



BULGARIA



CONTENTS ([show](#))

Merger & Acquisition Guidance	
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Foreign investment restrictions (CFIUS or similar)	<p>In general, there are no restrictions on foreign ownership or investment, except for a few exceptions discussed below.</p> <p>Foreign participation in the capital of a Bulgarian company is generally not restricted and no prior authorizations are required for making, transforming, or liquidating an equity investment. In certain cases, though, acquisition by both foreign and local persons of shares in public companies, as well as companies performing specific types of activities, such as insurance and reinsurance companies, banks, and investment intermediaries, is subject to prior approval by/notification to the competent authorities. Additionally, there are legal restrictions on direct or indirect participation of entities registered in preferential tax treatment jurisdictions and any persons affiliated thereto in certain types of activities. The restrictions mainly concern operations in the financial and the public sectors, including but not limited to, banking and financial operations, insurance and reinsurance, concessions, pension insurance, public procurement, energy and utilities, gambling, etc.</p> <p>There are also some specific restrictions on direct foreign ownership of real estate in Bulgaria, as these apply depending on the country of origin of the investor. When the investor is a natural person, citizen of an EU/EEA member state, or a legal entity registered in an EU/EEA member state, such person/legal entity is entitled to acquire title</p>



legal entity registered in, a third country, such natural person, legal entity can become an owner of land, provided that there is a duly entered into force international treaty in that regard, signed between Bulgaria and the respective third country. Up to this date, no such treaties have been signed. This restriction however does not apply with respect to legal entities registered in Bulgaria, the capital of which is owned by foreign persons (except for certain cases provided by the law and relating to agricultural land). Thus, in principle, a foreign person may become the sole, majority or minority owner of a locally registered company and such a company is not restricted in acquiring and transferring title to land (subject to certain legal limitations relating to agricultural land) or buildings or rights to use or develop real estate.

Exchange control or currency regulations

In general, there are no exchange control or currency regulations, except those relating to the Currency Board and money laundering. Since July 1997 a Currency Board operates in Bulgaria. It represents a currency exchange rate management facility operated by the Bulgarian National Bank under which the Bulgarian Lev (BNG), being the official currency in Bulgaria, is maintained at a fixed exchange rate of 1.95583 to the Euro (i.e. €1 = BGN 1.95583).

Grants or incentives

There is a wide range of incentives available in Bulgaria to support private sector investment by foreign and domestic investors. The main regulation is set forth in the Bulgarian Investment Encouragement Act. Said law sets forth a legislative framework for improving the administrative and information services, including financial support, provided to investors and specific measures for fostering investment. The measures are differentiated according to the class of investment, which is determined according to the amount of the investment and the created new working places. Investment incentives may take the form of shortening the time of administrative services and providing individualized administrative services; acquiring ownership rights or limited rights in rem over state or municipal real estate assets without a tender procedure; partial refund of mandatory social and health security contributions paid by the investor for newly hired employees; financial state support for construction of technical infrastructure; opportunities for other forms of state aid, etc. InvestBulgaria Agency is a



Management representation and/or consultation in relation to corporate transactions

Employees are entitled to receive from their employer prompt, accurate, and comprehensible information about the employer's economic and financial situation, and matters relevant to their employment rights and duties.

On certain issues, the employer must inform and/or consult:

- any trade union that has members among the employees concerned; and/or
- the employee representatives - employees are entitled to elect such representatives (through a "general meeting" of employees) in any enterprise, whatever the size of its workforce.

The key issues on which the employer must inform and/or consult trade unions and/or employee representatives include:

- collective redundancies;
- transfers of undertakings;
- the drafting of the employer's internal employment-related rules, including the "internal work rules";
- the use of an "extended" or "open-ended" working hours scheme; and
- the temporary introduction of part-time working for full-time employees because of a reduction in the volume of work available.

With regard to a number of specific business and employment issues, the employer must inform and consult another group of employee representatives, elected (through a general meeting of employees) only in enterprises with at least 50 employees, and in self-contained divisions of enterprises with at least 20 employees. Where such representatives are present, the employer must inform them about the recent and probable development of the enterprise's activities and economic situation, and inform and consult them about:

- the situation, structure, and probable development of employment within the enterprise and any anticipatory measures envisaged, in particular where there is a threat to employment;



Individual employment contracts - termination regulation

Bulgarian law contains an extensive legal framework regulating the termination of employment agreements. Employment agreements can be terminated (i) with the consent of both parties, or (ii) unilaterally by the employer or the employee. Individual labour agreements may be validly terminated by the employer only on those grounds explicitly stated in the Labour Code and strictly following the procedure set out therein.

An employment agreement of a defined term elapses upon expiration of its term of duration. Prior to such expiration, the agreement may be terminated with a three months prior written notice. In the event that the remaining term of the agreement is less than three months, the notice shall cover the remaining term.

In order to effect a valid termination of an individual labour agreement of unlimited duration, the employer should notify the employee in writing thirty days prior to dismissal, unless a longer notice period is provided for in the respective agreement. In any event, such period may not exceed three months.

Events of procedural or substantive non-compliance with the relevant legal provisions on termination of employment give the employee grounds to bring a claim before the competent court. Along with declaring the dismissal illegal, the court may, at the employee's request, reinstate the employee, who has been unlawfully dismissed to the position occupied by him/her prior to the dismissal. Such reinstatement has retroactive effect, i.e. the unlawful dismissal is deemed to be void and the reinstatement takes effect as of the date of the dismissal. Again at the employee's request, the court may award to the employee compensation in the amount of his gross wage for the period for which the employee remained unemployed, up to a maximum of six months.

Redundancies/layoffs regulation

To ensure that redundancy dismissals are compliant with mandatory rules the employer must consider, among other things, information and consultation (in case of collective dismissal); selection criteria; protection against dismissal entitlement; notice period; and redundancy payments.



(covering the gross remuneration due to the employee for the part of the notification period of which the notice falls short); compensation payable to employees having acquired the right to retire on old age pension (amounting to the employee's six-month gross wage, provided that the employee has been employed with the employer for the previous ten years; or the employee's two-month gross wage, otherwise); compensation due for the unused period of paid annual leave; specific compensation due for the period of unemployment (equal to the gross wage payable for the period during which the employee has been unemployed, up to a maximum of one month).

Tax charges - sales of shares/assets and issues of shares

Share Sale

No transfer tax applies on a share sale. However, a transfer of shares in an LLC must be made through a notarised share transfer agreement, which triggers notary fees and a small state fee to register the share transfer in the Commercial Register.

Capital gains from the sale of shares form part of the accounting financial result of a resident selling company, which, if positive after adjustments, is taxed at the normal corporate income tax rate of 10%.

Capital gains of a foreign selling company realised from a disposal of shares issued by a Bulgarian company are subject to withholding tax at a rate of 10%, unless a double tax treaty exemption is applied.

A share sale is not subject to VAT.

Asset Sale

Acquisition of real estate assets, limited rights in rem, and motor vehicles is subject to transfer tax at rates ranging between 0.1% to 3%, depending on the municipality. The acquiring party is liable for the tax, unless agreed otherwise. If the acquiring party is abroad, the transferring party remains liable for the tax.

A sale of whole or part of a going concern is not subject to transfer tax. However, a sale of a going concern must be made through a notarised agreement, which triggers notary fees and a small state fee to register the sale in the Commercial Register.



Profits of a foreign company realised from a disposal of separate assets or a going concern of its Bulgarian permanent establishment are subject to corporate tax at a rate of 10%.

Capital gains from sale of real estate assets are subject to withholding tax at a rate of 10% where no treaty relief applies.

An asset sale is subject to VAT at the rate of 20%. For example, assets that are subject to VAT when transferred in a typical asset sale include computers, office equipment, inventory, intellectual property rights like trademarks, buildings or parts of buildings for which a usage permit is issued before more than 60 months, and others.

A sale of whole or part of a going concern is not subject to VAT.

Issues of Shares

Issuing of shares by a Bulgarian company is not subject to tax.

Antitrust jurisdiction triggering events/thresholds

Pursuant to the Bulgarian Protection of Competition Act, every transaction that results in lasting change of control over an undertaking or part thereof has to be notified to the competition authority, provided that the combined Bulgarian turnover of the undertakings concerned exceeds BGN 25 million (approx. €12.5 million) and (i) the total Bulgarian turnover of at least two of the undertakings concerned exceeds BGN 3 million (approx. €1.5 million), or (ii) the total Bulgarian turnover of the target of acquisition exceeds BGN 3 million (approx. €1.5 million).

Signing/closing meetings documents - private company share sales

Documents commonly drafted and executed at signing meetings include an acquisition agreement, escrow agreement, disclosure letter, board resolutions of the parties approving the transaction and giving authority to enter into the transaction documents, powers of attorney to an attorney or other specific person to sign the transaction documents, etc.

Documents commonly drafted and executed at closing meetings include a share endorsement or share transfer agreement (the instrument in the form prescribed by the law, required to transfer title to shares); bank payment orders for payment of acquisition



accepting the buyer as a shareholder or for changes in the management body of the target or for other corporate changes, such as amendment of the target's articles of association, closing minutes, etc.

Acquisitions - jurisdiction restrictions (signing/closing) and advantages

Signing/ closing of the acquisition of a company incorporated in Bulgaria can take place in a foreign jurisdiction, provided that any applicable Bulgarian law requirements related to the form of the agreement are complied with. Specifically, in the case of closing of the acquisition of shares from the capital of an LLC or of a going concern, the transfer agreement has to be executed with notary certification of the signatures and the contents of the agreement.

With respect to assets transfers, closing of the acquisition of (or creation of limited rights in rem over) a real estate asset in Bulgaria has to be done in Bulgaria, as the instrument for transfer of a real estate asset is a notary deed and it has to be signed before a notary with competence for the place of location of the real estate asset.

Gap requirement between signing and closing

No specific legal requirement as to the gap between signing and closing, except that in the case when the transaction is subject to merger clearance, the undertaking concerned is under an obligation to suspend implementation until receipt of clearance by the competition authority. Thus, the acquisition agreement commonly provides for a long-stop date which is negotiated between the parties. As a matter of practice, in the case when the transaction is subject to merger control clearance, the long-stop date is usually agreed about four calendar months after the signing date.

Regulatory requirements - deposit monies and third-party intermediary

A third-party intermediary may be required only in the event of transactions with book-entry shares. Book-entry shares are transferred following a special procedure set forth in the Bulgarian Law on Public Offering of Securities and are subject to registration with the Bulgarian Central Depository – a special register where all securities (and transactions related to them) are kept. Transactions are performed following specific formalities and only by designated bodies having the capacity to operate at the market, such as investment agents, banks, etc.



director (or directors) to execute the transaction documents on behalf of the company. For corporate parties, authority to sign is also usually proven by way of a certificate of good legal standing and/or another official document evidencing the manner of representation of the entity (i.e. sole or joint representation where more than one director is appointed). If the transaction documents are to be signed before a notary, the latter will request proof of identity and authority to sign. Similarly, if the transaction is subject to registration in the Commercial Register, the latter has to be provided with documents proving authority to sign. Also, banks commonly have signature books with specimen signatures of authorised offices that can be checked.

Different execution formalities for document types

Yes. Documents are most commonly executed in simple written form. However, documents for certain type of transactions require additional formality. Such cases include the following, inter alia: (i) a contract for transfer of title, or establishment of a limited right in rem, over a real estate asset has to be executed in the form of a notary deed, (ii) a contract for transfer of shares in an LLC requires a notary certification of the signatures and the contents, (iii) a contract for going concern transfer requires a notary certification of the signatures and the contents. Also, certain types of corporate documents must be signed with notary certification of the signature (and eventually the contents), such as a shareholders resolution in an LLC about approval of transfer of shares and admittance of a new shareholder, a shareholders resolution in an LLC for increase or decrease of the company's capital, etc.

Document execution formalities for incorporated companies

A company incorporated in Bulgaria shall execute a document acting through its legal representative(s). The names of the legal representatives and the manner of their signing authority (individually or jointly) are subject to registration in the Commercial Register and thus, publicly evident. The company, acting through its legal representative(s), may also authorise a proxy to sign the transaction documents on its behalf. Depending on the legal form required for the transaction, the power of attorney may need to be notarized.



signature may need to be notarized.

Formalities for execution of documents - foreign companies

In the process of execution of documents, a foreign company must comply with the legal requirements in the country of its incorporation and its internal corporate documents. In addition, any applicable Bulgarian law requirements about the legal form of the transaction documents have to be complied with.

If Bulgarian law requires a notary certification and the document is notarised outside Bulgaria, the document may need to be also stamped with an apostille or otherwise legalised.

In any case, notarised documents and official documents issued in a foreign country must be accompanied with a legalized translation in Bulgarian language made by a Bulgarian authorised translation agency and then legalized under the applicable Bulgarian law rules.

Notaries - share and asset purchases role/types of documents/director appointments

Bulgarian law provides for the involvement of notaries in certain types of share and asset transfers, as well as with respect to certain documents in the process for appointment of directors.

Company shares in a limited liability company (LLC) shall be transferred by a written agreement with notary certification of the contents and the signatures of the parties. Notaries are not involved in the process of transfer of shares in joint stock companies (JSC).

Transactions related to the transfer of ownership over certain types of assets (e.g. real estate, registered motor vehicles, etc.) or the entire or self-standing part of the going concern (as a pool of rights, obligations, and factual relationships) of a company, require the involvement of a notary public, because of the legal form requirements (a notary deed or notary certification of the signatures and eventually the contents).

With respect to appointment of directors, the resolution of the competent corporate body of the LLC (the general meeting of the shareholders, or the sole owner of the capital in the case of a sole owned LLC) for appointment of directors requires a notary certification, unless provided otherwise in the company's articles of association. The notary certification requirement does not apply to the appointment of directors in joint stock companies.



	<p>parties and certify their signatures and eventually the contents of the agreement.</p>
Notaries fee - level/negotiable	<p>Notaries fees' levels are set forth by statute and are non-negotiable. Notaries fees are simple (i.e., a specified amount for a particular notary service) and proportionate (i.e., calculated as a percentage of the monetary value of the transaction).</p>
Notary impact on transaction timeline	<p>The completion of the notary formalities does not have a significant impact over the transaction timetable. The required notary certifications may be completed by a single visit to the notary's office, which may be planned and scheduled ahead and in line with the transaction timetable.</p>
Appointment process for changing stockholders, officers, and directors	<p>The appointment of directors in both an LLC and a JSC requires a shareholders' resolution (or a resolution of the sole shareholder in the case of sole owned companies). The appointment and dismissal from office of a director is subject to registration in the Bulgarian Commercial Register. The appointment and de-registration of a director is effective vis-à-vis third parties as of the date of registration.</p> <p>It is admissible under Bulgarian law that an individual or a company authorizes a third party to execute documents on its behalf, typically by way of a power of attorney. If a specific legal form is required for a transaction, the power of attorney should be provided in the same form. In case the agreement should be executed in the form of a notary deed (required for transfer of title over real estate assets or creation of limited rights in rem over real estate assets), it is sufficient that the power of attorney is signed with notary certification of the signature and the contents.</p>
Private limited company - transfer title to shares	<p>For the purposes of this entry, we have considered transfer of shares in the context of a limited liability company (LLC) and a joint stock company (JSC) as these types of companies are the most widely used business vehicles in Bulgaria.</p>



shareholder to another is free, while transfer of shares to a new shareholder requires a notarised resolution of the general meeting of the shareholders/sole shareholder for approval of the share transfer and acceptance of the new shareholder. The share transfer is subject to registration in the Commercial Register. The share transfer is effective vis-à-vis the parties to the share transfer agreement as of the date of its execution in the required legal form, and vis-à-vis third parties – as of the date of registration of the share transfer in the Commercial Register.

Transfer of title to shares in a JSC requires execution of different documents, depending on the type of the shares. Registered shares in a JSC (or the interim share certificates issued in evidence of the shares) are transferred by endorsement in transfer. The endorsement must be written at the back of the share or the interim share certificate or to a slip of paper attached to it (alongside). The endorsement cannot be partial or conditional. The transfer of registered shares in a JSC must be registered in the company's shareholders book in order to bind the company. The transfer of title to book-entry shares requires registration of the transfer with the Central Depository.

Appointment to execute documents at signing/closing meeting and requirements

It is possible for an individual or a company to appoint a third party to execute documents on its behalf, usually by way of a power of attorney. If a specific legal form is required for a transaction, the power of attorney should be provided in the same form. In case the agreement should be executed in the form of a notary deed (required for transfer of title over real estate assets or creation of limited rights in rem over real estate assets), it is sufficient that the power of attorney is signed with notary certification of the signature and the contents.

Powers of attorney restrictions

Powers of attorney are generally restricted by their terms, i.e. the scope of powers of the proxy vis-à-vis third parties is defined by the statements of the grantor. If more than one proxy is authorized for a certain action, each of the proxies may act severally, unless otherwise stated in the power of attorney. A proxy may not delegate its power to a third party unless expressly authorised to do so by the



<p>Evidence of due execution - faxed/mailed documents admissible in court</p>	<p>Signed counterparts of a document, exchanged by fax or email, would be admissible in court as evidence of due execution, unless a special legal form (e.g. a notary deed or notary certification of the signatures) is required for the particular transaction.</p>
<p>Digital signatures admitted as evidence of execution</p>	<p>Bulgarian law distinguishes between three types of digital signatures: (i) the so-called simple digital signature, (ii) advanced digital signature, and (iii) qualified digital signature, which should be accompanied by a certificate issued by a certification services provider. Pursuant to the law, only the qualified digital signature shall have the legal effects of a hand-written signature, i.e. electronic documents signed with a qualified digital signature shall, by operation of law, be considered as equivalent to paper documents signed with a traditional hand-written signature. However, the law further provides that the parties may agree that they will recognize the legal effect of the simple digital signature and the advanced digital signature as hand-written signature in the relations between them.</p> <p>However, according to the law, a digital signature shall not be valid for certain documents of legal significance, such as securities and bills of lading, as well as documents and transactions, for the validity of which a qualified written form is required by law, such as a notary deed.</p>
<p>Execute documents in counterpart</p>	<p>Yes. Documents can be executed in counterparts, except for documents which should be executed in the form of a notary deed.</p>
<p>Strictly enforced "undertakings"</p>	<p>Bulgarian law does not include any special regulation of, or distinguish between, post-offer undertakings as binding commitments, and statements of intention as non-binding. The Bulgarian Law on Contracts and Obligations sets forth a general rule that in conducting negotiations and concluding contracts, the parties shall act in good faith. Upon breach of this general rule, the party in default owes a compensation to the other party.</p>



formality)	subject to fulfillment of an outstanding formality.
Share sale closing formalities	In the case of sale of shares in a LLC, the main formality is the signing of the share transfer agreement before a notary with notary certification of the signatures and the contents. Subsequently, the share transfer shall be registered in the Bulgarian Commercial Register, in order for the share transfer to be effective vis-à-vis third parties. In the case of sale of shares in a JSC, the main formality is the signing of the share endorsement in transfer and the registration of the share transfer in the company's shareholders book. It is common that various other circumstances would need to be filed for registration in the Commercial Register as a result of the transaction, such as change of the company name, change of registered office, change of directors, and change of auditors.
Required due execution legal opinions, requirements, rules concerning the giving of opinions	No, it is not legally required or common for due execution legal opinions to be provided. The transaction agreement would normally include representations and warranties by each of the parties relating to due execution and that the executed transaction documents constitute the legal, valid, and binding obligations of the respective party, enforceable in accordance with its terms.
Share and asset sales timetable	A share or asset deal can take anything from one to two weeks to six months – a year from start to completion. Factors that affect the timetable include the level and complexity of due diligence (legal, financial, and/or technical) required, informing and consulting employees, obtaining merger control clearance (if required), obtaining change of control consents, performing other conditions precedent to completion, etc. In principle, auction sales usually have a longer and more formalized timetable.
Non-compete enforcement	Non-compete restrictions imposed on a vendor are permissible and justified if their application is limited for a period of up to three years after transfer of an undertaking or of part of it, assuming goodwill and knowhow are transferred, and up to two years if only goodwill is



respect to the products and/or services forming the economic activity of the undertaking transferred.

Miscellaneous

N/A

This guide contains summaries of general principles of law. It is not a substitute for specific legal advice and should not be relied upon in relation to the application of the law or subject matter covered.

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