

The Bulgarian Investment Encouragement Act

Subject matter

The Bulgarian Investment Encouragement Act (the “IEA”), as last amended on 30 June 2007, regulates the encouragement of primary investments comprising tangible and intangible long term assets and creation of jobs, in compliance with EU regulation 1628/2006.

Principle of equal treatment of investors

The Bulgarian state undertakes to support without discrimination foreign and domestic investors meeting the legal requirements.

Classes of investments

Investments are divided in two classes¹:

¹ For investments in municipalities with high unemployment rate, as well as in hi-technologies, the thresholds may be considerably decreased.

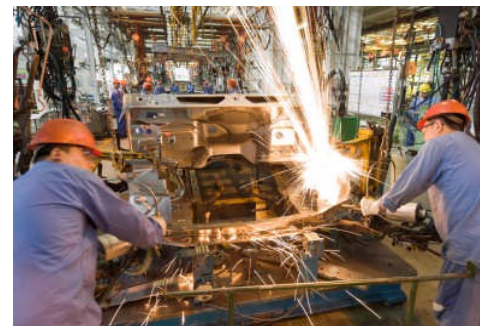
- Class A: investments above BGN 70 million;
- Class B: investments above BGN 40 million.

Criteria for encouragement of investments

The state encourages investments:

- comprising tangible and intangible long term assets, creating new jobs and amounting to at least BGN 40 million per project;
- resulting in creation of new enterprises or development of existing ones;
- in processing industry (with some exceptions), production of energy from renewable energy sources, computer technologies, education, scientific research and development, and humane healthcare;

- where at least 80% of future receipts result from production/services related to the investment and at least 40% of recognised expenses are financed by investor’s own or drawn up capital;
- realised within 3 years after obtaining the Certificate for class of investment (A or B), and maintained at least 5 years after their accomplishment;



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Investment encouragement is subject to assessment under the rules for admissibility of state aids.

Investment incentives

Depending on the class of investment, investors may benefit of:

- shorter terms for administrative services;
- individualized administrative services in regard to implementation of the investment project;
- acquisition of ownership rights or limited ownership rights over private state or municipal property, without necessity for tender procedures;
- financial support for construction of infrastructure elements (e.g. roads, canalisation, etc.), necessary for the implementation of investment project;
- financial support for professional training of persons below 29 years, including trainees recruited from Bulgarian universities.

Applying for investment certificate

The classification of an investment project and delivery of investment certificate is monitored and executed by the Bulgarian

Investment Agency. Investors shall apply for an investment certificate before starting the investment by submitting a dossier, furnished with a detailed presentation of the investment project, meeting all legal requirements, together with other related documents (e.g. documents evidencing the incorporation of the investor – legal person, bank references etc.).

Other Acts encouraging investments

Investments in Bulgaria are encouraged also under the Corporate Tax Act, VAT Act and the Encouragement of Employment Act.

Tsvetkova Bebov & Partners (Landwell)
Attorneys-at-law
9-11 Maria Louisa Blvd., 7th floor
1000 Sofia, Bulgaria
Telephone +359 2 9355 100
Facsimile +359 2 9355 166
www.landwellglobal.com/bg

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