual gross wages and salaries are calculated through dividing the total amount of wage and salary costs accrued during the reference year by the average annual number of employees under labour contract excluding those on maternity leave.



As per data provided by the Bulgarian National Bank, the average gross monthly salary for 2013 was EUR 414.

Average gross monthly salary by sectors (2013, €)

Public Sector	486
Agriculture, forestry and fishing	345
Manufacturing	342
Production and distribution of electricity, gas and water	788
Construction	333
Logistics	398
Information and communications	944
Finance and Insurance	777
Real Estate	456
Healthcare and social work	424

Source: National Statistical Institute

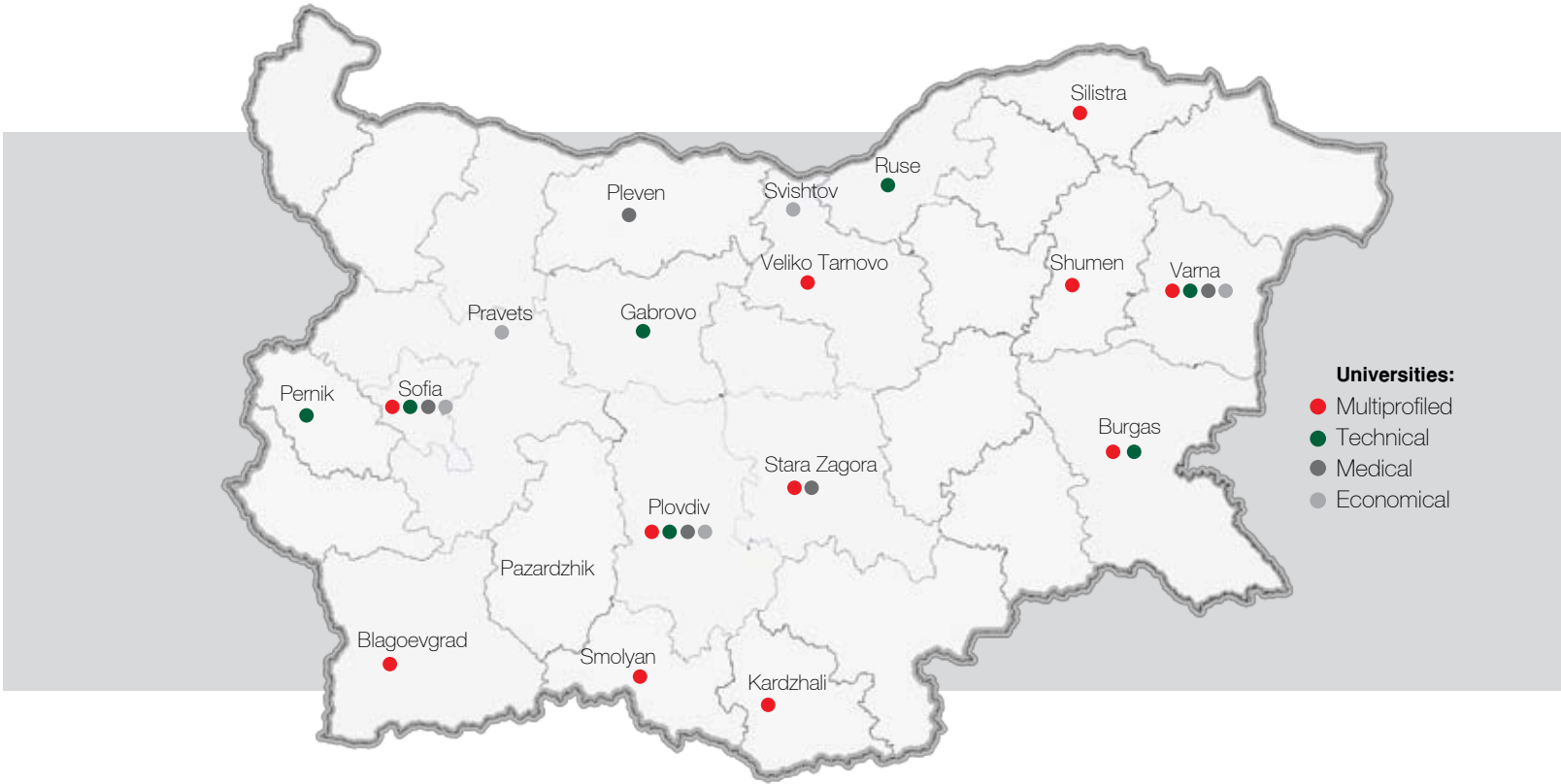
2.2.3 Education

Bulgaria has highly-qualified, well-motivated, flexible and multilingual labour force

- 53 universities, colleges and higher schools
- 500 vocational gymnasiums and colleges
- 25% of population holds university degree
- 7% of the workforce has engineering degrees
- 46% from the population in Bulgaria speak at least one foreign language
- English language studied by  $\approx$  85% of students

Total students tertiary education	Enrolled 2013/2014	Graduates 2013/2014
	<b>277 239</b>	<b>66 423</b>
Professional bachelor	15 072	3 462
Bachelor and Master	262 167	61 759
Qualification and scientific degree 'Doctor'	6 055	1 202

Distribution of the universities in Bulgaria

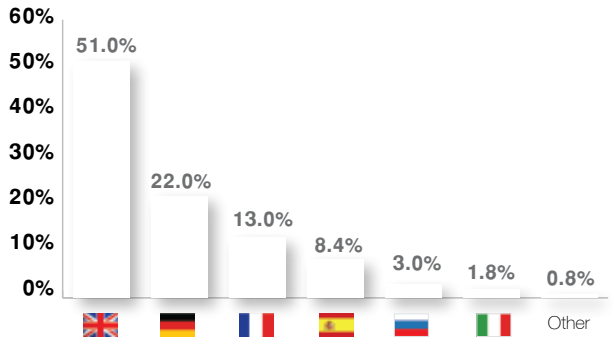


In Bulgarian secondary language schools, students learn a foreign language intensively for a year, after which study all major subjects in that language. Additionally, a second foreign language must be chosen.

In Bulgaria there is a system for early foreign language teaching of students from first through fourth grade (7 - 11 years). 84.3% of them study a foreign language, mainly English.

98% of secondary school students have foreign language courses and 73% study two or more languages.

Breakdown of students by languages studied at foreign language schools



### 3. INFRASTRUCTURE

Bulgaria is a member of the European Union which stands for free movement of goods. Five pan-European corridors pass through the country. TRACECA (TRANsport Corridor Europe - Caucasus - Asia) links Bulgaria with Central Asia.



#### 3.1 Railway network

The railway infrastructure consists of 4 070 km, incl. 2 863 km electrified lines.  
In 2013 the loading volume was 8,9 million tons and 26 million transported passengers.

Future development concerns the modernization of five major railroad tracks, connecting Bulgaria with Romania, Turkey and Serbia and increase of the max supported speed to 160 km/h.



#### 3.2 Road network

Bulgaria is strategically located and provides access to the following markets in Europe, Russia, the CIS countries, Turkey and the Middle East.  
The Bulgarian road network consists of 19 602 km roads and motorways, incl. 622 km motorways; 2 975 km 1<sup>st</sup> class roads; 4 035 km 2nd class roads and 12 051 km 3<sup>rd</sup> class roads and connections by crossroads and junctions.

The New Europe Bridge, previously known as the Danube Bridge 2 (long 1 791 m) is a road and rail bridge between the cities of Vidin (Bulgaria) and Calafat (Romania). Opened in June 2013 it is the second bridge on the shared section of

the Danube between the two countries and also is a part of the Pan-European Corridor IV and European route E79.

The new road over the pass and the Makaza-Nymfaia border checkpoint were opened for traffic on 9 September 2013. Makaza is a mountain pass in the Eastern Rhodope Mountains, connecting southernmost central Bulgaria with north-easternmost Greece and thus the regions of Northern and Western Thrace. The Makaza pass forms part of Pan-European Corridor IX, connecting Helsinki in Finland with the Greek port of Alexandroupolis on the Aegean Sea.





### 3.3 Aviation network

There are 4 major international airports in Bulgaria: Sofia, Plovdiv, Varna and Burgas. In 2013 all four airports combined 17 039 tones approximately of cargo and in 2013 the total amount of passangers was 7 300 000.

**Sofia Airport** is located 15 km away from the center of Sofia. It reported an increase of 6.3% in 2013 in processed cargo and mail shipments. Cargo transported on specialized cargo flights was 11% more as compared to last year.

**Plovdiv International Airport** is located 12 km. South-East from the city of Plovdiv, serving a catchment area of more than 4, 5 million people /incl. capital Sofia/ in a driving distance of 1,5 h by car.

**Varna Airport** is located at the northern Bulgarian Black Sea coast, just 8 km away from Varna. It is at the heart of a highly developed business community, close to leading Bulgarian summer resorts and transport facilities.

**Burgas Airport** is situated on the southern Bulgarian Black Sea coast, 10 km north-east of the city of Burgas. Its specific geographical location - on the border between Europe and Asia, has contributed to its strategic importance for the new relationships in the modern world.



### 3.4 Water network

There are 6 major water ports in Bulgaria: Varna, Burgas, Ruse, Svishtov, Lom, Vidin.

■ **The Port of Ruse** is the biggest Bulgarian river port on the Danube functioning as a multimodal transport center and providing a suitable connection between three modes of transport - water, rail and road transport.

Largest seaports, located on Black sea shoreline are Varna and Burgas:

- **Varna port** is handling over 8 million tons per year. With modern equipment, excellent transport links, rail ferry service and a crossroad location, the port is a convenient bridge for the cargo flows between Europe, Russia, Ukraine, Caucasus, Middle Asia, the Middle East and the Far East.
- **Port Burgas** provides access to the developing markets in Central Asia and countries at the east coast of the Black Sea.

### 3.5 Broadband network

Bulgaria has a very well developed Internet infrastructure and takes one of the leading position in terms of fastest internet connection.

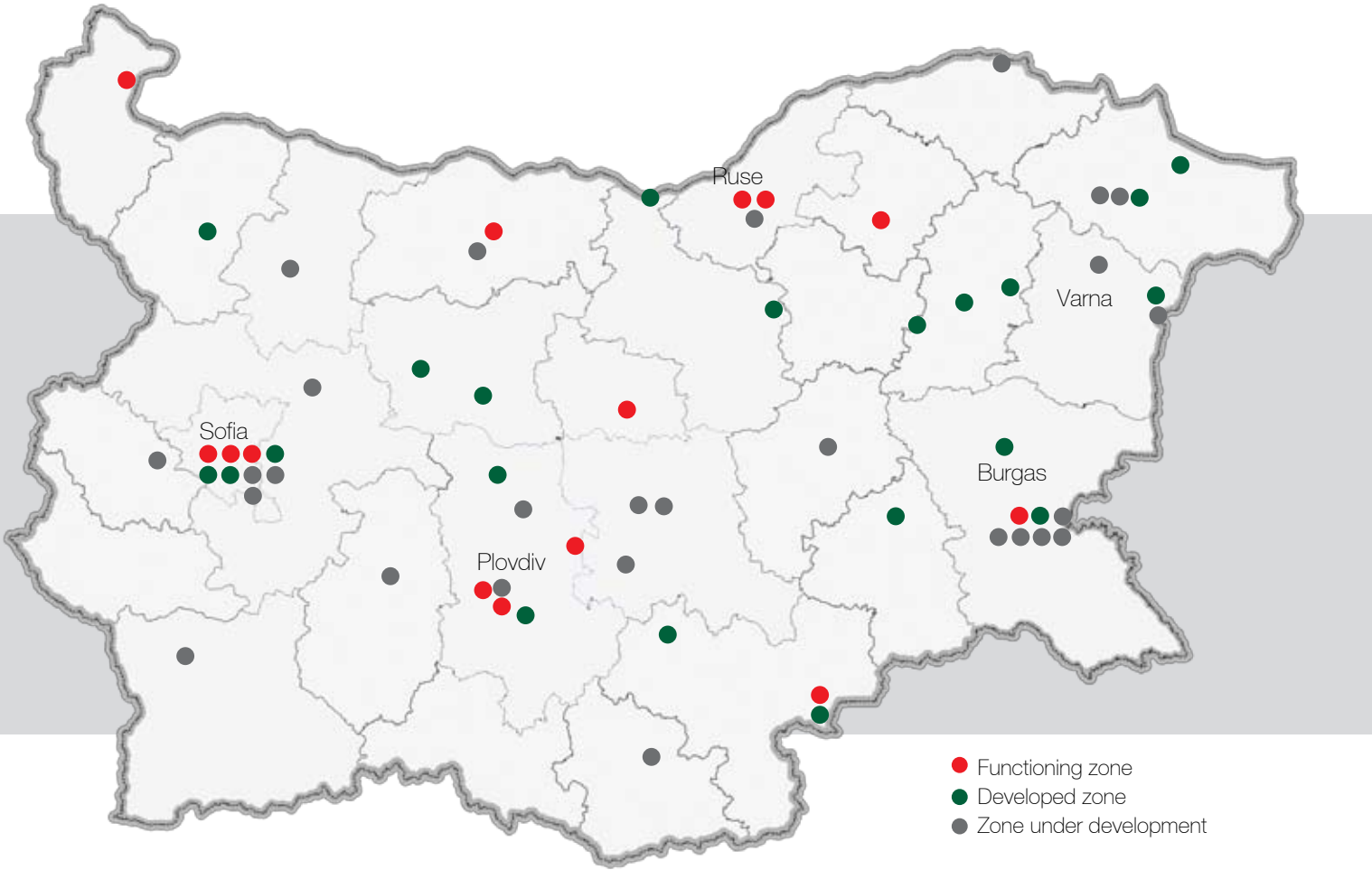
Top Countries by Download Speed	
Bulgaria	25.82
UK	19.64
Germany	19.12
Czech Republic	17.35
Hungary	17.28
USA	16.07
Austria	14.93
Slovakia	14.66
Poland	12.17
Turkey	7.54
Serbia	6.38
India	2.78

Top Countries by Upload Speed	
Bulgaria	15.45
Czech Republic	7.71
Slovakia	5.09
USA	4.45
Hungary	4.45
UK	3.93
Poland	3.28
Austria	3.18
Germany	2.77
Turkey	2.33
India	1.91
Serbia	1.58





#### 4. INDUSTRIAL ZONES IN BULGARIA



#### FUNCTIONING ZONES

Name	Total area (1 000m <sup>2</sup> )	Ownership	Nearest Airport (km)	Nearest Port (km)	Nearest Railway (km)
Burgas Free Zone	270	Public	10	4	on-site
Dolna Mltropoliya Industrial Zone	2 302	Municipal	140	90	2
Elin Pelin Industrial Park	1 600	Mixed (*)	18	180	on-site
Gabrovo Industrial Zone	360	Private	150	70	2
Kuklen Industrial and Commercial Zone	570	Private	3	300	2
Maritsa Industrial Zone	1 950	Private	18	230	1.5
Delta-S Industrial Park, Petarch	15	Private	39	144	3
Peristar Razgrad Bussines Zone	202	Municipal	130	135	5
Rakovski Industrial Park	815	Mixed (*)	25	280	2
Ruse Free Zone	370	Public	70	2	on-site
Ruse Industrial Park	640	Municipal	70	2	on-site
Sofia East Industrial Park (Elin Pelin)	700	Private	23	175	on-site
Svilengrad Free Zone	70	Public	150	180	50
Vidin Free Zone	308	Public	194	1	on-site

(\*) Municipal - Private partnership

#### ZONES UNDER DEVELOPMENT

Name	Total area (km)	Ownership	Nearest Airport (km)	Nearest Port (km)	Nearest Railway (km)
Bulgarovo Industrial Zone	110	Municipal	16	25	1
Burgas South - East Ind. Com. Zone	345	Private	17	11	4.5
Chavdar Park Botevgrad	237	Private	50	125	n/a
Chirpan Industrial Zone	142	Municipal	69	218	2
Danube Industrial Park	401	Private	140	1	on-site
Ivanovo Industrial Park	188	Municipal	95	25	10
Kaloyanovo Industrial Zone	191	Private	32	227	24
Kardzhali - South Industrial Zone	1 310	Municipal	110	320	1
Krumovo Logistics Zone	85	Private	n/a	n/a	n/a
Pernik Industrial Zone	260	Municipal	40	250	no
Pleven Industrial Zone	2 000	Mixed	n/a	n/a	n/a
Samokov Industrial Zone	369	Municipal	60	300	35
Sliven Industrial Zone	800	Municipal	120	120	3.7
Stara Zagora Industrial Zone	343	Municipal	90	90	5
Vetrino Industrial Zone	350	Municipal	46	46	4
Vratsa Industrial Zone	n/a	Municipal	110	83	n/a
West Industrial Park	n/a	Private	20	152	on-site





### 5. ATTRACTIVE SECTORS

#### BUSINESS PROCESS OUTSOURCING

##### General Information

BPO sector employs more than 15 000 people and generates more than € 200 million in revenues. Bulgaria has qualified and cost-effective workforce and the lowest office rents in the region, due to oversupply of office space. About 30 000 are graduates potentially suitable for employment within the BPO industry and 98% of the students enrolled in secondary schools in Bulgaria study a foreign language, 73% study at least two.

##### Unique facts

- According to Bloomberg, Bulgaria is among the top ten leaders in internet speed worldwide, 5<sup>th</sup> in Europe
- Over 71% of households can get superfast broadband (NGA)
- Attrition rate in Bulgarian BPO centers is several times lower than that in the rest of Europe and India
- A.T.Kearny Global location index put Bulgaria 5<sup>th</sup> in Europe and 17<sup>th</sup> worldwide in terms of attractiveness for BPO
- Bulgaria is in proximity to the key markets of Western Europe



#### FULLY OR MOSTLY DEVELOPED ZONES

Name	Total area (1 000m <sup>2</sup> )	Ownership	Nearest Airport (km)	Nearest Port (km)	Nearest Railway (km)
Assenovgrad Industrial Park	73	Municipal	25	275	4
First Industrial Zone — Avren	120	Municipal	55	30	0.5
Aytos Industrial and Bussines Park	800	Industrial	33	27	0.2
Burgas Industrial Zone	270	Municipal	10	4	on-site
Dimitrovgrad Industrial Zone	188	Municipal	80	240	on-site
Dobrich Industrial Zone	424	Municipal	44	55	0.3
General Toshevo Industrial Zone	112	Municipal	65	5	1
Goma Malina Industrial Zone	153	Mixed (**)	27	175	17
Kabile Industrial Park	170	Municipal	90	80	12
Karlovo Industrial Zone	580	Public	60	245	on-site
Kaspichan Industrial Zone	108	Municipal	70	80	0.5
Montana Technology Park	84	Municipal	120	50	2
Shumen Industrial Park	2 400	Mixed (*)	80	85	on-site
Sofia-Bozhurishte Industrial Zone	1 914	Public	23	151	on-site
Sofia Industrial Park	1 045	Private	21	152	on-site
Strazhitsa Industrial Zone	110	Municipal	35	30	1.5
Svilengrad Industrial Zone	103	Municipal	150	152	10
Svishtov Industrial Zone	127	Municipal	85	3	1
Targovishte Industrial Zone	113	Municipal	110	103	1.5
Telish Industrial Zone	2 000	Public	105	65	on-site
Troyan Industrial Zone	124	Municipal	105	55	45

(\*) Municipal - Private partnership

(\*\*) Public - Private partnership





## MACHINE BUILDING

### General Information

The sector is expected to grow significantly in the next years. Currently, the industry employs more than 205 000 people, generates revenues of € 3.12 bn and is closely related to other industries like electronics and electrical engineering. Important trend in the industry is relocation of some manufacturing activities (both equipment and assembly) from developed countries to low-cost countries. 11% of the university students in Bulgaria are enrolled in related specialties.

### Unique facts

- The first Bulgarian aircraft plants were established in Bozhurishte and Kazanlak in 1925
- Bulgarian Podemocrane is the biggest producer of wire rope hoists in Central and Eastern Europe
- Bulgaria is still among the main producers of universal lathes in the world
- The Bulgarian company M+S Hydraulic occupies 6<sup>th</sup> place in the world for the production of hydraulic and orbital motors for application in the mobile and industrial systems
- In the past Bulgaria produced more than 20% of the industrial forklift trucks in the world. At that time the company Balkancar Holding was among the three biggest suppliers of engine driven and electric driven forklift trucks in the world - together with the American company Clark and Japanese company Toyota
- The main subsectors are metal-cutting and metal-processing machines, hydraulic elements and systems; home appliances and machines for the food industry; foundry production; weapons; shipbuilding etc.



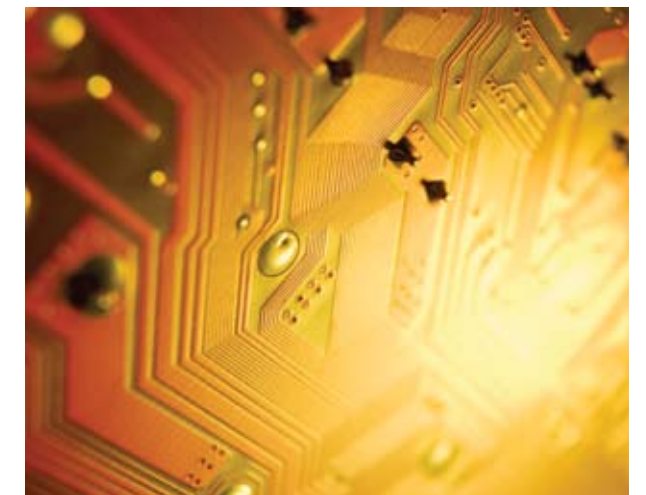
## ELECTRICAL ENGINEERING

### General Information

There are about 45 000 people employed in about 2 300 companies in the sector. The trend is to change the production mix in the recent years towards products with higher added value requiring more engineering skills. Currently in Bulgaria are being produced: household and commercial refrigerators and freezers batteries, wire harnesses and cables, high performance transformers, transducers and sensors, amplifiers, capacitors, HVAC and climate control equipment, semiconductors, PCBs and LED lighting etc. More than 75% of the produced electronic equipment in Bulgaria is exported. About 30 000 University students are enrolled in majors related to the Electrical Engineering and Electronics manufacturing. Bulgarian technical high schools and universities are working together with the companies in the sector to create future qualified workforce.

### Unique facts

- The Bulgarian ELKA 6521 was the first European electronic calculator
- In Bulgaria are produced submarine batteries weighing more than 300 tons
- Bulgarian company ACOM, that exports in 22 countries worldwide, is among the world leaders in production of radio and telecommunication High Frequency (HF) amplifiers and antennas
- In Bulgaria are produced also ballasts and lighting equipment used in the lighting of historic monuments in Peru, including the legendary "lost city of the Incas" Machu Picchu







Automotive part manufactures can reach most of the European car makers within 96 hours drive

## AUTOMOTIVE

### General Information

Bulgaria is positioned in the centre of the emerging automotive cluster of CEE. The most of the countries around have OEMs (original equipment manufacturers) related to the automotive industry and this is why Bulgaria has to take the advantage to build a strong network of companies in the automotive sector. Bulgaria hosts a number of small to mid-sized component manufacturers with export-driven production activities, not only subsidiaries of foreign Tier 1 suppliers, but also local companies that are competitive on a global level. Following the entrance of Great Wall Motors in Bulgaria, the local component sector is expected to gain momentum, possibly attracting other foreign investors to the market and easily sustaining the 7% - 9% annual growth registered during the last couple of years in this segment.

### Unique facts

- In 1970's in Bulgaria were produced brands Moskvich, FIAT 850, FIAT 124 and Renault 8 and 10
- Currently the country accommodates the only European factory for Chinese automobiles opened in 2012
- The Transport and logistics cluster in Bulgaria combines all modes of transport: Land (Road and Rail), Air and Water (Sea and River)
- In the last 10 years several auto components producers like EPIQ, Yazaki, Montupet, Johnson Controls, IMI, SE Bordnetze, Grammer, William Hughes, Arkomat Turkey, Magna Powertrain, ALC and others started production in Bulgaria
- More than 15 000 people are employed in Bulgarian automotive sector



## INFORMATION TECHNOLOGY

### General Information

Bulgaria has strong traditions in the IT sector. 15 Universities offer ICT majors. 50% of IT activities are export oriented. The number of ICT companies in Bulgaria exceeds 900 with the leading 450 generating 97% of the sector's revenue. About 39 000 people work in the industry. The average monthly wage in the IT sector is about € 900.

### Unique facts

- Main subsectors are distribution and system integration. ITO comes 3<sup>rd</sup>, with 20% share of the industry revenues
- The Atanasov - Berry Computer (ABC) is the world's first electronic digital computer. Its inventor is of Bulgarian descent
- Bulgaria is on 3<sup>rd</sup> place in Europe and 10<sup>th</sup> position worldwide regarding the absolute number of certified IT professionals
- According to Bloomberg, Bulgaria is among the top ten leaders in internet speed worldwide, 5<sup>th</sup> in Europe
- Bulgaria ranks first in the world in terms of the Internet price - € 0.41/Mbps







## CHEMICAL INDUSTRY

### General Information

The industry as a whole has € 2.81 bln turnover and 85 000 employees. The country offers highly qualified specialists with long experience in combination with competitive cost and high relative labor productivity. Over 7 000 university students graduate annually in courses relevant to the needs of chemistry and related industries.

### Unique facts

- Bulgaria has rich reserves and fields of salt, sand, clay, limestone, kaolin, in proximity to existing industrial areas and complexes
- Quality clay is among the major mineral resources of the country, to which testify the Bulgarian traditions in brick-making
- After 1990, the large numbers of Bulgarian enterprises were purchased by foreign investors, which led to the modernization of technical and production facilities
- Bulgaria hosts Europe's biggest synthetic soda ash plant
- The favorable geographic location and competitive production are essential for the exports of chemical and related industries products to all leading global markets



## FOOD & BEVERAGES

### General Information

The sector employs more than 93 000 people and gives 24% of gross value added of the country. The beverage manufacturing sector covers about 4% of the industrial production in the country and creates approximately 4% of the added value in industry. Bulgaria could make a boast of its high quality agricultural and forestry production and the favorable natural conditions. Other strong F&B subsectors include meat and processed meat products, canned vegetables and fruits, as well as wine. Organic farming, as well herb collecting and processing, have great development potential which remains currently unrevealed.

### Unique facts

- Bulgaria is traditional producer of natural dairy products: yoghurt, cheese and yellow cheese
- Bulgaria is among the top 15 producers of buffalo and sheep milk in the world
- Bulgaria is famous for the symbiotic development of authentic strains of *Lactobacillus Bulgaricus* and *Streptococcus thermophilus*, thanks to which the famous Bulgarian yoghurt is being produced
- Bulgaria was the first among former Communist countries where Coca-Cola established a production plant back in 1965
- Bulgaria is one of the largest producers of goose liver in Europe and among the world's top 10 producers of goose, donkey, and rabbit meat
- Bulgaria ranks among the top 20 largest wine producers in the world, produces a variety of wines, including some which are unique to the country







## TOURISM

### General Information

Tourism generates approximately 13.6% of GDP for the year 2013. There are about 36 000 people employed in the sector. More than 9.2 million foreign citizens have visited Bulgaria for tourism purposes in 2013 - an increase of 5.5% compared to 2012. More than 70% of the income generated by tourism is generated by sea tourism.

### Unique facts

- The Republic of Bulgaria has 48 mountain resorts, 15 marine resorts, and 38 balneology resorts
- The country is known for its highly qualified personnel, excellent accommodations, and diverse programs and services
- Some of the tourism types in Bulgaria:
  - **Sea tourism** - The Bulgarian Black Sea coast is a wonderful place for a summer holiday. Each year it attracts approximately 4 million tourists. The coastline is 378 km long, with 209 beaches that have a total area of 16 sq. km. The beaches and the sea offer excellent conditions for various water sports such as windsurfing, water skiing, diving, underwater exploration, and fishing, whether from the surface or underwater;
  - **Mountain tourism** - About 30% of Bulgaria is mountainous. Conditions are exceptionally conducive for tourism in both winter and summer. The ski season in the medium high and the alpine resorts lasts about 130 days each year. Total length of the ski tracks in Bulgaria is 210 km;
  - **Cultural tourism** - Bulgaria is a country with thousands of years of history and a cultural heritage that embraces ancient civilizations - 9 UNESCO World heritage sites with more than 330 museums and 160 monasteries. There are also opportunities to observe traditional economic activities in our lands, such as the manufacture of rose oil and wine production;
  - **Balneology, SPA and Wellness** - The healing power of mineral springs has been recognized since the time of the Thracians. There are more than 600 known sources with 1 600 springs that have a total capacity of 4 900 l/s. Bulgaria also possesses valuable deposits of curative firth mud and curative peat.



## BALNEOLOGY

### General Information

Bulgaria has about 600 mineral water deposits with over 1 600 springs of varying physic-chemical composition, temperature (10°C - 103°C) and indisputable curative properties. 75% of the water is warm to hot. 0.5 - 63 l/sec is the capacity of the mineral sources. 400 - 1 500 meters is the depth of water sources. There are 65 balneology resorts. Each resort has thermal springs, with curative effects on various organs and parts of the body. The mineral water is suitable for drinking.

### Unique facts

- Bulgaria ranks second in Europe after Iceland in the number the mineral springs, providing all types of mineral water existing in nature
- Every kind of known mineral water may be found in Bulgaria
- Most types of mineral water are suitable for bottling, everyday use, and balneoprevention at home
- Mineral and thermal water are an unlimited and impressive wealth of Bulgarian nature. Their abundance and diversity ranks Bulgaria among the top countries from the hydro-thermal regions of the Balkans, Europe and the Mediterranean
- Bulgaria ranks first in Europe according to the availability and diversity of mineral water and spa resorts







## 6. HOT DEALS & SUCCESSFUL EXAMPLES

### NEW INVESTMENT

COMPANY	INVESTMENT (BGN mln)	BRIEF DESCRIPTION	JOBS	LOCATION
<b>LEM</b> - Switzerland	3.2	Production plant for transducers and electronics	50	Sofia
<b>O.M.C Salieri Eastern Europe</b> - Italy	30	Plant for spherical cranes	150	Vratsa
<b>Fraport Twin Star Management</b> - Germany	75	New passenger terminal at the Varna Airport	n/a	Varna
<b>Sicom</b> - Italy	4.5	Manufacturing facility for galvanizing and production of metal products	30	Ruse
<b>Behr-Hella Thermocontrol</b> - Germany	42.5	Plant for production of air-conditioning solutions for cars	350	Sofia
<b>SOL spa</b> - Italy	25.5	New facility for production of industrial gases	10	Devnya

### ACQUISITION

<b>Telenor</b> - Norway	717	Acquisition of the telecommunication operator Globul	n/a	Sofia
<b>Magna Powertrain</b> - Canada	n/a	Acquisition of the business of Ixetic, Germany, including the Bulgarian subsidiary	n/a	Plovdiv
<b>Fibank</b> - Bulgaria	n/a	Acquisition of the Hungarian MKB Unionbank	n/a	Sofia
<b>Schreiber Foods</b> - USA	n/a	Acquisition of the production facilities of Danone in Bulgaria	n/a	Sofia
<b>TeleTech</b>	n/a	Acquisition of Bulgarian outsourcing company Sofica Group	n/a	Sofia

### EXPANSION

COMPANY	INVESTMENT (BGN mln)	BRIEF DESCRIPTION	JOBS	LOCATION
<b>Montupet</b> - France	60	New production facility for engine heads	300	Ruse
<b>Prestige 96</b> - Greece	30	New plant for confectionary products	600	Veliko Tarnovo
<b>ABB</b> - Switzerland	32	New facility for manufacturing of low and medium voltage products in Industrial Zone Rakovski	600	Plovdiv
<b>Festo</b> - Germany	20	New factory formagnetic sensors and sensor applications	450	Sofia
<b>Witte Automotive</b> - Germany	20	New facility for production of locking and latching systems for cars	500	Ruse
<b>Teklas</b> - Turkey	10	New plant for rubber and plastic components and air-conditioning installations for the automotive industry	300	Kardzhali
<b>Standard Profil</b> - owned by Aktera Group, Turkey	12	New production facility for rubber seals	1 000	Stara Zagora
<b>Trakya Glas</b> - owned by Sisecam, Turkey	300	New factory for glass production	300	Targovishte
<b>PaleMont</b> - Switzerland	n/a	New factory for metal processing and pallets production	400	Montana
<b>Italcementi</b> - Italy	325	Modernization of Devnya cement plant	n/a	Devnya





## SUCCESSFUL EXAMPLES

### MECHANICAL ENGINEERING

	GREAT WALL
	LUFTHANSA TECHNIK
	SKF BEARINGS
	MONTUPET
	MAGNA POWERTRAIN

### CHEMISTRY AND RELATED INDUSTRIES

	LUKOIL
	SOLVAY SODI
	AURUBIS
	ACTAVIS
	VIOHALCO

### OTHER NON-METALLIC MINERAL PRODUCTS

	SISECAM
	ITALCEMENTI
	WIENERBERGER
	KNAUF
	SAINT-GOBAIN WEBER






### IT DEVELOPMENT

	SAP
	VMWARE
	JOHNSON CONTROLS
	EXPERIAN
	NEMETSCHKE


### BUSINESS PROCESS OUTSOURCING

	HP
	IBM
	COCA COLA
	SUTHERLAND
	SITEL

### ELECTRICAL ENGINEERING

	LIEBHERR
	SCHNEIDER ELECTRIC
	ABB
	FESTO
	YAZAKI

### FOOD & BEVERAGES

	NESTLE
	MONDELEZ (KRAFT)
	CARLSBERG
	HEINEKEN
	SCHREIBER FOODS

### ENERGY

	AES
	CEZ
	EVN
	ENERGO-PRO
	MITSUBISHI HEAVY INDUSTRY

### OTHER

	TOKUSHUKAI GROUP
	FRAPORT
	DHL
	UNICREDIT BANK
	ALC





## 7. POTENTIAL INVESTMENT PROJECTS

Name of the project:	Brief description:	Project value:	Type of implementation:	Contracting authority:
<b>Black Sea Motorway</b>	The preferred option consists of a 94.8 km section of new two lane motorway which follows adjacent to the Black Sea coast and goes from the eastern end of the A-1 motorway near Burgas to the end of the A-4 motorway south of Varna.	EUR 722.6 mln (including VAT and expropriation costs)	BOT / public-private partnership for up to 35 years	Bulgarian Government
<b>Stara Zagora Cargo Airport Project</b>	Develop an international cargo airport on the place of the former civil airport near the city of Stara Zagora. The project includes expansion of the current airport to become large international transit hub and one of the largest cargo airports in Europe which take care for the freight from Asia to the European Union and vice versa.	Negotiable	Concession - long term	The Ministry of Transport, Information Technology and Communications; Ministry of Defense
<b>Gas Interconnection Turkey - Bulgaria (ITB)</b>	This is a significant initiative of building an intermodal gas connection between Turkey and Bulgaria in order to make possible the diversification of energy supply for Bulgaria. The interconnector project with Turkey is described as being "key" to Bulgaria's energy diversification efforts, view of the fact that the Turkish system has six entry points for natural gas. The gas pipeline will be up to 150 km. long and will carry up to 3 billion cubic meters of Caspian natural gas a year initially, the pipe diameter is 28 inches (700 mm), working pressure 75 bar.	Approximately EUR 100 mln	Construction contract	The Ministry of Economy and Energy; Bulgartransgaz SA
<b>Gas Interconnection Greece - Bulgaria (IGB)</b>	The project includes construction of trans-border reverse gas pipeline with length of about 168.5 km (140 km in Bulgaria, 28.5 km in Greece), connecting the Greek gas network in the area of Komotini with the Bulgarian gas network in the area of Stara Zagora. The capacity of the gas pipeline is foreseen to be 3 up to 5 billion m³/year, the pipe diameter is 700 mm (28").	EUR 210 mln	Construction contract	Bulgarian Energy Holding

Name of the project:	Brief description:	Project value:	Type of implementation:	Contracting authority:
<b>Port of Varna</b>	The plans for the development of the port include the following projects: Hub port - Capacity to handle Post Panamax container ships, 6 750 TEU, L - 300 m, B - 40 m, H - 14.5 m; Construction of Grain Terminal on the North Coast of the Varna Lake - Capacity 1,85 mln.t.; Expansion of the container terminal - Varna West - Adding capacity of 100 thousand TEU. Construction of terminal for liquid dangerous goods - Varna West - Capacity of 1.2 mln.t.; Construction of passenger terminal and business center - Varna East.	Negotiable	Public-private partnership	Bulgarian government
<b>Port of Burgas</b>	The plans for the development of the Port of Burgas include the following projects: Terminal 2B - for General Cargo; Terminal 3 - for Ro-Ro and ferryboat transportation; Terminal 4 - for containers handling; Construction of passenger terminal in Burgas East, as part of the Super Burgas Project.	Negotiable	Public-Private Partnership	Bulgarian government
<b>Increasing the working gas volume of Underground Gas Storage (UGS) Chiren - between 720 mcm and 1 000 mcm</b>	Increasing the current capacity of the Chiren UGS of 550 million cubic meters to 1 billion cubic meters of natural gas, and increasing the daily gas deliverability from 4.2 million cubic meters to 10 million cubic meters. Envisaged timeframe 2015-2017.	EUR 210 mln	Construction contract	Bulgartransgaz, a subsidiary of the state monopoly Bulgargaz

NOTE: Additional information Available upon request





8. LEGAL FRAMEWORK

8.1 Entry, stay and work of foreigners in Bulgaria

Citizens of the European Union

EU citizens do not need a visa to stay in Bulgaria. They may enter and leave the territory of Bulgaria with an identity card or passport for up to three months. When the conditions of EU law are met, EU citizens may reside in Bulgaria for longer than five years or permanently, for the purpose of which a certificate is issued.

Third-country nationals

Third-country nationals have the right to a transit through the territory of Bulgaria without a visa under the terms and conditions set by EU legislation. When an agreement between the EU and a third country is in force on the conditions for issuance of a visa, entry and residence of nationals of that country, the procedures under the respective agreement apply.

Foreigners may reside in Bulgaria for short-term periods (90 days from the date of entry), continuous stay (1 year), long-term (with an initial authorized period of 5 years and renewable) and permanently - for an indefinite period.

Among the foreigners who can obtain continuous residence permit are:

- Persons who engage in commercial activity in the country, by means of which at least 10 jobs for Bulgarian citizens have been opened;
- Foreign specialists staying in the country under international treaties;
- Representatives of foreign companies.

Among the foreigners who can obtain a permanent resident status are:

- Persons who have invested or increased their investment over BGN 1 million through acquisition of:
  - shares in Bulgarian companies traded on the Bulgarian regulated market;
  - bonds and treasury bills as well as derivative instruments issued by the state or municipalities, with a residual maturity of not less than 6 months;
  - ownership of assets of a Bulgarian company with more than 50% state or municipal participation in the capital in accordance with the Privatization and Post-Privatization Control Act;
  - state or municipal shares owned of a Bulgarian company in accordance with the Privatization and Post-Privatization Control Act;
  - Bulgarian intellectual property;
  - rights under concession contracts operating in the Republic of Bulgaria.
- Persons who have invested over BGN 1 million in Bulgarian licensed credit institution for a period of not less than 5 years;
- Persons who have invested at least BGN 6 million in the capital of a Bulgarian company whose shares are not traded on a regulated market;
- Persons who have received a certificate for class investment / priority investment project.

Among the foreigners who do not require work permits are:

- Foreigners with long-term or permanent residence in Bulgaria;
- Managers of companies or branches of foreign entities;
- Members of boards of directors of companies who do not work under an employment relationship;
- Commercial representatives of foreign companies.

Stay and work of third-country nationals

Short-term stay (up to 90 days)	On the basis of work permit, except for certain cases, e.g.: <ul style="list-style-type: none"><li>■ persons managing business companies/branches of foreign legal entities;</li><li>■ members of managing boards and boards of directors of business companies who are not employed under an employment contract;</li></ul>
Long-term stay (up to 1 year)	<ul style="list-style-type: none"><li>■ family members of a foreigner holding a long-stay permit;</li><li>■ family members of EU nationals, etc.</li></ul>
Long-term stay (5 years with an extension option)	Under the procedures for Bulgarian nationals (without work permit) unless there are any additional requirements in respect of the particular work set by a regulatory document.
Residence (unlimited period)	

8.2 Registration of a company

The following corporate forms exist under Bulgarian law:

- limited liability company
- joint-stock company
- general partnership
- limited partnership
- partnership limited by shares

Commercial companies are set up as legal entities separate from their founders. Regardless of the nationality of their founders, all companies registered in Bulgaria are considered to be Bulgarian legal entities which are established and existing under Bulgarian law.

Foreign equity participation in a Bulgarian company can be up to 100%. The incorporated companies receive the capacity of legally established entities since the moment of entry into the commercial register kept by the Registry Agency.

Limited Liability Company

The limited liability company is a preferred form of business entity because of the minimum capital requirement of BGN 2, the limited liability of the shareholders to the amount of the registered capital and simplified corporate governance structure.

Shares may be transferred and inherited. The transfer of company shares to third parties requires the prior approval of the company general meeting. Transfer of shares should be performed by means of a notarized contract entered in the commercial register.

The governance structure of a limited liability company consists of:

- General meeting of shareholders;
- Manager(s) who manage and represent the company before third parties.

There are no restrictions for foreigners to be appointed managers of the company.

Joint-stock company

The minimum registered capital required for the formation of joint-stock company of BGN 50 000. A typical feature of the joint-stock company is the lack of regulations on the transfer of shares and the lack of ownership of the shareholders in the company.

The corporate governance structure of the joint-stock company consists of:

- General meeting of shareholders;
- Board of directors (in case of a one-tier management system) or a Supervisory board and Management board (in case of a two-tier system).

There are no restrictions for foreigners to be appointed managers of the company.

The time required for entry or deletion in the commercial register of commercial companies is the end of the first working day following filing of the required documents. On requests for registration of new circumstances, the registrars are obliged to act immediately.

Branch

For the establishment of foreign investments under Bulgarian law, in addition to five different companies listed above, the investor may choose one of the following corporate forms:

- Branch
- Trade representation

A commercial legal entity who has the right to perform commercial activity under their national law may register a branch in the Commercial Register. The branch is not considered a separate legal entity. The branch is not required to have any paid up capital or separate governance structure. Its assets and liabilities are considered assets and liabilities of the mother company.



Representative office

Foreign persons authorized to do business under their national law, may establish a representative offices in Bulgaria. A representative office is registered at the Bulgarian Chamber of Commerce. The representative office is not a separate legal entity and can not carry on business activity. Thus, the purpose of the representative office is to perform activities such as promotions, exhibitions, demonstrations, training and advertising of products or services.

8.3 Registration of an Employment Contract

General comments

Bulgarian labour legislation applies to the employment relations of Bulgarian and other European citizens, with employers in Bulgaria, with Bulgarian employers abroad or sent by Bulgarian employer to work in another country in a foreign / joint venture and foreign nationals working in Bulgaria. Bulgarian Constitution establishes the right to work in safe and healthy working conditions, the minimum wage, the right to rest and leave, to participation in trade unions, etc. EU social legislation with its social rights, freedoms and principles applies in Bulgaria.

Incentives for foreign investors

There are various programs for encouragement of employment, which can benefit both Bulgarian and foreign employers. Financial assistance for specific periods of time can be granted by the Employment Agency for jobs created for unemployed persons, persons with disabilities, persons over the age of fifty, single parents, as well as with the aim to maintain and update the skills of employees, etc. Companies can also benefit from tax relief for hiring long-term unemployed, unemployed persons over 50 years of age, or people with disabilities. Corporate tax may not be dues in whole or in part in case of hiring of large numbers of people with disabilities, and when the business activity is carried out only in municipalities with high level of unemployment. Some social costs are not taxed. Financial support for training for acquiring professional qualifications of persons occupying newly opened positions

in connection with the investments made is provided for by the Investment Promotion Act for investors, certified by the Bulgarian Investment Agency.

Employment contract

An employment contract must be concluded in writing. Employment relations are deemed to occur after the worker and the employer sign an employment contract. The employment contract should contain information about the parties and shall define:

- the place of work
- the name of the job and the nature of the work
- the date of its execution and the beginning of its performance
- the duration of the employment contract
- the basic and extended paid annual leave and any additional paid annual leave
- the same notice term for both parties upon termination of the employment contract
- the basic salary and any additional remunerations of permanent nature, and the periodicity of their payment
- the length of the work day or week

8.4 Taxation

Direct and indirect taxes

In Bulgaria there are two main categories of taxes - direct and indirect.

Direct taxes are:

- Corporate tax on the annual tax returns
- Income tax on the revenues of individuals
- Withholding tax

Indirect taxes are:

- Value Added Tax
- Excise duties

Corporate tax

Legal framework	■ The Corporate Income Tax Act
Taxable persons/taxation subject	<div>■ The taxable persons are resident legal entities, including unincorporated entities, carrying out business activities in the country, in respect of their profit and income from all sources within Bulgaria and abroad. Resident legal entities are legal entities established according to the Bulgarian law, and also companies set up according to Council Regulation (EC) 2157/2001 and cooperative societies established under Council Regulation (EC) 1435/2003 if they are seated in Bulgaria and are registered in a Bulgarian register.</div> <div>■ Foreign legal entities are subject to tax on the profit generated through a permanent establishment in Bulgaria or by disposal with the property of such permanent establishment, and also on the income with a source in Bulgaria. Foreign legal entities are persons that are not residents.</div>
Tax base	■ The tax base for determining the corporate tax is the taxable profit.
Tax amount	■ The corporate tax amounts to 10%.
Declaring and payment terms	<div>■ Submission of the annual tax return and the payment of the corporate tax after deduction of any advance payments shall be done by 31 March of the following calendar year;</div> <div>■ The annual tax return shall be submitted by the taxable persons or their authorised representative at the regional directorate of the National Revenue Agency according to the entity's registration.</div>
Tax relief	■ The Corporate Income Tax Act contains certain tax incentives such as tax relief for carrying out production activities in municipalities with unemployment rate higher than the average rate in the country; tax relief being state aid for farmers; tax incentives for employment of unemployed or disabled persons.

■ Corporate tax exemption is provided to collective investment schemes which are admitted to public offering in Bulgaria and licensed closed investment companies under the Act on the Activities of Collective Investment Schemes and Other Collective Investment Entities; special purpose vehicles under the Special Investment Purpose Companies Act; the Bulgarian Red Cross.

Withholding tax

The withholding tax in Bulgaria is 10%. It should be withheld by the entity paying the income and transferred to the state budget. The withholding tax is final, i.e. the income is taxed only at the recipient level.

The withholding tax is 5% on dividends and liquidation quotas distributed by local entities for the benefit of foreign entities (except where dividends are realized by a foreign entity through a permanent establishment in the country) and by non-for-profit local entities, including municipalities. The tax does not apply to dividends and liquidation quotas distributed in favour of a foreign legal person which is a resident for tax purposes of a member state of the European Union or

another country - party to the European Economic Area, except in cases of hidden profit distribution. The tax rate on income from interests and royalties is 5% if the income owner is a foreign legal entity from a member state of the European Union, while the local entity payer of the income is a related person to the foreign legal entity - owner of the income.

Income tax on individuals

Income tax on individuals is 10%. Bulgarian residents are subject to tax on their income from sources in Bulgaria and abroad (including the business as a sole trader) and the incomes of foreign individuals are taxed only if they are acquired from sources in Bulgaria.

Income tax on individuals	
Legal framework	<ul style="list-style-type: none"><li>■ The Personal Income Tax Act</li></ul>
Taxable persons	<ul style="list-style-type: none"><li>■ The subject of taxation is the income of resident and foreign natural persons. Resident natural persons bear tax liability for income generated from sources in Bulgaria and abroad. Foreign natural persons bear tax liability for income generated from sources in Bulgaria.</li><li>■ According to Article 4 of the Personal Income Tax Act a resident natural person, irrespective of nationality, is a person:<ul style="list-style-type: none"><li>■ who has a permanent address in Bulgaria, or</li><li>■ who stays in Bulgaria for more than 183 days in any 12-month period, or</li><li>■ who has been sent abroad by the Bulgarian government, by state authorities and/or organizations, by Bulgarian enterprises, and the family members, or</li><li>■ whose centre of vital interests is situated in Bulgaria.</li></ul></li><li>■ Foreign natural persons are persons who are not residents within the meaning of the Personal Income Tax Act.</li></ul>
Tax amount	<ul style="list-style-type: none"><li>■ 10% (15% for the income from business activities as a sole proprietor company and also for the income from business operations under Article 29a of natural persons registered under the Value Added Tax Act who are registered as tobacco producers and farmers).</li></ul>
Advance payment of the tax	<ul style="list-style-type: none"><li>■ The advance tax regarding income from employment relations is determined by the employer every month on the basis of the monthly tax base.</li><li>■ The law provides for advance payment of tax on income from business operations and advance tax on income from rent or any other provision of any rights or property for use for consideration.</li></ul>



Declaring and payment terms	<ul style="list-style-type: none"><li>■ The annual tax return shall be submitted by 30 April of the year following the year of the income acquisition at the regional directorate of the National Revenue Agency according to the permanent address of the natural person, including sole proprietor companies, bearing the tax liability.</li><li>■ Taxable persons who file their annual tax returns by 10 February of the following year benefit from a 5% discount on the additional portion of the tax paid within the same term as per the tax return.</li><li>■ Taxable persons who submit their annual tax returns electronically by 30 April of the year following the year of the income acquisition benefit from a 5% discount on the additional portion of the tax paid within the same term as per the tax return provided they have not applied the foregoing discount.</li><li>■ The discount described above may be applied if the natural persons under the obligation to pay advance tax have paid the full amount of the due tax within the terms under Article 67 of the Personal Income Tax Act.</li></ul>
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Value Added Tax

The value added tax in Bulgaria is 20% except for certain hotel services which are levied with VAT of 9%. There are also zero-rated supplies specified in the law.

Value added tax is levied on the following transactions:

- taxable supplies of goods or services
- intra-Community acquisition for consideration with place of performance on the territory of the country, carried out by a person registered under the VAT Act
- intra-Community acquisition for consideration of new vehicles with place of performance on the territory of the country
- intra-Community acquisition for consideration of excise goods with place of performance on the territory of the country
- import of goods

Registration under the Value Added Tax ACT may be mandatory or optional. Registration is mandatory of persons with taxable turnover of BGN 50 000 or more for a period not exceeding 12 consecutive months.

The law contains tax incentives for major investment projects worth over BGN 10 million, which create more than 50 new jobs and whose period of implementation is up to 2 years. There is also a special procedure for charging the tax on imports: it may be accounted by a VAT registered person if they have permission from the Minister of Finance and the imported goods are according to a list approved by the Minister of Finance. In this case the customs authorities may allow the release of goods without the tax being effectively paid or without a guarantee being provided. The VAT Act also provides for a short 30-day period for refund of the VAT.





## 9. INVESTMENT INCENTIVES

### 9.1 Incentives under the Investment Promotion Act (IPA)

Eligible activities:

- Manufacturing industry
- Services sector including: high-tech activities in the field of ICT, R&D, outsourcing of business processes, activities of head offices, education, human health care, warehousing and support activities for transportation, accounting and auditing, architecture and engineering

The Investment has to be related to:

- Setting up of a new establishment
- Expansion
- Output diversification into new additional products

**Investment thresholds depend on location, the value of the assets and the number of newly created jobs.**

Possible incentives, depending on the minimum thresholds required:

- Shortened administrative procedures
- Financial support for construction of technical
- Acquiring ownership rights over state or municipal property without a tender
- Reimbursement of expenses paid by employer for social security and health insurance of employees
- Subsidy of max 25% of the entire costs for specific training

### 9.2 Tax incentives

- VAT exempt for import of equipment
- 10% personal income tax rate, 10% corporate tax (flat rate 0% for regions with unemployment 25% higher than the country average, by at least 10 jobs created)

### 9.3 Employment incentives under the Employment Encouragement Act

- Up to 1 year minimum salary and reimbursement of social/health care security for employing people of up to 29 years

### 9.4 EU funds

Operational Program Human resources:

- The Operational program Human resources is run by the Employment agency
- Schemes periodically open and close depending on the number of applications

Operational Program Competitiveness:

- Managing Authority - Ministry of Economy and Energy - Competitiveness Directorate

Operational Program - "Development of Rural Areas"

- Investments, directed at environmental protection are considered priority

## 10. INVESTBULGARIA AGENCY

**InvestBulgaria Agency is a Government investment promotion arm, part of the Ministry of Economy and Energy**

### IBA SERVICES:

- Macroeconomic data on Bulgaria

- Personalized administrative servicing

- Regional information: industrial zones and infrastructure, data on unemployment, skilled labour force and level of education

- Legal advice

- Liaison with central and local governments

- Recommendation of investment project sites

- Data on operational costs

- Liaison with branch chambers and NGOs

- Identification of potential suppliers, contract manufacturers and joint-venture partners



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## **InvestBulgaria Agency**

31 Aksakov Street

Sofia 1000, Bulgaria

Tel.: +359 2 985-5500

Fax: +359 2 980-1320

E-mail: [iba@investbg.government.bg](mailto:iba@investbg.government.bg)

[www.investbg.government.bg](http://www.investbg.government.bg)