

COMPANY PROFILE



Who We Are

TEMIS CONSULTING suggest optimal law and financial solutions in every sphere of business in Bulgaria. Our efforts are directed toward the real estate and development business and toward investment in different projects. Our part in the projects is not just finding a good plot for development but also constructing a whole conception of the investment, including the details of all aspects. We pay great attention to the legal and financial part of the projects, whose quality secure the success of the whole investment. TEMIS CONSULTING consultants consolidate their mission to offer clients a finely integrated and discreet service recognised for its breadth of knowledge and depth of skill.

Our Approach

We are committed to make our clients' businesses run better in the most practical, sensible ways possible. Our company is known for its straightforward approach to solving customers' most complex business challenges. Our consultants work hand-in-hand with clients to improve business performance and create competitive advantages. We pride ourselves on collaborating with clients to develop customized solutions tailored to their unique needs. By valuing differences, encouraging new ideas and sharing information, we can have a profound and lasting impact on the individuals and organizations with which we partner.

Our Values

TEMIS CONSULTING shared values are integrity, teamwork and excellence in everything we undertake. We work cooperatively and rely on each other in order to achieve the best results for our clients, who we respect and treat with dignity. By being trustworthy and reliable, making customers feel valued and demonstrating our competence we hope not only to meet but also to exceed our clients' expectations.



knowledge and depth of skill

OUR MANAGEMENT TEAM



Georgi Velichkov attorney at law - managing partner

He was born on 5 May, 1977 in the city of Sofia. He has finished his secondary education at 34th School in his home town. After that he graduated from the law faculty of Sofia University „St. Kliment Ohridski“. Simultaneously he completed an English language course. He has very good language skills in English. His thorough knowledge is in the area of the civil law. The main focus of his job is on national and international investments in the area of real estates and development as well as corporate maintenance and contract law. The purposes of his job are to attract more international investors in the development of residential, tourist and infrastructure projects as well as securing a long term and careless activity of the foreign companies in Bulgaria.

Dragomir Jeliakov attorney at law - managing partner

He was born on 28 March, 1978 in the city of Bourgas. He has finished his secondary education at the German Language School called „Goethe“ in his home town. After that he graduated from the law faculty of Sofia University „St. Kliment Ohridski“. Simultaneously he completed specializations and courses with subjects: „Society and law of Germany“, „Introduction to the American legal system and procedure part I and II“, „Trade and commercial law of the USA“. He has excellent language skills in English and German. His thorough knowledge is in the international private law and the law system of Germany. The main focus of his job is on national and international investments in the area of real estates and development as well as corporate maintenance and contract law. The purposes of his job are to attract more international investors in the development of residential, tourist and infrastructure projects as well as securing long term and careless activity of the foreign companies in Bulgaria.

Our Services

We are able to provide legal and tax advice on all aspects of inward and outward investment, corporate structuring and trading activities. In every different case the following aspects have influence:

- The need of professional experience and knowledge;
- The complexity of the case;
- The need for team work;
- The urgency;
- The place of doing the activity;
- The size of the responsibility.

In particular, we can provide advice on and assistance in the following areas:

Law Services

Trade Companies and Representations

- Preparation of due diligence of enterprises;
- Choosing the right legal form;
- Incorporation and reorganization of the company structure;
- Court procedures;
- Increase or decrease in a company's capital;
- Liquidation and insolvency.

Company and enterprise transactions

- Corporate reorganization;
- Integration, fusion, disestablishment of companies;
- Transactions of stakes and shares;
- Sale and pledge of enterprises.



Trade and civil deals

- Internal and international deals;
- Leasing deals;
- Consulting contracts;
- Commission contracts;
- Intermediation contracts;
- Ordering contracts;
- Contracts for development and construction;
- Rent agreements;
- Shipping agreements;
- Concession agreements;
- Representation;
- Securities
- Distribution, franchising and factoring.

Foreign investments

- Due diligence and advice;
- Registration of foreign investments;
- Minimizing expenses and taxation advice;
- Venture capital
- Incorporation of representative offices of foreign companies;
- Investment projects.

Real estates and development

- Incorporation and transfer of the development right and other limited ownership rights;
- Verification of the ownership rights;
- Preparing the whole necessary documentation foregoing the

*excellence in everything
we undertake*



notary deeds for transfer of ownership;

- Transfer of ownership;
- Changing the function of plots;
- Unification of plots;
- Valuation of movable properties and real estates
- Privatization valuations of enterprises and parts of them.

Business services

- Preparation of documents for issuing trade licenses;
- Preparation of documents for changing the category of enterprises;
- Customers defense;
- Marketing research.

Labour law

- Preparation and registration of labour agreements;
- Protection of labour rights;
- Preparation of regulation books for the employees;
- Disciplinary responsibility;
- Termination of labour agreements.

Administrative law

- Public procurement procedures
- Preparation of any kind of auctions;
- Ways for the EU to fund projects;
- Preparation for obtaining permits and licenses;
- Translations in foreign languages and services for legalization of documents.

Court services

- Lawsuit;
- Administrative cases;
- Labour cases;
- Rapid procedure cases and cases for issuing precepts;
- Executive cases.

Taxation

Taxation and international tax planning

- Corporate taxation;
- Tax discounts;
- Indirect taxation;
- VAT planning;
- Promotion of trade activities, investments and other aspects of corporate taxation
- Balance of the international account standards.

Accounting and audit services

- Accounting and support of corporate documentation according to the Bulgarian law;
- Issuing balance sheets according to the Bulgarian law;
- Issuing VAT declarations;
- Analyses and advice;
- VAT registrations by the respective law system;
- Accounting services;
- Audit services.



Reasons to Invest In Bulgaria

- ◆ Highly-skilled, multilingual workforce at Europe's most competitive wages;
- ◆ Stable and predictable business and political environment;
- ◆ EU membership on January 1, 2007;
- ◆ The lowest operational costs and tax rates in Europe;
- ◆ Industrial goods traded duty free between Bulgaria and the EU, EFTA, CEFTA and Turkey;
- ◆ 15 % corporate income tax rate (expected rate in 2007: 12 %);
- ◆ VAT exemption on equipment imports for investment projects over Euro 5 million ;
- ◆ Annual depreciation rate of 30% for machinery & equipment, 50% for new equipment used in entirely new investment or expansion and 50% for software and hardware;
- ◆ Acquisition of land and property through a Bulgarian registered company with 100% foreign ownership;
- ◆ Fast administrative services through TEMIS CONSULTING;
- ◆ 58 treaties for avoidance of double taxation;
- ◆ 56 agreements on mutual protection and promotion of foreign investment;
- ◆ Excellent climate, natural scenery, food and hospitality.

Political System

Bulgaria is a parliamentary republic. The supreme legislative body is the National Assembly, seated in the City of Sofia. It enacts legislation and ratifies international treaties. Municipal councils perform legislative functions at the local level and in full compliance with the acts adopted by the National Assembly.

The 240 members of the National Assembly are elected for a four-year term of office directly by the electorate. The elections are based on a system of proportional representation.

The Council of Ministers heads the executive power on a national level. District Governors and Mayors represent the executive power, and implement the Government's policy within their respective jurisdictions at the local level.

The President is elected directly for a five-year term of office.

Legal System

Bulgaria is governed by statutory law. The legal system is based on legal models found elsewhere in Europe, especially on the civil law systems of France, Germany, Italy and Belgium. After the Second World War and the Soviet troop invasion in the country, Soviet influenced laws were introduced. However, most of the principles of the civil law system were not abolished. After the democratization of the country in 1989, most of the laws based on the Soviet Union system were repealed and replaced with acts influenced by the EU legislation. The harmonization of the Bulgarian legal system with the EU one still continues. A major effort toward democratization was the Constitution of 1991, which set forth the principle of new social order: supremacy of international treaties ratified by the National Assembly over the



domestic regulations; separation of powers and independent judiciary; respect for the human rights, including private property rights; free economic entrepreneurship and equal treatment of state and private property; protection of foreign investments, among others. The Bulgarian judicial system comprises of three instances. Regional courts, District courts, Courts of appeal, Supreme Court of Cassation and Supreme Administrative Court operate within its structure.

The Regional court operates only as a court of first instance. All cases are under its competence, except those, which, according to the provisions of the law, are jurisdictional to another court. The District Court operates either as a court of first or of second instance. Some categories of civil and criminal cases are under the jurisdiction of the District court as a court of first instance. As a court of second instance it functions on cases initiated upon claims and protests against resolutions of the Regional Court. The District court comprises Civil, Commercial, Penal and Administrative departments.

Courts of Appeal operate only as second instance courts on cases upon appeals and protests against decisions of the District Courts operating as courts of first instance. The Courts of Appeal comprise Civil, Commercial and Penal departments.

The Supreme Court of Cassation is the highest instance for penal and civil cases. It exercises supreme judicial supervision for precise and equal application of the law by all Courts. Its jurisdiction spreads upon the whole territory of the Republic of Bulgaria.

The Supreme Administrative Court is the highest instance for administrative justice. It is an instance of cassation for the judicial acts of all Courts concerning the legality of the administrative acts including the administrative acts of the Council of Ministers.

Establishing a Business

All persons wishing to undertake economic activities in Bulgaria have to apply before the Bulgarian District Court for registration at the special Commercial Register kept by the Court.

Foreign entities may operate through joint ventures, wholly owned subsidiaries and branches in Bulgaria. Foreigners may own buildings and limited rights over real estate. Nevertheless, direct ownership of land by foreign persons is restricted.

Forms of Doing Business

Organizational Forms of Doing Business

The organizational forms of doing business are stipulated in the Bulgarian Commercial Code. It was enacted in 1991 and draws on the principles and practice of the German law.

A „merchant“ is such an individual or an entity that executes business transactions on a regular basis and for a profit. Farmers and self-employed professionals (artisans, doctors, lawyers, etc.) are excluded from the scope of the law.

The types of merchants are:

- Sole Proprietorship ;
- Limited Partnership ;
- Limited Liability Company (LTD);
- Stock Corporation (CO);
- Public Limited Partnership;
- Cooperative (regulated by the Cooperatives Act).

Merchants are registered with the District court on the basis of information provided by the partners or the manager. This information concerns the owners, the management, the capital, the scope of activity and other circumstances. The Commercial



Register kept by the District Court is public.

Sole Proprietorship

An individual who conducts business activities on a regular basis must be registered with the Commercial register of the respective District Court.

Sole proprietors:

Are not obliged to deposit initial capital in order to obtain the court registration; Bear unlimited liability for their debts; Are subject to personal income tax; Must keep books, usually using the single entry accounting method. Double entry accounting method is also permitted.

Limited Partnership

The difference from the unlimited partnership described above is that some of the partners bear limited liability for debts of the partnership and, correspondingly, have limited management powers.

Limited Liability Company

The Limited Liability Company is the favourite structure of foreign investors in Bulgaria. It combines several advantages:

- Very low initial capital requirement -BGN 5,000 (Approx. EUR 2,500);
- The participants own „shares“ in the company which are transferable under certain conditions;
- The shareholders bear limited liability up to the value of their shares.

- The same registration procedure, as for partnerships, is applied.

The company is governed by the General Meeting of Shareholders and represented by a Manager.

The Bulgarian Law recognizes also the Sole Limited Liability Company (EOOD). Usually, the foreign investors structure their direct investments in the country through this form of Limited Liability Company. The sole owner resolves any issues connected with the company's policy. Therefore, the multinationals find this form of doing business the best vehicle for their centralized policy of taking decisions.

Stock Corporation

The Stock Corporation may be established by one or more persons. The minimum capital required is BGN 50,000 (Approx. EUR 25,000). Banks must meet more stringent capitalization requirements imposed by the Bulgarian National Bank. The stock may be common or privileged, bearer's or registered. The Stock Corporation may also issue bonds in order to raise funds. A Stock Corporation chooses a one-tier and two-tier system of management. Under the one-tier system the Board of Directors manages the day-to-day operations and reports directly to the General Meeting of Shareholders.

Public Limited Partnership

In fact, this is a limited partnership, where the limited partners own stock equivalent to their participation in the company.

This form is rarely used in practice.

Branch

long terms solutions



A foreign company can register a branch in Bulgaria. The latter is not a legal entity, but:

- Is considered as such for tax purposes;
- May conduct business activities;
- Must keep its own books in accordance with the respective Bulgarian law and the national accounting standards.

Representative Office

Foreign entities are allowed to operate in Bulgaria through a representative office whose activities are limited to marketing and providing support to the foreign entity. The representative office itself cannot undertake economic activity.

A representative office is registered with the Bulgarian Chamber of Commerce and Industry. A representative office:

- Is not a legal entity;
- Does not have to keep books except for payroll purposes;
- May not conduct business activities;
- Does not pay corporate taxes since no income is generated;
- May not recover VAT credit.

Foreign Exchange Controls

The Bulgarian currency is Bulgarian Lev (BGN). Payments between a local person and a foreigner may be effected in foreign currency. The commercial banks and the Bulgarian National Bank may perform transfers and payments towards foreign countries after declaring the reasons for the transfer. The Bulgarian National Bank may also demand information, which is important with respect to the status of the balance of payment.

Bank Secrecy

Bank employees as well as any other persons working for the bank cannot, unless authorized, disclose or use for their personal benefit facts and circumstances, which have become known to them during the performance of their official and professional duties.

Supervision over Banking Operations

Each bank establishes a specialized office for internal control. The Central Bank supervises the operations of the banks and the branches of the foreign banks, operating in the country. It may demand accounting and other necessary documents, as well as information on their activities; it may also conduct audits.

The annual accounts of each bank have to be audited and certified by a certified auditing company with a registered office in the country.

Insurance

Insurance in Bulgaria is regulated by the 1996 Insurance Act. The Insurance Act governs the legal status of insurers, state control on insurance and mandatory insurance.

An insurer may be a Stock Corporation, insurance cooperative or foreign insurer, operating through a branch within the country.

Concessions

The Bulgarian legislation defines the concession as follows:

Granting a special right to use a site, which is public state property;

Deed of Trust San Leandro Centennial Perpetual Trophy



- Granting a special right to use sites, over which the state exercises sovereign rights, given by the Constitution;
- Granting a permission to undertake activities, which are state monopoly under the Bulgarian Constitution.

The procedure for granting a concession has to go through the following steps:

- Resolution for granting a concession taken by the Council of Ministers;
- Competition or an auction for selecting the concessionaire;
- Conclusion of a concession contract with the concessionaire.

Concession is granted for a term of up to 35 years as of the date of signing the concession contract. The term may be prolonged, but the general term may not exceed 50 years.

Ownership of Real Estate

According to the Bulgarian Constitution foreign nationals and foreign legal entities may not directly acquire ownership rights on land. Any foreigner who inherits land in the country is obliged to transfer the ownership of the land to a local natural or legal person within three years after the inheritance becomes effective. Foreigners however, are permitted to acquire the ownership of buildings and premises within a building as well as limited property rights. Under limited property rights the Bulgarian law understands the right of use (usus), the construction right (superficie) and the servitudes.

The above restrictions, however, do not apply to Bulgarian companies, irrespective of the percentage of the foreign participation in the company. Thus foreign persons can acquire full land ownership rights, including ownership rights on agricultural

land by setting up or joining a company incorporated under the Bulgarian legislation.

The amendments in the Constitution, adopted by Parliament in February 2005, aiming to revise the basic law in the context of the country's accession into the European Union, liberalize the restrictive regime for acquisition of land by foreigners. According to the amendments foreign individuals and legal entities will be permitted to acquire and own land in three hypotheses:

- The citizens of the EU Member States - in compliance with the terms and conditions of the Accession Treaty which inter alia will provide for a 7-year suspension period;
- By virtue of a ratified international treaty and
- In case of ex lege inheritance.

Citizens of the EU States will be exempted from the 7-year suspension period and will be entitled to acquire land immediately as of the country's accession in January 2007 provided that they fall into any of the following two categories: if they reside continuously in Bulgaria or if they are self-employed persons having permanent residence in Bulgaria and carry out agricultural activity in the country.

Taxes and fees

According to the Local Taxes and Fees Act the immovable property and the limited ownership rights acquired against payment are subject to taxation. The tax has to be paid by the acquirer of the property. In case it is stipulated that the tax is due by the both parties, they are jointly responsible. When the parties have stipulated that the tax is due by the transferor, the other party is a surety. The tax for property acquisition is 2% of the valuation of the transferred property. It is determined on the base of the higher



value between the tax assessment and the negotiated sell price as declared in the draft notary deed or in the contract. The proprietor must pay also notary fee for immovable property acquisition according to the prescriptions of the Notary and the Notary Activity Act (NNAA). The exact amount of the notary taxes is defined in Notary Taxes Tariff (article 8) as follows:

The VAT due is 20% after the paid taxes and fees for the transfer have been discounted. There is no VAT on land transfer deals.

Necessary documents for the notary procedure:

- ◆ Draft notary deed for transfer of property;
- ◆ Documents identifying the participants in the proceedings
- ◆ Letter of authorization if an agent represents one of the parties
- ◆ Documents certifying the property right
- ◆ Declarations by the parties certifying their civil, marital and property status
- ◆ Declaration by the person who acquires the property certifying the origin of the funds, in case the value of the estate is over 15000 euros
- ◆ Declaration by the interpreter that his translations are reliable
- ◆ Certificate for tax assessment and paid taxes
- ◆ Receipt for paid local tax for acquisition of real estate

Foreign nationals and foreign legal entities who acquire real estate in Bulgaria are obliged to register at the Registry Agency under the registration system BULSTAT for issuance of an identification number within 7 days of acquiring the property. The application for registration is to be submitted at the Registry Office in the region where the real estate is located.

Residence in the Republic Of Bulgaria

General Principles

The normative order for residing foreigners on the territory of the Republic of Bulgaria is confirmed by the forthcoming acceptance of Bulgaria in the EU. On entering the country, any foreign person must submit before the customs authorities minimal financial means for daily allowance amounting to 50 BGN whereas the total amount of the means declared must be equal to the initially stated by that person duration of his/her stay. Any foreign person is obliged to register in the respective police office the address at which he/she will stay within 48 hours as per the time of his/her entry into the Republic of Bulgaria.

Residing in Bulgaria

According to our national legislation, residing in the Republic of Bulgaria can be of 2 major types:

- Short - term stay
- Long - term stay

Short - term stay has a maximum duration of 90 days within the period of 6 months. For this residence, it is necessary to obtain a visa for short - term stay from the appropriate consular office in the Republic of Bulgaria or at the border of the country. This requirement does not concern citizens of the EU.

Long - term stay is of two types:

- Extended stay - with a maximum duration up to one year with a possibility provided by the law for unlimited renewals of the term over and over again.
- Permanent stay - termless



Requirements for obtaining permission for long - term residence

A proof is required to certify that the foreigner is socially secured, that he has enough means of livelihood, that he has a home for the period of residence and he has made all necessary compulsory insurance for the time of residence in Bulgaria.

Documents, needed for granting licence for residence

According to the kind of requested residence, the authorities of administrative control require from the foreigners a number of documents, verifying their reliability. Generally, they are directed toward specifying 2 groups of circumstances - that he has legally entered the territory of the Republic of Bulgaria, and that he has enough means of livelihood.

Conditions and principles of foreign investors

- Equality of Bulgarian and foreign subjects;
- Priority for action on international agreements in cases when they provide more favorable conditions for doing an economic activity for foreigners.
- Unlimited foreigner participation in the registration forms of an economic activity in Bulgaria.

Bulgaria is entering into a bipartite agreement for mutual protection of investments and it has an agreement for avoiding double taxation with many countries.

Tax Regime

Corporate Taxation

Bulgarian corporate tax is levied on the worldwide income of Bulgarian legal entities and on the Bulgarian-source income of foreign entities if they are conducting independent economic activity in Bulgaria through a permanent establishment. The Corporate Income Taxation Act regulates the profit and income taxation of local and foreign legal persons, as well as local and foreign entities, which are not legal persons and perform economic activity within the country. Profit and income of local legal persons are considered to be with a Bulgarian-source. Profit and income from the capital generated in Bulgaria are considered a Bulgarian source no matter the origin of the capital. Taxable profit is based on annual accounting profit, defined as a difference between total income and expenses according to the procedure settled in the Bulgarian Accountancy Act. Bulgarian accounting rules are generally in line with International Accounting Standards. Under current legislation, no distinction is made for tax purposes between ordinary income and capital gains. Corporate tax rate is 15%. The dividends (when they are not shared in the form of stakes and stocks) and the liquidation proceeds are taxed at a 7% rate. An investment company, which has permission for doing deals with securities, according to the Public Offering of Securities Act is not taxed for the part of their profit, coming from securities trading. According to the Value Added Tax Act, the rate is 20%. Zero VAT rate exists in cases when we have export of goods or services from Bulgaria. The Excise Duties Act foresees the payment of excise duty on some goods, which are not basic commodities. The rate of the excise duty is different for the different kinds of goods.

Overseas Aspects

Foreign sourced income of Bulgarian legal entities is excluded from taxable profits if it has been subject to a comparable foreign tax. Treaty relief may also be available to avoid double taxation.

Tax Returns and Payments

All companies, including branches, must submit to the local tax office an annual tax return accompanied by a balance sheet and a profit and loss account. The tax return should be submitted no later than 31 March of the year following the year to which it relates. The tax authorities are obliged to review the return within a month of its submission. All companies and entities subject to profit tax must also submit quarterly tax returns to the local tax authorities and effect advance tax payments. Monthly advanced payments are required if prior year taxable profit exceeds a certain threshold.

Value Added Tax

The Value Added Tax Act regulates the taxation of transactions with goods and services. Each person with a taxable turnover for the past 12 months exceeding BGN 50,000 is subject to registration for VAT purposes. The VAT rate is 20% flat. The tax is not levied on exempt transactions, export transactions, as well as transactions executed outside the territory of Bulgaria. For example, when a foreign person uses advertising services in Bulgaria, he is not subject to VAT, if he does not have a branch or a commercial agent registered in Bulgaria. A person who has received a VAT number (VAT registration) is allowed to use a tax credit under a procedure stipulated in the Act.

Individual Taxation

Scope

The income of local and foreign individuals is taxed in accordance with the Individual Income Taxation Act. Bulgarian citizens are subject to income tax on their worldwide income. Foreign persons residing in Bulgaria are subject to income tax on income from sources in Bulgaria (subject to the provisions of double-taxation treaties).

Rates

Different rates apply depending on whether the income is derived under an employment contract or not. Tax on employment income is withheld by the employer on a monthly basis.

Returns and Payments

Individuals who work under an employment contract currently have no tax-filing obligation in respect of income from employment. Employers are responsible for withholding the correct tax liabilities from employees' salaries. Income derived from non-employment sources is taxed on an annual basis and an annual tax return is required. On the basis of the annual tax return, tax authorities issue a tax notice, which confirms the amount of tax due. Payment should be made within 30 days.

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