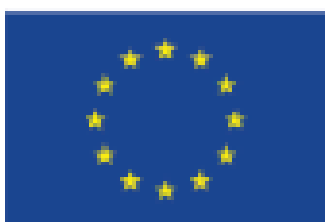


ENTREPRENEURSHIP GUIDE

BULGARIA



Balkan-Mediterranean
Programme
BALKANET

4.6.3. Manual Instructions for the Entrepreneurship in the context of implementing the BALKANET project –

"Balkan Ideas Network for Sustainable
Innovations in the Agro-food Sector"

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1. Entrepreneurship in Bulgaria

Current situation of Entrepreneurship in Bulgaria. Role of entrepreneurship and SMEs in Bulgaria. Success factors for young entrepreneurs

The importance of entrepreneurship to the development of the regional, national and global economy is beyond dispute. It is a main tool for solving substantial economic and social problems.

Why the significance and role of entrepreneurship represented by the sector of SMEs increase? The answer of such a fundamental question might be found first and foremost in the tasks solved by them¹:

- Creating dynamics in the economy and its diversification
- Solving unemployment problems
- Internationalization of the business
- Regional development
- Creating innovations ➔ Technological development

In the countries with relatively younger market economy – those from Eastern Europe and Bulgaria, entrepreneurship and SMEs solve three additional specific tasks, namely:

- Change in economic structure and size of enterprises: from dominant role of large enterprises in the planned economy oriented toward socialist market to today's predominant share of SMEs oriented mostly towards EU markets;
- Promotion of entrepreneurial culture associated with taking calculated risks, demonstration of personal responsibility and socially responsible behaviour;
- Formation of a strong middle class based on the creation and successful operation of a significant number of family, micro and small businesses – entrepreneurs, managers, experts and highly qualified specialists.

The group of SMEs is rather heterogeneous, but as a whole, they are economic agents that are flexible, fast responding and adapting themselves to the dynamic changes in the surroundings. Actually, the SMEs are the most sensitive economic units to changes in the business environment. Often the life cycle of the company is equal to the life cycle of its main product. Important characteristics of SMEs are the direct, often informal communications and the strong motivation of the personnel (due to the varied work, participation in the decision-making process and visible labour results). Usually SMEs are oriented to small market niches that include specific consumer needs². Their niche SMEs can discover in the face of large companies of which they become subcontractors or suppliers. Generally, SMEs have great potential to differentiate from the other market players mostly based on their flexibility and innovativeness.

The problems of SMEs may be concentrated in five directions: management, capital, joint activities, clients and information³. Most often, the problems in the management sphere are caused by lack of managerial qualification and adequate resources for acquiring and applying managerial know-how. The problems with capital are connected with the difficult access to external financing which leads to common resource limitation of this group of enterprises. During implementation of joint activities with larger companies, SMEs find difficulties in defending their interests in order to achieve collaboration with mutual benefits. Due to their

¹ Todorov, K., Business Entrepreneurship, BAMDE, Sofia, 2015, pp. 274-278

² Todorov, K., Business Entrepreneurship, BAMDE, Sofia, 2015, p. 264

³ Harper, M., Cited from: Todorov, K., (ed.), Foundations of Small Business, Next Ltd., Sofia, 2005, p. 20

limited resources and isolation, SMEs experience difficulties in finding new clients and in getting the information needed.

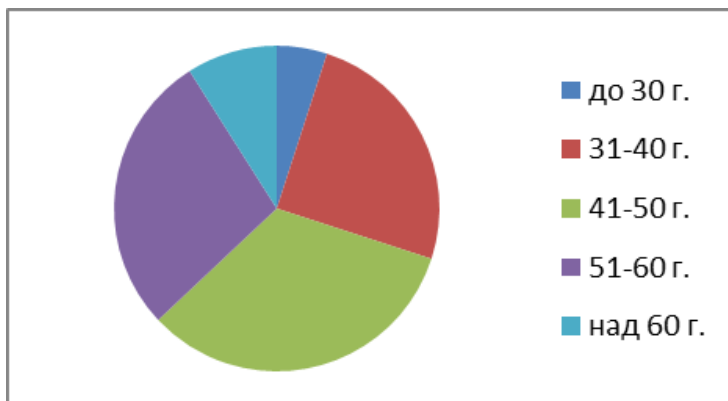
The main needs of SMEs can be drawn out of their characteristics and problems. They are related to getting access to financial sources; institutional, project and legal support; preferential treatment; access to market and statistical information; reduction of taxes and administrative burden; management consulting, appropriate to their specificities. Meeting at least a part of these needs would help this group of enterprises fulfil its main purpose – making the national and the world economies more dynamic and diversified.

1.1. The figure of the entrepreneur

Every entrepreneurial activity or project is based on creative entrepreneurial intention and after that – action, of a potential or already working entrepreneur. Over the centuries, a number of philosophers, economists and researchers have contributed to shaping the profile of the person who is establishing and developing their own business, discussing their personal characteristics, qualities, driving factors and behaviours. Various approaches have been used to outline the profile and the role of the entrepreneur, the main ones being personal, economic, sociological and behavioral. According the personal approach, entrepreneurial behaviour can be explained by the presence of certain personal characteristics, such as: motivation for achievements, tendency to take risks, need for independence, leadership qualities, self-confidence and belief in one’s own abilities, high level of energy and enthusiasm, determination, creativity, proactiveness, communication skills, openness to new ideas, etc.



According to the last officially published data Bulgarian entrepreneurs are distributed by age as follow: up to 30 years (5%); 31-40 years (25%); 41-50 years (33%); 51-60 years (28%) and more than 60 years (9%).



For the last two decades, the relative share of male entrepreneurs steadily decreased from 80% to 55%, while the share of female entrepreneurs reached 45%, which is higher than the EU average.

About 40% of the Bulgarian entrepreneurs have secondary education, while 60% possess university and higher-level education. Medium-sized enterprises have the highest share of entrepreneurs with higher education (83%), followed by small (63%) and micro enterprises (40%). Entrepreneurs with higher education have a dominant share among the younger entrepreneurs.

Due to the relatively young private business sector, Bulgarian entrepreneurs lack inheritable entrepreneurial and managerial skills that entrepreneurs in other developed countries usually possess since childhood. This causes some problems because most of them rely much more on their intuition than on professional approaches, methods and motivation to start-up companies and to have competitive behaviour.

Many studies show that youth entrepreneurs are quite small percentage of the total number of entrepreneurs, even in the USA, “the most entrepreneurial country” in the world. In Bulgaria, the entrepreneurs up to 29 years, starting and managing SMEs (excluding large enterprises), are around 5%.

In comparison to the mature and senior entrepreneurs, the main strengths of young people as entrepreneurs are as follows:

more innovative	easily establishing contacts and networks
dreaming and motivated	easily accessing information
easily taking risks	quickly taking up novelties
open to changes	having time to correct the mistakes they have made
more energetic	more eco-minded

Examples for the last positive feature of the young people could be given with the cases of the Teenovator Startup Weekend, a hackathon for the development of new business ideas by high-school students, which was held in January 2020 in Sofia TechPark. This event was part of the larger Teenovator program that aims to help tenth- and eleventh-graders cultivate the skills and mind-set necessary for a successful entrepreneurial life. The curriculum is based on Stanford University’s design thinking methodology and relies on extensive mentoring by experts who are experienced and successful in their fields. During the hackathon, the young ‘founders’ had less than 48 hours to find a team, do market research, build a prototype, and choose a business model. Then, all had the opportunity to present their ideas and progress in front of professional investors, business executives and broader audience.

It was not surprising that more than half of the business ideas presented were devoted to environmental protection and environmentally friendly life, incl. through innovations in agro food sector.

Some of the winning teams and ideas were:

- For **Best Social Impact**: “Defender One” team had decided to develop an IoT system with the ultimate purpose of saving the bees, building upon the company Pollenity’s portfolio.
- **The ‘Greenest’ Business**: “Hemp Brand” team developed a sustainable fashion project, aspiring to introduce hemp-made T-shirts and bags to reduce some of the negative environmental impacts of cotton production – such as the heavy consumption of water, pollution, and soil erosion.
- **For Most Sustainable Business Model**: delivery of food of higher quality straight to the classroom. This is Food Care’s value proposition and their team had calculated good profit margins for the business to back it up.

EXAMPLE: Some of the winning teams and ideas were:

- For the best social impact: The Difender One team has decided to develop an IoT system with the ultimate goal of saving bees by upgrading Pollenity's portfolio. <https://devstyler.io/blog/tag/tehnologichni-resheniya/feed/>
- The Green team: Hemp Brand has developed a sustainable fashion project that seeks to introduce T-shirts and bags made of hemp to reduce some of the negative environmental impacts of cotton production - such as high water consumption, pollution and soil erosion.
- For the most sustainable business model: delivery of higher quality food directly to the classroom. This is a valuable offer from Care and their team has calculated good profit margins for the business to support it.

Along with the strengths, young people have some disadvantages concerning the preconditions to become entrepreneurs and to develop successful own businesses. Young people usually are⁴:

lacking experience, knowledge and skills	possessing limited resources, including financial ones
easily frustrating or giving up on failure	still dependent on their parents/relatives
inconsistent in their ideas	impulsive
when they meet business partners, they are treated with disbelief, disregard	lacking contacts and competencies that that usually are gained through life and work experience

It is generally considered that obtaining a solid theoretical and applied training is the main prerequisite for emergence and progress of today's entrepreneurs. As regards entrepreneurial education in particular, it is associated not only with obtaining broad theoretical knowledge; its main objective is to increase the motivation for entrepreneurial careers among students. It is not surprising that various surveys show that young people who have passed entrepreneurial training in higher education institutions, show stronger initiative, have the abilities to identify and exploit opportunities, have better skills to work with people, better deal with management of growth and business risk, etc., and such qualities are important prerequisites for entrepreneurial endeavors and success.

The formation of entrepreneurial intentions through educational process tools in universities was examined with a survey conducted among Bulgarian students studying (or have studied) entrepreneurial subjects at the University of National and World Economy, Sofia (UNWE) and St. Cyril and St. Methodius University of Veliko Tarnovo (VTU).⁵

<https://www.unwe.bg/>

<http://www.uni-vt.bg/bul/>

The data gave interesting but also expectable results about whether, when and under what conditions the students intend to become entrepreneurs or to start another own business (in case they already have some entrepreneurial experience). The two leading responses prove the wide-shared understanding of the entrepreneur that he/she is the one who *implements an innovative idea* through the creation of a new organization/business *in the conditions of risk* in

⁴ Todorov, K., Business Entrepreneurship, BAMDE, Sofia, 2015, p. 162

⁵ Hristova, V., M. Vasilka, On entrepreneurial intentions – some aspects of survey results. Proceedings of the international conference „Development of the Bulgarian and European Economies – Challenges and Opportunities”, 28-30 September 2017, Veliko Tarnovo, Bulgaria, pp. 179-180

order to gain profit and achieve growth and thus to solve socio-economic tasks that are important to the society. Considering the youth and the lack of experience of the students, it is not surprising that they would turn their intentions into reality when or if they consider that the risk is minimized through the accumulated work experience or that the risk is worthy due to the innovativeness of the idea. For the “yes, but under certain conditions” response, the students were given the opportunity to clarify and in most cases the conditions are related to the accumulation of the necessary financial resources.

The students were asked the question “What would motivate you to start your own business?” and they were offered a set of possible motives that to be evaluated with a five-step scale from “it is not a motive” to “a main motive”. Students’ replies are arranged in a descending order as follows:

- 1) To do the work I like – most of the students have indicated this as a main motive
- 2) To have enough freedom
- 3) To have higher income
- 4) To be a master of my own time (including to have time for my family)
- 5) To realize my innovative idea
- 6) To gain knowledge, skills and professional experience in a certain field
- 7) To make decisions myself
- 8) To lead a good team
- 9) To unleash my own creative potential
- 10) To have an exciting, challenging job
- 11) Not to have a boss
- 12) To practice my knowledge and competencies in real situations
- 13) To do something good for society
- 14) To take advantage of market opportunity in order to achieve economic success
- 15) To achieve the success of entrepreneurs I admire
- 16) To have a job (not to be unemployed) – motive with a much lower rating than the ranked in No. 15, i.e. the unemployment is not a motive for starting a business among young people.

The results do not need a deep analysis because there is not an “official” rating of the main motives and reasons for becoming an entrepreneur, incl. regarding young people. Our investigation only confirms conclusions of leading researchers who associate the exiting entrepreneurial career with satisfaction and passion for work, independence, creativity, flexibility (in all its dimensions), money-making, investing in yourself, having the power to dedicate time or donate money to worthy causes, etc. These things would be hardly achieved by working for someone else. Starting a business out of necessity is not widespread in practice and this has its proof in the survey with the unemployment’s rating on the last place.

1.2. Success factors for youth entrepreneurs

✓ Overall education and training

The accredited education and training prepares (and sometimes stimulates) young people for starting and developing businesses based on their ideas. The studies of Prof. Davidkov⁶, conducted between 1991 and 2004, prove that there is a clear relationship between “quality” and the degree of entrepreneurs’ education and the characteristics of the enterprises they establish and manage. According to the results, entrepreneurs with better education tend to manage bigger companies. Such entrepreneurs often have fruitful business partnerships. They are also more proactive in deciding plans to expand the existing business and to start a new

⁶ Davidkov, T., Values for enrichment. The entrepreneurs in Bulgaria in the period 1991-2004, University publishing house “St. Kliment Ohridski”, Sofia, 2010

business (entrepreneurs with lower education are more oriented towards preserving the existing situation).

✓ Innovative and “working” business idea, based on existing entrepreneurial opportunity
The idea of the youth potential entrepreneur should not only be good and appealing (on his/her opinion), but also innovative (related to new product/service, technology or market) and based on existing entrepreneurial opportunity (ongoing favourable circumstances that give rise to a need for the product/service). In recent decades, there are many niches/opportunities for green entrepreneurship. Two examples of young people, producing fruit and vegetables (together with their families) and selling them to end customers in Sofia, could be given about such niches’ exploitation:

Examples for young people who produces agrofood production with their families using innovative approaches:

1) Go Bio!

Bio farm near Sofia, established by young family, succeeded in obtaining certificates for organic areas and products of Bulgarian varieties, mainly vegetables. Delivery of freshly picked organic products to private addresses in the capital city.

2) Eat natural, low-input and fresh products!

Young man, born in a village near Sliven, who has left the IT company, where he has been working for two years, to run his own business. He created an internet site and a physical store in Sofia through which he sells the fruit produced in the family gardens. To this end, he travels to his home village at least twice a week to load the store with fresh products and to fulfil orders made by customers through the site.

✓ Awareness of the specifics of particular industry / sector

To have knowledge about the sector which the young person will work and compete in is extremely important. Every industry has certain characteristics, attractiveness and profitability that depend on competition intensity, potential of new entrants into the industry, power of suppliers, power of customers and threat of substitute products. In case, the youth entrepreneur is not aware of these competitive forces, specialised education and training could help. However, this takes time and efforts but they will be worth it. In addition, he/she could look for and get advice and consultancy.

Knowing the specifics of the particular industry / sector increases the young people’ self-confidence, allows them to behave entrepreneurially and to be successful in the increasingly complex business environment.

✓ Presence of support and funding programmes / services

Young people, incl. youth entrepreneurs, enjoy the attention of various support and funding programmes. Such is, for example, the Erasmus for Young Entrepreneurs Programme. Besides, there are really growing potentialities for innovative and green start-ups. Youth entrepreneurs should search for such opportunities and exploit them because these programmes /services exist with the aim to help this particular promising group of entrepreneurs to become a powerful driver of economic growth and job creation.

https://ec.europa.eu/programmes/erasmus-plus/node_en

<http://hrdc.bg/%D0%B5%D1%80%D0%B0%D0%B7%D1%8A%D0%BC/>

✓ Localisation

Choosing the right location of the new business (country, settlement, area in / out of a city, etc.) is one of its basic success factors. If the young entrepreneur has the opportunity to choose between several locations, he / she could decide to benefit by the comparative advantages of locating the enterprise close to raw materials, or work force, or available capital (investors), or major markets / distribution network, or infrastructure / arterial roads, etc. Of course, depending

on the business's specifics, many other conditions could be taken into consideration, such as natural, climatic or ecological; tax; funding and so on.

✓ **Good team and managerial competencies**

The young person may start his / her business alone or with partners. Both alternatives have their pros and cons. In both cases, he / she needs a good team – people that the entrepreneur could rely on. The small company's employees are usually multifunctional, motivated and devoted to achieving the firm's goals and that is why each person is important and hardly replaceable. Maybe the most important task for the starting entrepreneur is to find and hire the "right" people.

Managing an SME is a very complex activity consisting of multiple, sometimes competing for the time and attention of the entrepreneur, tasks. The entrepreneurial literature attributes the failure of a significant part of the newly started enterprises (during the first three years of their existence) to the scarce managerial competencies of their executives. Undoubtedly, the managerial competencies are a key factor for the survival and the development of almost every small business (but they can hardly be developed without proper education and training).

✓ **Networking: benefits from forming partnerships and working in personal, entrepreneurial and other types of networks**

The practice shows that SMEs cannot survive and realize significant strategic initiatives alone, but primarily in partnerships with other companies. Therefore, the nowadays entrepreneurs, especially younger ones, are usually "networked" – working in a variety of networks (vertical and horizontal; formal and informal; domestic and international; personal, entrepreneurial, subcontracting ones, etc.).

Positive effects for the youth entrepreneurs and their companies are indisputable and the question that usually stands before them is not whether to find a strategic partner or join a network, but how to do it. The basic benefits and advantages of SMEs operating in strategic networks are: overcoming in sustainable matter the main weaknesses of SMEs, particularly of the starting ones – isolation and resource scarcity; increasing specialization and cost reduction; knowledge sharing and creating innovations; achieving prospective development and growth.

As a conclusion, it can be pointed out that all European countries, including Bulgaria, need to strengthen the entrepreneurship mind among young people, encourage the creation of their own business, and stabilize the institutional, social and cultural environment for entrepreneurship, innovation and SME.



2. Practical steps for starting entrepreneurs

How to start?

You are full of ideas and eager to start your own business. But how you go from business dreams to business success? This Guide will give you some inspiration and a lot of information for your future entrepreneurial life. You can see some tips, some examples, a lot of information and useful links.

2.1. Business Idea

Get inspiration and sharpen your concept

This where the most entrepreneurs begins. With the idea. And yes, some ideas are great, they have potential to change the world but it is possible depend on you. That is why view and review your idea permanently. Question it. Let other question it as well. Rour it into a business plan. Then put the plan aside and start over. Question it, question it and question it again.

Select starting points.

Try to describe the idea with one sentence.

Every successful company is built on a strong idea. But how to do recognize such an idea?

Prepare a short presentation and dare to pitch it here and there. This approach will help you to make your basic idea stronger and more unique.

Collect your ideas in a booklet and discuss them with others. Write down their feedback. Then consider your idea again.

There are several ways to put your concept firmly on paper. But the most commonly used is without a doubt the formulation of the sentence.

Is my idea feasible?

Check the feasibility of your idea

Your entrepreneurial idea is the foundation of your business.

Invest time in your preparation

Get insight into the feasibility of your plans.

Increase your chances of success as an entrepreneur.

Build up your pitch

Make sure your idea is formulated crystal clear first. This exercise helps you with that.

Of course, that one sentence does not convince anyone yet. Fortunately, you have much more to offer your potential customers and investors. Formulate an answer to these questions:

- Who are you?
- Why are you the right entrepreneur to start this project?
- What makes your idea so different from the others?
- Using these building blocks, you create a logical and convincing story step by step

Enrich your stories with questions

Pitches are not a one-way street. By asking questions, you oblige your conversation partner to have them look at their cards. And you can respond to that in a handy way. Be sure to prepare a conversation around these starting questions:

- Do you need this product or service today?
- Where can you buy it today? How often? And why there?
- Why are you satisfied with your current supplier?
- What price do you pay today? And do you find that acceptable?

How do I test my idea?

Input from others reinforces your idea

It gradually becomes clear what your company should look like. It is high time to test your ideas with your friends and family, and later also with critical voices such as experts, a mentor, a potential customer...

The basic rule: feedback is a gift that you can use to sharpen your idea. But before you can get that input, you have to learn to pitch your story irresistibly. And that is a very nice exercise.

Turn your idea into a sales pitch or a pitch.

Pitch your idea to as many people as possible.

Permanently refine until you have found the ideal formula.

I have developed a new product. Have I not missed anything?

Check the completeness of your idea / concept / product

In an ideal world, your concept consists of a well thought-out plan, consisting of four pillars:

1. ideas and plans,
2. the market,
3. team & cooperation,
4. financial vigor.

It is also important to 'tick off' a number of other matters, such as Intellectual Property (IP).

Fortunately, we have a checklist ready for you.

Screen your concept based on 4 pillars: ideas, market, cooperation and financial decisiveness.

Learn from other people's mistakes and oblivions.

And now it's up to you...

The 4 elements of your business case

1. Ideas & plans

Look at the problems your customers have. And discover how you, with your product or service, can meet that need ... Actually there is only one important question: Does my product / service solve a problem for the customer?

2. The market

Do I know the market sufficiently? And how do I reach that market offline and online? Check which communication do I use for my company?

3. Team & cooperation

What are the strengths and weaknesses of my team? Can I strengthen my team through cooperation with freelancers, suppliers, Check Do I do business alone or with partners?

4. Financial capacity

How far does my financial capacity and that of my partners reach? Check what sources of financing can I use?

The 11 most frequently asked questions

More than once our start-up supervisors come across entrepreneurs who still have one pressing question: "Have I not missed anything?" Well, here is a list of things you may not have thought of (yet) and - where possible - a link to the correct answers! :)

1. Who will be your first real customer (after your mom and your best friend)?
2. What do you charge money for: a product, service or experience?
3. A pricing strategy, including discounts and margins
4. Sales conditions and payment terms
5. A financial plan pending the first paid invoice
6. A possible replacement of suppliers in case something goes wrong
7. What is the intellectual property of your idea?
8. What is the ecological footprint of your product?
9. Sales and communication channels
10. Insurances
11. Legislation and certificates

Is intellectual property important to my company?

Do I know the strengths and weaknesses of my project?

Describe the strengths and weaknesses of your project

You may have already listed your strengths and weaknesses during a job interview...

But now it comes down to listing the pros and cons of your idea and your business.

In addition, all kinds of external factors affect your plans: your customers, your environment, the legislation, trends and evolutions in your sector. So take a critical look at your idea and create extra opportunities for you and your company.

Take a critical look at your project.

Have someone look at it from the outside.

Does my idea solve a problem?

Find out which problem your idea solves

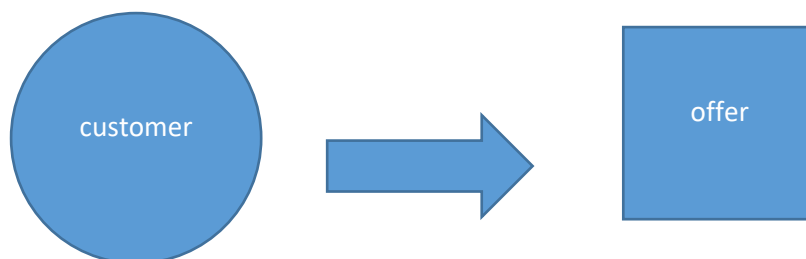
You have a plan. Ready, set, go. But wait ... how do you let potential customers know what you have to offer? Well, by looking at what problems your customers are dealing with and how you solve those problems with your product or service.

The what? Well, a handy schedule that matches your offer and the demands of the market.

What is the problem my customer is looking for a solution to?

How does my product offer the perfect solution for this?

Where are the pain points and profit opportunities?



And now it's up to you...

In other words, the circle represents the customer and the square represents the offer, your product or service.

Customer: find an answer to the following questions

- Tasks: for which tasks or problems is my customer looking for a solution?
- Profit expectations: how can I really make my customer happy? For example: savings, quality, profit expectations...
- Pain points: what is my customer's biggest fear? For example: unexpected costs, frustrations...

Offer: find an answer to the following questions

- Product or service : what do you have to offer as a solution to the tasks or problems of your customer?
- Profit opportunities : How can you ensure a positive feeling with your customer? How do you really satisfy him or better, do you exceed his greatest expectations?
- Painkillers : how can you reassure your customer and avoid certain risks? How do you gain his trust?

Are you coming up with a new idea? Fill in the schedule again and keep your previous version . It is often very instructive to look back

Does my idea solve a problem?

Looking for new ideas?

Collect new ideas by brainstorming

Do you want to improve, broaden, and diversify an existing concept? Do you see a market, but is your offer not yet concrete enough? Or vice versa: do you have a concrete offer, but you do not yet see a market? Would you like to generate more / better / faster ideas (delete what does not apply) together with your staff, your (potential) customers, your suppliers, and your neighbor?

You will notice: almost every reason is good to organize a brainstorm.

Organize a brainstorm with a sea of ideas.

Gather people from different angles, each with a different view.

Brainstorming makes your ideas clearer and your concepts stronger.

2.2. Business Quarter

Work out your business plan and find your unique asset against the competition

Do you already have a business plan? Do you know why customers will want to pay for your product or service? Rather than for what the competition has to offer? And more too? And have you already thought about how to get your raw materials and basic products to you on time to realize all your products on time?

The step between business plan and business is often not as easy as your Excel lists make you believe. But that is not a problem at all. Keep your business plan in mind while you continuously learn from practice. Refine, expand and strengthen it so that you will soon run a company with a smart base and a lot of common sense.

And above all: never give up on the way.

Do I have a vision, mission and strategy for my company?

Think about the long-term strategy of your company

Successful companies use their mission and vision to guide their business and keep their focus. It binds employees and customers and is the beating heart of your company. But ... what is a mission, vision and business strategy in practice now? We'll figure it out together! Long story short: your mission is the 'why' of your business. Your vision reflects the values you want to radiate and your business strategy determines how you will make that vision concrete. The mission and vision are the beating heart of a successful company.

Get to know the terms mission, vision and strategy and define it according to your needs.

Share your pyramid with your team and make the link with your business plan.

How do I prepare a business plan?

Every starter or company in a growth phase should invest a little time in making a strong business plan. You do this for yourself, to test your own feasibility, and is the basis for contacts with partners, investors or the bank.

But how do you start now? Which elements are discussed in an 'ideal' business plan? And how do you present this to your (potential) partners, investors or the bank?

Invest enough time in developing a strong business plan.

That gives you insight into the feasibility of your goal.

It will help you convince partners, investors and the bank.

What does an 'ideal' business plan look like?

Discover the template that you can use, fill in and, if you want, also upload it back on this site. This is an ideal guideline for drawing up your own business plan.

How to present a business plan?

You can present your business plan to your partners, investors or the bank with a strong presentation. Use the template to build a full story and convince your audience with ease. You often present at the start of your business. Collect all feedback and reinforce your plans time and time again.

Every company that starts a new activity must have a business plan / business plan. This brochure is a guide for drawing up a business plan, both for start-ups and for existing companies.

Content

1. Preface
2. Resume
3. History of your company
4. Describe your goals
5. Product or service
6. Management, organization and personnel
7. Market analysis and marketing strategy
8. Financial plan

Related templates

Business Startup Costs Template

<https://www.vertex42.com/ExcelTemplates/business-startup-costs.html>

Sales Forecast Template

<https://www.vertex42.com/ExcelTemplates/sales-forecast.html>

Profit and Loss Projection Template

<https://www.vertex42.com/ExcelTemplates/profit-and-loss.html>

Balance Sheet Template

<https://www.vertex42.com/ExcelTemplates/balance-sheet.html>

Cash Flow Statement Template

<https://www.vertex42.com/ExcelTemplates/cash-flow-statement.html>

Business Budget Template

<https://www.vertex42.com/ExcelTemplates/business-budget.html>

Break Even Analysis Template

<https://www.vertex42.com/ExcelTemplates/breakeven-analysis.html>

How to use this Business Plan Template

Replace Sample Text

Text inside brackets [] is meant to be read by you but then deleted. This includes suggested questions to answer, template help and general tips.

Table of Contents, Sections and Headings

If you want to add a new section so that the Table of Contents updates automatically, just add a new heading in the body of the document and **assign it the Heading 1 or Heading 2 style**.

To update the Table of Contents, go to the **References** tab and within the Table of Contents button group, click on Update Table and then "Update entire table."

Financial Tables, Charts and the Companion Excel Workbook

Edit and customize the various financial tables provided in the companion Excel workbook and then paste them into this document. This allows you to take advantage of the calculations that Excel will do automatically. The sample tables and charts you see in this document have all been created this way.

Pasting tables from Excel to Word: Use Copy/Paste to copy a table from Excel to Word. This will typically paste the data as a formatted and editable table in Word, though none of the formulas will be functional within Word (and the table will not be linked to Excel). If you don't want the table to be editable in Word, you can "Paste as a Picture" using Paste Special or by choosing the "Picture" option when you right-click in the document to paste the table.

Pasting charts from Excel to Word: When you paste a chart object into your business plan, make sure to "Paste as a Picture" because pasting the chart as an embedded object means that the entire spreadsheet becomes embedded in your Word document (even though what you see is only the chart).

Figure Titles and Captions

Paragraph styles have been created for making it easy to put a title or caption on the figures you include in this template (charts, tables, pictures, etc.). They are called **Figure Title** and **Figure Caption** and can be found in the **Home** tab Styles section.

2.3. Partnership Café

Find soundboards, partners and coaches that make you stronger.

Everyone has told you a hundred thousand times that entrepreneurship is a team sport. That you just won't make it. That co-creation and partnerships, shared knowledge and networks are part of modern entrepreneurship.

They are undoubtedly all right, but who are those partners then? A partner? A bookkeeper? Suppliers? Competitors? Customers? Partners come in all sizes and weights, and each has their own agenda. The secret: talk to them. Consultation. Have a coffee together and get to know each other.

Before you know it, you have gathered an unbeatable team of entrepreneurs around you.

Do I appeal to an expert, coach or mentor?

Are you ready for a mentor or coach?

Almost all entrepreneurs discover early in their career that they have much more in-house than they previously thought. That's how it gets stuck with you too: you discover skills that you didn't know existed, and learn new things at a super-fast pace. Ah yes, you simply cannot do otherwise.

But there comes a point where that self-growth stops. Every entrepreneur experiences that too.

But only the real smart guys deal with it and look for a coach or mentor, involve experts in their company and / or start an advisory board.

Question your own competences and limits

Accept the added value of an external view.

Step into a coaching program that reinforces your entrepreneurial dream

And now it's up to you...

An external view? Why?

Every entrepreneur comes up against different limits. It's up to you to find out which are yours.

Think for a moment why you want to engage someone externally. The word cloud below can help you with that.

Where can you find those experts?

Who in your area can help you?

Call on your network for help

You have been preparing for entrepreneurship for a while, so you know very well what every entrepreneur will discover sooner or later: it will be a bumpy ride. Doubts, questions, obstacles,... they cross your path more often than you like.

The good news? You are not alone. In fact, you can probably find a surprising amount of support in your immediate environment: your partner, friends, family, fellow students, acquaintances, neighbors, ...

It is important to dare to ask the right questions.

Map your direct network

List the people you trust and their areas of expertise. Immediately formulate the specific questions or issues you want to ask them. Want to bet that you can count on a lot of understanding and cooperation?

Use your extensive network

You can also search for people to support you in your step-by-step plan. Your accountant is one of them. But coaches, notaries, other entrepreneurs and professional starters are also happy to help you with specific obstacles.

Expand your targeted network. Some suggestions for you:

- Follow a guidance or advice process that suits you and your project.
 - Go to an event for entrepreneurs.
 - Find a coach at www.kopiloot.be.
 - View the offer of the business counters.
 - Go to an activity of your sector or employer organization
- Also check local and private initiatives that can strengthen your network. There is often a section for entrepreneurs on the websites of the municipalities.

Dare to ask questions to the people you trust.

Build your network with professionals

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An external view? What for?

As an entrepreneur you cannot specialize in all domains. It is up to you to indicate in which areas you can use reinforcement of an expert, coach or mentor. The word cloud below gives you an idea of the possible topics.

How do I get more out of my network?

Get (even) more out of your network

"Networks." It is so much more than a buzz word. Especially if you use your offline trips and online links smartly.

Proactively look for new contacts and keep those contacts meticulous.

Roll up your sleeves. Not only shake the (virtual) hand of potential customers and suppliers, but also get inspired by enthusiastic colleagues and competitors.

Make an inventory of your current offline and online network channels.

Choose the network channels that suit you 100% and invest 100% in them.

An active network supports your name recognition and your image.

How do I look for staff?

Find suitable personnel for your business

The labor market is becoming increasingly tight. There is a 'battle of talents' going on, especially with certain bottleneck professions. It is therefore very important to stand out if you want to attract the right, talented personnel.

That starts with the vacancy.

It must be spicy and well written and, moreover, must be arranged in such a way that only suitable candidates apply for it. But how do you get started? We already help you on your way, so that you find the personnel that suits your business.

So you already thought of the following options:

- Encourage your own employees to find and find new candidates.
- Provide growth opportunities and flow opportunities with your own employees.
- Go to a job fair together with other entrepreneurs.
- Contact schools for internships, student tours and participation in your studies or school assignment.
- Is there a top intern? Make him or her a job proposal.
- Stick a sticker on your company car: 'colleague wanted'.
- Start your preparation in time if you are looking for a new employee.
- Use your social media as a site channel and image builder for your company.
- Surf to the subsidy database and discover support when recruiting an employee or read the subsidy guide ' Recruitment and training '.

Recruiting costs money.

You can estimate the recruitment cost and simulate it in your sector, consult a checklist which steps you can take during a recruitment, and so on.

Do I do business alone or with partners?

Start together: good friends through good agreements!

Working together: it is a blessing or a curse.

As with everything, there are advantages and disadvantages to collaborations. Possible advantages can be: more starting capital, your partner as a sounding board and sparring partner, expanding your network, knowledge and competences. And ... if things get harder, you can motivate each other to continue.

Don't be blind to the possible disadvantages: a business disagreement can lead to arguments, you can't just decide on something yourself and the mistakes of your business partners can affect you and your company.

Make it a blessing by smartly choosing your partners and recording all agreements in a contract. That way you bring out the best in each other.
Know the pros and cons of a collaboration.

When you work together, it is important that you make agreements and record them in a contract.

Do you choose a partner or a real team? In any case, choose a complementary team.

Questionnaire: working together or not?

That's the question. Ask yourself the following reflection questions before entering into a partnership and write down your fantasies below (or in your booklet):

- Why would I want to work together?
- Who do I want to work with?
- What advantages does a collaboration have for myself (e.g. a sparring partner, more knowledge, more starting capital,...)?
- What disadvantages does a collaboration have for myself?
- How do I see the collaboration?
- Which company form do I choose?
- Which agreements are necessary for a successful, sustainable cooperation?
- How do I contractually record those agreements?

Tip: choose a complementary team. The first step? Mapping your own strengths and weaknesses.

Checklist: what agreements to record?

You decided to work together? Congratulations, but don't forget to contractually record the following:

- The contribution of each partner (e.g. money, assets, industry,...)
- Delineation of tasks or decisions
- What are the possible consequences of illness?
- Dealing with conflicts
- The agreements upon termination of the collaboration.
- The reward; everything right, or does the person bringing in all the new customers get a bonus?

What does a sector organization do for you?

Discover the assets of your sector organization

Sector organizations are unknown to many people. Too bad, because they are working hard every day to support entrepreneurs like you with services tailored to your company and your sector.

You can turn to a sector organization for specific legislation and permits in your field, legal advice / assistance, inspiring trend reports and market information ... You may also find example contracts, information about specific insurance and network moments and training courses organized. They can also act as lobbyists or negotiators.

From hairdressers to architects to furniture dealers; there are many sector organizations in Flanders.

Before you ask for it: we provide a clear list of all sector organizations!

With these tips you surround yourself with the right partners for your activity.

Browse through the information and services that your sector organization offers.

After this exercise you can be sure not to miss any crucial inside information.

List of sector organizations

Not all sectors are equally extensive or equally organized.

Find the industry organization for your business and see what services and support they have on offer for you.

What does the business counter do for you?

Get off to a flying start via the business counter

Are you going to start as a self-employed person? Then you have to go to the business counter, physically or via the website.

2.4. Residential Area

Involve your family in your business, and don't forget to take care of yourself.

They sometimes say that you are an entrepreneur 24/7. And that will certainly not be far from the truth in your start-up phase. But you are or will not be alone in the world. And those who share life with an entrepreneur, better prepare for a bumpy ride.

It's up to you to prepare for that ride. Who are you as an entrepreneur? What role does your partner play in this? And which in addition? What impact do your business decisions have on the future of your children? And which personal choices impact your role as a shareholder compared to your partners?

Because every company is a family business.

What role can my partner play in my company?

A business consultation with your life partner? To do!

You cannot ignore it: doing business has an impact on your life and that of your dear (s), family members, housemates, and so on. In short, all people who are close to you.

But... do you already know if they will play a role in your company? And does that correspond to the role they have in mind?

Time for a good conversation with a coffee or a glass of wine.

Your partner can play a role in your case.

Make clear agreements about this and do not forget the financial side.

Behind every strong entrepreneur is a strong life partner, right?

Check roles, functions, interpretations that a (life) partner can fulfill in your company (planning). Go through this list together, discuss openly and honestly what your conversation partner wants and can include. Take into account talents, competences, enthusiasm and available time / resources and evaluate these choices from time to time.

Who am I as an entrepreneur?

Get to know yourself as an entrepreneur

An entrepreneur needs a lot of talents and skills...

Step 1 is getting to know your strengths and weaknesses. How are you put together and how do you best use those talents? As an entrepreneur you know yourself very well. What can you improve on?

Many questions, but there are many tests that give you insight into your talents, competences and points for improvement.

Because only in this way can you grow into an even better and more powerful manager.

Get insight into your entrepreneurial talent.

Discover your strengths and weaknesses and discuss them with your environment.

Strengthen your skills and growth as an entrepreneur.

Take a personality test

Forget the semi-soft personality quizzes from the Flair or other weekly magazines. There are many good and scientifically based tests. Get started and find out what type you are?

Feel free to do more than one, and compare the results and conclusions. That way you get to know yourself even better.

Consult with a coach

Formulate your work points

Doing personality tests is not an end in itself. It's about the results. Or better yet: what you do with those results. Therefore, discuss them with your coach, your partner and your family. Ask for their input and insights, and make a list of work points.

Looking for courses to tackle those work points? You can find it here.

How do I balance my work-life balance?

Make your work-life balance concrete and talk about it!

Entrepreneurs do not have office hours. But that is not to say that they cannot have life. Or free time. Or hobbies. In fact, the best entrepreneurs are also fully active in addition to their professional activities. But that balancing act requires some extra attention.

During this exercise, discuss with your partner or the people you share your life with, and focus on the things he or she experiences differently. Be realistic and don't shy away from discussions. If you get on the same wavelength, you will give your business a huge boost from day one.

Get a realistic insight into your daytime activities.

Involve your partner in your deadlines and evening work.

Create a sustainable work / life balance.

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Keep an eye on your family budget

Of course you are eager to earn those first euros from your company. And if you do it right, you will succeed soon. In addition to doing business, managing your private remains just as important. Make time to prepare a family budget. This gives you an overview of the income and expenditure of your family and the space to plan investments or finance future projects. And of course also to save money. Many entrepreneurs therefore draw up a family budget.

Give your family budget enough attention.

Balance your portfolio and that of your company.

A financially healthy company needs a financially healthy entrepreneur.

How much money do you need to live? What do your house rent, your energy consumption and the school bill of the children cost? How much do you spend in the supermarket and what do you put aside for later? Mapping your family budget is a crucial exercise for yourself and for your company. Because you learn from it how much you have to yield and what space you have to invest extra.

Enough tools and apps

Personal finance is a separate category in the App Store and Google Play. You will find dozens of apps that help you map (and often also reduce) your expenses.

Talk to your partner

It is best to draw up a family budget with your whole family. So also involve your partner in that exercise. Or at your business - because you can too!

What does your ideal education look like?

Find the training that suits you thanks to our checklist

The ideal training matches your interests, your needs and the challenges you face as a (brand new) entrepreneur. Don't forget: you learn for life. So focus your inquisitive gaze on today, tomorrow and the day after.

But how do you choose the ideal education? Go through our checklist below and find the training that suits you and your company!

As an entrepreneur it is important that you learn and continue to learn.

Find the training that suits you thanks to our checklist.

Reduce the cost of your education with the SME portfolio.

And now it's up to you...

Checklist for the ideal training

1. Which competences do you want to improve?

The first step to finding a suitable education is determining which knowledge you lack or which competence you want to strengthen. But for that, you may first need to know what type of entrepreneur you are.

Is a diploma or certificate important?

Is proof of your education important or necessary for the exercise of your profession? Or is it rather an extra asset to convince your customers to work with you?

5. How much can a course cost?

Appropriate training is an investment in yourself and your company

Learn for a lifetime

Want to stay up to date, gather new ideas for your project and network at the same time?

Training is ideal for this! You will find them in all sizes and shapes: online, in groups, short, long-term, free or more expensive, focus on skills, coaching, learning from each other, new developments...

It is therefore best to tailor them to the knowledge and skills you need.

Keep learning for a lifetime!

Regularly following a course keeps you up-to-date and you get to know interesting people.

You may get inspiration for a next project.

Why do I want to do business?

Find your real motivation

Why do you want to do business? Only for the money? Or is there more to it? Contribute something to the world, for example? Do what you enjoy doing? Being your own boss? Would you like to prove to your old economics teacher that you do have a lot to offer?

Whatever your motivation, it is important that you bring it to the surface and express it. Because it is those motives that will help you to persevere at difficult times.

Find out what motivates you deep down.

Arm yourself against setbacks and difficult moments.

Regularly give yourself a mental energy boost.

Reasons enough to do business

Little secret: Most entrepreneurs have more than one reason to do what they do. You too undoubtedly have a whole list of motivations in your head.

It's up to you to write them down in your digital or paper notebook. First as loose fantasies in a long list. As many reasons you can think of. To then tackle them with a highlighter until you reach your top five.

Write down your top five

Below in your notes, in a Word doc on your computer, in a notebook ... it doesn't matter where or how you keep track of your top five. As long as you look at it occasionally. Because, believe us, nothing makes you happier than realizing that you are working on your dreams.

2.5. Administrative Center

Organize your permits, documents and contracts.

Sometimes your professional administration seems complex and inscrutable, but you can actually sort out a lot of your legal and administrative requirements yourself. All it takes is some time, some attention, and the occasional help from an expert such as a lawyer, an accountant, a notary, or a befriended entrepreneur.

It is best to start these discussions well prepared and inform yourself with this guide: choosing a company form, drawing up contracts and general terms and conditions, filing brands and applying for patents ... It is best to think carefully about all these matters before making decisions.

Fortunately, you can count on the right partners in many places.

Which form of business suits me?

Choose the type of company that suits you (company)

If your plans to get started become very concrete, the time has come to think about your business form. Are you going for a one-man business? Or for a company? And which company form?

Your accounting, tax system, liability, capital accumulation, ... differ depending on the chosen formula. We list the aspects that can determine your choice for you.

Ready to tie the knot?

Discover the advantages and disadvantages of the different company forms.

Realize that the choice of the company form has consequences for you, your company and the environment.

Proprietorship

Who?

You and only you.

Establishment and operation

A sole proprietorship is the simplest way to practice an independent activity. You need minimal starting capital, can start quickly and usually simplified accounting is sufficient.

Liability

The personal property of the entrepreneur and the assets for the professional activity are not separate.

Tip: it is sometimes recommended to provide extra protection for your family home in this situation. Here you can read how best to do that.

Tax system

The income from a sole proprietorship is taxed through personal income tax. This tax is progressive: higher profits are taxed more heavily.

Continuity

In the event of the death of the entrepreneur, the inheritance law applies: the property can then be divided among several heirs. This may lead to considerable uncertainty for an heir who already worked in the company.

Partnership

Who?

You and possibly partners who not only contribute capital, but also actively commit themselves to the company.

Establishment and operation

The creation of a company often requires the intervention of a notary. Consider, for example, a financial plan and the drawing up of the articles of association. In short, more formalities and obligations.

Liability

Personal ownership of the entrepreneur and the assets for the professional activity are separate.

Tax system

A company is taxed under the corporate income tax system. This load is lower and does not increase as quickly. The greater the corporate profit, the cheaper the

Tick the aspects that you find important in the choice of your company form and then go to your accountant or notary.

- separation between private and business assets
- protecting your own home and / or several real estate
- willing to take (entrepreneurship) risks
- how much capital / financial resources are needed
- what starting capital do you have available yourself
- rather limited liability
- pursue tax optimization
- collaborate with partners
- can only make decisions
- family context
- attract capital
- separation between property and management is possible
- simple accounting that I can easily see
- quick and easy start-up
- follow-up for my company is not an issue

And handy to take with you!

What information do you need to request a company number?

- The activities you want to carry out with your company.
- The place where you want to establish your business.
- The name that will be given your trade name.

- The legal obligations and permits required. Not a must. The business counter can help you with this.
- Whether your activities are subject to VAT.
- Are you in doubt? Ask your business counter or accountant for advice.

What documents do you need to register a sole proprietorship?

- your ID card
- the bank account number you want to use for your business
- your permits, which must be in order before the start

Start without worries: proactively check which permits you need.

Arrange permits and authorizations ASAP.

Be sure to contact your business counter for this.

How do I draw up a contract?

Draw up a clear contract

Good agreements make good friends, er ... employees, customers, partners or ...

But drawing up a clear contract is not easy. We are happy to help you with a checklist as a guide for drawing up your (first) contract.

Fortunately, you are never alone! Your sector or employer organization always has templates ready for the most common legal matters. Do you need legal experts? Thanks to the SME portfolio, you have a discount on certain legal advice.

A clear contract ensures smooth cooperation.

Keep our checklist at hand while you prepare your (first) contract.

Seek legal advice from experts.

Ask yourself the following questions

- Who enters into a contract with whom? No contract without a complete identification of all parties involved.
- Describe the cooperation as clearly as possible: what, where, when, why and how do you cooperate and is that for (un) definite duration?
- Not only the beginning, but also the (possible) end of a collaboration is important. What if... it goes wrong? Mention suspensive and / or resolute conditions with all possible reasons and consequences.

- Don't forget to protect your intellectual property.
- Include all possible fees, including the payment terms.
- Don't forget: general (mandatory!) Provisions such as confidentiality, splittability and force majeure.

When your work grows above your head, it's time to look for reinforcements. The next step may be recruiting staff.

This can be temporary or for a longer period, full-time or part-time.

Recruiting, of course, costs pennies. The cost is greater than just the gross salary, there are also other costs involved. As a new employer you may enjoy favorable conditions

Check if you are entitled to extra support.

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2.6. Financial District – keep an eye on your money and learn to talk to your accountant

Keep an eye on your money and learn to talk to your accountant.

Many entrepreneurs prefer to spend as little time on numbers as possible. Those entrepreneurs fail. If numbers are not the heart and soul of your company, then they are at least the brain. And you should listen to that from time to time.

In the financial district it is bursting with knowledge and partners. They help you turn your idea into a monthly income or even a salable business. Together with them, you create financial peace of mind and space to look ahead, and you increase your chances of success.

Because then the world is at your feet.

How do I find the accountant that suits me?

Find the perfect accountant for your plan

Every company needs a good accountant. Yes, yours too!

If you find the right accountant, the start-up of your business often goes more smoothly. An accountant is a service provider, but above all a confidential advisor. An essential help with your financial affairs ... He / she gives good advice about your accounting and helps to steer your business operations.

Knowledge of your sector is a plus, so he / she is also a gateway to market information.

In short; you will spend quite a bit of time together. So also take the time to find an ideal match, because you are (hopefully) at the beginning of a sustainable working relationship. Don't forget: a personal click is a bonus.

But how do you find the most suitable person?

Pay enough attention to choosing an accountant.

Draw up the most important selection criteria for you in advance.

Schedule a chat and find the right match.

Draw up selection criteria

Ask fellow entrepreneurs who they would recommend. Or search for it yourself. In any case, consider which selection criteria you consider necessary when making your choice.

Draw up selection criteria

Ask fellow entrepreneurs who they would recommend. Or search for it yourself. In any case, consider which selection criteria you consider necessary when making your choice.

Some suggestions:

- does your accountant know the sector? Or is that not important to you?
- do you choose an accountant close to home or does that not matter much?

What are the expectations towards your accountant:

• do you want to do some administrative work yourself (possibly via a software package) or are you looking for an accountant who takes care of everything from A to Z?

- are you looking for someone who thinks strategically or not?
- you also need additional advice: for example in the legal field.
- do you always want to contact the accountant or does it not matter that much?

Find the ideal match

As soon as expectations are clear, the search can begin. Also personality and approach play an important role in choosing your accountant. You enter into a long-term partnership. You can start your search through the professional institute for accountants , accountants and auditors

The introductory meeting

Made your choice? Make an appointment and discuss the points from your list of selection criteria. Furthermore, ask enough questions. This gives you an insight into the approach, knowledge and (communication) style of your accountant and his / her office. Some questions you can ask:

- Which type of company do I choose?
- What is the difference between a cost and an investment?
- What do I have to take into account when changing my status?

Write down your questions (and answers) below or in your booklet.

Make clear price agreements

At the end of the conversation, you usually receive a clear offer. The cost may vary depending on your expectations and what the accountant is doing. You can also often choose between a fixed price per financial year or a price per hour. The price does not say everything. Also take into account which service you get at the predetermined price.

Tip: be sure to read the publication ' Working with an accountant-tax specialist ' and learn the jargon of your accountant.

What sources of financing can I use?

Discover all your financing options

You don't just start a business. You first have to invest in a starting capital, a computer, a nice website, an initial stock,

And that all costs money. Often you don't arrive with your own savings.

But those own resources are very important: they reflect the risk that you want to take for your company and - perhaps more importantly - they are indispensable for obtaining external financing.

How? So...

Own resources are important when starting a business.

Fortunately, you can always supplement it with additional financing options.

Check the subsidy database to facilitate your financing.

And now it's up to you...

Seek financing

There are many external financing options, depending on your "life cycle" as an entrepreneur: starter, buyer, grower, innovator.

Do: Check out the following infographic and find out what factors influence your search for funds.

What grants are there for me?

Grab all your (financial) opportunities!

You are never alone as an entrepreneur. Many institutions have a lot of subsidies for motivated entrepreneurs like you.

Yes you! You just need to know where to find those grants.

Are you sure you take every opportunity? A quick check might bring you some extra support or financial resources.

Check your support options online. Today. Now!

Do not waste any financial support.

Get to know the financial options tailored to your case.

And now it's up to you...

How do I keep track of my money?

Make a cash plan to keep an eye on your cash flow

Did you know that a lack of cash is the number one cause of bankruptcies? Conclusion: a healthy company needs a cash plan. Not sexy. It is essential if you want to avoid bankruptcy. Important enough to pay attention!

What is your win with this time investment?

The cash plan gives you a clear view of your income, your expenses and when exactly you need to receive / pay them. You can see which working capital you need to run your business. A cash plan is also part of the start compass, an instrument to investigate the feasibility of your business.

Ready, set, cash plans!

Those who do not have insight into the cash flow of their company are more likely to go bankrupt.

You can download a handy template cash plan (= part of the starting compass) for free.

Use the cash plan to estimate your cash flow (forecast) and / or record it (tool).

Tips to fill in your cash plan

1. You can use the cash plan as a forecast of your future cash flows. Interesting for your banker and yourself.

2. After the forecast, use the cash plan to enter your effective income and expenses.

3. Fill in all amounts including VAT per month in the cash plan. After all, it is about the amount in your account.

4. The time of payment determines the month where you enter income or expenses.

5. Not quite up to date with the financial aspect of entrepreneurship? Check the training offer.

6. How much net salary will I have at the end of the month?

7. Calculate your net pay (so you know how much you earn monthly)

8. As an employee, you know exactly how much will be deposited into your account at the end of the month. This often changes as an entrepreneur.

Sometimes your income as a self-employed person is fixed. For example, you conclude an agreement with clients who use a fixed rate. This gives you a good idea of your income. But how much net do you have left?

Do you want to get a better overview of your net pay? Would you like to gain more insight into the impact of a turnover change or cost increase on your net wages?

9. We will help you on your way. Use an online tool to simulate your net salary as an entrepreneur or ask your accountant for advice.

10. Calculate your net wages using an online gross-net calculator

11. Get a view of your net pay.

For more detailed information updated for 2020 for starting business in Bulgaria:

<https://www.doingbusiness.org/content/dam/doingBusiness/country/b/bulgaria/BGR.pdf>

2.7. Help Desk

[Who can help you to start your business?](#)

Business support organizations:

1. CCI-Vratsa - <https://www.cci-vratsa.org/>
2. ARED-Vratsa- <https://www.arir-vratsa.org/>
3. Bioselena Foundation - <https://bioselena.com/en/>
4. BOPA - <http://bgbio.org/>
5. Local food Foundation- <https://www.localfood.bg/foundation/>
6. Smart Agro start - <https://smartagro.bg/>

[Who can help with your projects?](#)

1. Institute for Agrostrategies and Innovations- <http://agroinnovations.bg/>
2. Inteli Agro - <http://inteliagro.bg/>
3. Agrobusiness incubator-<https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/organisation/business-incubator-gotse-delchev>
4. Regional offices of State Fund „Agriculture”-Vratsa-<https://www.dfz.bg/en/contacts/regional-offices/>



3. Registration of a company in Bulgaria

<https://www.lex.bg/bg/laws/ldoc/-14917630>

According to relevant legislation, foreign nationals can hold up to 100% of the capital of a Bulgarian company. The process of founding of a company is simple and includes the following steps:

- Registration of the company in the commercial register (court decision is no longer required) in accordance with the procedure provided for each type of company by the Commercial Register Act of 2008. The statute which is approved prior to the registration of the company, must include those elements that are mandatory for a particular form of company, in accordance with Bulgarian law. The time required to complete all procedures until the company is finally registered is approximately 1 month.
- After one - stop registration in the trade register, the company receives a Unified Identification Code (UIC), which serves every public purpose (social security, statistics, taxation, etc.) and no additional registration is required (e.g. at the National Statistical Institute).
- All the above mentioned, do not apply to the offices of a commercial representative of a foreign company, which must register in addition to the commercial register and to the National Statistical Institute for statistical, tax and social security purposes.

3.1. Types of companies

- Investors who want to **open a company** in Bulgaria must choose the type of structure and register the legal entity with the Commercial Register. An important source for commercial companies and for running a business in Bulgaria is the Commerce Act.
- Companies are taxed in Bulgaria on the income they derive from a Bulgarian source. Different taxation schemes may apply for foreign companies that operate through a **branch** and whose principal company is located in a country with which Bulgaria has signed a double tax treaty.
- Companies in the agricultural sector will need to observe the **VAT** Act and the registration that is mandatory in his case.

In Bulgaria, the legislation specifies that business activity, or more simply business, is carried out by traders who are subject to registration. For the purposes of the description, it can be

summarized that business is an activity that is aimed at making a profit - selling of goods or services.

There are basically two types of traders:

1. Sole traders (proprietors);
2. Trade companies.

3.1.1. Sole proprietor

A sole proprietor (SP) is a person who decides to self carries out business activities. In the 1990s a large part of the companies they were sole traders, on the one hand - because the registration was easier, and on the other, because people just weren't familiar with it other business companies.

A sole trader is exactly what the name implies - one person becomes a trader - SP. SPs are subject to registration in the Commercial Register.

For example, if Andrew decides to open a bicycle repair shop, he can register it as an SP and make repairs against money. In this case, Andrew is the company itself. The company is not an individual, different from Andrew. It bears his name and some addition, for example, SP Andrew - Bicycle Service.

3.1.2. Trade companies

Businesses are what most people think of as the word "business". They are SOLTD, LTD, JS Co and some other abbreviations that are not so popular.

Having a company means registering yourself as a trader and becoming an SP or creating a new business entity to run your business.

The main difference between trade companies is that they are different persons from their founders. Instead of registering as a SP, he may choose to establish an SOLTD. It is a weird abbreviation for a sole proprietorship limited liability company. It is at this stage suffice it to say that the trader is not Andrew, but the company. It is different from him. It has its own property, its rights and obligations. Yes, the company is owned by Andrew, but it is not Andrew.

Of course, by their definition, trading companies involve the association of more than one person. Andrew and Boris can jointly register their company. It will also be a completely new and different entity, different from both Andrew and Boris.

Unlike sole traders, trading companies can be of different types. The differences are basically the extent to which the founders of a company are tied to its management. In Bulgaria, the most common form of doing business is limited liability companies - Ltd. Next up are the joint-stock companies - AD. In addition, there are other species that are far behind in practical application and will pay less attention to them.

3.1.2.1. Limited liability companies (LTD)

They are called this way because the name reflects their primary function - to limit the liability of the founders. There are two options here:

Option A: Register an SP

If you are registered as an SP, there is no difference between the company and you. This is one person.

When a person registers as a sole proprietor, the obligations of his business are also his own obligations. If things go wrong, there is no guarantee of personal property, even if it has nothing to do with business.

Option B: Register sole owned limited liability company (SOLtd)

Your Ltd. is a completely separate person from you. This is a liability only within the assets of the company, with your personal assets being yours and not the company's. This is the huge advantage of limited liability companies over sole proprietors. In essence, starting a business is a risky business. Often it fails, so liability is limited through companies. An investor can only lose what he originally invested in his business, but he may not worry about the rest.

Main characteristics of the limited liability companies

One Ltd. differs from all other Ltd. in its main characteristics. These are:

- Property;
- Management;
- Name;
- Address;
- Activity;
- Capital

Before registering your company, you must be aware of each of these characteristics for your company. They shall be entered in the Commercial Register. This is a public database, with a file of each company, which contains the following sections:

Ownership of the limited liability companies

Limited liability companies have their owners / partners (OOD) or sole proprietors (EOD). Who owns a company is determined by the distribution of capital at the time of the incorporation of the company. The capital is paid into the account of the company by the partners or one

Benefits of subsidiaries

Subsidiaries are mainly applicable to the structuring of the business activities. For example, a parent company may have different subsidiaries, each of which manages a particular segment of activity - distribution, production, sales, etc. The division of activities allows for differentiation of costs and revenues and control of risk. If a product does not go well and the corpse loses, it will not affect the entire business, and the damage will be limited to that subsidiary that manages it.

Another advantage is that by setting up subsidiaries, investors can be attracted who are interested in investing only in a particular area of business. Let's say you have a marketing company - traditional and digital. Appears a potential investor who wants to participate in digital but not in traditional marketing. In this case, you can create a subsidiary where you can outsource your digital marketing activity and offer investor participation without committing yourself to traditional marketing activities. There are also purely accounting advantages when setting up a subsidiary. For example, the amounts invoiced by the parent company to the subsidiary may be tax deductible and deducted from the financial result. A very significant advantage is tax consolidation. It allows the consolidation of the profits and losses of all subsidiaries of the parent company. If one of the companies is profitable and the other is lossy, the two results are deducted to obtain a final profit or loss on which corporate tax is charged.

EXAMPLE: For example, amounts invoiced by a parent to a subsidiary may be tax deductible and deductible from the financial result. A very significant advantage is the tax consolidation. It allows the consolidation of the profits and losses of all subsidiaries in the parent company. If

one of the companies is at a profit and the other at a loss, the two results are set off to obtain a final profit or loss on which corporate tax is charged.

As of 2019, there are new rules for subsidiaries. Each of them must already declare in the Commercial Register its true owners. There are two categories of companies that need to declare data in the register:

- Companies in which one of the partners is a legal entity;
- Companies in which legal entities (other companies and organizations) can exercise control.

A legal entity may be a partner in a company or directly be its sole owner. The LMIP establishes the following rule: If a company has a partner with a legal entity with a shareholding of at least 25% of the capital, then the company must declare a beneficial owner.

The real owner is always an individual. In this case, it will be the owner of the legal entity that is a partner.

An important condition that must be repeated here is that a company that is a partner of another company must own at least 25% of the company's capital. If, in turn, this company is owned by another company, then its owner should be investigated, and so on, until the individuals behind the partner are identified.

Exercise of control is the second ground on which a declaration of ownership must be submitted. According to the Commercial Law, one person exercises control over another if:

- Holds more than half of the votes in the General Assembly;
- Has the right to appoint more than half of the members of the governing body.

In the case of companies, one legal entity will only be able to exercise control over another if it has more than 50% of the shares or shares in the capital. The other hypotheses provided for in the law are rather casuistic. The difference with the above hypothesis is that the requirement here is not for 25% but for 50% of the capital. Also, the declaration is completed information about the legal entity, not the individuals behind it.

Management of the limited liability companies



The partners may choose one of them as manager of the company or appoint a third party. We have the same situation with the sole proprietor. He may choose to become a manager or appoint a third party as the manager of his company. The company may have more than one manager.

The manager organizes and manages the activity of the company, in compliance with the law. He is also a representative of the company. In the case of several governors in one company, the incorporation contract must state how they will represent it. The most common way of representing multiple managers is "Together and individually".

The manager is the person who makes the most decisions in a company. He contracts, appoints employees, represents the company in front of various institutions. In a startup business, the manager is often the owner or partner. However, this is not it must be so.

The manager is responsible for his actions to the partners for damages that he causes to the company. This can happen when making a bargain or inaction that the business is suffering from. The responsibility of the manager is exercised in court as the partners have the right to file a claim.

Name of the limited liability companies

The company name is its primary identifier along with the unique number (UIC) that is assigned to the register

The name of the company selected at the time of registration is subject to change over time. It may be replaced by a decision of the general meeting or the sole proprietor. Changing the name does not change the subject (s). The company remains the same but with a different name. It is important that, along with the change of company name, the Latin alphabet should be changed in order to maintain consistency between the two.

Company address

There are two concepts here:

- Headquarters - the seat is the place where the company is established
- Management address - the exact address where the office is located.

The original management address is the one of the owners. There is no need for the address to actually have an office or the company to have any formal right to use it - a lease or ownership document.

If the company has a retail outlet, it can be used for office. There is only one management address, so more offices have to choose one primary.

The only requirement when registering a company is the address to be real, i.e. in fact, that something exists at that address.

The legal significance of a management address is primarily related to the communication that a company conducts. For this reason, it is important that the address is up-to-date and has permanent access to it, as the frequency of correspondence sent to the company address will be considered automatically received when sent to this address.

When choosing a business management address, it is a good idea to select the most commonly used address from owners if there is more than one site. The address registration of the company determines with which territorial structures and local authorities the company - municipality, territorial directorates of the NRA, NSSI, IT, courts, etc. will interact.

The business address can easily be changed later.

Company activity

As a rule, the scope of activity of a company is a description of the activities that the company will perform. Often spelling out the subject matter is too formal and it is purely informative meaning for people who want to check it in the Commercial Register. For the convenience of those who would be looking for a business partnership, I recommend starting with the one that is essential to you in the list of activities.

Limitations on the subject of activity

Restrictions on the choice of subject of activity are legally defined, and these are activities for which there are special requirements:

- Banking
- Insurance
- Medical Practices
- Law services
- Health insurance and more.

Compulsory business activity - For companies operating in some of these areas of business, it is mandatory to specify a business activity that is clearly defined by law.

90% of the acts also include "And any other activity not prohibited by law", this is done due to the inability to list all possible business activities in the subject of your company. Adding a supplement for all activities is optional.

Economic Activity Code

This is a feature relevant to the business of the company. The activity codes are contained in the National Classifier of Economic Activities.

The indication of an Economic Activity Code is optional and is usually applied when a company is set up to apply for a European Union funding program. A common requirement in these programs is that the firm has an economic activity that is consistent with the activity funded through the program, because of the programme's targeted nature.

Such code is obtained from the National Statistical Institute.

Capital of the limited liability companies

This is one of the most important characteristics of limited liability companies. The capital, at the time of writing, is a minimum of BGN 2. It is actually a numerical guideline for the size of the company, and it is divided into equal-sized units, each of which is an integer and is not less than BGN 1.

The capital is deposited in the bank account of the company before its registration. Each partner contributes his or her own share of the cash to the fundraising account.

The partners in the company may have an equal or different number of shares.

The authorized / initial / capital has several functions:

- Initial / start-up / property of the company;
- Regulates the distribution of ownership of the company;
- Serves for evaluation at leaving and attracting partners;
- Shows how decision-making and profit distribution are distributed within the company.

Company's initial assets

The capital of the company is all the available monetary and material condition that it has at the time of its registration. The money deposited in the bank account does not remain blocked in it, but can be used freely for the company's activities. Their unblocking takes place after presentation of a certificate of registration of the company under the CA. The capital can be changed by a decision of the partners or the sole owner

3.1.2.2. Joint-stock Companies

Joint-stock companies are the most complex in terms of structure and management, but as part of the eligibility of ownership and organization we will point out in parallel with other companies.

Joint-stock companies (AD):

- are limited liability companies (the company has its own property other than that of its owners and is a separate entity);
- can be single (have only one owner) or collective (with multiple owners). In OOD they are called partners, and in AD - shareholders;
- are capital companies (the companies have their own capital, which is initial property, reflects the ownership in the company, profit distribution, etc.).

This is where the differences begin because of the different ways in which they capital can be structured, and then because of the different forms of managing this type of company.

Capital of the Joint-stock companies

The equity of a joint stock company is divided into shares.

Shares are easier to transfer. The biggest advantage is that you do not have to go through notarization. Thanks in part to this quality, shares can also be traded on regulated markets - on the stock market. In order for this to happen, the shares and the joint stock company must meet certain requirements.

Another advantage of shares is that they may have different rights. For example, some shares may guarantee the shareholder (their owner) to receive a share of the profits or a larger share than that of the other shares. Another right may be that the shareholder has the right to request, under certain conditions, the company to repurchase its shares.

However, stocks may also come with fewer rights.

EXAMPLE: The capital of the JSC is a minimum of BGN 50,000. It is not obligatory to pay the entire amount at the time of registration. You can deposit to the fundraising account of the company from the capital, i.e. BGN 12,500, and the rest to be paid later

Management of the Joint-stock companies

Like the partners in OOD, the shareholders in one AD form a general meeting. It solves only the most basic issues related to the management of the company:

- Changes in the Articles of Association (the Articles of Association is the main document for a joint-stock company. It describes the rights and obligations of the shareholders, the types of shares, the method of management, etc.);
- Increase and decrease of capital;
- Transformation and winding up of the company (Transformation means a major restructuring of the company, for example, merger with or merger with another company.);
- Appointment and dismissal of other governing bodies.

The General Assembly is called the supreme body and the rest - the governing body. There are two options for AD management:

- one-tier system
- two-tier system.

One-tier management system of the Joint-stock companies

In a one-tier system, the governing body of a joint-stock company is the board of directors. It consists of individuals, but the articles of association may provide that legal entities (companies and organizations) may also participate in the board of directors. They participate in the council through their own representatives.

The Board of Directors generally represents a joint stock company together, but in practice it is more likely to appoint an executive director. The CEO is part of the board of directors, but is authorized to represent the company on his own.

Two-tier management system of the Joint-stock companies

In this system, the company is managed by a board of directors. However, the activity of the Management Board is controlled by another body - the Supervisory Board. The members of the Supervisory Board are elected by the General Meeting of Shareholders and those of the Management Board by the Supervisory Board. The same person is not allowed to participate in both councils.

The main body here is the Governing Board. Its composition is at least 3 and up to 9 people. The board of directors may have a chairman who represents the company independently, similar to the executive director of a one-tier management system.

Advantages of the Joint-stock companies

The joint-stock company is suitable for larger businesses with more investors. The great advantage of Joint-stock companies is precisely the different types of shares and the fact that not all the shares in one company need to be the same. By issuing different classes of shares, a very good balance is struck between the rights of founders, old and new investors. Often such a balance can be achieved at limited liability companies, but in practice, this means applying a much more complex scheme than simply registering a corporation.

The shareholders in AD are far less involved in the management of the company than the partners in OOD. This also allows shares to be presented to persons who have never participated in the governing bodies or actually participated in.

<https://business-adviser.bg/registraciq-akcionerno-drujestvo/>

3.1.3. Freelancers

Another way to do business is through practicing a freelance profession - these are most often people who are engaged in art, small crafts, lawyers, consultants and others.

3.1.3.1. Registration of freelancer

As already mentioned, sole traders are registered as such in the Commercial Register. With their registration, they already operate under the name of their company and receive their unique identification code (UIC).

Free professions are not registered in the Commercial Register. They are not traders.

They are registered as freelancers in the BULSTAT Register, as well as in the National Revenue Agency. An application for registration of a freelancer shall be submitted to the BULSTAT Register on the spot or electronically (with an electronic signature). The following shall be attached to the application:

- ID card;
- Application for registration of a freelancer;

- Documents proving the necessary qualification for carrying out the activity - diploma, certificate, etc.;
- Declaration of the truth of the stated circumstances;
- Document for paid state fee.

After registration you do not receive a unique identification code, and this role is performed by your PIN. An important detail when registering in the BULSTAT Register is that you must show a diploma for a qualification that corresponds to the free profession for which you wish to register. Along with the registration in the BULSTAT Register, a registration is made in the respective territorial directorate of the NRA. By law, the term for both registrations is 7 days, starting from the moment of starting the activity.

3.2. Accounting and administrative duties

The law allows freelancers not to keep accounts in the same way as limited liability companies and sole traders. The liberal professions also do not need to have a cash register when receiving cash payments. However, they are free to issue invoices.

They file tax returns as an individual.

3.3. Tax payments

Free professions owe a tax on their income and businesses owe a tax on their profits. They do not calculate profit and loss, but only income. For this purpose, they use the so-called tax base / income derived from professional activities, reduced by the recognized costs of 25% and a tax rate.

The tax base is the amount on which the tax is calculated. At freelancers is the income earned from a professional activity.

This income is not the tax base but is used to form it. The law states that a freelance practitioner has some expenses that must be deducted from the tax base because it is not fair to pay taxes on them. These costs are called recognized expenses and are fixed at 25% of income. It doesn't matter if the real costs are more than 25% or less. The recognized costs are important and they are 25%. This means that for a freelancer, the tax base is 75% of the income he or she receives from his or her professional activity.

The tax rate is the amount of tax that is charged on the basis. At the time of writing, it is 10%. These 10% are accrued on 75% of the practitioner's income.

It can be inferred from the above two paragraphs that the tax which the freelancer owes is 7.5% of the income he earns from practicing his profession.

But that's not all. Not all income includes recognized expenses of 25%. The law assumes that for royalties and royalties the costs are higher - 40%.

The following table is also for convenience:

Source of income	costs	tax basis	tax rate	tax
income by exercising profession	25%	75%	10%	7.5%
copyright income	40%	60%	10%	6%

The freelancer can have income from many different sources, and this is especially true for arts activities. However, one person may register to pursue a single profession. This means that, purely formally, you cannot be both a photographer and a programmer at the same time.

EXAMPLE: Maria Ivanova is a freelance farmer. For 2017 it has received revenues totaling BGN 10,000.

The statutory costs will be calculated:

$10,000 \times 25\%$ (NPR for a free profession according to the Personal Income Tax Act) = BGN 2,500.

This is the amount of costs that will be recognized when submitting her annual declaration. But the real, actual costs of raw materials and more. They can be more or less.

What insurance obligations do you have as a freelancer?

- Compulsory insurance contributions for disability due to general illness, old age and death must be made. At your choice, you can also be insured for general illness and maternity.
- You are also obliged to pay your health insurance in the amount of 8%. By the 25th of each month I have to pay an advance insurance for the previous month in the amount of 8% of the income on which I am insured (the income cannot be less than the minimum monthly insurance income). By April 30 of the year following the year indicated in my annual tax return, I must also make a final contribution, which is the difference between the total amount of health contributions due and the amounts paid in advance during the year.

Example: Advance payment: I have to pay my health insurance contribution for the month of October 2020 and I insure myself on the minimum monthly insurance income (BGN 610 for 2020). Therefore, by November 25, 2020, I have to pay $BGN 610 \times 0.08 = BGN 48.80$.

Final payment: In my annual tax return for 2020, I calculate and indicate the total amount of health insurance contributions due by me in 2020. If my real income does not exceed the insurance, I will not add. But if I exceed it, I will have to level them. For example, I owe BGN 640 and the total amount paid during the year - BGN 585.60 (BGN 12×48.80), then by April 30, 2021 I have to pay the difference in the amount of BGN 54.40.

Advantages of freelance

The basic advice that can be given here is: If business expenses are below 25% of income, then there is an economic logic in registering as a freelance practitioner.

However, there are others. For example, if he is a programmer, he can choose to register his business or practice freelance. From his point of view, it may be better to be a freelance practitioner, but some companies, especially foreign ones, will refuse to work with him for that reason. The reason is that this creates more bureaucratic obligations for the contracting company.

Being a freelance practitioner also has the risk of being unlimited liability that does not exist with EOOD. Like sole proprietors, self-insured persons are responsible for their obligations with all their assets. If something goes wrong in a contract, it won't no guarantees or restrictions, and business is initially a risky business that often goes bad.

Another disadvantage of being a freelance practitioner is that by definition she is performs independently. If you decide to grow your business with your partner, complex revenue and cost allocation schemes can be devised, but it would be much cleaner to do so with OOD. If you want to attract an investor to your business, then you will almost certainly need a company.

The key here is that you can change the way you do business. Once registered as a self-insured person does not mean that you remain so forever. You can always deregister and start doing business on behalf of your company - EOOD.

Why to choose a limited liability company for your business?

The vast majority of entrepreneurs in Bulgaria develop their businesses through limited liability companies. If we look at the statistics published by the National Statistical Institute, we will see that the largest part of the companies, which are registered every month in Bulgaria, are EOOD. Next are OOD. Many of them are sole traders and joint stock companies. This is no accident and is a trend that is observed everywhere in the world. The main reasons include:

✓ Limited liability

This is the biggest advantage of EOOD and OOD. With the help of this legal form, anyone can start a risky business venture without worrying that it will lead to its final destruction as a person. Being able to register such a company is a very powerful engine of the economy.

✓ Less bureaucracy

Limited liability also exists for joint stock companies. However, their management is more complex, and registration is not only complicated, but also much more expensive than that of EOOD and OOD.

✓ Costs savings

Establishment costs are also not high. More about them later, but only for comparison with the joint stock companies, we will mention that the minimum capital for the establishment of an AD is BGN 50,000, while for EOOD and OOD it is only BGN 2.

✓ Taxation

The fact that companies tax profits, not income, can be a big advantage. A business is not always successful and often the profit margins are not large. In this case, the taxation of income instead of real profit can be disastrous.

✓ Partnership

Limited liability companies are suitable for both independent practices (EOOD) and partnerships (OOD). The shares of the capital do not give as many opportunities as the shares in AD, but still allow all sorts of different distributions of property. Accepting new ones, leaving old ones and excluding partners from the company, although more difficult than with AD, is also not particularly difficult when there is consent of all parties.

✓ Management



The management of a limited liability company as a current administrative activity on a monthly and annual basis is actually not very complicated. Insurance is paid every month and

eventually VAT declarations are submitted, and on an annual basis an accounting closing is made and a financial report is announced. An important recommendation is to hire your own accountant or use the services of an accounting firm. This will greatly reduce the administrative burden for any new entrepreneur.

4. Preparations for registration of a limited liability company

Before registering your company, there are a few questions you need to prepare for in advance. They are related to the main characteristics of the company, which are mentioned above. Here we will give specific recommendations for them.

4.1. Company name

We already know that the company name must be free. There are already so many registered companies in Bulgaria that it often happens that the chosen one is occupied. In this case, you are advised to make a small change by adding a supplement. For example, instead of "Company" Ltd., the name can be "Company 2019" Ltd., "Company Bulgaria" Ltd. or "Company Group" Ltd.

Another recommendation is, if the company will act abroad, to invent a name that sounds in a foreign language. It is a good practice here to check if the name does not mean some simplicity in a foreign language.

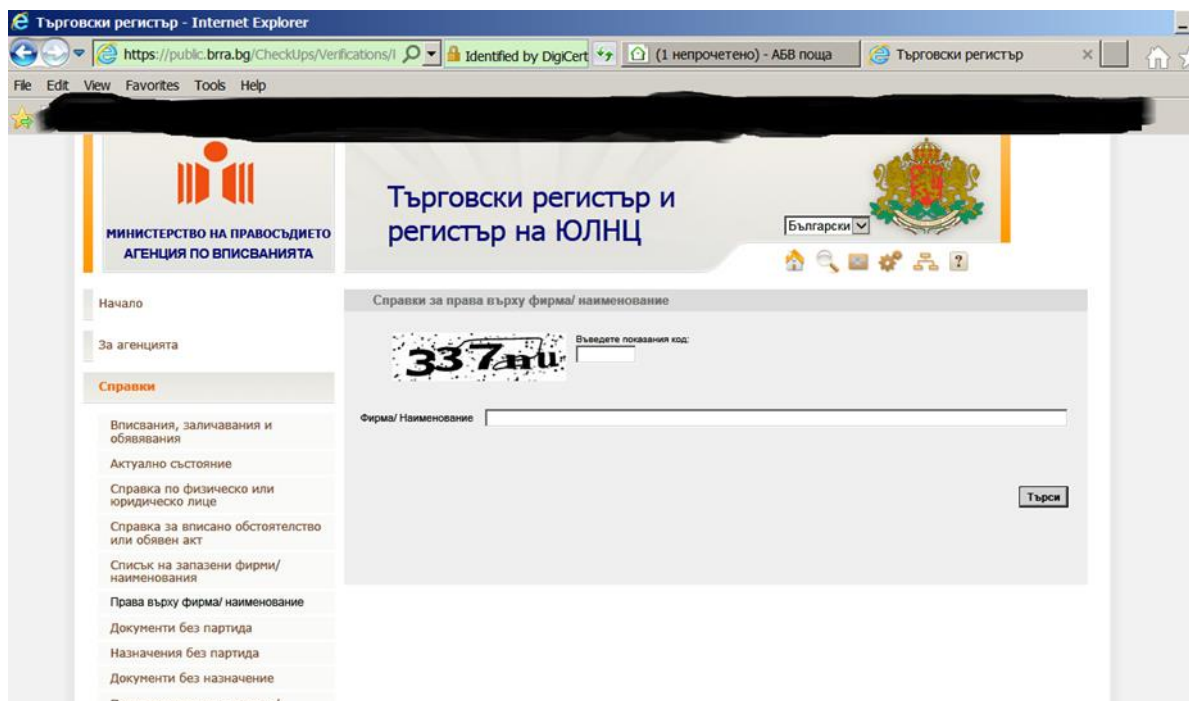
EXAMPLE: To Check the name of a Ltd. or Ltd. (company):

Before you start entering the registration data, check if the desired name of the company (firm) is free.

1. Enter the site of the Commercial Register -www.brra.bg
2. Through the "References" menu, enter the "Company Rights" or this link:
<https://public.brra.bg/CheckUps/Verifications/RightsOverCompany.ra>
3. Enter the desired company / company name here.

A list of companies containing the name you typed will appear. * If you see a red caption "No results found!" or a list of company names appears, but there is no exact name match, so the name you want is free. Please note that there may be several pages with the results of your search - at the bottom of the list of companies is listed how many results are found. Browse all the pages to make sure the name is not occupied.

<https://public.brra.bg/CheckUps/Verifications/PreservedCompanies.ra>



4.2. Company activity

It's easy here. You should simply avoid the activities listed above in the Manual, which require a special license. Tip - describe in simple words the main activity of the company.

If you are doing the company with the idea of participating in a public procurement, it is important to consider the possibility to indicate the required code of economic activity.

<https://www.nsi.bg/sites/default/files/files/publications/KID-2008.pdf>

4.3. Company address

And here there is not much complexity. If you have an office, you can specify it. If not, you can easily specify your personal address. Just remember that the address of management of a company is public in the Commercial Register along with other data that we consider here. This means that if you provide your address, everyone will be able to see it in less than a minute.

4.4. Company capital

What not to do? Do not specify the minimum capital of BGN 2. The law allows it, but there are two reasons why you want to avoid this:

- Capital of BGN 2 just does not look good in the file of your company;
- Capital of BGN 2 cannot be used for efficient distribution of shares in the company;
- The money will not be enough for the initial company expenses.

When one of your contractors decides to check your company, one of the things he will surely look at is her case (file) in the Commercial Register. If you indicate a capital of BGN 2, this may seem frivolous to your potential partners.

When you have a capital of BGN 2, the only options for its division are 1 share of BGN 2 and 2 shares of BGN 1. If you are two partners, you can only divide the property equally, i.e. each to have one share. In practice, you can't be more than two. Even if you are alone in the beginning, it is possible in the future to attract an investor or partner and want to cede to someone, say, 5 percent of ownership of the company. This cannot happen with a capital of BGN 2.

The reason is that as mentioned above, the capital is divided into shares, each share being equal and its value cannot be less than BGN 1.

The capital paid into the bank is everything that the company will have at its disposal at the beginning of its activity. Let's say you have to rent an office with your company and pay a deposit for it in the amount of BGN 1,000.

Okay, but the company only formally has only BGN 2. One option is to pay the deposit out of your own pocket. Then they will not be considered a cost to the company. The other approach is to put money in person in the company's account and then the company to pay the deposit from its own account. However, in order for the money to come from you to the company, some legal basis is needed. It is most often done of a partner from Ltd. is almost impossible. However, some entrepreneurs prefer to insure themselves additionally by transferring part of their capital to a third party. In this way, it would take part in the exclusion votes and would block such decisions.

4.5. Company management

Most often the manager of the company is one of the partners. In the case of EOOD, this is the sole owner of the capital. This question seems quite easy, but in fact it hides its peculiarities.

The most common reason for appointing a manager other than the owner is to optimize insurance. It is common practice to appoint a retiree as a manager purely and simply for reduction of monthly insurance costs.

Another reason is that a person may at any time receive unemployment benefits or maternity or paternity benefits. Holding the position of manager is incompatible with these benefits and will lead to their termination. Some people are not legally allowed to participate in the management of companies.

Another question is - is the company managed by one or more managers? Here the decisive factor is also most often the insurances. These are not due to the partners, but are due to the managers in the company.

If there is more than one manager in the company, a management method must be chosen. It can be together, separately or "together and separately". Together means just that - that managers can only represent the company together. In order to conclude a contract, it must bear the signatures of each of the managers. Separately, the opposite is true. The contract will be valid if it is signed by only one of the managers. The term "jointly and severally" means that the contract will be valid if signed in both ways. In practice, this way of management is identical to the management separately.

<http://www.brra.bg/DefaultDocuments.ra>

4.6. Company documents

The documents required for registration of a limited liability company are in some cases different for EOOD and OOD.

Below we will look at each document for both forms. But first, let's list them in one list:

1. Company contract (Ltd.) / Memorandum of Association (Ltd.);
2. Memorandum of Association of the partners (Ltd.) / sole owner (Ltd.);
3. Consent and sample of signature by the manager / managers;
4. Declaration by the manager that there are no obstacles for him to hold this position;
5. Declaration under Art. 13 of the Commercial Register Act according to a sample;
6. Import note for paid state fee;
7. Proof of capital of the company paid into a bank;
8. Power of attorney, if the documents are submitted by a proxy.

4.7. Company agreement

The partners in one Ltd. sign a company contract. Through it, they settle relations with each other. The law does not allow much freedom in drawing up a company contract. It mainly records the distribution of ownership between the partners, the method of management, the name, the address and the subject of activity of the company.

It is possible to write down different rules for making some decisions by the general meeting, but this is rather an exception. In general, the practice is the company contract is largely simple rewrites the provisions of the law.

In one EOOD there is no partnership agreement, as there is only one partner - the sole owner. It adopts an equivalent document, which is called a memorandum of association.

The articles of association and the memorandum of association are not notarized. Quite ordinary signatures are placed on them. If the partners in a limited liability company cannot sign the company contract at the same time, one person can sign it first, then another, etc. It is permissible to sign even just scanned copies. It is important that all signatures are present in one copy at the end.

Decision for establishment

This document is a pure and simple decision to register a company. If the company is a limited liability company, this decision shall be entered in the minutes of the constituent meeting of the partners. At EOOD it is just a protocol - a decision. In both cases, the main part of the content of the company contract or the memorandum of association is repeated in the document.

Formally elected:

- Name, address and subject of activity;
- Distribution of capital;
- Choice of management and appointment of a manager.

What is new here is that with this document the manager of the company is appointed or the managers, if there is more than one. Again, as with the company contract, notarization is not required, but only the signatures of the partners or the sole owner of the capital.

Documents from the management

All documents that are signed by the manager within the company registration are complete standard and their content is determined entirely by law.

✓ Consent and sample signature - It is necessary for the manager to declare in writing that he agrees to perform this position, indicating in the document exactly the company to which the consent relates.

In the same document the manager puts a sample of his signature. This happens before a notary. The sample signature, as placed on the document, is stored in the Commercial Register. The meaning of this It is an action for everyone to be able to compare the signature of a document, which is allegedly placed by the manager, with that of the Commercial Register. That is why this document is notarized.

✓ Declaration on the absence of obstacles - When holding this position in a company, the manager must declare in a special declaration that there are no legal obstacles to perform such activity. Sometimes this is done with two separate ones declarations. This document is often considered a mere formality, but it should be borne in mind that declaring false information is a criminal offense.

Unlike the previous document, this declaration is not notarized.

✓ Declaration under Art. 13 of the Commercial Register Act - This is probably the most standard document used when working with the Commercial Register. Applies to any entry of any circumstances. This statement is known as "Declaration of truth of circumstances". Its function is exactly that - the manager declares that the data he announces for entry of a new company in the Commercial Register are correct. The declaration is a model and is in fact a pure formality.

Documents from the bank

The main thing is that as a result you have to get two documents:

- Note for paid state fee;
- Note on paid-in capital

These documents are in the form of a payment order to the budget (state fee) and an import note (for the payment of capital). If the company is a limited liability company, an import note is required for the capital of each of the partners.

A payment order from online banking can also be submitted for the payment of the state fee. A printout for translation is enough, no certification or stamping by the bank is required.

http://bnb.bg/BankSupervision/BSCreditInstitution/BSCIRegisters/BS_CI_REG_BANKSLIST_BG

Power of attorney

As a rule, the manager of the company is the person who submits the documents for registration in the Commercial Register. In practice, however, this is more often done by a lawyer or another person with a power of attorney. The reason for this is that there are two options for registration - electronic or with paper documents. The electronic version is much easier and cheaper, but it requires an electronic signature. Such signatures are usually held by lawyers and accountants.

In principle, the power of attorney is notarized. However, the power of attorney is an exception. For the needs of company registration it is not necessary for the power of attorney to be certified by a notary. A simple signature is enough.

Notary visit

In order for a company to be registered, the manager needs to visit a notary. The notary must be certified with a consent document and a sample signature. If the registration documents are submitted by a proxy who is not a lawyer, notarization is also placed on the power of attorney. No other document is notarized. Until recently, some notaries insisted that the memorandum of association should be certified, but this was not the case.

The price for the notarization is BGN 6.00 with VAT included.

If there is more than one manager in the company, everyone must certify their sample signature. However, only one manager must sign the registration power of attorney. Every notary is obliged to perform this service. The manager needs to bring his / her identity document. On the spot, the notary verifies the data from the identity document with those in the document to be signed and puts his own stamp. By this seal the notary certifies that on that date the person before him has signed the relevant document.

Another action that notaries are obliged to perform is to note the fact of notarization in their internal information system. It is called "Unity 2". Employees in The Commercial Register has access to it and monitors whether the notary has in fact made the relevant note. The reason is that otherwise it is possible for the notarial seal to be fabricated, i.e. forged, and thus to be presented in the Commercial Register.

This issue is especially important for foreign nationals who will perform the position of manager of a company. Bulgarian notaries can practice only on the territory of the country. This one abroad function is performed by the Bulgarian diplomatic and consular missions. In simple words, these are our embassies and consulates.

If there is no embassy or consulate in the respective country, the certification can be done by the embassy of another member state of the European Union.

If the notary services of an embassy or consulate are to be used, it is a good idea to contact the relevant diplomatic mission in advance and to make an appointment.

In addition to the services of an embassy or consulate, those of a foreign notary may also be used. As foreign notaries do not speak Bulgarian, a bilingual document is signed in front of them, i.e. one with a text in Bulgarian and in a language known to the notary. It is possible for a notary to refuse to certify a bilingual document but to request a document that has been translated only into his national language.

In this case, the document itself, and not only the notarial seal, will also have to be translated into Bulgarian.

When the notarization is done by a foreign notary, it is necessary for the notarial seal to be legalized and translated in Bulgarian. This means that it is necessary to place an apostille on the document. This is done in the country where the notarization was performed. In Bulgaria, the document is presented to a sworn translator who makes an official translation and signs it. The translator's signature is certified by the Consular Department of the Ministry of Foreign Affairs.

The above rule also has its exceptions. Bulgaria has concluded legal aid agreements with some countries. Often one of the main clauses in these contracts is related to the simplification of the legalization procedure. Official documents, including those certified by a notary, which come from a country with which we have a contract for legal assistance, do not need to be apostilized. Such is the situation with France, for example. A list of the countries with which we have concluded legal aid contracts has been published on the website of the Ministry of

Foreign Affairs. Not all of them however, they provide for facilitated legalization. At the moment, the countries with which we have signed such agreements and still need an apostille are Italy and Greece.

In summary, if the notarization is done in Bulgaria, there are rarely any problems. If it is done abroad, it is cheaper to use a Bulgarian embassy or consulate. Often, instead of certifying abroad, it is advisable to organize a trip to Bulgaria. It can be useful not only for notarization, but also for opening a fundraising account of the company.

Deposit of company capital

As mentioned above, the bank performs two actions: depositing the company's capital and paying a state registration fee.

The capital of the company is paid into a special type of account - accumulation.

This account is opened in the name of the company, although it does not yet exist. With its registration the company becomes the owner of the funds in the account. They remain blocked in it until the account is transformed into a regular current account.

A company contract (memorandum of association for EOOD) and memorandum of association must be submitted to the bank. Bank employees make a copy of these documents and keep them on their own internal customer file of the company. A large number of documents are also signed, which change too often over time and vary too much according to the different banks.

The most important thing to remember about the contribution of capital is that each partner makes his own contribution to the company. This means that there must be a separate note on the share of the capital of the individual partners. The import does not have to be done manually.

Import notes for the capital are kept because they are necessary for the Commercial Register. It is these notes that are proof that the capital has indeed been paid in. In this regard, some banks have the practice to offer the issuance of a certificate - a document that certifies that in fact each partner has made a contribution to the capital. Such a certificate is not necessary and only will increase the cost of company registration. Import notes are sufficient.

There are often the following problems with import notes:

- Poor document quality;
- Wrong spelling of the company name;
- Incorrect amount of the share contribution

The vast majority of company registrations take place online. For this purpose, the notes from the bank are scanned and their electronic copies are presented. These documents must be scanned in high resolution and in high contrast, as often scanned copies are quite blurry and cannot be accepted in this way in the register.

Wrong spelling of the name is especially common for companies with longer names that do not appear in the import note.

In this case, a document can be taken from the bank showing the full name of the company to which the accumulation account has been opened. The name must correspond literally to what is stated in the documents.

The contributions of the partners must be indicated exactly, i.e. as stated in the company contract of the company. Smaller or larger amounts will not be accepted as correctly paid.

Some banks allow equity contributions to be made after opening a fundraising account. As a rule, the capital is paid in cash when opening the account. However, this is sometimes inconvenient, especially when it comes to large contributions. Therefore, some banks are willing to make exceptions and allow the transfer of capital to the account by bank transfer. In this way, the account will be opened first and then the partners will make their contributions through credit transfers.

In such a case, the payment orders for credit transfer are presented in the Commercial Register. Payment orders from electronic banking are also allowed.

Registration fee

The registration of a company is an administrative service provided by the Registry Agency. A state fee is due for this service. At the time of writing the Guide, this fee amounts to BGN 55 for electronic registration of a company and BGN 110 for submission of paper documents to the agency's office.

The state fee can be paid in advance - as is often the case. However, it is possible that the fee will be paid at the time of submitting the registration documents. If the documents are submitted on the spot in an office of the Registry Agency, the payment is made on POS terminal. When submitting online, a credit or debit card is used again.

When the payment is made in advance, it must be made by bank transfer to the account of the Registry Agency. This is a special account for fees to the Commercial Register. As the agency is a budget enterprise, the payment to it is made with a payment order for payment to the budget. As it is necessary to visit a bank to open a fundraising account, this visit can also be used to pay the state fee. However, the fee can also be paid through online banking.

It is important that the name of the company to be registered appears in the basis of the payment order. Another recommendation is to make the translation on behalf of the manager. The costs which are performed in the procedure for registration of a company, including bank ones, can be recognized as an accounting expense of the future company.

The payment order as a document is retained because, like the import notes for the capital, it is necessary to present it to the Commercial Register.

<https://public.brra.bg/CheckUps/Default.ra?0>

Entry into the Trade Register

If a company exists, it can be found in the Commercial Register. The opposite is also true. The entry in the register is the last step of the registration process. We will focus on the electronic entry of documents, because it is the cheapest and preferred form of entry.

All documents required for registration must be pre-scanned into separate files. The Commercial Register accepts pdf and jpg (jpeg) files. It is easier to use the pdf format. Documents are scanned into separate files. The file name is irrelevant. Scanned documents must be complete and legible.

The most common problems when scanning documents are:

- Unreadable poorly scanned files (especially bank notes)
- Lack of pages

The notary's stamp is often missed. It is sometimes located on the back of the document being authenticated and can therefore be easily omitted.

Here is the list of documents that must be available before the start of registration:

1. Company contract (Ltd.) / Memorandum of Association (Ltd.);
2. Memorandum of Association of the partners (Ltd.) / sole owner (Ltd.);
3. Consent and sample of signature by the manager / managers with notarization;
4. Declaration by the manager that there are no obstacles for him to hold this position;
5. Declaration under Art. 13 of the Commercial Register Act according to a sample;
6. Payment order for paid state fee;
7. Contribution note for paid company contribution by each partner;
8. Power of attorney, if the documents are submitted by a proxy.

The power of attorney must be notarized, unless it is for a lawyer. When scanning files, it is better to use a lower resolution, unless the opposite is necessary. The reason is that the files should not get too big. If large files are still received, they must be compressed. The Commercial Registry will not accept too large files.

Another important part of the preparation for company registration is the presence of a valid electronic signature. This is a qualified electronic signature issued by an electronic service provider. This signature must be issued to the manager of the company or to the proxy authorized to submit the documents. The Commercial Register uses a system to recognize electronic signatures, which is based on relatively outdated technology. This technology is not supported by many more modern internet browsers. You must use Internet Explorer or an older version of Mozilla Firefox that supports Java.

Application for online registration

In order for a limited liability company to be entered in the Commercial Register, an electronic application form must be filled in according to form A4 from the website of the register. The application is available in the "Electronic Services" section. Selected from the list of applications. Below the list itself, the option that this is an initial company registration should be noted.

The application is filled in very carefully. Once submitted, it cannot be adjusted. If there are incorrect data in the form, the registration of the company will be denied, and the paid state fee is not refundable.

Features hides the entry of data for foreigners. If the foreigner has a personal number of a foreigner, this number may be indicated. Otherwise, the date of birth is used as the number. It forms a 6-digit number. Example 900521. This means that the foreign national was born in 1990, month 05, date 21. It is important that the date of birth is written exactly this way.

The above documents are attached one by one to the last page of the application. The Commercial Register accepts documents in pdf and jpg (jpeg) format, but it is much easier to work with documents in pdf.

It is important to consider the size of the files in advance and to compress them if necessary.

It is important to indicate in the application an email for feedback from the Commercial Register and to note that this email can receive messages from the register for instructions and refusals.

Upon completion of the application, it will receive a 14-digit incoming number, which looks like this 20200101093015. The number is not random. It marks the moment of entry of the electronic application. In this case it is 2020, 01 month, 01 number, at 09:30 and 15 seconds.

The number must be remembered. References are made on it for the registration of the company:

The reference is made from the menu "References" on the site of the Commercial Register. "Request incoming application number" is selected.

Usually the entry takes 1-2 days, but often for various reasons there is a delay in the register.

If everything is ok with the registration of the company, the Registry Agency will not send a notification or confirmation. However, in case there is a problem with the registration of the company, the employees in the Commercial Register send a notification by e-mail with instructions or refusal.

Instructions are sent when an error is made when submitting the application, which can be corrected. Most often a document is missing or the attached document is illegible. The instructions shall specify what is required of the applicant. They are executed with another application - G1. It is again in the form of an electronic form in the Commercial Register and must be submitted by the manager of the company or the authorized person.

It is important for the instructions that they must be followed very quickly. If possible, on the day of receipt and, as a last resort, the next day. If the instructions are not followed, a refusal will follow.

Refusal - With the refusal, the Registry Agency refuses to register the company. The refusal is motivated, i.e. the reasons for the decision shall be stated. Contrary to the instructions, the refusal cannot be corrected by application G1. It is necessary to submit a new application for initial A4 registration and to pay a new state fee of BGN 55.

The most common reasons for refusal are for confused data in the application or a discrepancy between the data specified in the application and what is written in the attached documents. For example, if the address of the company in the application is confused and does not comply with that of the company contract, registration will be denied. The reason is that once submitted, the application cannot be changed.

In some cases, an application for the correction of a technical error may be made, but this is rather an exception in the practice of the register.

If everything is OK with the documents, the company will be registered. This circumstance can be established by checking an incoming number in the Commercial Register. If the company is registered, when checking the number, the name will appear together with the UIC of the company.

The company's file can be viewed by anyone in the "References" menu of the Commercial Register and selecting the option "Reference by individual or legal entity":

The company AD is a legal entity. Such are many other organizations - associations, foundations, joint stock companies, government agencies.

An individual can only be a person - Bulgarian or foreign citizen.

Submission of paper documents in the Registration Agency

The physical submission of documents is almost the same as the electronic submission. The main difference is that the state fee here is BGN 110. This is a principle when calculating fees at all in the Registry Agency.

Electronic filing fees are always twice as low as on-site filing. The aim is to stimulate the online submission of documents. It saves agency staff time as well as paper.

The documents are submitted to the office of the Commercial Register. There are such in the regional cities in the country. It is not necessary to make an appointment, but in some cases it may be necessary to wait a long time.

This is especially true in June each year, when many companies submit their annual financial statements and huge queues form in front of the registry offices.

Starting a business in Bulgaria is most often associated with the registration of a limited liability company. Simply put, this is a company - Ltd. or Ltd., depending on whether it has partners, or only one owner. Other business options are:

- Joint stock company - applicable for larger businesses;
- Sole trader - practically without application nowadays;
- Self-employed person - a suitable form for independent activities with low costs and low income.

The main advantage of Ltd. over other forms is that the owners and partners are not responsible for the obligations of the company with their personal property. Simultaneously, the registration and Ltd. management is relatively easy. For these reasons, over 90% of the companies registered in Bulgaria are Ltd. or Ltd.

In order for a company to be registered, it must be entered in the Commercial Register. This is the only way to "start a business". The company has its own characteristics:

- Unique name that can be changed;
- UIC (unique identification code, not subject to change);
- Address;
- Activity;
- Capital divided into shares;
- Manager and way of management.

It is preferable to register online with a qualified electronic signature.

Before a company can be registered, a bank and a notary must be visited. An accumulation account of the company is opened in the bank, and the manager certifies a sample of his signature with the notary.

The company can also be registered from abroad, in which case a Bulgarian embassy or consulate is used instead of a notary.

5. Changes in the company after registration

Sometimes it is necessary to change the initially entered at the time of registration of a company. This is possible by following a special procedure in the Commercial Register. All characteristics of the company can be changed, except for its UIC. It always remains the same.

The change of the name, address or the subject of activity of a commercial company is part of the powers of the sole owner of the capital at EOOD or of the general meeting of the partners in OOD.

The partners vote in favor of the change at a general meeting by a simple majority. It is necessary that both the decision of the meeting and that of the sole owner be recorded in the minutes, which are signed and subsequently presented in the Commercial Register. The decision to change the name, address or subject of activity is not among the decisions for which the Commercial Law provides for notarization. Simply signatures on the document are enough. With the change protocol it is important to take a decision to amend the company

contract of Ltd. or the memorandum of association of Ltd. The new contract or act shall reflect the new name, address or subject of activity.

These changes are the easiest because no visit to a notary is required.

Here is the common in the procedure for changing each of these parameters.

The change is always entered in the Commercial Register on the account of the respective company. This happens with Application A4 for change of registered circumstances, which is provided as a sample by the Registry Agency. The application is submitted electronically with an electronic signature or on site at an agency office. The state fee is BGN 15 for electronic submission and BGN 30 for submission of paper documents. The entry should take about a week, but there is often a delay in the register and the change can take up to 14 days.

The application is signed by the manager of the company or a person authorized by him. The following documents must also be attached:

- ✓ Decision of the general meeting of Ltd. or the sole owner of Ltd. to change the relevant circumstance;
- ✓ New current company contract or memorandum of association, which reflects the new name of the company;
- ✓ Declaration under Art. 13 of the Commercial Register Act - according to a sample;
- ✓ Payment order for paid state fee, unless it is paid together with the submission of the documents;
- ✓ Power of attorney, if the documents are submitted not by the manager but by a third party. If the proxy who submits the documents is not a registered lawyer in Bulgaria, the power of attorney must be notarized.

There is no obstacle to enter more than one change at a time, i.e. for example, to change the name and address of the company. In this case only one application is filled in and one fee is due. Here are the specifics of the various changes in this category.

5.1. Change of company name

Here it is important to keep in mind that the name of the company, written in Latin letters, should not be a translation of the Bulgarian name, but is formed according to the rules of transliteration.

When changing the name of a company, all the rules we mentioned earlier in the manual for the initial choice of name apply, namely:

- ✓ The name should be free;
- ✓ To contain only allowed characters;
- ✓ Not to be misleading or vulgar

5.2. Change of company address

The address entered in the Commercial Register is always considered to be the current one of the company. The consequence of this is that any form of official correspondence will be sent to this address, including with the NRA, the judiciary and others.

5.3. Change of manager

The manager is the most important person in a company. He makes daily decisions about the company's activities, represents it to third parties, concludes and terminates contracts with employees and partners.

Only the most important decisions in the company are left to the general meeting or its owner. All others are under the authority of the manager. He is, of course, controlled by the partners who appoint and dismiss him. It is in the power of the partners to change the manager of the company at any time. Every company must have a manager at all times. This means that if the partners want to remove the manager from his post, they must appoint a new manager to take over the position. An exception to this rule is the situation in which the company has multiple managers and one of them is dismissed. Then you can simply decide to change the management structure and reduce the number of managers.

The change of manager consists of two steps, which are carried out simultaneously, but largely independently of each other:

1. Dismissal of the old manager;
2. Appointment of a new manager

For both steps it is necessary to make a decision by the general meeting of the partners in Ltd. or the sole owner of the capital in Ltd. These decisions are taken at once - in one sitting at the general meeting or by an act of the owner. The decisions are objectified in a protocol. Art. 137 of the Commercial Law stipulates that this decision is subject to notarization, unless otherwise provided in the company contract or the articles of association of the company.

In fact, only the decision to appoint a new manager is subject to notarization. The dismissal of the old manager is not notarized. The question is different if he is released from responsibility for his management activities of the company. This type of decision is different from dismissal.

An important prerequisite for the appointment of a new manager of the company is that the new manager agrees to hold this position in the company. He declares this with a special document, which is also notarized. In this document the manager also puts a sample of his signature. It is presented in the Commercial Register on the company's account. The purpose of this act is to make the sample of the manager's signature public. In this way, third parties can verify the authenticity of the manager's signature on other documents related to the company's activities.

5.4. Entry of the change into the Trade Register

The data on the management structure and the manager of a company are entered in the account of the company in the Commercial Register.

Therefore, the change of the manager becomes a fact for third parties not at the moment of making the decision for change, but only after the entry in the register. Until the change is entered, all customers and the company's counterparties should consider that its manager is the person named in the company's account.

The registration procedure is identical to that for name, address and subject of activity. The possibilities are online registration with an electronic signature and submission of documents on site at the Registry Agency.

Change of company capital

This type of change is the most difficult to enter. They require a visit to a notary and more complex documents to prove the change to the Commercial Register. I divide the changes in the capital into two types: Increase and decrease of capital and Sale of shares in a company.

Capital increase

An increase in capital is much more common than a decrease. The reasons for the capital increase may be different. Most often it is a matter of attracting new partners. Sometimes, however, the goal is to increase capital in order to increase the trust of customers and contractors. The information on the value of the capital is public in the Commercial Register and anyone can check it.

A company with a capital of BGN 200,000 looks more serious than a company with a capital of BGN 2, which is the legal minimum.

The capital of a company - Ltd. or Ltd. - can be increased in two ways:

- By increasing the size of existing units;
- By subscribing to new partitions.

When the size of the shares increases, their distribution among the partners is preserved. It's just that each partition increases its value. However, the shares remain equal in size.

Let's take the following example: Ltd. has a capital of BGN 100, which is divided into 100 shares, each worth BGN 1. At a general meeting of the company a decision is made to increase the capital. The new capital of the company will be BGN 500, as each of the existing 100 shares of the capital already will be worth BGN 5. This way of increasing the capital is suitable only when there is no internal or external redistribution of shares. The ownership ratio of the company will remain the same.

The issue is different when subscribing to new partitions. Here it is possible to redistribute the ratio in the shares held. This method is often used to attract new partners. Let's use an example again: Ltd. has a capital of BGN 100, again divided into 100 shares. A decision was made to increase the capital to BGN 150, creating 50 new shares, each worth BGN 1. These 50 new shares can be owned by one of the previous partners or by a third party to become a new partner in the company. The new partitions that are created are always equal in size to the existing ones. It is possible to apply both methods at the same time - to save new partitions and to increase the value of each partition.

Practical capital increase

I have indicated above what are the techniques for increasing capital. They serve to reflect the increase and settle relations between the partners. However, in order to increase capital, its practical increase in value is also necessary. It can also be done in two ways:

- By making an additional contribution to the capital;
- By capitalizing the company's profit

Most often, the capital increase occurs through an additional contribution to it. If a decision is made to increase the size of the capital shares, each partner must pay a proportional additional company contribution. Let's use the example above with the company, whose capital is increased to BGN 500, and each share of BGN 1 becomes worth BGN 5. If one partner had 10 shares of the capital, they were of a total value of BGN 10. After the increase, their value will be BGN 50 and the difference of BGN 40 must be paid into the bank account of the company by the partner. When subscribing for new shares, each partner must deposit into the bank account an amount corresponding to the value of the new shares that he subscribes. It is important to point out here that, especially when it comes to attracting investors, this amount may be higher.

Another way to practically increase the capital is to use the company's profit. For this purpose, of course, the company must have made an accounting profit for the previous calendar year.

Instead of distributing or simply accumulating in the company, profits can be used to increase capital. In this case, the shares of the partners will most often be increased, while the proportional distribution of the capital between them will be preserved.

The increase of the capital with the profit of the company does not release the company from the obligation to pay corporate tax.

Capital reduction

A reduction in a company's capital occurs much less frequently than an increase. The reasons for the reduction of the capital can be updating of the shares after leaving a partner or reduction of the value of the net property of the company.

The ways to reduce capital are identical to those to increase it - reducing the value of each share.

Sale of company shares

The shares of the company's capital can be transferred from one person to another. This person may be a current partner in the company, or it may be a third party that has nothing to do with the company.

→ Transfer of shares between partners - According to the Commercial Law, the transfer of shares of the capital between the partners in a limited liability company is carried out freely. "Free" in this case means that the permission of the other partners in the company, who are not parties to the transaction, is not required. It is possible for one partner to transfer to another only part of its shares, and it is also permissible to transfer all the shares held by him. In the second case, the partner who transfers his shares actually leaves the company. He will no longer have a share of the capital, therefore he cannot participate in the decision-making and distribution of profits.

The sale of shares between partners is often used for internal distribution of ownership or if one of the partners wishes to leave.

If there are only two partners in the company and one of them transfers all his shares to the other, the company will become EOOD. This is because there is only one partner left in it, who is the sole proprietor owner of the capital.

→ Transfer of shares to third parties - When one of the partners wishes to transfer part or all of his shares to a person who is external to the company, he must obtain the permission of the other partners in the company. This is necessary because the buyer of the shares will become a partner in the company, and the other partners may not want this. It is necessary for the general meeting of the company, which includes all partners, to decide on the admission of a new partner. As a rule, this decision of the general meeting is notarized, but the company contract may provide that the notarization is waived for this type of decision.

The buyer of the shares becomes a partner in the company with all the resulting rights and sometimes obligations. Transferring company shares to third parties is often a way to attracting investors in the company.

→ Procedure for transfer of shares - The transfer of shares, regardless of whether between partners or third parties, is done by a contract, which is notarized. The contract can be for purchase and sale or for a donation.

In the second case, the new owner simply does not pay a price for the shares.

More often, however, the contract is for sale. The price of the units does not necessarily correspond to their nominal value. If a share of the capital has a value of BGN 1, then its real market value can also be much higher. In practice, however, contracts often state the nominal value of the shares in order to save notary fees. Notary fees are often proportionate of material interest of the transaction, which is subject to certification - in this case it is the value of the company shares.

The sale of company shares must be entered in the Commercial Register on the company's account. Only after the registration of the company can it be considered that the new owner is already a partner in the company. The contract is entered in the register together with quite a few other documents. Here are all of them:

- ✓ Application for admission as a partner (if the shares are transferred to a third party);
- ✓ Minutes with a decision to accept a new partner (also only if the shares are transferred to a third party);
- ✓ Contract for transfer of company shares;
- ✓ Declarations in a form from the Registry Agency for lack of obligations for salaries and insurances, as well as a declaration in a form for truthfulness of the circumstances;
- ✓ Minutes of the general meeting with the new partner for acceptance of a new company contract;
- ✓ New company contract of the company, which reflects the current distribution of shares in the company.

The change in the company contract is necessary, as it must contain data on the partners and the distribution of capital, and the content of this document must always be up to date.

→ State and notary fees - Here, in addition to the standard fee for change, a notary fee for certification must be provided. It is difficult to determine the notary fee in advance, as it depends on the price of the shares, the parties involved in the transaction and the need to certify the minutes of the decision of the general meeting. It is good for a notary to prepare between 50 and 100 BGN.

Sale of company

By selling a company in Bulgaria, people understand the transfer of the entire business from one person to another. Formally, a company cannot be sold because it is not an item or an object that can be transferred. The effect of the sale is achieved by transferring various elements from the company.

Sale of capital

Most often, the sale of EOOD or OOD means the transfer of all shares of the capital to a new owner or owners.

Here follows the procedure we described a little above for the transfer of shares. Often with the sale of the company, the manager also changes. It is important to keep in mind, however, that with the change of the owner-manager does not change automatically. An explicit decision must be made to dismiss the old and appoint a new manager. This decision can be made by both the old and the new owner of the company. In case of change of the manager, additional notarization is performed. The new manager must submit a sample of his signature to a notary.

Company transfer

When the capital is sold, the ownership of the company changes, but the company itself remains "intact". The company is a completely independent person. It has its rights and obligations and is a party to many contracts. When the capital of the company is transferred,

it does not in any way affect the rights and obligations of the company itself. However, this is not the case with the sale of a company. In this case, the property of the company, together with its rights and obligations is transferred to another person - another company. The set of rights and obligations of the company, including property rights, contractual rights, monetary obligations and others is called a commercial enterprise.

Selling a commercial enterprise is more complicated than selling the capital of a company. Here the law puts guarantees for the company's creditors - the people who have to take something from it, most often money.

These guarantees are necessary because the company to which the company is transferred has its own company. It also has a set of rights and obligations, and if the obligations are more, it is to the detriment of the creditors of the old company. Therefore, one of the conditions for the transfer of a commercial enterprise is that the company that receives the enterprise manages it separately from its own enterprise within 6 months. The transfer of a commercial enterprise too is carried out by concluding a contract of sale. This contract must be notarized.

Sale of capital or sale of company?

The sale of the capital of a company is much more common in Bulgaria than the sale of a commercial enterprise. The main reason for this is that one procedure is much faster and easier than the other is carried out simply with one entry in the Commercial Register.

When transferring a commercial enterprise, there are many more documents and the process itself is much longer in time. If the company is the owner of real estate, the transaction must be entered in the property register.

On the other hand, the sale of capital is a relatively simple change, the entry of which should take 5 working days in the Commercial Register. This type of change is also cheaper in terms of state and notary registration fees. A disadvantage of the sale of capital may be that the old company in any case continues to exist. If, for example, you have your own business and you want to buy that of your competitor, when you sell your capital you will practically have two separate companies, while when you transfer the commercial enterprise everything is concentrated in a single company. This, of course, can be both a disadvantage and a plus in different situations.

6. Relations between employees, customers and partners

As part of its activities, a company enters into relationships with various things. In the first place, these are its customers, to whom the company sells goods and services. Next are employees or contractors that the company hires to do some work for it. In third place are the relationships with partners, i.e. suppliers of goods and services. Trade relations are developing with them.

In this part of the Guide we will consider the specifics of these relations, as well as we will address the topic of settling investor relations.

6.1. Employment contract

An employment contract is a classic way of hiring a person. When the company hires an employee on an employment contract, the employee is obliged to work in the company for remuneration. The important thing here is that the employee actually owes labor, not the result as it is in civil contracts.

The Labor Code, which is the basic law governing employment contracts, is in favor of the employee rather than the employer, insofar as such a comparison can be made.

Concluding of employment contract

With the conclusion of an employment contract, the procedure for appointing an employee begins. The contract is concluded in writing. One copy is received by the employer and one remains for the employee. Before signing the contract, he must get acquainted with the official description of the position he will hold. The employee shall declare in writing that he has received the characteristic.

The job description should not be neglected as a document. It contains the main duties and responsibilities of the employee. A common practice among Bulgarian employers is when they want to terminate the employment relationship with an employee, to assign him a job that is not typical for him, thus forcing him to leave on his own. However, such an action is illegal if the duties assigned to the employee are not specified in the job description. He has the right to perform such actions. Of course, the job description can be changed over time, but the consent of the employee, not just the will of the employer.

The contract stipulates the date on which the employee will start work.

It is better, although not always most convenient, for the employee to start work at least one day after signing the contract. This is so that there is time to send a notification to the NRA, which is the next step in the process.

Notification under Art. 62 from the Labor Code to the National Revenue Agency

The Labor Code imposes an obligation on employers to notify the National Revenue Agency of each employment contract concluded by them. The notification is sent after the appointment of an employee, i.e. after signing the contract and before the employee actually starts working.

There are three ways to send a notification:

1. on site in the respective territorial directorate of the NRA;
2. by registered mail with return receipt;
3. electronically with electronic signature

Notifications are usually submitted electronically by the company's accountant, but there is no obstacle if the company is a start-up and does not have an accountant, the notification to be submitted on paper. The employees of the agency certify the notification and a copy of it is handed to the employee upon entering work.

The notification to the NRA must be submitted without delay, because it often happens that fines are imposed for delays. This is especially true for retail outlets that are accessible to customers. In them, a sudden inspection by the NRA can be made and a penalty can be imposed for even the slightest delays. When working in a closed office, such a hypothesis is less common.

The employee must start work on the agreed day at the agreed time. If he fails to do so, the employment contract shall be deemed not to have been concluded at all. The employee does not owe compensation in such case. It is believed that he simply changed his mind about concluding a contract and gave up. This is one example of a situation in which the law is perhaps too favorable to employee. The moment of admission is established by a written protocol.

It is also important that it is kept in the employee's file.

Upon entering the job, the employee must provide the employer with his employment record. She remains with him until the termination of the contract. If this is the employee's first job, the employer has the obligation to issue him an employment record.

In practice, the moment with the employment record is very often missed when hiring an employee, because it is simply an additional bureaucracy.

The employment record in these situations is taken by the employee upon termination of the employment contract and is then finalized.

The problem here is that the employer must rely on the employee that upon termination of the contract he will bring his employment record. This, of course, is in his best interest as the book is fundamental a document proving work experience.

Can the three steps of hiring an employee be combined in one day?

Formally speaking, it can and even often happens. However, there are risks if the employee does not work in an office, but in a commercial site. In practice, there are cases in which an employee starts work and on the same day the employer notifies the NRA of the concluded employment contract. At that time, however, an on-site inspection was carried out, which established that there was a person at work for whom no notification had been submitted to the NRA. In such cases, the NRA imposes a fine even if the notification is submitted only a few hours after starting work.

If you choose this solution, it is good to write in the protocol for the employee's employment an hour that follows the moment of acceptance of the notification by the NRA.

Termination of employment contract

Statistically, if you run your business, you will end up having to part with most of the employees you hire. You have to be ready for that, because the procedure in Bulgaria is not easy at all, when the wishes of the two countries diverge. I will consider three hypotheses for termination of employment contract.

Termination of the employment contract at the request of the employee

The law gives the employee the right to terminate the employment contract on his own initiative without the consent of the employer. This is done by sending a notice. Its usual term (the one specified in the law) is 30 days. A longer term can be agreed in the contract, but not more than 3 months. This applies to open-ended employment contracts. In the case of fixed-term contracts, the notice period is 3 months, but not more than the remainder of the term of the contract.

Here is a good time to add a quick explanation of which contracts are fixed-term and which are open-ended. This employment contract is fixed-term, which is concluded for a specific period, for example for 6 months. After the expiration of the contract is terminated. Permanent employment contracts are concluded without a term, i.e. "Forever". It is important that if after the expiration of a fixed-term employment contract the employee continues to go to work and the employer does not object to this, it is considered that the contract is automatically transformed into a permanent one.

We return again to the termination of an employment contract at the initiative of the employee. In some situations, he has the right to terminate the employment contract without even giving notice. Here are the main hypotheses in which this is possible:

- ✓ If he can no longer perform his duties due to illness and the employer does not offer him another suitable job.
- ✓ If the employer delays the payment of the employee's salary or compensation due.
- ✓ If the employer provides unpaid leave to the employee without his consent.

There are other situations in which the employee may terminate his contract without notice, but in practice they are an exception in practice.

Termination of the employment contract at the initiative of the employer

The hypotheses under which the employer may terminate the employment contract on its own initiative are much more restrictive. Most importantly, - unlike the employee, the employer cannot terminate your relationship for no reason. One of the cases specified in the Labor Code must be present.

Here are the most popular ones where you as an employer can terminate an employment contract with notice:

- ✓ Closure of the enterprise or redundancy;
- ✓ Reducing the volume of work;
- ✓ In case of lack of qualities or qualification of the employee, which lack prevents him from performing his labor duties.

Viewed in this way, without commenting at all, they seem quite easy to implement, but in fact this is not the case at all. The employer must prove that the existence of a ground really exists.

If the employee challenges the termination of the employment contract in court, the court is often more inclined to resolve the dispute in his favor.

The most commonly used reason from the above is staff reductions. This means that the employer makes a change in the staffing schedule. For example, if there is one system administrator in the timetable, it can be removed and the contract with the employee who occupies it to be terminated with notice. In cases where several full-time positions are reduced (for example, two out of a total of five drivers are reduced), the employer has the right to choose. With this right, the employer can choose exactly which workers to lay off in view of the interests of the business. In practice, however, it is rather talked about "Selection obligation". In other words, the employer should take several consecutive actions before actually terminating a relationship. They must be clearly identified the criteria according to which the selection will be made and to gather information about the employees among whom it will be made. Next, the selection itself must be recorded in order to serve as evidence in a possible litigation. If this is not respected, the dismissed employee can seek redress in court, in which case the decision will almost always be in his favor.

On other grounds, the burden of proof is again with the employer. Particularly difficult to prove is the lack of qualities and qualifications of an employee. The absence must be objective, for example, the performance of the position requires knowledge of English and the employee does not have this skill. The necessary qualities and skills must be present in the job description to the employment contract.

In some very rare cases, the employer has the right to terminate the employee's employment contract without notice. In practice, this is called a simple dismissal. The dismissal is actually disciplinary punishment. It is not the only such punishment. The Labor Code provides for two lighter penalties: a reprimand and a dismissal warning. In practice, they are never applied.

Employment contract with a probationary period

The law allows the parties to an employment contract to agree on a probationary period. They themselves agree on the length of the probationary period, as the Labor Code only stipulates restriction in its maximum term - 6 months. Such an arrangement entitles the party in whose favor it is agreed to terminate the employment immediately and without notice. A probationary period may be agreed only once for the same worker for the same job.

When an employee is on probation, the employer may terminate his contract at any time without notice and without the need for any reason. It is only necessary for the probationary period to be agreed in his favor. If the probationary period is agreed in favor of the employee, he may also terminate the contract at any time. In practice, it is most often agreed that the probationary period should be in favor of the employer or both parties.

Employment contract with a condition for training during the work

Often employers need new workers in their business, but they do not always have the necessary knowledge and qualities for a certain job. To save themselves the headaches of additional labor demand, employers often resort to employment contracts with on-the-job training. Thus, they hire new workers, train them on the specific requirements of the activity performed by their company and at the same time ensure that these workers will remain with them after the expiry of the contract.

An employment contract with a condition for training while working with the same employee for the same position may be concluded only once.

During the term of the contract, the employee is entitled to remuneration in the amount of not less than 90% of the minimum wage.

After the end of the contract, the employee should take an exam. The procedure for conducting the exam is determined by the employer. In case of training for acquiring professional qualification, the examination shall be conducted under the conditions and by the order of the Vocational Education and Training Act.

The employee is entitled to paid leave of 5 days to prepare for the exam.

After successful completion of the training, the employee is obliged to continue working for the employer. He, in turn, should provide conditions for the employee to work according to the acquired qualification. The term of work is determined between the parties upon concluding the employment contract with a condition for training. This period may not exceed 3 years.

Employment contract with an internship condition

In recent years, internships as a form combining work and study have become extremely popular. For this reason, in 2014 a new type of contract was introduced in the Labor Code - an employment contract with a condition for internship. It is essentially a standard employment contract and therefore must meet all other requirements of the law, but also reveals several specific elements, mostly related to the trainee.

The trainee must have completed secondary or higher education and be without work experience or professional experience in the profession or specialty acquired by him. He must be under the age of 29 and the contract must be related to the profession or specialty he has acquired.

At the conclusion of the contract, a person is appointed to train the trainee. This can be the employer or a mentor appointed by him. A person from the employer's company can be appointed as a mentor. He must have a qualification in the same or a similar profession in which the internship will be conducted, and with at least three years of work experience or professional experience in this profession.

An employment contract for an internship with the same person for the same specialty can be concluded only once.

Within 14 days from the termination of the contract, the employer issues to the trainee a recommendation certifying the results of the training, which will serve him when applying for a job with another employer.

Civil agreements

In practice, civil contracts are accepted as an alternative to employment contracts. A civil contract is an agreement whereby a person called a “contractor” is bound by an order of another a person / company called an “assignor” to do something. Here is one major difference with the employment contract. As mentioned, the employee under an employment contract must work, and the contractor under a civil contract must achieve some result. For example, if you hire a software engineer on a contract basis in your company, he will have to perform tasks corresponding to his job description on a daily basis.

If your goal is to build software for your business, the employee will help you do so, but will not be directly responsible for developing the software. With the civil contract you can hire a programmer with whom you can agree to develop software under certain conditions.

"Civil contract" is actually a general term for different types of contracts. Most often it is a construction contract. With this contract, the contractor undertakes to perform some physical action, such as writing program code. Another type of contract is the order contract - this is a legal action, such as buying goods from a supplier and selling to customers.

The civil contract as a whole gives much more freedom to the parties than the employment contract, but the protection given to the contractor is very far from that under the employment contract. Much more can be agreed in civil contracts than in employment contracts - various grounds for termination, penalties and others. In civil contracts there are no vacations, minimum wages, and protection from dismissal.

A common misconception in business is that civil contracts do not require insurance. This is not so. The contracting authority must pay social security contributions as well as the contractor's income tax.

However, the insurances may be less, because the contractor may not be insured for an accident at work, unemployment, maternity and others.

Sometimes purely accounting civil contracts are more bureaucratic due to the need to issue monthly memos.

Equalization of a civil and employment agreement

Due to the differences in the rights of those who work under civil and employment contracts, the lesser obligations of the contracting authority and the fact that the state strictly regulates employment, and civil contracts are concluded between equal parties and the requirements are only in view of the validity of contracts, there are employers who offer a civil contract instead of an employment contract. In this way, they deprive the executors of the "protection" of the law, which they would use as employees.

In this connection, there is sometimes talk of a disguised employment contract. Such a situation exists when the working conditions under the civil contract are very similar to those under the employment contract. The best examples in this regard are the negotiation of working hours and monthly salary. Often the parties choose a civil rather than an employment contract in order to optimize the insurance payments and to create an opportunity for the employer to terminate the contract on its own initiative without paying compensation.

If such a hypothesis is established by the Labor Inspectorate, the body has the right to impose a fine and give the employer a prescription for concluding an employment contract. The prescription for concluding the contract is a compulsory administrative measure against the employer, i.e. form of state coercion. The fines range from BGN 1,500 to BGN 15,000.

When to use civil agreement?

Civil contracts are very convenient when you want to hire a specialist to do a specific job, such as creating a logo for your business. For such a task it is not justified to you open a full-time position and hire a designer for a month. It is much more convenient to pay someone to prepare a logo within a week.

It is good to use a civil contract every time you want the contractor to achieve a certain result - to write, build or in any other way to create something. In your business civil contracts will probably be much more, but you will rarely think of them as an alternative to employment contracts. However, for repetitive actions of a lasting nature, the law requires the conclusion of an employment contract.

6.2. Customer relations

The main function of a business is to make a profit. For this to happen, your company must offer goods or services for a fee. When goods are offered, things are simple. Every time a customer buys your product, he enters into a sales contract with your company. It is difficult for some people to accept this thought because they are used to contracts being written and formalized. However, this is rather an exception. Every time I buy a product from a store, I sign a sales contract with the store owner. I give money and the store transfers ownership of the goods I buy.

In services, we talk more about civil contracts. If your company offers consulting services, every time a client orders such a service, he enters into a contract with the company to provide it.

Informal contracts with clients

Imagine a contract. No matter what, just a contract. How it looks? What does it contain? In most cases, what people describe is a few pages of text, signed at the bottom on two sides and stapled. Most often the subject of this contract is some kind of sale, for example of a car or rent of real estate.

✓ Why is this idea wrong?

The examples given are certainly contracts. However, the contract is something very different from a piece of paper.

In many cases, in order to sign a contract, it is not at all necessary to physically put our signature somewhere. For example, when you buy a plane ticket, you actually sign a contract with the airline to take you from point A to point B. For services like this, merchants have general conditions, but sometimes there are none. From the context of the situation, the rights and obligations of the parties become clear. So, if on the way home you stop through the market to buy fruits and vegetables, you can barely a written contract will be presented to you at a stall. However, there is a contract - you buy products, the seller receives money. How exactly this type of relationship develops is determined by law. For example, the contract of sale is regulated in the Law on Obligations and Contracts. There are generally settled your obligations as a seller and those of the client - as a buyer.

However, the content of your attitude is complemented by other laws, such as the Consumer Protection Act.

✓ **When is a contract concluded?**

The law says that a contract exists when an agreement is reached between two parties. That is, what is relevant is not so much the expression of consent in writing, but the consent itself. It can also be achieved by phone, e-mail, live. In fact, it can be achieved extremely easily.

The consent must cover all the essential elements of the contract.

For example, if your business involves renting rooms, your customers will sign a rental agreement with you. They must agree to rent a specific room for a specific period and for a specific price. When something is made, the consent must cover the price and the characteristics of the product. If such an agreement is reached, there is a contract.

It is useful in this case that you can sign a contract with a client simply by email. It is enough to conduct correspondence with the other party, from which it is evident that you have agreed on the terms of a transaction. As we mentioned, it is not even necessary to keep the correspondence in writing, but it helps a lot.

There are some exceptions. Sometimes, in order to protect security in circulation, some contracts actually have to be written on paper and signed by the parties. Sometimes there are higher requirements - such as notarization or entry of the contract in a register. In most cases, however, this is not the case.

Written agreements with clients

Some traders prefer to work with written contracts in their practice. They are templates that the company has prepared for its activities and provide to customers for signing. Written contracts are appropriate when a good or service is offered, the parameters of which can vary considerably.

Conclusion of contracts under general conditions

General terms and conditions are a method that is used when a business concludes many relatively complex transactions of the same type. These are pre-written contracts with which the user agrees when purchasing goods and services. The most intuitive example of using general terms and conditions are banks and insurance companies.

When concluding, for example, an insurance policy, it is accompanied by dozens of pages of general terms and conditions. Insurers, of course, are a bit of an extreme example. Much smaller businesses to use general conditions. Such are, for example, all businesses with an online store.

✓ **What should they include in the general conditions?**

The content of the general conditions is determined by law. The most common laws are the Consumer Protection Act and the E-Commerce Act. By following their rules, you guarantee security for your online store. The general conditions are obligatory for the clients and contain conditions for order, delivery, payment and guarantee.

These are the most important elements of the document. Apart from them, however, there are others such as information about the trader and protection of personal data.

Important elements of the general conditions are the business data, information about the offered products, the protection of personal data and others.

First of all, the general conditions must contain the data of your company through which you carry out your activity. These are the name, the seat, the address of management, the UIC, the name of the manager, as well as information for direct contact - phone or email. This "presentation" is mandatory from the point of view of the consumer knowing with whom he concludes the contract.

You need to describe in detail what exactly you offer to your customers.

In the description of the goods and services you sell, you must indicate their price, which includes all taxes and costs that potential customers will have to cover. For example, if you have online store for the sale of T-shirts, you must include in the price of a T-shirt and VAT, if any, as well as the amount of delivery of goods. It is also important to indicate the ways in which you will provide the consumer with the relevant goods or services.

The most important section of the general conditions is the one with the rights and obligations of your company and the client. This really regulates the essence of the relationship with your customers - how to order goods and services, what your company is obliged to do, what are the rights of customers in specific situations. You will be able to find more on this topic later in the Guide.

✓ **Acceptance of general conditions**

Customers accept the general terms explicitly. When they sign a contract with you on paper, i.e. on site at your office, you need to provide them with a copy of the terms and conditions. They must certify with their signature that they have received a copy of the general terms and conditions and have read them.

The fact is that no one has time to read dozens of pages of general terms, but the security of your business requires you to serve the document to the client and he declares that he is familiar with it.

Here we want to emphasize the word "explicitly". Some time ago, it was common practice on various websites to automatically agree to the terms and conditions of the merchant when ordering a product or service.

Somewhere on the order page there was a text with a pre-marked that the user agrees to these terms. This is not an actual acceptance of the terms and conditions. To If some general conditions are legally accepted, the client must take some active action to declare this fact - to sign, to tick himself, etc.

✓ **Advantage of separate written agreements over general conditions**

If you reach a written agreement with a client that is different from what is stated in the general conditions, this agreement will take precedence over them. This is achieved mainly through the conclusion of individual written contracts in which the general conditions are incorporated by reference.

✓ **Modification of the general conditions**

Free set at any time to change the general conditions of your business. However, in order for the change to be effective for your customers who have already agreed to the terms and conditions, you need to notify them of any changes. Only if they do not object to the amendment shall they be deemed to have accepted it.

In case of disagreement, the contract with the client is not terminated, but it is considered that the old general conditions are in force for him - those with which he has agreed.

The rules for changing the general terms and conditions are important for you if your business offers subscription services or services that take a long time to provide.

6.3. Relations with trade partners

In other words, with suppliers. In order for a business to exist, sometimes it needs not only employees and customers, but also partners. The easiest example of understanding this type of relationship is the manufacturing business. Let's say you make furniture. The people who make the furniture are your employees. You conclude employment contracts with them. The people who buy the furniture are customers - with them you sign a contract of sale, if they buy furniture according to a catalog or from a store, and a manufacturing contract, if they order the production of furniture according to their special assignment. To make the furniture, you also need raw materials.

The suppliers of these raw materials are your trading partners.

Relationships with business partners are very similar to customer relationships. The difference is that here your business is a customer.

Special rules for transactions between traders

When a consumer concludes a contract with a trader, the Consumer Protection Act is in force. It creates a lot of rights for consumers because it treats them as a weaker party in trade. However, when a contract is concluded between two traders, consumer rights do not apply.

Another difference is that in commercial law, concluding a contract is quite simple. The aim is to facilitate trade turnover. For example, in commercial transactions, silence is equated with consent to certain preconditions, which is not the case with civil turnover.

In order for a transaction to be concluded tacitly, the following conditions must be met:

- ✓ To make a proposal for a transaction from one trader to another;
- ✓ There should be a lasting trade relationship between the two traders.

In practice, however, tacit transactions are seldom concluded and this rule is difficult to apply.

Framework agreements

Often, businesses that have a lasting relationship with each other enter into framework contracts. They are something like general conditions, but applicable to specific relationships between traders. An example of such a contract is framework contract for multiple delivery of goods. Two companies agree that one will deliver raw materials to the other under pre-determined conditions - agreed prices, deadlines and delivery address.

The company that orders the goods will specify the quantity and type of raw materials with separate orders. Thus, each request is a contract for the supply of raw materials, but the content of each such contract is determined by the terms of the framework contract.

6.4. Investor relations

Here we will look mainly at the different financing options for a start-up business.

We live in a time when everyone can realize their ideas.

You lay the foundations of your start-up, it develops and after a while comes the moment when you decide that you can turn to an investor to expand the project. Sounds good, but not everyone has an idea how to raise funds.

Cash loan

The loan is the easiest and traditional way to get financing.

Your company receives a certain amount of money and undertakes to return it after a certain time together with interest. In banking circles you can find the term "investment loan". Of course, it's not that simple. Very often the investor, be it a bank, investment fund or any other, will ask you to give a guarantee that you will return at least some of the money. This guarantee is called collateral and often consists of a pledge of your entire business.

A loan is obtained by concluding a cash loan agreement. The contract must be concluded in writing, obligatorily in the cases in which remuneration (interest) is agreed, as well as when the loan amount exceeds BGN 5,000. The initial moment of concluding the contract is the moment of handing over the amount of money, not the signing of the contract. This is most important in relation to remuneration (interest), penalties and in cases where the contract is concluded for a certain period. When the loan amount is equal to or exceeds BGN 10,000 (or equivalent in foreign currency), any transfer of funds under the contract must be made by transfer or deposit to a payment account.

The advantages of this type of financing are that you will retain full control over your business and you will know very well what goals you need to achieve and for what period. This clarity will allow you to plan your income and expenses well. The downsides are that if things go wrong, you're more likely to lose everything. Either you use the loan to grow your business and manage to repay it, or you fail and the investor starts selling the assets you have acquired. Golden there is no environment at all. Another disadvantage is that this type of financing is often expensive, especially when it comes to loans that repay over the years.

Financing by accepting a partner

Some investors prefer to acquire part of your business directly or, in other words, to become partners. The way this happens depends on the legal form of your company. If it is a limited liability company or a limited liability company, then the investor will receive shares in the capital. If it is a joint stock company, it will buy shares. In fact, you are selling part of your business and you already have a partner. In return, the investor will receive the relevant part of the profit if the project is successful. This is a real risky investment.

The good thing is that even if things do not go as you expected, the company will not have to repay loans. That is why financing is risky. The investor takes the risk that the company may fail.

In addition, investors who choose this method of financing are usually people with knowledge in the relevant field of business. Their experience can be very useful to you, especially if you are not quite aware of some aspects of the management and development of the company.

The unpleasant thing is that you will lose some control over the business, as the shares of the capital that the investor will acquire will give him the right to vote in some decisions. Of course, as long as you have a "controlling stake" or shares, everything is fine. However, you should know that the contract you will enter into will contain clauses that limit your right to accept or exclude partners. On the other hand, from now on you will have to share the profit you make.

Convertible loan/ debt

The convertible loan is a new form of financing in Bulgaria, but this is far from the case for the USA and the EU, where the use of this method is a preferred practice. It is actually a combination of the first two methods. Initially, you receive a loan, but later it can be transformed

into part of the capital of your company - shares or stocks at a price that is agreed in advance. This happens the moment you have to repay the loan you took.

For example, your company has 100 shares and receives a convertible loan of BGN 50,000 for one year with 10% interest, provided that at maturity it can be converted into shares, each at a price of BGN 1,000. After one year, your loan together with the interest is BGN 55,000 and is converted into 55 shares that your company newly issues. The investor will not buy part of your shares. You will have your 100, and he his 55, i.e. the company will have a total of 155 shares. And everyone will have the appropriate share of the profit, the right to vote, etc.

Contracts for this type of loan can be quite complex and specific. The main thing to watch out for is which are the conditions for converting the loan. In some cases, you can repay the loan together with the interest, in which case there will be no acceptance of a new partner at all. However, often the choice is for your investor. At the end of the loan period, he will be able to decide whether to return the money or sell him shares or stocks.

If your business can repay the loan, then it is developing well and the investor will prefer to participate in the capital. However, if it cannot, it is likely that the investor will ask for it. All contracts for this type of financing stipulate that the investor will be able to convert his loan in case you raise additional financing. This ensures security of the investment.

When concluding a contract for financing through convertible debt, it is important to pay attention to four very important issues:

- ✓ Under what conditions is the loan converted?
- ✓ Can you repay the loan early?
- ✓ Who decides whether the loan will be converted or repaid?
- ✓ How many shares or units will the loan be able to convert together with the interest?

The main advantage of a convertible loan is that the person who will invest in your project, whether a private investor, venture capital fund, or other, will have an interest in your business developing well to recoup the investment. He can help you not only with money, but also with experience, know-how, connections and ideas. You will be partners who strive for the same goal - success, and running a business is certainly easier when you have the right partner.

7. Taxes

In this part of the Guide we will introduce you to the most important taxes for business - VAT and profit tax. Depending on the area of your business, other taxes, such as excise duties, may apply to its business, but we will focus only on these two.

7.1. Tax legislation

The 2007 tax reform abolished the progressive tax rate on individuals and replaced it with a flat tax rate of 10%, which also applies to corporate taxation.

Main Taxes:

- 10% tax on individuals (flat tax)
- 10% corporate tax (flat tax)
- 5% dividend tax
- 20% value added tax (DDS) and zero value added tax for exports and intra-Community supplies
- bank interest rate tax 8%.

There is an obligation to register for VAT in Bulgaria in the following cases:

- ✓ Turnover of goods delivered to Bulgaria over 50,000 BGN (€ 25,560)

- ✓ Intra-EU acquisitions of goods in Bulgaria over 20,000 BGN (€ 10,225)
- ✓ Distance sales to Bulgarian customers over 70,000 BGN (€ 35,000)

Excise duty is imposed on alcohol, tobacco products, luxury cars, electricity and oil.

The City Councils determine, within the framework of the law, the exact amount of city taxes and fees:

- Municipal tax on all properties from 0.5% to 2%
- Municipal property transfer tax from 1.3% to 2.6%.

Greece and Bulgaria have signed an agreement to avoid double taxation with respect to income and capital taxes (Law 2255/1994, Government Gazette 195 / 18.11.1994).

Allowance for tax expenses:

Businesses that have invested in degraded areas (where unemployment was significantly above the national average in the previous year) can benefit from certain tax reliefs if they meet certain conditions.

Particularly:

- Up to 100% abatement from corporation tax (10%) for industrial units located in areas with an unemployment rate of at least 35% above average. This allowance for tax expenses is valid for a period of five years, regardless of the evolution of unemployment.
- Reduce corporation tax up to 10% on fixed investment value (excluding passenger cars), provided that the investment is made in an area with unemployment above 50% of the national average.
- Special deduction (deduction of wages and employer contributions of up to 12 months) for registered unemployed businesses.

7.2. Value Added Tax (VAT)

Value added tax is a tax paid by the end user when purchasing goods and services. It is not always due, but only under certain conditions. These conditions can be summarized in as follows:

- ✓ The sale of a good or service has taken place
- ✓ The supplier must be registered under the VAT Act.

Supplies for which VAT must be charged are called taxable supplies. If you register your company for VAT and sell goods and services in Bulgaria, it is necessary to charge VAT on the prices of your goods and services.

Let's take the following example:

A company offers you a consultation and the price of one consultation is BGN 100. If the company is registered under the VAT Act, your clients will have to pay BGN 120. They are formed as a sum of tax base (BGN 100 - price of the service) and tax rate (BGN 20 - 20% VAT on the price). The company has an obligation to pay these BGN 20 to the account of the NRA. This happens on a monthly basis and is related to the submission of so-called VAT returns. A list of purchases and sales with accrued VAT to calculate the import tax due by the company.

VAT registration

The law allows for mandatory and voluntary VAT registration.

Mandatory registration

Mandatory registration under the VAT Act must be made upon reaching a turnover of BGN 50,000 for 12 consecutive months. It is important that here we are talking about turnover, i.e. revenue from sales of goods and services, not profit. On the other hand, loans and other non-commercial income are not included in this turnover.

If the limit of BGN 50,000 is exceeded, an application for registration must be submitted. The application must be submitted within 7 days from the beginning of the month following the month in which the turnover was reached. If you reach the limit earlier than the twelfth month, you must re-apply for registration.

With the mandatory VAT registration, the NRA may require the company to submit statements from bank accounts and accounting documents (mostly invoices). It is also a common practice of the Revenue Agency to require the company subject to registration to have a contract for accounting services.

There is another reason for VAT registration. It relates to the rules for the provision of services in the European Union. If your company uses services from a provider based in the European Union, in most cases it has to charge VAT on the value of these services and pay it in Bulgaria. For this purpose, however, it must be registered in a simplified procedure under the VAT Act. This one registration is more special because the company does not have to charge VAT on its goods and services, which it sells to end users. Registration is for payment purposes only tax in the NRA.

An example of such a situation is the use of ads by Google or Facebook. When working with clients in the European Union, both companies use their companies registered in Ireland. Thus, when using their services, customer companies must calculate and pay VAT themselves in their country.

Voluntary registration

Voluntary VAT registration (optional VAT registration) can be done immediately after the registration of the company or in the future before reaching BGN 50,000. Such registration would be necessary if you believe that you will quickly reach such a turnover or the activity you perform requires it. For example, performing services and commercial transactions with EU taxpayers, using services from Facebook and Google, etc.

It is good to know that the VAT registration procedure is much easier when it is done immediately after the registration of the company itself, because a zero statement of turnover for the last 12 months is presented and no additional checks are made in this regard. VAT registration of a new company is a common practice, especially when working with contractors from abroad.

In both procedures, VAT registration documents are submitted to the NRA. They are standard, but the agency may request additional ones.

Benefits and disadvantages of VAT registration

Companies registered under the VAT Act are subject to a stricter control regime. They have the obligation to charge VAT on the value of the goods and services that the company offers. This can be disadvantage for companies offering mainly services, because, on the one hand, this makes the service more expensive, and on the other hand, if the activity does not imply

the possibility to obtain sufficient cost invoices / with VAT / it will have to pay VAT in the country. In addition, for those registered for VAT there is an obligation to submit the so-called VAT return to the NRA.

On the positive side, once you are registered for VAT, you are entitled to a tax credit. This is the amount you are entitled to deduct from the VAT paid on the goods or services received.

Another consideration for voluntary VAT registration is that it is generally easier than mandatory, especially if done in conjunction with company registration. At the time of writing the book is provides for companies to apply for VAT registration as soon as they are entered in the Commercial Register. The technical option for this has not yet been introduced, but it will probably happen soon. If the company is expected to reach a turnover of BGN 50,000 in the next 12 months, it can consider using a simpler voluntary registration.

Lastly, sometimes in relations with foreign partners the company is required to have a valid V.I.E.S number. The V.I.E.S number is actually the VAT registration number. It is formed by BG and UIC of the company, for example BG123456789. However, the number cannot simply be quoted in this way without a VAT registration, because an inspection will show that it is invalid.

Tax credit

The tax credit is the main reason for companies in Bulgaria to register voluntarily under the VAT Act. This legal mechanism allows the company to deduct its VAT costs from the revenue it is received again with VAT, and thus eventually pay a lower tax to the NRA or even be reimbursed some amount for VAT.

VAT is a value added tax. It is charged only on the added value of one product.

Let's take a very simple example: We have a company that has a pastry shop. They are made in it only pies. The company produces and sells 10,000 pies a month. The price of one pie is BGN 1.20 with VAT. The total revenue from pies is BGN 12,000. Of this, BGN 2,000 is VAT, which must be paid to the NRA. However, in order to produce the pies, the company buys raw materials (flour, eggs, cheese) at a total value of BGN 6,000 with VAT. This amount is formed as the price of the raw materials - BGN 5,000, and VAT - BGN 1,000. The company has paid this VAT to its supplier. If we assume that the pastry shop has to pay to the treasury VAT of BGN 2,000 for the pies sold by it, then this will not be fair. She has already paid BGN 1,000 VAT for the raw materials for the pies, and now another BGN 2,000 for the finished product. Therefore, the law allows the paid tax of BGN 1,000 for raw materials to be deducted from the due BGN 2,000 from sold pies and thus the company to pay only the remaining BGN 1,000. The deducted BGN 1,000 is called a tax credit.

Let's expand on the example a bit more. The company rents a shop / workshop in which it produces and sells pies. The rent is 1200 BGN with VAT. This cost can also be used for a tax credit, as it is necessary for the production of the product. From BGN 1,200 rent BGN 200 are VAT and will be deducted together with BGN 1,000 VAT from the raw materials. Thus, the company remains to pay only BGN 800 tax.

We continue to expand the example. The owner of the company buys a TV set for BGN 2,400 with VAT. He buys it in the name of the company in order to be able to use a VAT tax credit, which is BGN 400 for this purchase. However, this expense will not be recognized for tax purposes, as the TV set is not necessary for the production of pies and apparently with this transaction the owner conceals the purchase of an item for personal use.

These schemes are known as VAT evasion.

VAT deregistration

VAT registered companies may be deregistered. This can happen both on the initiative of the trader and on the initiative of the revenue authority / NRA /.

When mandatory registration has been made, the company may be deregistered when the grounds for registration have ceased to exist.

For example, when the taxable turnover falls below BGN 50,000 for a period not longer than the last 12 consecutive months before the current month.

In cases where the VAT registration is made by choice, it should be borne in mind that you are not entitled to terminate it earlier than 24 months from the beginning of the calendar year following the year of registration.

For example, if you registered your company on June 1, 2018, the beginning of the period starts from January 1, 2019, which means that you can apply for deregistration at the earliest in early 2021.

Deregistration is done by submitting an application to the territorial directorate of the NRA, where the company is registered. The application must be accompanied by certain documents proving the actual taxable turnover of the company for the last 12 months.

The revenue authority will carry out an inspection. Within 7 days after the completion of the inspection, the body should issue an act for performing or refusal of the deregistration. Only after the termination of registration the company stops charging VAT on the goods and services it sells.

7.3. Tax profit (Corporate tax)

A company owes corporate tax when it has made a profit during the tax year. The tax year actually coincides with the calendar year - from January 1 to December 31. The profit, of course, is the positive financial result that is obtained when all revenues and expenses for the year are calculated. If the financial result is negative, then the company is at a loss and does not owe tax. It is important that the size of the annual profit is important, not the income, as is the case with freelancers.

Accounting profit and tax profit

The net financial result, if positive, is called accounting profit. However, let's say you want to save on corporate tax and artificially reduce profits. The end of the year is approaching and you will have a profit of BGN 1,000 on your accounts. You do not want to pay tax, so you make a donation on behalf of someone else's company for the amount of BGN 1,000. Thus, the profit effectively becomes BGN 0.

However, this is not true for tax purposes.

The company's profit is of two types - accounting and tax. Sometimes the size of these two profits coincides, but often differs. This is because the law does not recognize certain expenses and income for tax purposes. The donation, for example, is not recognized as an expense. In accounting, the company's profit has decreased by BGN 1,000, which were donated, but they are not taken into account in the tax profit and tax will have to be paid on them.

There are other expenses that are not recognized for tax purposes. These are company fines, non-business expenses and non-documented expenses. That is why it is important to always keep accounting documents. An example of a non-activity expense is the purchase of a TV for the pastry shop, which we used as an example above for VAT evasion.

There are also revenues that are not used for tax purposes.

Basically, these are dividend income that a company receives for participating in another company. For example, if the company owns another company that has made a profit, which profit is already taxed at 10%. The parent company is entitled to receive the profit after tax, and this income is not taken into account in determining the profit.

Amount of tax profit

The amount of tax is calculated with two concepts - tax rate and tax base. The tax base is the annual profit of the company.

The rate is determined by law and is 10%, i.e. the tax due is 10% of the profit.

There is an exception to this rule. For example, for production activity in an area with high unemployment, the tax may be 0%. For this purpose, however, at least 10 people from this area must be employed and the saved tax must be invested in production.

How is the corporate tax declared?

The company is obliged to declare the due corporate tax in a tax return. It shall be submitted by March 31 of the following calendar year. It can be submitted on the spot in the respective territorial Directorate of the National Revenue Agency, by mail or with an electronic signature on the Internet.

Filing the return electronically is preferable, as in this case you will be entitled to a 1% discount on the tax due. However, it is only valid if you pay the tax by March 31 of the following year. The maximum amount of the discount is BGN 1,000.

The basic rule is that you must pay corporate tax for the entire previous year by March 31 of the next. In some cases, however, you have to make advance payments. This liability will arise if in the previous year the company has realized sales revenues in the amount of over BGN 300,000.

If the annual income of the company is over BGN 300,000, but below BGN 3,000,000, advance payments must be made every three months. If the revenues are over BGN 3,000,000, monthly advance payments are made.

Profit distribution

Here is a good time to pay attention to the distribution of profits in the business. By definition, the goal of a company is to make a profit. If the company is doing well, it will start to accumulate money.

Some of them can be invested in the activity, others can be set aside for reserves. For the main part, however, a profit distribution procedure will be applied. Here's how it happens.

Profit can be distributed when the company has achieved a positive financial result for one financial year. For example, in 2019 a company can distribute the profit, accumulated in 2018 or 2016. This means that no profit can be distributed from the current year. This is true even when the company will certainly be profitable during the relevant period. It's just that the law forbids it.

No profit can be distributed if such has not been reported in the previous years. These are the two requirements for profit distribution:

- ✓ The company has generated a profit;
- ✓ This profit should be realized by 31.12. of the previous year.

✓ **How often can a profit be distributed?**

No limit. If the financial result for the previous year allows it, profit distribution can be made repeatedly in the following years.

Example: If the profit is BGN 1,000 after taxes, BGN 500 can be distributed in January, BGN 250 in February and the remaining BGN 250 in March.

✓ **What does profit after tax mean?**

In order to arrive at a profit distribution, there must first be a profit. This is established with the accounting end of the year. If there is a profit, it is subject to corporate tax of 10%. Thus, if the profit is BGN 1,000, the company will have to pay 10% tax or a total of BGN 100. BGN 900 remains for distribution.

✓ **What is the distribution of profit?**

The first step is to decide on the distribution of profits. It is formed in a protocol. If the company is EOOD, it is prepared by the sole owner, and in OOD - by the partners.

The dividend can be paid in cash, but it is preferable to do it by bank transfer to the account of each of the partners.

When we talk about a limited liability company, as a rule, each partner receives a proportional share of the profit, corresponding to his share of the capital. It cannot be agreed, for example, that only one of the partners will receive a profit.

Before the money goes to the partners' account, the company is obliged to withhold dividend tax. It amounts to 5% of the value of the profit that is distributed. That is, if a decision is made that a partner will receive BGN 100 from the profit, then he will actually receive BGN 95. BGN 5 is a dividend tax that the company must declare before the NRA.

✓ **Declaration**

As already mentioned, when distributing profit, the company has an obligation to declare this circumstance. The persons who have received a dividend - the partners or the sole owner - are not obliged to do so in their annual tax return.

✓ **Hidden profit distribution**

Concealed distribution of profits means the transfer of funds from a company to partners or shareholders, without the same being formally realized as a distribution of profits.

✓ **Open and hidden profit distribution**

To understand which profit distribution is hidden, you must first explain what is "open". In fact, there is no term "open distribution of profits" in the law, but it can be said that this is the standard procedure for paying dividends to partners and shareholders.

Upon payment of the profit, each partner owes a dividend tax of 5% of what he receives. In short, this is the normal situation in profit distribution. The result is that the property of the company, which is its profit, becomes the property of the partners.

Hidden profit distribution is achieving the same result, but avoiding the formal procedure for it. The aim is to avoid paying taxes.

A very simple but appropriate example would be to transfer the profits to the partners in the form of a donation. This particular example will not lead to tax reliefs, but represents a reduction

of the property of the company at the expense of that of the partners. The company receives absolutely nothing in return. This is important and we will look at it in the next section.

✓ **What actions are considered a hidden distribution of profit?**

Formally, these actions are specified in the additional provisions of the Corporate Income Tax Act (CITA). These are mainly payments made in favor of the partners and shareholders or related persons and which meet one of the following two conditions:

- ✓ The payment is not related to the activity of the company;
- ✓ Payment as a price for a service or good exceeds its normal market value.

Under the first point fall quite different types of transactions. In general, payments that are not related to the company's activities are not recognized as a tax expense. This means that their size is added to the accounting profit for the financial year to calculate the tax profit. An example of such a deal is a company that has nothing to do with transportation to buy a truck. Again, a very simple example, but clear enough:

The second case is more common in practice and we will use a standard example. The company operates in the field of software technology. As often happens, the partners in it are programmers and create their own products. The company must create software, for the development of which it must hire a programmer. The logical choice is to conclude a civil contract with one of the partners, on the basis of which he will develop the software and receive remuneration.

However, there is nothing to prevent the contract from negotiating too high a price and thus the partner to receive more than the market price for this service. In this case, the company receives something (service) in return for what it gives (money) and this transaction is related to the main activity of the company (software development). However, there is no equivalence.

In order for these transactions to be considered a hidden distribution of profits, the counterparty must be a partner (for Ltd.), shareholder (for JSC) or a person related to the partners and shareholders. Which persons are connected is a long topic, but suffice it to say that these are relatives or companies in which the partner participates.

The law also draws attention to another example of hidden profit distribution. This is a loan from a partner to the company.

The company repays the loan together with interest, which is a direct profit for the partner. Not every loan is a distribution of profits. This applies to larger loans with special interest conditions.

✓ **How does the law treat the hidden distribution of profits?**

It is logical that this concept is considered by law for tax purposes. We have already stated above that expenses that are not related to the company's activities are not recognized as tax expenses at all, i.e. are not taken into account in the calculation of profit on an annual basis. The same rule applies to the second category of transactions - those in which the price paid by the company exceeds the market. They will also not be recognized as an expense.

Another consequence is that the law also provides for a sanction for persons who make a covert distribution of profits. It amounts to 20% of the amount of the cost set for such action. This sanction is imposed on the company and not on the partner. The imposition of a sanction can be avoided if the company indicates in its tax return the fact that a hidden distribution of profit has been made.

The law explicitly allows this.

The third consequence is that a dividend tax of 5% will be charged. This tax is usually due by the person who receives the dividend, but is charged and deducted by the company that distributes. The same rule applies to hidden profit distribution.

8. Payments

As mentioned above, the main function of a business is to generate profit. For this to happen, the company must first have revenue. In this part of the Guide, we will look at the different ways this can happen legally.

8.1. Payment in cash

Cash payment is the traditional way to collect revenue from customers. In order for your company to accept cash payments, it must have a cash register that is registered with the NRA. The main goal of cash registers is to achieve better reporting for tax purposes.

Companies accepting cash payments must issue a receipt (fiscal receipt) for each sale.

To start working with the device, you must first sign a maintenance contract with a service company. Upon putting the device into operation, the service company issues a certificate for registration of a fiscal device. The cash register has a tax terminal that connects with the NRA. It collects daily reports and sends them to the NRA automatically.

As mentioned at the beginning of the Guide, if you are registered as a freelancer, you do not need to issue receipts when you receive cash payments. Only the manager and employees who are employed on an employment contract can work with the cash register. This circumstance is subject to inspection by the NRA.

8.2. How to keep a Cash book

Cash books are used to store daily, monthly and annual financial statements. The book is usually purchased together with the cash register. In the book the report for the day and the turnover from the fiscal device (in practice, the note printed by the device with the daily report is pasted). It is stored in the store. Non-working days are marked as such in the book.

8.3. Bank transfers

Bank transfers are another popular way to collect revenue. For this purpose, the company must have a bank account to use. This is most often the capital accumulation fund, which is transformed into a current account for the needs of the business.

It is important for bank transfers that when they are made by another legal entity, an invoice must be issued.

Bank transfers can be convenient as they are easily proven.

However, sometimes they are expensive, especially when the business pays off with contractors abroad. Bulgarian banks usually have very high fees for cross-border transfers.

Another disadvantage of bank transfers is that they take time.

Internal transfers usually "pass" during the day. However, if the transfer is made after 16:00, it will arrive by 10:30 on the next working day. The reason is that local translations are made between accounts in different banks, are made through the BISERA system. They are processed three times a day - at 10:00, 13:30 and 16:00. Settlement applications are submitted during these hours, which is a procedure for set-off of liabilities between banks.

Acceptance of payments by card

Card payments are starting to take an increasing share of the total volume of payments in Bulgaria. There are different approaches to accepting card payments when made online and at a physical site. If you want to accept card payments at your point of sale, you need to have a POS terminal (Point Of Sale Terminal). Such a terminal can be provided by any commercial bank in Bulgaria. The procedure is not complicated, but can involve a lot of documents and checks by bank employees.

Online payments by card

With online payments, there are many more options for accepting card payments. Here are some of them:

- Virtual POS terminal;
- Use of a local payment service provider;
- Use of a foreign payment service provider

The virtual POS terminal is again provided by local commercial banks. Here the procedure can be more complicated, as the website where you want to use the terminal must cover a lot requirements of the bank - technical parameters, mandatory texts in the general conditions of the online store, security protocols and information protection. They are, of course, not impossible. You just have to keep in mind that checking and implementing the terminal would take a long time (about 1 month).

Use of a payment service provider

Payment service providers are better known as payment operators. In Bulgaria such are for example ePay and EasyPay, and abroad PayPal, Stripe and others.

When you use a payment operator, it acts as an intermediary in the relationship between you and the customer. You enter into a contract with the relevant operator, on the basis of which he accepts payments on your behalf.

Payments are recorded in your virtual account. From it you can in turn make payments or transfer funds to a bank account of your company.

The advantage of payment operators is that their payments are reflected immediately and it is not necessary to wait for confirmation from a banking institution. They are perfect for online businesses, as they allow automatic reporting of payments instead of manual one, as is the case with cash payments and bank transfers.

The disadvantage of payment services is that they can often be expensive. However, there are payment operators who win customers precisely because they are cheaper than bank transfers. Such an operator, for example, is Transferwise, which operates in the segment of international bank transfers and significantly reduces the costs associated with them

Cash on delivery

Cash on delivery is still a much-loved payment method by Bulgarians. It gives the consumer the opportunity to inspect a product he orders before paying for it. Although the Protection Act gives consumers equivalent rights, which will be discussed later, in Bulgaria cash on delivery is still well accepted.

In this form of payment, a courier company is used as the recipient of the price of a product in cash. The company can maintain an account of the sender of the goods or directly transfer the money to him after deducting a commission.

The disadvantages of cash on delivery are two:

- The courier service must be covered by the consignor of the goods, even if the customer has not paid the price;
- Cash on delivery is often expensive.

For these reasons, you may want to consider whether it is better to require your customers to pay differently or to create an incentive to choose another payment method.

Supplements for different methods of payment

There is no problem in your business to accept payments through various channels. This is especially true if you run an online store. In this case, it is good to provide your customers with all kinds of payment methods, especially in Bulgaria.

As mentioned above, different payment methods come with different costs. The law does not prohibit you to link certain methods to an additional fee that covers your costs the transaction. If the deals you make with your customers are generally of high value, such a decision would be unjustified and petty, but if you sell products or services at a low price, the fees of different payment operators will be a significant cost for you and you have the right to put a mark-up to cover them.

Rules on limitation of payments in cash

Many people do not know this, but in Bulgaria there is a law limiting cash payments. The law sets a limit of BGN 10,000 for cash payments. If you have to pay more than BGN 10,000 to your supplier or receive this amount from your customer, you must make a bank transfer or transfer to a payment account.

The restriction also applies when a price is paid in installments, the total amount of which is BGN 10,000. The fragmentation of the price into parts, each of which does not exceed BGN 10,000, is not allowed.

The hypothesis that a business receives more than BGN 10,000 in cash is difficult to implement in practice, but it is important to know that the sanctions provided by law are very serious. If your company accept such payment, it is subject to a pecuniary sanction in the amount of 50% of the payment, and in case of repeated violation - the full amount of the payment.

The property sanction is a punishment that is imposed on legal entities by administrative order. It is equivalent to fines for individuals. In fact, it is a fine for your company.

Acceptance of payments in different companies

We described above in the Guide that one of the advantages of subsidiaries is that the risk associated with different business activities and products can be allocated to different companies. This means that Company 1 will develop and sell Product 1, Company 2 - Product 2... Company N - Product N, or something similar.

This means that businesses can accept payments from customers to be distributed to different legal entities. In such a case, however, it would be necessary to take, for example, n number of cash registers and to conclude n number of contracts with payment operators. It should also be completely clear to consumers with which company they are concluding their contract, i.e. which company is responsible for delivering the purchased goods and services to them.

9. Administration and relations with State Authorities

Here we will look at how business interacts with some of the more important government agencies. We will pay attention only to those institutions that are relevant to the work of any business.

9.1. National Revenue Agency (NRA)

There is no business in Bulgaria that in one way or another does not interact with the Revenue Agency. Here are the main actions that are performed in the NRA:

1. Payment of taxes due by the company;
2. Registration of notifications for concluded and terminated employment contracts;
3. Registration and deregistration under the VAT Act;
4. Monthly submission of VAT declarations together with diaries for purchases and sales;
5. Settlement of relations related to insurance and self-insurance;
6. Filing an annual tax return.

The main function of the NRA is to collect public debts - these are payments for taxes, social security contributions, fines and others.

The agency works with a wide range of electronic services, including those for filing declarations, applying for certificates and paying taxes and social security contributions. The use of most of them are available with an electronic signature. Almost all accountants today work with electronic signatures and are authorized to liaise with the NRA.

The NRA also issues a number of certificates, which are necessary for the business activity. Probably the most important of these is the certificate of presence / absence of public obligations.

NRA works with territorial directorates. The address of the company, indicated in the Commercial Register, determines with which territorial directorate the business will work.

The NRA also has many control functions, the main of which is to perform audits of companies. The audit can be based on documents or on site at the company's office. In any case, it is a complex procedure that seeks to find out whether the company under inspection has committed breaches of tax law, such as incorrect accounting or intentional tax evasion.

9.2. Registry Agency

The Registry Agency is the state body that manages the Commercial Register. As mentioned at the beginning of the Guide, the Trade Register is where your file is stored.

A company does not exist if it is not entered in the Commercial Register, and no change in the company is possible without it being reflected in the register. The importance of the Commercial Register is so great. When it stopped working in 2018, it blocked the entire trade turnover in the country.

Some obligatory documents in connection with the annual accounting closing of the company are also announced in the Commercial Register:

- Annual financial report;
- Declaration for a company that has not operated.

As both procedures are extremely important, we will look at them in more detail.

Each company that has been operating in the previous year must publish its annual financial statements in the Commercial Register. The deadline for this is 30.06. for Ltd. and Ltd. This is the vast majority of companies in Bulgaria and every year at the end of June tens of thousands of managers submit documents to the Registry Agency. In this post we will try to give a little explanation of how the announcement of the annual financial statements takes place.

✓ **To which companies does the procedure for declaring annual financial statements apply?**

The short answer is all companies that existed within the previous calendar year. It does not matter whether the company had an activity or not. Companies registered in the current year do not submit annual financial statements.

✓ **Who prepares the annual financial report?**

By law, the annual financial report is prepared by compilers of financial statements. These are most often accounting firms. However, it is also possible that there are accountants who are employed in the respective company or hired under a contract. This means that even if the annual financial statement is zero, it cannot be prepared simply by the manager of the company. The signature of an accountant is required.

✓ **What does the Annual Financial Report contain?**

For EOOD and OOD the general rule is that the report must contain four separate elements:

- Balance sheet;
- Statement of income and expenses;
- Cash Flow Statement;
- Statement of equity.

In some cases, simplified reports are prepared, but even if the company had "zero" activity during the year, it does not prevent the compilation of all four elements.

Procedure for declaring the annual financial statements

In order to declare the annual financial statements, it is necessary for the manager of the company or a person authorized by him to submit documents in the Commercial Register.

Documents can be submitted on paper, but it is much better to do it online with an electronic signature. With electronic submission, the fee is twice lower, and more importantly, there is no waiting in huge queues.

After submitting the documents, they are reviewed by the Registry Agency. This process is slow and takes months. After the inspection, the agency may enter the report as "announced" or give instructions for elimination of irregularities in the procedure.

✓ **What documents are submitted with the report?**

In addition to the report itself, supporting documents must be submitted to the Commercial Register:

- Minutes from the owner of EOOD or the partners in OOD for acceptance of the report;
- Declaration by the manager under Article 13, paragraph 4 of the Commercial Register Act;
- Power of attorney, if the documents are not submitted by the manager.

The power of attorney is notarized, unless the authorized person is a lawyer. The documents are submitted with an application form D1. The application itself is filled in online in electronic format.

✓ **When can the annual report be announced?**

Announcing the annual financial statements can be done at any time, but the law requires this to be done by 30.06. Most often the report is prepared by the end of April, together with the annual closing of the company.

There is no obstacle for the annual financial statements to be submitted earlier. It is even advisable not to wait for the last moment.

✓ **How much does it cost to publish a financial statement?**

The state fee for announcing the report is BGN 40. As we have indicated, in case of electronic submission it is half. Payment is made to the budget, so the bank fees are slightly higher than usual and can reach about BGN 5. The preparation of a power of attorney with notarization costs BGN 6.

✓ **Can the annual financial statements be submitted for previous years as well?**

It happens that a manager does not announce the annual financial statements of his company. The question arises a lot whether they can still publish the reports for previous years for which they missed. There is such an opportunity.

Annual reports can be announced in one procedure. Of course, the deadline for the old procedures has been missed and a fine may be imposed.

✓ **What are the sanctions for non-compliance with the obligation to declare annual financial statements?**

It is possible that a fine will be imposed on the company when the deadline for announcing the annual financial statements is missed. The fines are imposed by the NRA and vary between BGN 200 and 3,000. Until 2016, the NRA did not have the practice of imposing mass fines, but this has already changed and the agency has begun to actively prosecute violators.

Company declaration without activity

The declaration for a company without activity is an innovation in Bulgaria. In 2018, the first such declarations were submitted, which, as often happens, led to unheard of chaos in the Commercial Register.

These declarations are an opportunity for companies that did not carry out commercial activity in the previous year not to declare annual financial statements, but to submit such a declaration. The advantage is that the preparation of the declaration is much simpler and its submission to the register is free of fees (it is free).

✓ **How to file a declaration for a company without activity?**

The declaration is submitted by the manager of the company or a person authorized by him. It can be submitted with an electronic signature in the register or on the spot in an office of the Registry Agency.

The deadline for submission is shorter than for the Annual Financial Statements. Declaration of inactivity can be submitted until 31.03. of the respective year.

The following shall also be attached to the declaration for a company without activity:

- Declaration by the manager under Article 13, paragraph 4 of the Commercial Register Act;
 - Power of attorney, if the documents are not submitted by the manager.
- ✓ **What happens if the company does not file a declaration of inactivity?**

Such an omission would not be fatal, because the company always has the option to submit a zero annual financial statement by 30.06. of the respective year.

The losses will be related only to the accounting fee for preparing the report and to the price of the annual report announcement service.

9.3. Labor Law

The Labor Code (Government Gazette 26 / 01.04.1986 - as amended by subsequent legislative acts) is the basic legislative framework governing labor relations.

For foreigners who intend to work in Bulgaria, certain conditions are required, such as a prior work permit issued by the National Employment Service and valid for one year with the option of extending it for an additional two years.

Exceptionally, authorization may be longer in the case of persons holding senior management positions or in special cases handling foreign equipment. Citizens of EU Member States apply to Community detainees (EEC No 1612/1968): No work permit or other procedural requirement is required since, after EU accession, Community nationals are not considered aliens (Law 153/1998, as amended by Law 103 / 2009). However, Community nationals must declare their establishment in Bulgaria to the competent department of the Ministry of the Interior:

Ministry of Interior
Directorate Migration
1000 Sofia, 48 Knyaginya Maria Luiza blvd.
Desk 2 and 3 for EU citizens, E-mail: int.151@mvr.bg
Web: <http://eu.mvr.bg/en/Areas/Migration/default.htm>

Issues of work and social security of foreigners working in Bulgaria shall be governed by domestic law unless otherwise is provided by international agreements signed by Bulgaria.

Employee remuneration can be set in B / lev or foreign currency, but in practice, remuneration is paid in BGN (i.e. the BGN equivalent of the contractual salary).

Salaries - Insurance contributions

The minimum monthly salary, after its latest increase from 01.01.2020, is set at BGN 610 or € 312 for normal working hours (8 hours / day and 40 hours / week) and BGN 3.80 per working hour. In the first quarter of 2020 the average monthly salary stood at BGN 1317 (approximately € 674), marking an 8% year-on-year increase.

Bulgarian social security legislation has been significantly modified in recent years, due to the rapid development of its economic relations and its harmonization with Community law. The Social Security Code (Government Gazette 110/1999) regulates related matters, while additional provisions in the Annual Budget of the State Social Security Act (ABSSIA) regulate

matters concerning maximum and minimum social security contributions. In Bulgaria, social security provides compensation, financial assistance and pensions to insured persons for risks such as: temporary incapacity for work, disability, maternity, old age and death.

According to most recent regulations, average social security contributions amount to about 31% of gross salaries and are paid by the employer at 18% and by the employee at 13%.

Employment Act

The Employment Act (Government Gazette 112/2001) specifies the state authorities who are responsible for planning and developing policies and activities to stimulate employment and reduce unemployment. The same law also sets out the rights and obligations of those seeking employment as well as those of employers.

In order to receive an unemployment benefit, the person concerned, Bulgarian or foreigner must register as unemployed to the National Employment Service or its local offices. Employers who also wish to participate in government-sponsored employment programs must report their vacancies to the Agency.

Collective dismissals

In order to make collective dismissals, the employer has to, inform in written the relevant National Employment Service local office and employee representatives within 30 days.

The following cases of dismissals are classified as "collective redundancies":

- more than 10 employees for businesses employing 20 to 100 people
- over 10% of the workforce for businesses with 100 to 300 employees
- more than 30 employees for businesses employing more than 300 people
- at least 20 employees, for all undertakings provided within 90 days.

Following the above written briefing, teams of representatives of employers, employees and the National Employment Service are set up to prepare relief and training plans for the dismissed employees.

Pension Funds Act

According to Bulgarian legislation, pensions are part of the general social security system and relevant provisions are incorporated into the Social Security Code. The payments of pensions and allowances are divided into three categories: compulsory pension insurance, additional compulsory pension insurance (for those born after 12.31.1959) and additional voluntary pension insurance (for those over the age of 16), which can be done in one private retirement institution.

10. Social security system in Bulgaria

Social security is a system that guarantees financial protection against major life risks, work-related accidents and their consequences such as disease, unemployment, old-age and needs for nursing care to the employees.

The aim of the social security system is to guarantee a stable standard of living to everyone. The Bulgarian social security system covers the following risks:

- General disease,
- Work-related accidents,
- Occupational disease,
- Maternity,

- Unemployment,
- Old-age,
- Death.

The general principle is that each employee is automatically compulsorily insured.

The employer is obligated to report the conclusion of an employment contract within a time period of three days to the National Revenue Agency. Besides, he must pay the social security contributions until the 25th of the following month (Article 7 (1) of the Social Security Code (SSC), Bulgarian: Кодекс за социално осигуряване). These contributions must be paid to the tax office's account.

The social security contributions are generally calculated as follows:

- Basic social security (unemployment insurance etc.): 17,3 % of the gross salary;
- Pension insurance: 5 % of the gross salary;
- Health insurance: 8 % of the gross salary.

The employer has to pay 60 % of the insurance contributions, the employee the remaining 40%.

Further, the employer has to bear the costs of the occupation accident insurance that amounts between 0,4 % and 1,1 % of the gross salary, depending on the job.

The employee's insurance contributions are calculated according to the received gross monthly remuneration (including the charged and not paid gross labour remuneration) or according to the gross labour remuneration that has not been charged – both for one month (Article 6 (3) of the social insurance code). The maximum security income amounts to 3000 BGN (2019).

10.1. Working time according to the Bulgarian Labour Law

I. According to their duration, the following types of working time are to be distinguished in Bulgaria:

1. Normal working time – working time where the duration is defined according to the normal and usual working conditions
 - Fixed working day: 8 hours;
 - Fixed working week: 40 hours (Article 136 (1) – (3) of the Labour Code)

** Maximum permitted working time according to current law. An exception is provided by Article 136a of the Labour Code.*

2. Extended working time – working time where the duration exceeds the legally defined duration (136a of the Labour Code).
 - It is mostly applied for operational reasons and company matters;
 - The employer must agree with the employee organisation upon the implementation of extended working time.
 - The implementation of extended working time is made by a written instruction dealing with the following information: time period, employee, duration and details regarding the completion and the compensation of the extended working time.

** The extended working period is compensated by a respective reduction of working time in another period.*

3. Reduced working time (Articles 137, 305, 309, 317 of the Labour Code) – the duration of the working time is shorter than the normal working time. Conditions:
 - Special working conditions or working conditions dangerous to the employee's health;

- Causes inherent in the person of the employee: age, state of health, reduced physical or psychical capacity.

* *The employee is entitled to the same rights as an employee under normal working time.*

4. Part-time work – Article 138 of the Labour Code – the working time covers a fraction of the legally defined working time.

II. Methods for determining of reduced working time

1. by a contractual agreement – written form required; Art. 138 of the Labour Code;
2. unilaterally by the employer – Article 138a of the Labour Code, if:
 - the reason for the reduction is a reduction of the amount of work;
 - this instruction may concern all or only several employees, e.g. only the employees of a certain department;
 - the maximum time period of reduced working time is 3 months within a calendar year;
 - the new working time may not be shorter than half of the legally defined working time for the respective period (Article 138a (2) of the Labour Code).

III. Manner of the determination of reduced working time

1. Regular working time – the duration is fixed by an agreement between the parties. The duration may be normal, reduced or proportional.
2. Overtime – exceed of the contractually agreed work time. According to Article 262 of the Labour Code, overtime is remunerated as agreed between the parties. The remuneration may not be lower than:
 - 50 % for work on workdays;
 - 75 % for work on holidays;
 - 100 % for work on official holidays;
 - 50 % for work at working time calculated on a weekly or longer bases.

If not agreed otherwise, the raise is calculated according to the remuneration defined in the employment contract. The raise may be higher than provided by law.

IV. Night work

Night work in Bulgaria describes work performed between 10.00 p.m. and 6.00 a.m., regarding minors the time between 8.00 p.m. and 6.00 a.m. The remuneration is calculated according to Article 261 of the code of labour law.

V. Other types of working time

1. Actual working time: the time, where the employee actually has to perform his employment obligations;
2. Time at disposal: the remuneration of this working time is reduced. In case of the employee's convocation by the employer, the working time is remunerated as overtime.

THE EMPLOYMENT RELATIONSHIP IN BULGARIA

The Bulgarian labour law is characterized by a multistage normative regulation. Aside of the Labour Code (Bulg.: Кодекс на труда) of 1986, numerous specific acts and regulations apply.

10.2. The employment relationship

The employment relationship is the relationship between employer and employee regulated by the labour law. The employee must perform his work tasks and maintain the established work discipline. The employer on his part must provide appropriate working conditions and pay the employee's agreed remuneration.

An important characteristic and difference to the civil contract for services is that within an employment relationship, the employee does not owe results but the diligent performance of a specific job.

The grounds for the emergence of employment relationships are precisely enumerated in the Labour Code. They arise due to employment contracts, competitive examination, elections and administrative acts. The rights and obligations of the employee and the employer are defined by the content of the employment relationship.

The employee as a party in the employment relationship

Persons, doing mainly physical labour are classified as employees; persons doing mainly mental labour are classified as clerks.

The employee must perform his job during his work time and maintain the work discipline. To enter into an employment relationship as a natural person, the following two conditions must be fulfilled:

1. The person must have reached a specific minimum age – the person must have reached a certain level of biological and psychological maturity to be entitled to the rights and subjected to the obligations of the employment relationship.
 - In Bulgaria, the common minimum age to enter into an employment relationship is 16 years (Article 301 (3) of the Labour Code). This requirement for minimum age is obligatory; a violation of this requirement leads to the contract's invalidity. Exceptions are provided by the law and are numerous clauses.
 - The minimum age may be increased to 18 years for positions, involving difficult, dangerous or harmful work (Article 303 (1) of the Labour Code). The work is harmful if it is related to biological, physical or chemical threats that may harm the person's physical condition or work ability. A dangerous job is one where even considered the due diligence of the employee the danger itself is objectively probable and cannot be eluded.
 - There are three cases where the minimum age may be lower:
 - 15 years for jobs that are easy, not dangerous or harmful to the person's health resp. his normal, mental and moral development (Article 301 (2) of the Labour Code);
 - 13 years for boys and 14 years for girls willing to work in the circus (Article 301 (2) of the Labour Code);
 - Regarding art activities, there is no minimum age determined.

**Persons that have not completed the 15th year of age are subject to a specific regulation. They may be employed in artistic fields under condition of the presence of their parent's or representative's written consent and the agreement of the labour inspectorate.*

The age is to be verified with the identity card or the birth certificate of the person.

2. appropriate state of health, verified with a medical certificate.

The employer as a party in the employment relationship

Employers can be any natural person, legal entity or a division of the latter or any other organizationally and economically autonomous entity that independently employs personnel.

The employer possesses administrative power (organisational power), specific power of authority (he is entitled to set the internal code of conduct) and disciplinary power (he is entitled to impose disciplinary measures on employees for failing to abide to their obligations).

The basic obligations of the employer are defined in the Articles 124 and 127 to 129 of the Labour Code as follows:

- to provide normal conditions for the employee to perform his job;
- payment of the labour remuneration;
- to make payments for the social security contributions for the employee for all social security risks.

The employer issues instructions and regulations. They may be issued orally or in writing and are binding for the employees if lawful.

10.3. Employment contract in Bulgaria

According to the Bulgarian labour law, the employment relationship between an employer and an employee begins with the concluding of an employment contract.

The legal provisions regarding the employment contract are stipulated in Chapter V, Section I of the Labour Code and also in three regulations, listed below:

- the regulation concerning persons that have not completed their 15th year of age (from 1987);
- Regulation N° 4 on the necessary documents that need to be attached to the employment contract (from 1993);
- Regulation N° 5 on the registration proceedings of employment relationships according to Article 62 (4) of the Labour Code.

The employment contract is an agreement between two parties: the employee that offers his service with his working power (labour) and the employer that creates the working conditions and pays remuneration for the work performance.

The written form is obligatory for the validity of the contract.

Content

According to Article 66 of the Labour Code, each employment contract must contain at least the following information:

- ✓ The identity of the parties (regarding natural persons: name, personal number, ID number, address, general seniority in office, professional experience in this position; regarding legal persons: legal name, identification number, registered office of the company and business address, the manager/authorized representative and his personal number);
- ✓ The place of work;
- ✓ Job description of the position and the character of the work;
- ✓ The term of the contract and the duration of the probation period;
- ✓ The amount of basic and paid annual holiday;
- ✓ An equal termination notice period for both parties;
- ✓ The conclusion date of the contract and the date of the actual performance;
- ✓ The regular duration of the working day/week;
- ✓ The basic remuneration and supplementary remuneration of regular nature.

The employment contract may contain other clauses that differ from the described essential negotiations. It is to be noted that, if there is a collective labour agreement concluded prior to the individual contract, the individual clauses of the latter should be more favourable to the

employee than those in the collective agreement, otherwise the individual clauses shall be considered void.

Each party receives a copy of the labour contract. The employment contract must be personally signed by the employee. If the employer is a legal person, the employment contract is signed by its representative (the manager). The signature of both parties creates the employment relationship. The contract must be filed with the Bulgarian tax office within 3 days. Before filing it, the employee may not enter into service. The employee owes the fulfillment of his obligations and services according to the employment contract from the day that he enters into service.

The job description – a detailed description of the employee’s rights and obligations regarding the respective position – is an inseparable element of the employment contract.

Duration

Generally, the employment contract is concluded for an unlimited period (Article 67 (2) of the Labour Code).

The employment contract may also be concluded as a fixed-term contract of employment. In this case, an explicit agreement between the parties is required.

The following employment contracts are fixed-term contracts:

- ✓ employment contracts for a specific period that may not exceed 3 years (Article 68 (1) N° 1 of the Labour Code);
- ✓ regarding temporarily unlimited activities and activities that are not seasonal or short-term, the employment contract may be concluded for at least one year (Article 68 (4) of the Labour Code);
- ✓ contracts regarding the attainment of qualification (Article 229 of the Labour Code);
- ✓ contracts regarding the upgrading of qualification or retraining (Article 234 (3) of the Labour Code).

The fixed-term contracts of employment are regulated in Article 68 (1) N° 2 to 5 of the Labour Code

- ✓ contracts regarding the performance of a specific activity (the term is defined by the extent and the nature of the task);
- ✓ contracts regarding the temporary replacement of another employee;
- ✓ contracts regarding the undertaking of a mandate job (e.g. in a governmental body).

The employee that concluded a fixed-term contract of employment acquires the same rights and is subject to the same obligations as the employee that concluded an unlimited employment contract.

Types of the employment contracts

- ✓ **Employment contracts with a trial period (Articles 70, 71 of the Labour Code)**

This contract is concluded to check the employee’s skills. From the perspective of the employee – such a contract could provide him with the opportunity to test if this work is suitable for him.

The probation may not exceed a time period of 6 months. The contract must indicate in whose favour the probation is agreed. If the employment contract does not contain this agreement, it is assumed that the time period is in favour of both parties.

During the probation period, both parties are entitled to the same rights and subject to the same obligations as parties that concluded an unlimited employment contract.

The employment contract on probation may be concluded only once regarding the same employee in the same company for the same position.

Until the expiration of trial period the party in whose favour the time period has been concluded may terminate the contract without a notice of termination. If the contract has not been cancelled within this period, the fixed-term employment relationship transforms into an employment relationship for unlimited time.

✓ **Employment contracts for internships (Articles 230 to 233 of the Labour Code)**

Regarding internships, the employer agrees to train the employee during the time of the contract.

✓ **Main employment contracts and Additional employment contracts**

The main employment contract is regulated in Chapter V, paragraph I of the Labour Code. If an employee concluded two or more employment contracts, the one that was concluded first/the one that requires more working hours is assumed to be the main employment contract.

Additional employment contracts are contracts that have been concluded in spite of the existence of a main employment contract. If not provided otherwise by law, the general rules regarding employment contracts apply. Article 113 of the Labour Code regulates the duration of the working time. This contract must contain the duration of the working time and the allocation of the working time in days, weeks etc.

The employee may conclude an additional employment contract with his main employer or a new employer. The employee may conclude the following additional employment contracts:

a) additional employment contracts with the same employer (Article 110 of the Labour Code)

- The job is done outside the defined working time;
- The extra work must not be for the same employment function as the work for the main employment contract;
- The working time from the additional employment contract is not considered when calculating the seniority;
- The additional employment contract is concluded with the same employer.

b) additional employment contract with a different employer (Article 111 of the Code)

- The working time from the additional employment contract is not considered when calculating for seniority;
- The additional employment contract is concluded with a new employer.
- Limitations:

- as long as the provision of Article 113 of the Labour Code is not infringed, various additional employment contracts may be concluded;

- additional employment contracts may only be concluded if it is not forbidden in the main employment contract.

Additional (extra) work is forbidden for the following categories of employees:

- ✓ employees that work under dangerous or harmful working conditions (Article 112 N° 1 of the Labour Code)
- ✓ employees defined in a special law or regulation (Article 112 N° 2 of the Code).

10.4. Consumer Protection Commission

The protection rules will be reviewed soon after the next part of the Guide, but here it is enough to know that the KZP is a body that controls whether they are saved.

The Commission checks on consumer alerts. In the course of the inspection there is a lot of Orthodox and has the right to be communicated by you by presenting documents or access to commercial products.

If you have an alert, a transcript is created in the KZP. Proceedings file, which ends with a decision. With it, he is with the company in order to offer a property sanction, if there are established violations.

10.5. Labour Inspectorate

The Labor Inspectorate is a body that monitors that the rules of the Labor Code, including the rules for healthy and safe working conditions, have been saved. They are reliable bureaucrats who are good to consult professionals who need to prepare the necessary documentation in case of inspection.

The Project also follows civil contracts that obscure employment lines.

10.6. Judiciary

Tap with a recommended system in relation to your business, which you can have on two lines:

- Unsettled relations with suppliers or customers;
- Problems with administrative bodies

If someone is a provider, do not use your agreement with you, for example, you can continue with money, the only legal way to use is to go on Saturday. Certainly for the cases in which your company is not fulfilled.

The acts of the directions, which are above administrative bodies, as well as other things, are also supported in court. This is a special case where the company is looking for property sanctions or is refused a service.

10.7. Digital signature

An electronic signature is something that is advisable to provide. This is useful in all relations with existing authorities.

There is a special law that uses the publication of electronic signatures - the Law on Electronic Documentation and Electronic Signature. All state institutions accept documents signed with an electronic signature. Many of the electronic services offered by these institutions can only be accessed with this signature.

To obtain an electronic signature, you must download through a certified service provider. They offer the publication of an electronic signature of a legal entity. We remind you that your company is a legal entity and you an individual. Electronic signatures for legal entities are more expensive than those for individuals, but frankly, it is enough an electronic signature should have a simple presentation of the company (managing, executing the director and science). Government agencies will be accepted and in this signature, you can earn money from a more expensive signature for a company.

11. Online business

Business trends in this regard are clear. More and more people prefer to shop online. Due to this, the number of e-shops is constantly increasing. Here's what you need do so to be able to manage your online store:

- ✓ Manage your domain;
- ✓ To have general conditions that regulate the relations with the users of the site;
- ✓ Enter into a contract with a payment service provider to accept payments online.
- ✓ To register your e-shop with the NRA.

Creation of a website and domain registration

When creating a website, a key point to pay attention to is domain registration. In Bulgaria, the organization that takes care of domain registration is Register.BG. Register.BG only takes care of the management of .bg domains. For domains with other extensions such as .eu and .com there are other organizations that are not Bulgarian.

In fact, when building your website, you will need to use hosting services. The provider of these services will most often also register your domain.

There are not many rules for domain registration. It is important to avoid so-called cybersquatting. Cybersquatting means registering a domain that is identical or similar to a trademark. In the past, this practice was popular. An example of such an action is the registration of a domain with the name cocacola.bg and subsequently the extortion of the company to buy this domain. This practice is illegal.

Domain name protection

In order to avoid cybersquatting in Bulgaria, there are established rules that give preference to some people over others when there is a dispute about who owns a domain.

To avoid disputes with third parties, you can register your domain as a secure domain. To do this, you must cover one of the following grounds:

- ✓ The name of the company should correspond to the domain name;
- ✓ To have a registered trademark, whose name corresponds to that of the domain.

If the name of the company is used as a basis for domain protection, then the registrant of the domain should be it, and not you, as its manager. It should be noted here that there is no requirement for a complete match between the reason and the domain name. I.e. a small difference between the domain and the name is also allowed.

General terms and conditions of the website

The general conditions for a website are absolutely mandatory and their absence is a prerequisite for the imposition of serious fines by the Consumer Protection Commission.

Here is what information must be contained in the general terms and conditions of a website:

- Consumer information with details of the merchant who manages the website:
 - Name of the company and UIC;
 - Management address, as well as correspondence address, if different;
 - Current contact details - phone and email for users;
- Information about the body that exercises control over the activity (Consumer Protection Commission, Communications Regulation Commission and others);

- Rules for the protection of personal data of users (they are usually described in a separate document);
- Information on the conditions under which commercial activity is carried out:
 - main characteristic of the goods sold;
 - the final price of the goods and services including all taxes and fees;
 - information about the delivery and the method of payment;
- Rules for refusal of orders and complaints.

In separate documents, users must be informed of their rules regarding the processing of personal data. Such a document is most often called a "Privacy Policy".

Conclusion of a contract with user

There is a certain procedure for concluding contracts with consumers in an online store, which you must follow. First of all, the user must unequivocally state his desire to order something from your company, as well as explicitly agree to the general conditions.

The entire procedure for ordering and delivery of goods and services that a consumer purchases must be described in the general conditions and technically comply with them.

When a user places an order on your website, you need to send an order confirmation to their email address.

Advertising messages

In your online business, you will probably send business messages about your products and services. Here's what to keep in mind about them:

- ✓ You may send such messages to users only with their express consent.
- ✓ Messages should be easily recognizable as commercial as soon as they are received by the user.
- ✓ The messages must include information that allows identification of the company that sends them.

It is important that you do not include misleading information in your commercial communications. You should also know that there is a register of traders who do not want to receive commercial messages. This register is freely accessible and maintained by the Communications Regulation Commission.

Acceptance of payment

In order to be able to sell your products and services online, you must be able to receive payments for them. Earlier in the Guide we already mentioned the different types of payments. For your store you can use:

- ✓ Virtual POS terminal;
- ✓ The services of a payment operator;
- ✓ Bank transfers

Because bank transfers require manual processing and take time, most e-shops target payment operators.

Their advantage over POS terminals is that they simply offer different payment channels. In Bulgaria you can use local operators such as ePay and Paysera, and you can also sign a contract with an international company such as PayPal.

When choosing a payment operator, it is important to compare the fees charged by the operator for payments, as well as converting to different currencies. If you receive money from the payment operator in your bank account, you should also look at your bank's rates, especially for international transactions.

Registration of E-shop in Bulgaria

At the end of September 2018, the National Assembly adopted a new ordinance. The ordinance establishes rules for the persons who manage an e-shop. The basic rules are related to the obligatory submission of information to the NRA before the start of the activity and to store in a database the information generated through the e-shop - data on transactions, contractors and others.

The ordinance lacks information on what an e-shop is. However, it is clear that it does not matter whether you use your own domain or someone else's platform for selling goods or services.

The ordinance came into force regarding the rules for online stores on December 28, 2018. This means that traders who put e-shops into operation after December 28, 2018, must first submit an online application in a form to the NRA.

Traders who run a store before December 28, 2018, are not released from the obligation to declare this to the NRA.

They must also submit an application for an e-shop, but the term for them is 6 months from the adoption of the ordinance, i.e. March 28, 2019.

What information is declared for the e-shop?

A sample appendix has been adopted to the new ordinance - a form that will be filled in the portal for electronic services of the NRA. People running an e-shop must be prepared to provide the following information:

- ✓ Name of the e-shop and its domain;
- ✓ Details of the merchant managing the e-shop;
- ✓ Information about the platform used, as well as for hosting the site;
- ✓ Information about the software used and how to store the database of the store;
- ✓ Type of goods and services sold;
- ✓ Start date of operation of the e-shop.

The information is submitted to the NRA with a qualified electronic signature.

As for the other documents that are submitted electronically to the agency, a proxy can be used here as well.

In addition to the general information about the e-shop, merchants are obliged to keep data about the activity of the shop, including for each transaction. The retention period for this data is 5 years.

All persons operating an e-shop must be ready to provide this data to the NRA upon request.

12. Business abroad

This section will focus on the possibility of selling goods and services to customers outside Bulgaria, as well as the import of goods and services for businesses from abroad.

Provision of services within the EU

The main question in the provision of services abroad is how and when VAT is charged. There are two main factors to consider when calculating VAT on services abroad:

- ✓ What person is provided with the service;
- ✓ Where the service is provided.

The first question is particularly important. What matters is whether the customer is a consumer or a trader. In other words, whether the service is business to business (B2B) or business to user (B2C).

Business clients are most often companies, but can also be other entities that are equated to companies, such as NGOs, government agencies, and sometimes individuals (people), who are engaged in any economic activity.

The place of provision of the service depends on what the person receiving it is. The basic rule is the following: If the recipient is a business, then the place of performance is his address. In this case you do not charge VAT. If the recipient is a user, the place of performance is the address of the service provider.

Calculation of VAT on services

When delivering services to a consumer from another country, you charge Bulgarian VAT, i.e. 20%. This is because in this case the delivery is performed on the territory of Bulgaria. However, if the customer is a company, established elsewhere in the European Union, it must itself charge VAT in its own country. This procedure is called "reverse VAT charge mechanism" and applies to B2B (business to business) relationships.

Let's say you have a business that offers graphic design services. If a Greek company orders you to create a logo for its business, you do not have to charge Greek VAT. The Greek company itself has an obligation to do so. However, if the manager of the company orders the production to be used for personal needs, for example in his home, then you charge Bulgarian VAT.

The above rule has many exceptions. There are two that are more important because they are relatively more common in practice.

The first is passenger transport. This is a service that can actually be provided in several countries. If your company offers bus transport that passes through Bulgaria, Romania and Hungary, VAT will be charged on all three countries in proportion to the distance traveled in each country.

This does not apply to the transport of goods to consumers. When you deliver goods to a consumer from Bulgaria to another EU country, the delivery as a service is subject to Bulgarian VAT.

If the services you offer are related to the organization of sports, cultural or other similar events, then the VAT you charge is always the VAT of the country in which the event takes place. For example, if you organize a cycling competition in Romania and provide a participation fee, Romanian VAT is charged.

Sales of goods within the EU

When selling goods within the European Union, it again matters whether the transactions are B2B or B2C (business to customer).

Sales of goods to another company within the EU

If you are selling goods to a company based in another EU country, it matters whether it is VAT registered or not. If the customer company is registered for VAT in an EU country, it will have a V.I.E.S number. You can check if the client has a V.I.E.S number on the website of the European Commission. If your counterparty is registered for VAT in your country, you do not charge tax. The client must charge it in his own country.

However, if the company is not registered for VAT, you will have to charge Bulgarian VAT and add it to the invoice you issue.

Sales of goods to consumers within the EU

The general rule in the European Union is that if you sell goods to consumers in one Member State, you must register your business there under the law of that country.

However, there is an exception for small sales volumes on an annual basis. Each country sets a maximum threshold for annual sales of goods that a foreign company can sell in it. In most cases, this is a turnover of 35,000 euros per year. After transferring this amount, it is necessary to register a company in a foreign country.

If you fall into the exception for a low-turnover business, you must charge Bulgarian VAT on your products and import it into Bulgaria.

Purchase of EU services

If your company buys services from an EU-based company, you must charge Bulgarian VAT on the services and pay it to the NRA. Very often an example of this are advertising services from Google and Facebook, which have companies registered in Ireland.

Many people wonder why big companies choose Ireland.

This is an interesting case, to which we will pay more attention in a moment.

Purchase of EU goods

The same rules apply to the purchase of goods from another EU member state as for services. Your company must charge Bulgarian VAT and pay it to the NRA.

The VAT you charge for the purchase of goods and services for your business from abroad can also be used for a tax credit.

Sales of goods and Services outside the EU

When you sell goods or services to consumers outside the European Union, you do not have to charge VAT.

When buying goods and services, what you need to keep in mind is the need to charge VAT for your company for some supplies. For example, the goods you order from abroad above certain value, may be detained at customs until the moment of their release after payment of VAT.

Tax optimization through international business

In previous pages, we have noted that some of the largest American companies are setting up subsidiaries in Ireland to operate within the European Union.

Why are they always right in Ireland? The reason for this is the favorable tax regime, which allows American companies to transfer their profits from the United States through Ireland to an offshore zone.

These maneuvers are known as "tax planning" or "tax optimization". Perhaps the most famous tax-saving scheme is the so-called "double Irish with Dutch sandwich" (double Irish with a Dutch sandwich). It has long been used by companies such as Google, Amazon, Apple and Microsoft. The company that wants to benefit from the scheme transfers its intellectual property to a series of subsidiaries - one Irish company, a Dutch company, a second Irish company and the money ends up in an offshore zone with a 0% tax, such as Bermuda.

These tax optimization schemes are used by many large companies. For a start-up business, they are rather interesting and indicative of the fact that a global structure of the company can lead to a more favorable tax regime.

Bulgaria is one of the countries with the lowest taxes in the EU, but there are still more convenient places, such as Malta, the Netherlands and Ireland.

The incorporation of a company in another country is particularly easy to apply in the field of services for which there is no restriction on provision in different countries.

13. Business protection

Intellectual property can be extremely valuable to a business. For companies like Apple, Google and Disney, the brand is everything. It has great value. Other companies, such as Microsoft and many pharmaceutical companies, rely heavily on their patents.

Others, such as Coca Cola, protect their core assets as a trade secret.

You will understand what it means to protect your brand and what are the specifics that you need to consider when developing it. You will also learn about the possibilities for protection of your technologies, work processes and production experience.

Then we will look in detail at the most important rules that businesses must comply with:

- Rules for personal data protection;
- Rules for consumer protection;
- Rules for fair competition

These rules are extremely important for any business, because non-compliance with them is strictly monitored by the relevant government agencies and the sanctions that can be imposed on the company are significant. Next, these rules are important because their violation affects the rules of third parties - competitors or consumers.

Intellectual property is something extremely valuable for your business. It can take many forms:

- Copyright;
- Trademarks;
- Patents;
- Know-how

Each of these forms protects different rights and you can take advantage of it in different ways.

13.1. Copyright

The term copyright denotes a set of different rights to many objects, the common denominator of which is that they are works of art. Such are the works of literature and music, stage and audio-visual works, objects of fine arts, photography and architecture, as well as software.

What is a subject of copyright?

There are two requirements for a work to be subject to copyright.

In the first place, it must be the fruit of creative activity. This criterion is quite broad and generally covers many types of activities that are subject to human effort - writing, painting, photography and many others.

Next, the work must be objectified, i.e. to be fixed in some form.

If you invent a poem that only exists in your head, it will not be copyrighted. You need to publish it or at least write it, or recite it publicly.

What is included in the copyright?

Copyright, as mentioned above, is in fact a set of rights, and they are of two types: property (those from which financial benefit can be derived) and non-property.

The main non-property rights of the author are his right to be indicated as such by his name or pseudonym, as well as to request the preservation of the integrity of the work. For example, the artist of a painting has the right to want it to remain in the form in which he painted it.

Property rights are more important. These mainly include the right to reproduce, distribute, broadcast and present the work for commercial purposes, with commercial purposes being a very broad concept. In general, property rights cover the actions that are related to the sale of the work - the publication of a book, the screening of a film, the sale of recordings of a musical work and others. However, property rights also include the use of the work in other ways for commercial purposes, such as placing an image on a website or using an audio recording in an advertisement.

The copyright holder has the right to exercise the property rights, as well as to assign them to third parties. This means that when a work is copyrighted, you must ask the author's permission to use it for commercial purposes.

Who is the copyright holder?

In principle, the copyright holder is the author, i.e. the creator of the work. However, the author may subsequently assign his property rights to another person. For example, an author may assign the right to reproduce and distribute his book to a publisher and the publisher may already be the holder of that right.

Even if you enter into a contract with an author to create a work specifically for your company, he or she will still be the copyright holder. For example, if your company has a designer who works on an employment contract and creates copyrighted works in its implementation, the designer will be the holder of the rights, but the employer company will be able to use the works. However, this is not the case with the software created under an employment or official legal relationship. Copyright in computer programs is in favor of the employer.

What is the scope of the copyright?

Copyright is generally recognized worldwide and does not need to be registered anywhere. However, despite purposeful efforts in this direction, the regulation is not the same everywhere.

In some places, including the United States, it is possible to register the objects of copyright, which significantly facilitates the subsequent exercise of rights.

Copyright is not eternal. The general rule is that it lasts throughout the life of the author and 70 years after his death. After death, the rights are exercised by the heirs or by another person to whom they were transferred during his lifetime. For some works, however, this period is different. For example, for software, the 70-year period begins not from the death of the person who developed the software, but from the moment of its disclosure.

After the expiration of the term of protection, the work becomes public, i.e. can be used freely by anyone. For example, the statue of David by Michelangelo in Florence was created more than 5 centuries ago. The copyright on it has long expiration and everyone is free to make copies or show it in movies, photos and more.

How to use subjects of copyright?

When you want to use an object of copyright in your activity, you must obtain the consent of the author or the person who is the copyright holder, if different from the author (producer, publisher, etc.). In principle, the author has the right to receive remuneration for the use of a work, but there is no obstacle for him to allow you to use his work free of charge for specific purposes and to a specific extent.

Copyright transfer and licensing

Property copyrights may be transferred and licensed. With the transfer of copyright, its holder waives his rights and they pass entirely to another person. Under the license, the right holder assigns only part of them to a third party, for example the right to use the work for specific needs in his activity.

The copyright license is more popular in business, as it gives many opportunities to fix various stipulations between the parties to the contract. A limited license may be granted, for example, a company may simply use a photograph on its website.

However, it is possible to grant an exclusive license - the copyright holder may not license the photograph to others during the contract with the current licensee.

The software as a subject of copyright

Strange as it may sound, software as an object of copyright is equated to a literary work. This means that it is protected as source code or object code, not by its functions. Let's say, for example, that you create a very simple program - you enter two numbers and the program counts their sum. You can distribute this program and sell it. However, someone else can create the same program on their own with a completely different code. It will actually perform the same function, probably in an identical way, but its creator will have its own copyright on it and will not infringe yours if it distributes it.

When you purchase a computer program, you have the right to use it for its intended purpose, to study it, to store it in the appropriate device, as well as to make a backup copy. However, you may not copy or distribute the Program.

Software use licensing

Copyright is not adapted to software products and very rarely succeeds in serving the interests of both producers and users. That's why software companies prefer to settle their relationships with consumers through contracts. These contracts are concluded with the user most often during the installation or use of the product. You commit to them the moment you click the "I agree to the terms and conditions" button or take some action with the same meaning.

When you buy a copy of a program, you are not really buying the program. You only acquire the right to use it (license agreement). You do not become the owner of the program.

In most cases, these contracts are strictly in favor of the manufacturer or trader. However, there is also "free" software, better known in practice as "free" or "open source", although these terms are not identical. It is software that users are free to use, reproduce and distribute. Anyone can even change the software as they develop it, but they are obliged to allow everyone to freely use the improvements or changes he has made.

Software protection

The law does not do very well with software protection as a functionality. The same, unfortunately, applies to the appearance of the software. In Bulgaria it is assumed that the appearance of a computer program cannot be registered as a design. On the other hand, the interface of a software is very difficult, i.e. the way it looks and how users interact with it should also be protected by copyright. This is because it is very difficult to create a purely visual appearance that is creative and original enough to be considered copyright.

However, the software itself may include many different elements that are protected by copyright. For example, a computer game like "Super Mario" contains images of cartoon characters that are perfectly copyrighted. Other examples are melodies, visuals, videos and copyrighted lyrics.

Software employment

It is especially characteristic of computer programs that in the vast majority of cases they are created by a number of programmers within the framework of an employment or employment relationship. When software is created in this way, it becomes the property of the employer. Large companies such as Google and Apple employ many employees who create software in one form or another on a daily basis. However, the owners of all copyrights are the companies.

The same is true when your company contracts with a software company to develop software specifically for your business. Here, however, the field of negotiation is very wide and it is quite possible for the manufacturer to keep some of the rights for himself.

13.2. Trademarks

In 2009, Twitter decided to register "Tweet" as its trade word. Of course, a logical decision, given that this word is directly related to the company. To the great surprise of Twitter, however, it turns out that such a brand has already been registered, and not by anyone, but by the company Twittad, which pays its users to post ads on their tweets. The trademark registered by Twittad is "LetYourAdMeetTweets", which happened in 2008. The dispute over the rights to the word tweet quickly reached the US court, and the case eventually ended with an agreement only in 2011. Twittad transferred its rights on Twitter. What Twitter has suggested in replacement, remains a secret, but probably worth it.

What is the conclusion? Twitter is a company founded in 2006. Even then, it was able to register its brand. Instead, three years later, when this decision is made, it turns out that it is too late. In the fifth year of the company's founding, it finally owns the rights to the word it has imposed on the market, after long litigation and ultimately most likely to pay a solid price.

Twitter's story is telling. We start with it to find out how high the value of a brand can be. Every business must have its own brand - something that sets it apart from all competitors and that speaks clearly and precisely to consumers. This thing is the brand - a word, a slogan, an image or even a sound that is immediately identified by the end user. Imagine the biggest brands in

different industries - Google, Apple, and Nike. They are easily recognizable and are associated with high quality. Every large company has a registered trademark. Not just one, but many.

In order for a brand to be developed to such an extent, it is necessary to invest an awful lot of time, resources and purposeful efforts.

However, once a certain level of popularity is achieved, the brand starts working for the business, and extremely effectively.

A key point in building the brand is its registration as a trademark.

Trademark pricing

In 2016, Google's market capitalization was estimated at \$ 365 billion. This is three times more than the gross domestic product of Bulgaria in 2019. According to Forbes data from 2011, only the brand "Google" represents 27% of the company, i.e. we can assume that today it is estimated at nearly \$ 100 billion.

In the different stages of development of a business he acquires and develops different assets, which in turn change their value. For a start-up business, the most valuable asset is the people behind it. If the company is engaged in production, it can gradually accumulate serious tangible assets, such as factory, raw materials and materials, products. Some companies invest in other values - real estate, financial instruments and others. These are their most valuable assets. However, when a company grows big enough, its most valuable asset becomes its name. This is because the company is gradually becoming recognizable among consumers. The more popular a brand becomes, the higher the price.

An example of this is Apple. The very fact that a product bears this brand or one of the others of the company (for example iPhone), increases its value many times over.

To some extent, this applies to absolutely every area of the economy.

Of course, in some industries, such as fashion and luxury goods, brands are everything. They represent over 90% of the value of a company.

Trademark rights

When you register your trademark, you acquire the exclusive right to use it. The word "exclusive" means that only you have this right, i.e. you can ask from anyone else not to use the brand. The term "use" has a very broad meaning and includes virtually all activities of production, sale, marketing, advertising, import and export of goods and services.

Your company can use one trademark without being registered and this is completely legal. The problem in this case is that all your competitors have this right. This means that you cannot claim rights just because the brand is developed thanks to your investment.

If one of your competitors registers your brand, then the really big difficulties are already beginning - as in the history of Twitter.

Types of trademarks

Trademarks, with some small exceptions, can be divided into three types according to how they are composed. The choice of a specific type of brand is important in view of the protection that the brand provides. Here are the three types:

- Word trademark
- Figurative trademark
- Combined trademark.

Word trademark

The word trademark is composed entirely of text - letters, numbers and symbols. It can be a word, a phrase, a syllable, even a sentence. The visual way of writing - color, font and other elements, is irrelevant.

It is important for word trademarks that they can only be written in one language, i.e. either in Cyrillic or Latin. The word trademark provides protection not only on the specific text, but also on any similar texts - those that are written similarly, sound similar or generally create the same impression of the end user.

Figurative trademark

If there are any visual elements in the trademark other than text, it is figurative or combined. The figurative trademark is a picture, the word "logo" is most often used. Examples of such trademarks are the Nike ripple or the Apple.

The figurative trademark is suitable for images in which there is no text. For this trademark can be important the color of the image, but also all its elements that create a definite impression on the end user.

Combined trademark

The combined trademark is a figurative trademark with a verbal element, i.e. combination between picture and text. The best example here is the Coca Cola brand and the way it is spelled. This type of brand creates a more versatile impression on the consumer. On the one hand, the consumer distinguishes the goods and services branded with the brand with its name, and on the other hand - with the purely visual appearance of the brand.

Combined brands are quite common in practice, as many businesses want to impose a combination of name and logo as a brand.

Trademark protection

Trademarks protect your business and, in particular, your products and services. However, their action is not absolute. There are important limitations in the operation of the brand that you need to know:

- ✓ Restrictions on the subject protection of the mark
- ✓ Territorial scope of the brand
- ✓ Term of validity of the mark.

Subject of trademark protection

When a trademark is registered, it is done for specific products or services, not at all. For example, the Apple brand is registered for software and hardware, not for sporting goods, and the Nike brand - the opposite.

The brand does not protect all products and services at all, but only those that are actually offered with it.

Territorial scope of the trademark

The trademark has effect in a certain territory for which it is registered. For example, trademarks registered in Bulgaria are protected only on the territory of the country.

The rule is that in each country there is a separate registration procedure. However, there is a uniform procedure for trademark registration throughout the European Union.

There is also a World Intellectual Property Organization, in which many countries participate. Through the organization, one trademark can be registered in many countries simultaneously. However, the procedures before the World Organization are expensive and complicated.

Restrictions of the trademark

The trademark is protected for a period of 10 years from the moment of submitting an application for registration. After this period, re-registration must take place in order for the mark to remain valid.

Trademark registration

When applying for trademark registration, it must meet certain conditions specified in the law. Failure to comply with any of them will result in denial of registration.

Here are the most important rules.

The first prerequisite for successful registration of a TM is that it is distinctive. Distinctiveness means that users can recognize your mark. It should distinguish you from other companies on the market and show the identity of your brand. For this purpose, the brand must be free, there should be no other on the market.

Secondly, the brand should not be descriptive, i.e. not simply describe the goods and / or services you offer. If you try to register, for example, the brand "Super Food" for food, registration will be denied.

There are a number of other similar requirements for trademarks. For example, they must not mislead the consumer, they must not include coats of arms, flags and other state emblems and symbols, nor a name or image of cultural property.

Your trademark must not be the same as or resemble another trademark already registered for the same territory and for identical or similar products and services. Registering such a mark would constitute an infringement of the rights of the proprietor of the earlier mark.

Last but not least, for successful registration it is necessary to precisely define the products and / or services for which you will use the brand.

✓ Is the trademark free?

One of the requirements for trademark registration is that there is no identical or similar trademark. Persons who have registered a previous such mark would have reason to object to the registration of the new one. This happens in the course of the registration procedure through a special action called "opposition".

✓ Identical and similar trademarks

There are four criteria to consider when assessing the existence of similar trademarks:

- The trademark is valid - The trademark with which the comparison is made must be registered and its validity period (10 years) must not have expired. It may simply be an application, i.e. the trademark is in the process of registration. Priority here is given to the brand for which the application was filed earlier.
- The trademark is registered for the same territory - Trademarks provide territorial protection. They operate only in the country or countries for which they are registered. For example, one EU brand covers all countries within the union. If a trademark is registered in Bulgaria, it must be checked for valid trademarks in Bulgaria in particular and in the EU in general.
- The trademark is registered for the same goods and services - As with territorial action, trademark protection is limited to the specific goods and services for which it is registered. These goods are classified according to an international classification and often the examination for existing brands is done on the basis of classes and not on specific services.
- The trademark must be similar or identical to the new trademark - Two trademarks are identical and completely identical. There are no particular difficulties here. The criterion for similarity is more interesting. It is considered that two trademarks are very similar when there is a possibility for the end user to confuse one with the other. It is very difficult to specify specific criteria here. Judgment is often subjective, but it is important to keep in mind that it is made from the consumer's point of view, not the businesses.

✓ **Check for similar trademarks**

Checking classes of goods and services - This check can be done on the WIPO website (you can find a link to it at the end of the book). The site contains a classification of all goods and services. If you use the WIPO search engine, you can easily check which product falls into which class. For example, legal services fall into class № 45, cars into class № 12 and coffee into class № 30.

This information is important for the next step.

Check for existing brands - This check is done in TMView. With the Advanced search function you can check for trademarks registered in a specific territory, which are valid and which relate to specific classes of goods and services.

The TMView service is free and allows searching for identical and similar brands. However, it only works for verbal and combined brands. It cannot be used to check for figurative marks.

✓ **Choice of goods and services to protect**

When registering your trademark, the choice of goods and services to protect with it is crucial. To make this conclusion, you must be familiar with the international classification of goods and services, i.e. the so-called Nice Classification. The Nice Classification divides all goods and services into 45 classes. The products that you produce or simply offer must fall into one of these classes.

The more classes the products you protect with the brand fall into, the more expensive it is.

There are two basic rules to follow:

- **Be specific** - It is important to have a clear idea of the products that you will produce and offer with the brand. The specific description of each product is key to the protection it will receive from the brand. No you can register your trademark for general areas

such as "software" and "sporting goods". The organization that registers your brand will want you to specify these terms by explaining exactly what software and what sporting goods you will offer with the brand.

You do not need to include any variety of products, even if they fall into one class. Your trademark only protects you if it is actually used.

- Think big - Today, your business is developing software useful in the analysis of medical statistics. This is great and is an area that you should definitely protect. It is possible, however, after year to expand the scope of your product by making a version applicable in the analysis of a large amount of data in logistics. When registering a brand, it is good to consider your specific future plans that you plan to implement with the same brand.

Trademark registration procedure in Bulgaria

In order to receive protection, a trademark must be registered. The fact that you are the first in the world to use a brand does not mean that you have any rights to it. You need to go through the registration procedure. This is how it goes in Bulgaria.

The registration procedure begins with the submission of an application. This point is important because it marks the starting point of trademark protection. The application is submitted to the registration authority. In Bulgaria it is The Patent Office.

After submitting the application, the inspections begin. Every trademark registration procedure begins with them. First of all, it is checked whether the due fee has been paid. Then check if the brand meets regulatory requirements. In Bulgaria they take much more time.

When the checks pass and it is established that everything is OK with the request, it is published. This is done to bring it to the attention of all stakeholders. In Bulgaria, the application is published in Bulletin of the Patent Office.

A trademark registration procedure must go through this stage. It lasts 3 months, during which the owners of previous brands can object to the registration. Their marks must be substantially similar to those applied for and relate to the same products.

According to the European Intellectual Property Office, opposition is filed against every fifth mark. This happens when a sufficiently good preliminary study of the brand is not done and the risks are not taken into account. Oppositions prolong production considerably - by at least 6 months. They can even lead to denial of registration, although in most cases the parties reach agreement.

When the term for oppositions expires and no such submissions are made, the mark is registered. This is the final stage in a successful trademark registration procedure. In Bulgaria before registration is paid additional fee.

From now on, you should start monitoring competing brands periodically. Are there any applications that would jeopardize your rights as trademark owners? You will not receive an automatic notification from the registrar, so it is good to provide a monitoring mechanism. Remember that 10 years after submitting the application for registration you must renew the trademark.

Trademark registration procedure in EU

The procedure for trademark registration in the European Union is very similar to that in Bulgaria. Apart from the obvious advantage that the trademark will be valid for the whole

European Union, there is another one - the speed of the procedure. In the EU, trademark registration takes place within 7 months, and the European Intellectual Property Office is quite strict in terms of deadlines. Also, the procedure is easily traceable, which cannot be claimed for the Bulgarian Patent Office.

There are two main differences with the procedure in Bulgaria, which we emphasize:

1. Prepayment of all fees;
2. Specific indication of goods and services

In Bulgaria, about 1/3 of the fee is paid at the beginning of the procedure, and the rest - at the end. In case of unsuccessful registration, this minimizes the losses to the initially paid fees - for expertise and publishing a request. In the EU, the full fee is paid from the outset and the damage from potential failure is greater.

In Bulgaria, the Patent Office allows the trademark to be reserved for a whole large group of goods (class according to the Nice classification), without them being listed explicitly. The European Intellectual Property Office does not allow this. When registering an EU trademark, the goods and services it will protect need to be described in some detail.

International trademark registration

As mentioned above, there is also the International Organization for the Protection of Intellectual Property (WIPO). Through it, a trademark can be registered at once in different countries. The main problem with international registration is that the procedure is quite expensive, and not all countries in the world are members of the organization. However, for markets outside the European Union using WIPO is a good option.

✓ Trademark holder

This dilemma is often faced by the founders of a business - whether the brand should be registered in the name of the company or in the name of one of the owners. Three main circumstances are worth mentioning here.

✓ Licensing of the trademark

The owner of the trademark may allow the company to use this trademark, in return for which the company will pay him a license fee. The advantage of the license fee over any other fees is the low amount of income tax (6% after accounting for statutory costs) and the fact that no insurance is due for license payments.

✓ Use of the trademark

The person who registers a trademark must use it. A brand that is not used may be attacked by third parties. In case the trademark is owned by a natural person and is used by a company, a license agreement must be concluded. This is because licensing the brand is the way it is used by the owner.

✓ Transfer of trademarks

As mentioned above, a brand can be extremely expensive. The more popular a business is, the more valuable the brand through which it sells its products or services. In such situations, potential investors would like the brand to be owned by the company they want to invest in, not just be licensed to use it.

Of course, the trademark can always be transferred from one person to another after registration, but this procedure still involves additional documents, costs and time.

13.3. Patents

The patent protects specific objects of intellectual property, namely inventions. These are objects whose high value stems mainly from their original design and their ability to solve technical problems through innovative methods. As the process of creating inventions takes time, effort and resources, the law gives certain property and non-property rights to inventors over their inventions.

Patents are extremely popular in some areas of business - the pharmaceutical industry, technology, as well as information technology.

Such rights are non-property, the exercise of which in principle does not bring economic benefits. An example of a non-property right is the right of the inventor to be mentioned as such in the patent application, the publication of the patent and the patent certificate. The more important rights are property rights, i.e. those that enable the inventor to benefit from his activity. There are three basic property rights that patent protection provides:

- ✓ The right to use the invention, including its production, imitation, sale and import;
- ✓ The right to prohibit other persons from using the invention;
- ✓ The right to allow third parties to use the work.

However, my rights to an invention extend only to its use for commercial purposes. It is permissible for other persons to use the patented invention for personal needs as well as for scientific purposes. Also, if someone used the invention before patenting it, he can continue to use it to the same extent even after I receive a patent.

The law does not allow the use of a work to be prohibited on its own. If you register a patent and do not use its object for commercial purposes and at the same time refuse to grant this right to other persons for a reasonable fee, you may be forced to do so by the Patent Office in Bulgaria.

New inventions

New is this invention, which until the invention was not part of the state of the art, i.e. has not been described, manufactured or used. The novelty is assessed in terms of whether the information about the invention or its use is publicly available. If you invent a special solar panel and use it in your office, it does not compromise the novelty of the invention.

It is necessary that the information about its way of functioning and construction has become available to an indefinite circle of persons, for example through its publication in a scientific journal or through the commercial dissemination of the invention. The invention must be new on a global scale, not just new to Bulgaria.

Inventive step

The invention must be an expression of real technical progress, i.e. to have an inventive step. An inventive step occurs when the subject matter of the patent is not obvious to those skilled in the art. Simply put, the invention must be not just new, but innovative.

Example: Imagine that there are only pens in the world that write in blue. If you invent a pen that writes in red, it will be a new invention, but it will not be available.

An inventive step, as changing the color of the ink is an obvious solution for everyone. However, if you create a pen that changes color from blue to red at the touch of a button, then this is not just a new, but an innovative invention. The assessment of the existence of an inventive step is often subjective and it is difficult to determine the exact limit that must be crossed by the inventors in order for the invention to be patented.

Industrial application

The invention will easily meet this criterion if it finds any application in industry or trade, such as energy, mechanical engineering, agriculture, hunting and fishing.

It must also really be able to achieve its goal - to produce a product, to perform some activity for which it is intended. Next, the invention must be characterized by a relatively high degree of reliability.

In other words, to meet the requirement of industrial applicability, an invention must:

- ✓ be able to be produced and used repeatedly in the field of industry;
- ✓ be able to effectively achieve the result or effect for which it is used;
- ✓ to be relatively reliable.

Patenting of ideas and theories

There can be no patent idea or theory. They need to be realized in a particular invention. As innovative as the invented solutions and methods may be, it is not enough to simply describe them.

There are some limitations in the validity of the patent. First of all, the patent granted for an invention in Bulgaria will provide protection only on the territory of the country. To obtain protection in another country, you must apply for a patent with its respective institution.

Next, the patent is valid for 20 years from the time you apply for the patent. No extension is allowed after its expiration.

Software patenting is possible in the United States, and also with many reservations in the European Patent Office.

As we hope has already become clear, the patenting procedure is long and also expensive. Therefore, in Bulgaria, and in some other countries, a simplified procedure is provided - registration of a utility model.

The utility model generally meets the requirements of the invention, but they are slightly understated. However, the main advantage is not this, but the significantly accelerated procedure and reduced fees. On the other hand the registration of a utility model provides protection for only four years. There is also a possibility to extend the term twice by three years, i.e. a total of ten years.

13.4. Know-how

Not all intellectual property objects are subject to strictly regulated legal protection. Let's take an example. You have had a company for a long time and within its activity many good practices have been established, which lead to increased productivity and more effective management of employees. A complex procedure for customer relationship management has also been established. All this is the result of many years of experience, as well as a lot of work and money.

This body of knowledge is not protected by a patent or a trademark, much less by copyright.

✓ What is included in the know-how?

Any specific knowledge of a process, technology or procedure that is not well known but is applied in your business can be considered know-how. It is important that this knowledge brings some economic benefit and that you strive to keep it a secret.

In some laws you can find the term "production experience", which is synonymous with know-how. It is not entirely accurate, as knowledge may not be specifically related to the production of a product.

For example, if you have developed a method for providing various services online, this is also know-how, although you practically do not produce goods.

There may also be know-how for various ancillary activities in your business, such as a company process tracking system.

✓ **How to protect your know-how?**

It is no coincidence that some people use the term "trade secret" precisely in connection with their production experience. It must be kept secret.

It is important that you enter into confidentiality agreements with your partners and establish procedures for working with them. This is in connection with the external relations of your company. The bigger threat often comes from within, because employees are the ones who are in direct contact and implement your know-how. It is a good idea to always divide the process into separate units so as to ensure that the algorithm of the whole process is your sole responsibility.

Remember, in conjunction with confidentiality agreements, when necessary, enter into non-compete agreements. Employers often abuse such clauses in employment contracts with their employees, and this sometimes leads to the cancellation of the relevant provisions in court. The point is not to forbid your employees to work for your competition or one day start your own business. Non-performance agreements

You conclude a competitive activity mostly with your partners, who have direct access to your know-how in connection with the performance of some other tasks.

✓ **Legal protection of the know-how**

In Bulgaria, the law stipulates that when you enter into a contract with someone to provide know-how, he must keep it secret, but only until then.

In practice, it will be quite difficult for you to prove the damage you have suffered from the disclosure of your trade secret, or who is guilty of it in court.

The safest legal protection is a patent. A patent gives you the exclusive right to defend an invention legally. However, not everything can be patented. It is important to consult a specialist in the field, such as an industrial property representative, before proceeding with a patent procedure. You will reveal your know-how to him, and he will analyze it to give you an answer whether he can and whether it is worth trying to patent.

With it you can conclude both a confidentiality agreement and one for non-competitive activity.

✓ **Value of the know-how**

In summary, your know-how is expensive only if you really keep it a secret.

However, there is another option to earn directly from your know-how and that is the contract for providing know-how for a fee.

In other words, you can sell your production experience.

There are many ways to sell your production experience. Large companies use the franchise model. Think of brands like McDonalds, Subway and Office1. In these cases there is one company - franchisor or franchisor, which enters into contracts with other companies - franchisees who use the already established brand for a fee. In addition to the right to use the trademark, equipment is often provided, training is provided and good manufacturing practices are disclosed. The companies are obliged, in addition to paying remuneration, to observe certain standards in their work.

A franchise contract is a complex contract with many different elements and the provision of know-how is just one of them. You can avoid concluding one by focusing only on the transfer of their experience without additional commitments. It is very important here with whom you negotiate and more than anywhere else the trust between the parties is important. This is because, whatever the clauses privacy to include if your secrets are spread, there is no one to stop your competition from using them.

In conclusion, you should know that your know-how is something valuable. This is knowledge that your business acquires as a result of very hard work, and its successful application requires time. You should not neglect this. Finding best practices often requires a serious investment, and you wouldn't want your competitors to take advantage of them. As much as you can, keep your experience a secret.

On the other hand, don't necessarily assume that your company will become the new Coca-Cola. Sometimes it is good to share your experience with your partners so that they can develop it and you in turn can improve the product you offer. This is the so-called open source model and many companies prefer it mainly in the field of software.

The willingness to provide your know-how in many cases can lead not only to new partnerships, but also directly to profit.

It is important to remember that this is really an asset that you are constantly developing and whose value increases in direct proportion to the effort and expertise you put into your work.

14. Important business laws

In this part of the Guide, we'll look at how to make sure your company follows three of the most business-specific laws:

- ✓ The rules for fair competition;
- ✓ Consumer protection rules;
- ✓ Protection of personal data

14.1. Fair competition

Fair competition rules are established to regulate the relations between businesses that are competitors in one market. Everyone can develop their business. This right is guaranteed by the constitution and laws of the country. When there are several companies engaged in the same activity (for example, they produce accounting software), they are competitors. There are certain rules for conducting competitive activity that everyone must follow.

14.2. Unfair competition

There are several grounds for unfair competition, regulated in the Law on Protection of Competition, namely:

- Damage to the good name of competitors - Practices that damage the reputation of competitors are prohibited. Your competitor may not claim or disseminate false or distorted information about your business or the products it offers. Unfair competition would be such actions that aim to harm the name of the business, thus repelling customers from it. For example, someone hears that your company does not fulfill orders on time, does not repair goods under warranty or similar rumor.
- Misleading - This is also forbidden. In this way, your competitors again aim to attract customers disloyal to you. Here, however, they disseminate misleading or distorted information about the essential properties of their respective products. A typical example of this is a food supplement company that prescribes properties to its products that they do not actually have. That's how it aims to influence the economic thinking of consumers.

The practice would be unfair to your business if it could cause consumers to choose another product instead of yours based on the misconception in which they are introduced.

- Misleading advertising - This is the main means of deception. This advertisement is misleading, misleading consumers and changing their opinion about certain products. That way your competitors advertise and attract new customers, and you lose some of yours.

The main difference with misleading is that here the incorrect information about a certain product or service is given within an advertising campaign. Misleading advertising can also be advertising, in which are deliberately hidden product features that would be essential to the consumer and that would change the way he perceives the other facts set out in the advertisement.

- Comparative advertising - Advertising is comparative when your competitors compare their products or services directly with yours. The goal is to bring one of the competitors to a leading position in relation to your company. Comparative advertising is allowed only in cases specified by law: in order for a competitor to compare its goods or services with mine and others on the market, its advertising must simultaneously:
 - ✓ does not mislead consumers and does not constitute unfair commercial practice;
 - ✓ compares similar goods or services (e.g. laundries from different manufacturers);
 - ✓ compares only the characteristics of goods and services;
 - ✓ does not confuse consumers about the goods, services, brands, trade names of competitors, as well as about the competitors themselves;
 - ✓ does not harm the reputation of competitors;
 - ✓ compares goods of the same origin;
 - ✓ does not derive an advantage from the name of the manufacturer or from the brand of the product being compared;
 - ✓ does not present the goods as an imitation or a copy of the goods with which they are compared.

For example, the advertisement will be comparative, in which the sign in front of the store reads "Cheaper than the store next to us!". For example, in early 2019, the Commission for Protection of Competition imposed a huge fine on Metro precisely because of unfair trade practices against a competitor in this regard.

- Imitation - Imitation of goods or services is also prohibited. Here, competitors imitate your products when they strive to resemble their appearance, packaging, labeling, name and other features. They can also mimic your brand, website and more things that are typical of business.
- Unfair attraction of clients - Unfair customer attraction includes offering gifts, giving extras to the goods or services sold at very low prices, giving extra things depending on solving

problems, riddles, riddles and more. For example, you can't do a promotion in which anyone who buys your gum and solves a problem wins a car.

However, this does not mean that you cannot promote your goods or services. The law regulates several options for promotional campaigns:

- you donate advertising items of insignificant value and a clear indication of the advertising company (for example wine tasting);
- you give away objects or services which, according to commercial practice, belong to the goods sold or the service performed (for example, if a consumer buys a printer, he may receive copy paper as a gift);
- you give away goods or services as a discount when sold in larger quantities (for example "you buy three products for the price of two").

- Abuse of a stronger bargaining position - Competitors with a stronger bargaining position are those who have a larger market share than yours. They do not have to negotiate with their customers in bad faith. All actions are unscrupulous or inactions that are not economically justified, for example:

- ✓ unreasonably refuse to supply or purchase goods or services,
- ✓ unreasonably impose extremely severe or discriminatory conditions,
- ✓ unreasonably terminate their trade relations with their counterparties.

In this way, they harm your company as their competitor or consumers. For example, your beverage provider can't stop refueling your restaurant for no reason, can't suddenly charge a triple price, even though the prices are the same in supermarkets, and so on.

14.3. Cartel agreements

A cartel is an agreement or concerted practice between at least two competing undertakings (firms) that aims to restrict competition by:

- setting sales prices;
- allocation of markets or production / sales quotas;
- manipulation of public tenders, competitions or public procurements.

In this way, the undertakings participating in the cartel most often carry out an artificial increase in the prices paid by consumers. For example, fuel manufacturers agree together to increase the price of a particular fuel by 10 cents per liter. This is one of the most serious violations of free market rules, which is why it is prohibited.

Any kind of arrangements between companies that lead to:

- ✓ direct or indirect pricing / other trading conditions;
- ✓ allocation of markets or suppliers;
- ✓ controlling or restricting production, trade, technical development or investment;
- ✓ application of different conditions under the same transactions to certain partners;
- ✓ placing additional obligations that are not in the concluded contract.

These actions are not prohibited if they improve the production, distribution of goods, provision of services or the development of technical progress, with the undertakings concerned also providing consumers with a fair share of the benefits obtained.

14.4. Consumer protection rules

Consumer protection rules are key to any business, so here we will look at the main ones separately. But before we get started, you need to know what the term "consumer" means.

Users can only be individuals (people).

Legal entities (companies, NGOs, etc.) are not consumers. When a natural person acts as a trader or concludes a transaction in the course of his business, he is also not a consumer.

In this part of the Guide, we will look at the most important consumer rights briefly:

- Right to information - When your company makes a deal with a consumer, it must provide him with certain information. We can divide the information into one for the trader, for the products and for the price.

This is basic information about the company with which the user concludes a contract - company name, UIC, address, as well as contact information.

It is not necessary to explicitly communicate this information to the user every time he orders something. It is enough for her to be at his disposal and if he wants to be able to find her easily.

When selling goods and services, you need to explain their main characteristics to consumers. Such for the goods as a whole are composition, suitability and manner of use, danger or risk of use of the goods or service. There may be different requirements for each specific product. The information must be provided insofar as it is not obvious to users.

It is important for the goods that if you are a trader, you cannot justify the lack of information by saying that it is not provided by the manufacturer.

Information about goods offered by traders can also be placed on their labels. The label must also contain details of the manufacturer and importer of the goods, if any such. Another important characteristic of the product that is written on the label is its size or quantity. This must be done in Bulgarian and by using the metric system (meters, grams, degrees, etc.).

For the services, the information provided is specific to the service. However, the term of the contract, if any, must always be specified, and it is particularly important whether that term is subject to automatic renewal.

The information is provided in writing or in a way that allows it to be easily perceived by the user.

Perhaps the most important information for consumers is that of the price of the goods or services they buy. It must be known to them before concluding a contract. When selling goods, the price is placed in a prominent place next to the product, and the same applies to advertising catalogs.

The price includes all taxes, delivery or installation fees, as well as the price of other services that must be performed by the trader.

Let's look at an example for more clarity: A security company enters into a contract with a user to install a security system in his home. Subsequently, however, it turned out that the price announced by the trader did not include VAT, a fee for delivery of the system to the address, and also required payment and an additional fee for the installation of the system. Lack of prior information on each of these amounts is a violation. It is also a violation if a user receives a directory in which they are the prices of the goods and somewhere at the bottom of the page it is described that VAT is not included. Another violation, which is more common, is in the

delivery of larger items - on the spot to ask for an additional fee for their transfer to the upper floor of a building. This information must also be known in advance. The trader is not allowed to indicate different prices of goods at different places in your store. For example, a product cannot be sold at the entrance of the store for BGN 1,00, and at the checkout its price cannot be marked as BGN 1,10.

- Right to claim - The consumer has the right to make a complaint when he buys goods from a trader in any way and they do not correspond to what they have agreed or what has been described. For example, a consumer buys a phone and when he comes home, it turns out that it does not work. However, the defect does not need to be so serious. It is possible that just some function of the phone does not work, for example, there is no functioning camera. In fact, it doesn't even have to be question of defect. A complaint can be made for any deviation from the agreed.

In order to exercise his right to complain, the consumer must keep the receipt for the purchase or another equivalent document such as an invoice. Your company may have provided commercial warranty of the goods, but even if this is not the case, the consumer has a legal warranty of 2 years. Since it follows from the law, you cannot refuse to satisfy it as a trader. If the consumer benefits from his legal warranty within 6 months of purchasing a product, he will not need to prove that it was defective at the time of purchase. This is supposed.

When the conditions for a complaint are met, the user can file one. Presentation means asking the trader to bring the purchase in a form that corresponds to what was agreed. In this situation, however, the choice of how to satisfy the claim actually belongs to the trader. It has two options:

- ✓ to replace with the goods with a new one;
- ✓ to repair the goods.

If neither of these two actions is possible, the consumer can choose whether to get all his money back and return the product, or to reduce its price.

Complaints can be filed at the choice of the consumer in the store where the goods were purchased, any other store of the trader, the address of management of the trader or any other place specified by him.

Complaints are made throughout working hours. An employee of the store cannot say that complaints are made only on a certain day or time. Also, the satisfaction of the complaint cannot be associated with any costs for the consumer. The employee must enter the complaint in a special register of complaints and give an incoming number.

The term for satisfying the complaint is 30 days.

It is possible that the product that a consumer buys from your store not only does not match its description, but also harms it. For example, a defective phone charger purchased can short-circuit the power supply and damage many appliances.

Any product sold must be safe for the health and life of the consumer. This rule applies not only to the use of the product, but also to its installation, assembly and maintenance. Sometimes there are specific requirements for the safety of goods, but often safety is assessed on the basis of generally accepted expectations for normal use.

The manufacturer of the defective product is primarily responsible for damage from goods. Its distributor is also responsible. This is the person who puts the goods into circulation, i.e. most often the merchant who sells it.

It is possible that the liability of the manufacturer and distributor is waived if the damage is not due to a defect in the product, but to the fact that the consumer is operating it incorrectly.

- Right of withdrawal in distance contracts - Distance contracts are those that are concluded by various technical means - by phone, by e-mail or through a specially designed platform on the Internet (e-shop), which is the most common example.

Here comes one of the most important and debatable consumer rights.

The user has the right to withdraw from a distance contract without due compensation or penalty and without any reason for doing so. To withdraw from the contract means for you as a trader to return the money paid to him.

When the contract you have concluded is a service contract, the user can withdraw from it within 14 days from the date of its conclusion, unless the delivery of the service has already begun or ended. When we talk about services, they very often start to be performed before the expiration of these 14 days. However, in order to apply this rule, the user must be aware that the service will start running before the expiration of these 14 days and that he will lose your right of withdrawal.

When purchasing goods at a distance, the consumer can withdraw from the contract within 14 days from the date of receipt of the goods.

This rule has its exceptions. For example, it is not possible to refuse goods that are made specifically for the consumer according to his requirements, such as ordering furniture. The same goes for giving up packaged goods that are printed and whose printing affects their quality, such as packaged foods. The same applies in general to goods with a short shelf life.

It is very important to inform the consumer that he has the right to withdraw from a distance contract. Otherwise, the withdrawal period is extended by one year, i.e. becomes a year and 14 days.

In order to withdraw from the contract, the consumer must use a withdrawal form (there are approved samples) or in some other way to state this to the trader company. The application must clearly show that the consumer wishes to exercise his right of withdrawal.

If a user withdraws from a contract, you must return the price received within 14 days by the same means used for payment, unless the consumer agrees otherwise. The consumer is obliged to return the received goods, as well as to bear the costs of this return. The return of the paid price may be delayed until the moment of receipt of the returned goods.

The control over the observance of the consumer rights by traders is carried out by the Consumer Protection Commission. The Commission can refer itself, but is much more likely to respond to consumer alerts.

Supervisors have the right to access your business premises, as well as documents related to your business, to take samples for testing, seize samples and receive information.

The main power of control bodies is, in fact, to impose fines. Their size usually varies from BGN 500 to BGN 3,000, but in certain situations it can reach a much larger amount.

14.5. General Data Protection Regulation (GDPR)

This topic became extremely popular in May 2018 with the entry into force of Regulation 2016/679 of the European Union - GDPR.

In order to be able to comply with your obligations regarding the processing of personal data, it is first necessary to know which data are personal, what it means to process them and what the role of your company is.

Personal data

These are data that in one way or another can lead to the identification of a person. Of course, they include name, PIN, data from an identity document. Apart from them, however, there are others - phone number, address, e-mail address, ip address, and photo. Personal data are also related to personal life - education, length of service, ethnicity, religion and others.

In practice, there is no business that does not work with personal data in some way.

Processing of personal data is any action that is performed with this data - collection, use, modification, transmission, as well as deletion.

When someone performs one of these actions, it is the processing of personal data.

When an employee or representative of the company collects personal data from customers or employees, he does so on behalf of the company.

The company is the person for whom obligations arise in connection with personal data.

Depending on who determines how the data will be processed and who actually processes it, a person can be a personal data controller or a personal data processor. The administrator is a person who only determines what the data collected will be used for.

A data processor is a person who collects / processes data at the request of the administrator.

Example: Your company (Company A) wants to send a newsletter to its customers by email. For this purpose, it uses the services of another company - Company B, which offers a service automatically send email and track email results. Company A, i.e. your company is a data controller and company B is a processor.

Obligations

As a processor, your company will have certain responsibilities. We will pay attention to each of them separately. Here are a few.

✓ To process personal data only when he has the right to do so. - In order for your business to process personal data, there must be a reason for this. There are different grounds in the law, but the vast majority of cases fall into one of the following three categories:

- Data processing under a contract;
- Processing of data with the consent of the person to whom it relates.
- Data processing required by law.

In the first case, your company collects personal data in order to be able to fulfill a contract with a client. If, for example, it is necessary for the company to deliver custom furniture to one person, then for the implementation of contract it is necessary to know the address of the person and his phone.

In the second case, the data is processed because a person has agreed to it. For example, a customer subscribes to receive promotional news from your company and provides their email. In this case, he agrees to the company working with his email address to send him messages.

In the third case, the company processes personal data because the law requires it. For example, when an invoice is to be issued to a customer, the company must take his name, PIN and address.

- ✓ To provide certain information to citizens. - In order for a person to consent to the processing of personal data, he or she must explicitly consent to each of the following issues:
- What personal data will be processed?
 - How will the data be processed?
 - For what purposes will the data be processed?

The law prohibits data controllers from denying services to a person simply because he or she refuses to provide personal data that is not necessary to perform the contract.

One of the main responsibilities that your company will have as a processor is to provide certain information to users. Any person whose personal information is processed has the right to know certain circumstances. These are the name of the company, UIC, address, telephone / contact email. Data for a representative of the company can also be indicated.

If there are persons to whom the personal data of the users will be provided, this must be indicated. For example, if you run an online store, you may need to provide personal information to third party suppliers to be able to deliver your products.

Personal data cannot be kept indefinitely. They are needed only within a certain period, after which they are rubbed. For example, customer data is kept for 5 years from the date of termination the contract with the client.

The processing of personal data is automated when it happens machine by an algorithm. In this way, personal data of a very large number of users are most often processed - they are made analyzes of consumer behavior in order to achieve a specific goal.

Profiling can be a consequence of automated processing. Profiling means making decisions for a user against the background of data that is processed automatically. Yes for example, a company may offer certain products to some customers and other products to others, depending on who has bought what before. This is profiling.

- ✓ To adopt rules for working with personal data. - There are two main documents that a company must prepare and use in its activities:
- Internal rules for personal data processing;
 - Privacy policy.

As an administrator or processor of personal data, your company must adopt internal rules for working with data. These rules must describe what personal data is collected, how it is processed and for what purposes. The rules must also contain measures to protect personal data.

These rules must be brought to the attention of all employees in the company, who will be trained to follow them.

In addition to internal rules, it is good for the company to have a policy for personal data protection, especially if the business is in the field of e-commerce.

- ✓ To enable users to exercise their rights with regard to their personal data - This is the most important part of the company's obligations as a processor. Consumer rights are what the GDPR focuses on the most.

Right of access to personal data - At any time, a person for whom your company processes personal data has the right to know what personal data is being processed, in what way and on what grounds.

Most requests for access to personal data will come in electronic format - by email. In these cases, the company must also provide the data in electronic format.

The period in which the answer must be given to the user is one month.

Before a response can be provided, the person requesting access to the data needs to be identified. Access to personal data is granted only to the person whose personal data are processed.

Right to request correction or deletion of personal data - The personal data that are processed for a person must be up-to-date, i.e. true. Of course, this can sometimes be difficult to guarantee by the controller, especially when the data is provided by the individual. Therefore, the law provides for the possibility for the persons for whom personal data are collected to request their updating.

Users also have the right to request that their personal data be deleted (also known as the right to be forgotten). This can happen in different hypotheses, but the most common are the following:

- Personal data are processed only with the consent of the person and that person withdraws his consent;
- Personal data is collected illegally, i.e. initially there was no reason to process them.

Right to request a restriction on processing - Restricting processing means temporarily stopping the processing of personal data without deleting it. This hypothesis is quite rare, so we will not dwell on it in detail. It is possible to it occurs when a user claims that his personal data is inaccurate. Another option is for the data to be collected illegally, but for the user not to delete it, but only to process it.

Right to data portability - The right of portability means that a user may ask your company to transfer all his personal data that he has collected to another company. This is only valid when the data is processed on the basis of a contract or with the consent of the user.

Right to object to automatic processing and profiling - Above in the Guide we paid special attention to what profiling is as a process of personal data processing. The law treats this activity more than other ones, therefore and consumers have more rights in relation to it.

If your company is profiling, you need to allow users to object explicitly.

Right to appeal to the supervisory authority - The law gives another right to the consumer - the right to file a complaint to the supervisory authority against illegal actions of your business in connection with the processing of personal data. It is your responsibility to inform the user of this right. The supervisory body in Bulgaria is the Commission for Personal Data Protection.

✓ To take the necessary measures for protection of the processed personal data. - The most popular technical measures for risk management when working with digital personal data are encryption and anonymisation.

Anonymisation means that the personal data that are processed are presented in a form that does not allow identification of the person to whom they relate. This is most often applicable in statistical analysis of large amounts of data.

Mandatory measures to be taken are to ensure controlled access to data. If the data is stored in digital format, it should be accessed only by certain employees of the company through password access.

Another measure to be taken is the provision of backup files - such files on which a backup copy of personal data is stored in the event of accidental deletion.

When personal data are processed on paper, it is recommended that they be kept in a room with controlled access and that specific employees or persons be appointed to be able to handle the data.

Another measure to protect personal data on paper is to have it scanned or digitized in another way. This increases the risk of data leakage, but reduces the risk of data loss.

Appointment of a personal data protection officer

In some rare cases, the company has to appoint a special person - a personal data protection official. It can be an external expert or an employee of the company, who is responsible for personal data protection - to give advice on data processing, to monitor compliance with the rules and to communicate with the supervisory authority.

The appointment of such a person is necessary only when a large amount of the so-called special (sensitive) data.

For a start-up business, this need is rather the exception.



15. Business Financing

15.1. Banking System in Bulgaria

There are currently 27 banks operating in the country, 5 of which are branches of foreign banks. The rest are fully licensed and authorized to conduct international transactions. These 22 banks are divided in the relative ranking of the Central Bank of Bulgaria into two categories, depending on their size. The first category belongs to the 5 largest credit institutions in the country. The other 19 banks include the Greek interests Eurobank Bulgaria and Piraeus Bank Bulgaria.

- ✓ Although the Bulgarian economy continues to rely primarily on the cash economy, the use of credit and debit cards has increased significantly in recent years. The increase in both POS terminals and e - banking is also relevant. On the contrary, the use of checks is traditionally restricted in Bulgaria.
- ✓ The profit repatriation is allowed but must be previously paid tax on profits, while the amounts for remittance abroad of more than € 12.500 should be a written justification of the payment. There are no restrictions on currency conversion from BGN to €.

National Banking Authority

National Bank of Bulgaria

It is Independent according to Community law and it is responsible for overseeing the Bulgarian banking system. The Bulgarian Lev (BGN) exchange rate remains stable against the Euro (1 € = 1,95583 BGN), since the Euro replaced the German Mark.

Web: <http://www.bnb.bg/>.

15.2. Banks and banking products for startups and small and medium businesses

Bulgarian Development Bank

Bulgarian Development Bank (BDB) is a financial institution 99.9%-owned by the Bulgarian state. It was established in 1999 as the Encouragement Bank with main focus to support small and medium-sized enterprises. BDB is among the top four Bulgarian banks in terms of credit rating, rated "BBB" with a positive outlook by Fitch Ratings. It is the only Bulgarian bank to provide direct financing as well as financing via other credit institutions. BDB is the best-positioned local bank to raise funds from international partners. Its subsidiaries are the National Guarantee Fund, which issues guarantees for bank loans to the non-financial sector; the Micro Financing Institution Jobs, which provide financing to SMEs and start-ups; the Capital Investments Fund as well as the BDB Leasing and BDB Factoring.



Focus:

- Start-ups and innovations
- Exporters of finished goods
- Manufacturing industry
- Extractive industries
- Agriculture and Tourism

Products: <https://bbr.bg/bg/products/>

- Export
- On-lending financing
- Working capital funding
- Purpose of the loans: to finance the main activity (acquisition of raw materials and materials, goods in turnover, other short-term assets, coverage of current expenditure, etc.)
- Investment funding
- Project funding
- Juncker Plan
- <https://bbr.bg/>

National Guarantee Fund

The National Guarantee Fund was established in 2008 as a part of the Bulgarian Development Bank Group to improve the market lending conditions. The Fund issues guarantees complementing the collateral, required by the commercial banks, thus increasing the number of companies eligible for bank lending and decreasing the loan interest rates. For the past 4 years the Fund has successfully cooperated with 19 commercial banks. 2 600 is the total number of companies, which have been financed up until now.



Go to National Guarantee Fund's homepage <http://www.ngf.bg/en>

NGF in numbers:

- 9 guarantee fund schemes have been implemented
- 18 partner banks have supported NGF's products reaching the business
- BGN 896.6 mln is the current volume of the issued guarantees
- 8,200 loans have benefitted from NGF's guarantees, out of which 1,000 start-ups
- BGN 1.8 bln is the total volume of the guaranteed loans
- Over 7,300 is the total number of companies, supported by the Fund up until now, with over 120,000 employees

Micro Financing Institution JOBS

Micro financing institution JOBS EAD was established in 2010 as a part of the group of the Bulgarian Development Bank. Its main purpose is to facilitate the access to financing of the micro and small businesses, agricultural producers, freelancers, craftsmen and others who develop or start new business on the territory of the country. Through MFI JOBS EAD using effective models and practices in the area of microfinance we create conditions for successful development of the micro business.



The main purpose is a long term providing of financial services to the micro and small enterprises. In this way MFI JOBS EAD:

- improves their access to financial services;
- contributes to the creating and retaining of workplaces;
- reduces their "exclusion" from the market of financial services;
- helps the target groups to develop their own business ideas

<https://www.mfi.bg/>

[/https://www.mfi.bg/bg/products](https://www.mfi.bg/bg/products)

Investment loan for start-up business with guarantee coverage under the COSME program

<https://www.mfi.bg/bg/p/kredit/startyp-kredit-za-investicii>

Final borrowers - start-up micro and small enterprises *, incl. and farmers incl. producers of organic products.

* The start-ups are considered to be the enterprises that have been operating for less than 12 months as of the date of applying for a loan.

Purpose of the loans - acquisition of fixed assets

Loan amount - from 1,500 Euro to 25,000 Euro

Repayment period - from 12 to 84 months

Grace period - up to 12 months

Minimum own participation - 10%, but by decision of the competent authority may not be required

Working capital loan for start-up business with guarantee coverage under the COSME program

<https://www.mfi.bg/bg/p/krediti/startyp-kredit-za-oborotni-sredstva>

Final borrowers - start-up micro and small enterprises *, incl. and farmers incl. producers of organic products.

* The start-ups are considered to be the enterprises that have been operating for less than 12 months as of the date of applying for a loan.

Purpose of loans - working capital

Loan amount - from 1,500 Euro to 25,000 Euro

Repayment period - from 12 to 24 months

Interest% for final recipients - 3M Sofibor / 3M Euribor + from 5.95% to 7.95%, but with a maximum annual interest rate of 7.99% per year

Management fee - 0.5% on an annual basis

Collateral - special pledge of fixed assets or real estate mortgage - collateral requirement from 0% to 70%

Capital Investments Fund

- Capital participation in SMEs and start-ups aimed at increasing their competitiveness, securing resources for Research & Development activities, enhancing the production capacity, providing financing prior to raising capital from the regulated market and utilizing EU funds;
- Priority financing to SMEs in their growth phase, start-up entrepreneurs, social enterprises, innovations;



BDB Factoring

- Offers full range of services aimed at improving, stimulating and developing the overall economic, export and technical potential of the Bulgarian enterprises, divided into two pillars;
- Factoring on the Bulgarian market to support SMEs accelerating working capital's turnover;
- Factoring to exporters in order to support them in accessing and establishing themselves onto new markets;



BDB Leasing

- Accelerating the growth and volume of activities, in particular for innovative companies;
- Creating the conditions for technological renovation of the production capacities;
- Complementing the financial services, offered in accordance with BDB's mission to support the Bulgarian entrepreneurship



<https://www.unicreditbulbank.bg>

15.3. Investment funds

<https://www.fmfib.bg/en/>

Since the end of 2017, the Fund Manager of Financial Instruments in Bulgaria (the Fund of Funds) provides loans from BGN 5 to 50 thousand to start-up small and medium enterprises. These loans must be repaid within 10 years, and the grace period for repayment of the principal is two years. Until now, between 70 and 80% of the money for these loans was provided under the European Operational Program "Human Resources Development" (OPHRD) and was granted at zero interest. The remaining 20-30% of the loan was provided by a financial institution partnering in the Fund of Funds. Market interest was charged on this external co-financing.



The presented facilitation of lending under the financial instrument "Microcredit with shared risk under OPHRD" envisages an increase in the ceiling of EU funding to 90%. So far, 44 loans have been granted through it for amounts totaling almost BGN 700,000.

As the lending can be between BGN 5 and 50 thousand, and the interest rate on co-financing outside OPHRD is at a market price, this raised questions whether the interest rate is not too high for a potential loan of BGN 5,000, even if it sounds unprofitable lending through the HRD OP, it is the only chance for startups that would not receive a loan from any bank.

The funds under the new financial instrument, which has been in operation for half a year, are aimed at promoting entrepreneurship. Eligible loan applicants are startups, including start-up companies for people from vulnerable groups - people with disabilities, young people up to 29 years of age, people unemployed for more than 6 months. Both the acquisition of tangible and intangible assets and labor to expand the business are financed.

NEVEQ Management Fund

<http://www.neveq.com/>

According to the business plan of the new fund, Neveq Management will support a total of 45 start-up companies, or 9 companies a year, which will receive up to 1m euros in investment in the form of equity.



This means that through a capital increase procedure the fund will enter as a shareholder, acquiring a minority stake of 20 to 35% of the ownership in the companies. Subsequently, it will develop the companies until a time when it will look for a way out with an average rate of return of the fund of 6%.

The public resource provided to the new financial intermediary is BGN 37.4 million. To them he has committed to add own funds and co-investments from partners, which will swell the total amount of investments to BGN 53.4 million. attract additional funding from Neveq Management pointed out that these are partners of their previous two funds from Switzerland and the United States, as well as Bulgarian investment funds.

Vitosha Venture Partners Fund

<https://www.vitosha.vc/>

Vitosha Venture Partners manages the third fund for acceleration and initial financing of start-ups, the financial instrument is supported by funds under the Operational Program "Innovation and Competitiveness" 2014-2020, co-financed by the European Regional Development Fund.

Vitosha Venture Partners will manage public funds in the amount of BGN 35.6 million, which are expected to be supplemented with at least 10% private capital. The selected intermediary will finance at least 76 companies, and the amount of investments in each of them is in the range of 30 thousand to 2 million levs.

The new fund aims to identify and support promising start-ups by helping them with capital and know-how, against which it acquires a minority stake in their capital. The program will provide financing to companies in the earliest stages of their development, and part of the investment will support the development of more advanced startups.

The investment period will last until the end of 2023.

Innovation Accelerator Bulgaria Fund

<https://www.innovationcapital.bg/>

Financing investments from 25 thousand to 50 thousand euros for companies in the earliest phase of their development. For the more advanced, support can reach up to 1m euros. Candidates will be evaluated on the basis of business model, competitive advantages, team quality. The fund will provide the resource against the acquisition of a share of 7 to 20% in the ownership of the companies. The required return on investment will be 7%. In addition to funding, supported startups will benefit from additional support to accelerate their business through an accelerator training program. Applications for work with the fund will be accepted and processed on the website of the fund, where there is an application form.

New Vision 3 Foundation

At the end of September, the New Vision 3 Fund was launched, backed by NEVEQ partners, which will invest EUR 23.2 million in technology startups in a more advanced stage of development, backed by NEVEQ partners, which will invest EUR 23.2 million in technology startups in a more advanced stage of development.

15.3. International funding opportunities

With regard to the opportunities offered for the financing of investment projects in Bulgaria by international financing programs, the following is noted:

➤ **European Union:** The programming period 2014-2020 includes seven operational programs (Operational Programs) that provide funding for transport, environment, competitiveness, good governance, regional development, human resources development and science (http://ec.europa.eu/regional_policy/country/prordn/search.cfm?gv_pay=BG&gv_req=ALL&gv_obj=ALL&gv_the=ALL&lan=EN&gv_per=2). Further information can be found on the EU Special Operations Program page, which contains updates on the latest developments.

- ✓ At the same time, interested parties should also monitor the programs that are expected to be funded by the **European Investment Bank (EIB)** through the special search engine that EIB has (<http://www.eib.org/projects/pipeline/index.htm>).
- ✓ Within the framework of the Single Economic Area (EEA), it is noted that Bulgaria is an eligible country under the “**EEA and Norway Grants**” financing mechanism (www.eeagrants.org).
- ✓ The new agreement between the parties (EU, on one hand, **Norway, Liechtenstein and Iceland**, on the other) was signed in July 2010 and covers the period 2009–2014.
- ✓ In what concerns the other IFIs noted that they are operating in Bulgaria, the **European Bank for Reconstruction and Development (EBRD)** with several projects under way (<http://www.ebrd.com/bulgaria.html>). Finally, information on the programs funded by the **World Bank** and **IFC** in Bulgaria can be obtained from the relevant website of the international organization (<http://www.worldbank.org/en/country/bulgaria>).

15.4. Funding schemes and financial institutions

Investment Incentives

The investment incentives are specialized and implemented by the Invest Bulgaria Agency, a government agency subject to the Cabinet. According to current investment legislation, investments, depending on their size, fall into two categories:

Class A:

- over 20 million BGN (about € 10 million)
- more than 4 million BGN , in an area of unemployment exceeding national average or investing in high technology industry or creating 150 new jobs
- over 3 million BGN for investment in services
- over 2 million BGN for high technology investment in services
- over 1 million BGN for investment that creates 150 new jobs in the service sub- sector.

Class B:

- over 10 million BGN (about € 5 million)
- over 2 million BGN , in an area above the national average or investing in high technology in the industry or creating 100 new jobs
- more than 1.5 million BGN and investment in services
- more than 1 million BGN for high technology investment in services
- over 0.5 million BGN for investment creating 100 new jobs in the sub- sector services.

Projected incentives:

- Abbreviation of procedural formalities
- Privileged administrative treatment (Category A)
- Preferential treatment for the acquisition of public and municipal real estate
- Financial assistance for infrastructure projects (Category A)
- Financial assistance for the training of staff up to 29 years

Another specialized investment category was added with the most recent amendment to Investment Law in 2009. These are Priority Investment Plans, which must meet both the requirements of EU Regulation 800/2008 and at least one of the following criteria:

- ✓ Exceed 100 million BGN and create 200 jobs (subject to this limit being reduced)
- ✓ To boost employment by investing in technology or in areas with unemployment
- ✓ Aim to develop industrial zones.
- ✓ Aim to develop technology parks.

The PIP (Priority Investment Plans) are implemented on the basis of regulatory acts for the implementation of investment law and in accordance with Regulation 800/2008. The provisions of the State Aid Act are also taken into account, as support provided by the Bulgarian state takes the form of state aid.

Industrial zones - Three industrial zones operate in Bulgaria: Free Zone Ruse, Free Zone Vidin and Free Zone Svilengrad, the last near the border with Greece and Turkey. The above mentioned zones, managed by the state-owned National Industrial Zones Company (NCIS), offer a range of services and facilities to businesses who choose to settle in order to attract foreign companies

NCIS: <http://industrialzones.bg/zones.php?language=EN>).

Invest Bulgaria Agency-<https://www.investbg.government.bg/en>

Invest Bulgaria Agency (IBA) is a government investment promotion agency under the Ministry of Economy of the Republic of Bulgaria. It is established to assist the Ministry in the implementation of the state policy in the field of investment promotion. The mission of IBA is to attract investment to Bulgaria, assist project set-up and ensure successful project development resulting in new jobs, exports and know-how transfer for the Bulgarian economy. We help potential and existing investors explore the investment opportunities in Bulgaria and carry out greenfield investment projects in the country. We have direct access to all Bulgarian government and local institutions to facilitate the entry and development of your business in the country. Specialties: The services provided by InvestBulgaria Agency are completely free of charge. We provide detailed information about Bulgaria as a business location. Our services are: full information assistance, business properties identification, handling of investment incentives, comprehensive services for investors, supplier identification, liaison with central and local governments, branch chambers and NGOs.

Bulgarian Venture Capital Association-<https://bvca.bg/en/>

Bulgarian Private Equity and Venture Capital Association (BVCA) is the focal point of private investors, venture capital funds and the entrepreneurial community in Bulgaria. The Association works alongside its members to improve the business environment and to drive innovation and growth.

BVCA is committed to popularising the role of private investment as a reliable and sustainable source of funding for growing and established companies. The Association collects comprehensive data on investment activity in Bulgaria and communicates it to its members, the political and institutional communities, as well as the general public.

Giving voice to the venture community, BVCA advocates on behalf of the industry to ensure sound public policy that encourages a favourable investment environment in Bulgaria.

Business Angels -<https://ceoclub.bg/angels/>

CEO Angels Club is a group of senior executives and entrepreneurs related to Bulgaria investing their own money in early stage startups in return for equity.

Its members make their own investment decisions and they can invest together or individually. They also provide expertise, contacts and pro-active mentorship to increase company value.

CEO Angels Club looks for early stage, normally post-accelerator startups that are highly scalable and that can show us how the company will get to break-even or to a clear meaningful mile stone (e.g. Seed or Series A.Funding) within 12-24 months on the basis of our one-time investment. This typically means smallish teams (2 to 5 people), with serious domain expertise and a product that is either currently in the market or already in beta.

16. Overview of the Bulgarian Economy in 2019

Over the past four years, Bulgarian economy has grown over 3.5%, and foreign direct investment has increased over the same period. The country's macroeconomic indicators are stable, financial policy is solid, with debt to GDP at close to 22% – the third lowest in the EU and declining. Bulgaria has made the political decision to initiate Eurozone membership procedures, which means stricter oversight of the financial sector and especially of the banking system by the ECB. This has a positive impact on the market. This is the general assessment of the Bulgarian government and most of the media for the performance of the Bulgarian economy.

For 2019, the forecast shows economic growth of more than 3%. The main indicators in the autumn macroeconomic forecast for this year are to maintain the predicted economic growth. It is expected to reach over 3 per cent, with its engines mainly going to be consumption and investment, and according to the government by the end of its term in the office, GDP may even surpass 130 billion BGN. The European Bank for Reconstruction and Development (EBRD) has raised its forecast for economic growth in Bulgaria in 2019 predicting 3.7 per cent, which is up by 0.3 per cent from its forecast in May. The EBRD said also that the Bulgarian economy grew robustly at 4.2 per cent year-on-year in the first half of 2019. Household consumption continued to be the main source of growth, fueled by strong activity, increased earnings and a higher employment rate amid the tightening labor market. Unemployment was down to almost four per cent in June 2019, while nominal wages kept growing at high single-digit rates. The government raised the monthly minimum wage by 10 per cent in January 2019, to 286 euro. Investment also continued to contribute positively to growth, although at a slower pace than in 2018. Meanwhile, the exports also boosted growth, as exports grew at a faster rate than imports, which almost stagnated. Government spending rose in 2019, mainly due to an army-related expense, and the budget may be in deficit after three consecutive years of budget surpluses. Public debt stands at around 21 per cent of GDP, one of the lowest percentages in the EU. The economy is expected to grow by a solid 3.7 per cent in 2019 and 3.0 per cent in 2020, broadly in line with the country's current growth potential. Growth is likely to be underpinned by private consumption, which typically fuels economic activity.

Investments also contribute positively to the growth, as the absorption of EU funds have been accelerated towards the end of the 2014-2020 funding period and the government embarks on a major energy investment cycle.

Key risks to the outlook are prolonged weakness of major trading partners, particularly that of the Eurozone, and an exacerbation of current labor shortages.

The data from the Bulgarian National Statistical Institute show that GDP in the third quarter of 2019 increased by 0.3% in the EU-28 compared to the previous quarter by seasonally adjusted data. For the same period, GDP in Bulgaria increased by 0.8%. Compared to the previous quarter, in the third quarter of 2019, Poland recorded the highest economic growth – 1.3%, Hungary – 1.1%, Estonia – 1.0%, Bulgaria, Slovenia and Croatia – 0.8% each. At current prices GDP during that same period amounts to 31 764 million BGN. In Euro terms GDP is 16 241 million Euro or 2 323 Euro per person. In the third quarter of 2019 compared with the third quarter of 2018, the relative share of the agricultural sector in the value added of the economy decreases by 0.6 percentage points. The share of industrial sector increases with 0.9

percentage points to 27.0%. The relative share of value added from service activities decreases from 67.2% in third quarter of 2018, to 66.9% in third quarter of 2019. In the third quarter of 2019 the final consumption expenditure formed 68.4% of GDP.

Investments (gross fixed capital formation) composed 16.5% of GDP. The external balance (exports-imports) is positive. Gross value-added increase is 3.5%. The indicators' movement is determined by the increase recorded in: Financial and insurance activities – 6.4%, Professional, scientific and technical activities; administrative and support service activities – 5.0%, Construction – 4.7%, Real estate activities – 4.2%.

As it was already pointed out, regarding the expenditure components of GDP, the main contributors to the registered positive economic growth are the individual final consumption – with growth of 5.1%, collective final consumption – 5.0% and gross fixed capital formation – 1.8%. Exports of goods and services increased by 1.3% and imports of goods and services increased as well by 1.2%.

The European Commission's autumn forecast for the EU economy, released on November 7, also raised Bulgaria's economic growth estimate to 3.6 per cent this year, the same level as in the winter forecast, before it was cut to 3.3 per cent in spring. But growth was expected to moderate in 2020, when it was forecast at three per cent, compared to the 3.4 per cent estimate in the summer forecast. Despite weak external demand and elevated uncertainty abroad, domestic demand dynamics should underpin growth in 2019.

The Bulgarian economy is thriving, though at a rather moderate pace compared to the other former socialist countries, members of the EU where rates of 5-7 percent are registered regularly. Why so? A question that has one answer that stands out above all others – labor shortages coupled with a symbolic unemployment rate of just over 4 percent. Commenting on this fact, PM Boyko Borissov stated that, in practice, the only people who do not work in Bulgaria are those who do not want to.

The positive developments in the Bulgarian economy are due most of all to the good level of domestic consumer demand which is likely to even go up next year because of the planned increase in salaries and pensions. This will boost consumption and economic growth, and will make up for any possible drop in exports. In October this year the general consumer confidence index went up by 1.1 percent compared to July. The coming Christmas and New Year holidays are also expected to provide an additional impetus with the traditional gift-buying and stimulation of consumption and economic growth.

Exports also contributed to growth, continuing the favorable trend in the first quarter, but declining in the second quarter as external demand has continued to falter. However, investment was expected to regain some momentum in the next two years and grow at a moderate pace, against the backdrop of elevated economic uncertainty abroad and somewhat worsened growth prospects.

Again according to the NSI data in the period January – September 2019 Bulgarian exports to the EU grew by 3.3% in comparison with the same period of 2018 and amounted to 29 049.1 Million BGN. Main trade partners of Bulgaria were Germany, Romania, Italy, Greece, France and Belgium which accounted for 66.3% of the exports to the EU Member States.

Bulgarian imports from the EU in the period January – September 2019 increased by 2.2% compared to same period of 2018 and reached 30 209.7 Million BGN. The largest amounts were reported for the goods imported from Germany, Italy, Romania, Greece and Spain.

The foreign trade balance of Bulgaria with the EU in the period January -September 2019 was negative and added up to 1 160.6 Million BGN.

In the same period (January – October 2019) the exports of goods from Bulgaria to third countries increased by 5.8% in comparison with the same period of the previous year and added up to 16 026.9 Million BGN. Main trade partners of Bulgaria outside of EU were Turkey, China, Serbia, the United States, the Russian Federation, and the Republic of North Macedonia which accounted for 50.0% of the exports to non EU countries.

At the same time imports of goods to Bulgaria from third countries decreased by 10.7% in comparison with same period of 2018 and added up to 17 048.6 Million BGN. The largest amounts were reported for the goods imported from Turkey, the Russian Federation, China and Serbia.

The foreign trade balance of Bulgaria with third countries in the period January – October 2019 was negative and added up to 1 021.7 Million BGN.

The statistics show that within the observed period of time the total value of all the goods exported from Bulgaria amounted to 48 702.6 Million BGN which is 4.2% more than the same period of the previous year.

The total value of all the goods imported in the country in the period January – October 2019 amounted to 51 157.1 Million BGN, or by 2.2% less than the same period of 2018.

The total foreign trade balance was negative and amounted to 2 454.5 Million BGN.

At the same time the annual average consumer price inflation is seen slightly slowing down from 2.6% last year to 2.4% in 2019. Unemployment is expected to edge down from 5.2% in 2018 to 5.0% this year. The forecast by the EC for the Bulgarian economy shows even 4.4 unemployment rate. Bulgaria's current account balance calculated as percentage of GDP is projected to fall steadily, but remain positive. The country ended 2018 with a current account surplus of 3.9%, and is expected to post surplus of 1.9% and 1.3% in 2019 and 2020, respectively.

Regarding the labor market issue in the second quarter of 2019 there were 3 262.8 thousand employed persons aged 15 years and over, of whom 1 733.2 thousand men and 1 529.7 thousand women. The share of employed persons in the total population aged 15 years and over was 54.7% (60.5% for men and 49.2% for women). In the second quarter of 2019 there were 142.0 thousand unemployed persons, of whom 82.7 thousand (58.2%) men and 59.3 thousand (41.8%) women. The unemployment rate was 4.2% and went down by 1.3 percentage points from the second quarter of 2018. The unemployment rate decreased from 6.1% to 4.6% for men and from 4.7% to 3.7% for women.

In the second quarter of 2019 the total hourly labor cost (preliminary data) rose by 11.0% compared to the second quarter of 2018. The total hourly labor cost grew by 9.8% in industry, by 11.1% in services and by 10.6% in construction.

According to the NSI business inquiries in September 2019 32.0% of the industrial enterprises pointed out the labor shortage as a factor limiting their activity.

In June 2019 the average wage and salary was BGN 1 253 or 0.6% more compared to the previous month. Compared to June 2018 the increase was 12.0%.

Traditionally Bulgaria is considered as an agricultural country, but in fact, the agricultural sector only accounts for 4% of GDP and employs 6% of the workforce (World Bank). The main crops are sunflower, tobacco and wheat.

Industry represents 24.7% of the GDP, and 29% of the workforce is employed in the industrial sector. Industry continues to rely heavily on the manufacturing sub-sectors (metallurgical,

chemical, machine building), which are estimated to contribute to 14.7% of GDP (World Bank). However, the most dynamic sectors are textile, pharmaceutical products, cosmetic products, the mobile communication and the software industry. Bulgaria's main mineral resources include bauxite, copper, lead, zinc, coal, lignite (brown coal) and iron ore. The tertiary sector has more than doubled its contribution to the country's economy since the end of the communist system, accounting for 58.3% of the GDP and employing 64.5% of the workforce

Agriculture has taken advantage of the public investment aid bound to the sector. Over 10 years of EU membership, the growth in indirect productive investment in agriculture jumped annually threefold from 50 million euros up to 150 million euros. This has brought a beneficial economic impact. Investments in agriculture grow significantly, but a predominant part of investment also goes on indirect capital (non-productive and auxiliary machinery, buildings and so on) instead of direct (production investment in livestock and crops), which partially improves productivity and efficiency in agriculture but does not contribute significantly to Gross Value Added.

Although agriculture's contribution to the country's GDP has fallen, the value added from the food processing industry in the food value chain has achieved significant results. In recent years, the food industry has seen growth of 65 per cent compared to the period prior to accession. The share in total industry GVA remains high – over 10 per cent. Since Bulgaria joined the EU, the food industry has adapted well to the conditions of European membership and has overtaken a lot of other industrial sectors. Food exports have increased substantially and their share in the total export volume of the country exceeds 9 per cent.

The future challenges to the Bulgarian agriculture are related to achieving a sustainable and vibrant development of the food chain, particularly in terms of boosting the value added. It can be attained by focusing on livestock, fruit and vegetables. The value chain is characterised by a shortage of domestically produced primary raw materials for the meat and dairy processing chains and canning industry, weaknesses are noted in insufficient production efficiency due to high fixed costs and underuse of technological capacity. These challenges should be handled hereinafter.

Agriculture provides very good conditions for investment, in the meat industries and vegetable-growing (greenhouses), which heavily depend on capital. Internal conditions are favourably attributed to resource availability, low costs to production factors, while reliable local and external market demand should guarantee further stability, policy consistency and support for different initiatives.

17. Overview of the Agroecology in 2019

Agriculture report, published by the Ministry of Agriculture, Forestry and Food in 2019

Registration of farmers

Pursuant to Ordinance No. 3 of 1999, the register of farmers serves to collect information about farmers and their activities in order to support agriculture and rural development.

The activity of maintaining a register of farmers covers the registration of new farmers, re-registration and updating the information for already registered farmers and de-registration of farmers upon termination of their activity.

During the 2017/2018 business year the total number of farmers registered in the register under Regulation No 3 of 1999 was 93,023; during the 2018/2019 business year – 87,128.

Table II.2. 2013/ 2014 2014/ 2015 2015/2016 2016/2017 2017/2018 2018/2019*

**Farmers
registered
under
Ordinance
No 3/1999
2012/2013**

Total number of registered farmers	76,340	76,408	97,266	98,303	96,476	93,023	87,128
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Export licensing

Scheme: Mandatory Export Licenses for Agricultural Products

Rice products are subject to mandatory export licensing to third countries, regardless of whether export refunds are requested. Mandatory licenses should be used for statistical purposes, for monitoring the market of these sensitive products in the EU.

For the calendar year 2018, 94 mandatory export licenses were issued for export of 7,011 tonnes of rice in total. The implementation of mandatory licenses is secured by guarantees. Two new beneficiaries have been registered under the scheme.

For the period January 1 - June 1, 2019, 36 mandatory licenses for rice export were issued. Three new beneficiaries were registered.

Import licensing of the agricultural products from third countries

In 2018, mandatory licensing of the import from third countries applied for the :rice, ethyl alcohol of agricultural origin, hemp seeds for sowing, hemp seeds, not intended for sowing and unprocessed or heated hemp.

The application of import licenses under tariff quotas and preferential arrangements shall cover the following agricultural product groups: cereals, rice, sugar, olive oil and table olives, fresh and processed fruits and vegetables (garlic and preserved mushrooms), beef and veal, pork, milk and dairy products, poultry, eggs and egg albumin.

In 2018, 296 applications for issuance of licenses for import of agricultural products were submitted and the issued licenses were 261, of which 110 - under tariff quotas and preferential regimes.

In 2018 at the register of MAFF were included 2 new importers of agricultural products. As of 31.12.2018, the registered importers of agricultural products were 481.

Scientific Products Created and Introduced in Production

In the Official List of Plant Varieties in the country, issued annually by EAPVTFISC, in 2018 a total of 269 varieties of AA were registered. List A (cereals, feed, oilseeds and industrial crops, beets, potatoes and fruit plants) includes 205 varieties and List B (vegetables, ornamental, medicinal and aromatic crops and vines) - 64 varieties.

The scientific products that have received legal protection in 2018 are 18 in number, including 4 cereals, 3 fiber crops, 3 oilseeds, 4 ornamental plants, 3 fodder crops and 1 vegetable crop.

In 2018, 22 applications were filed with the Patent Office. The AA holds and maintains 352 certificates for plant and animal varieties according to the Law on Protection of Varieties of

Plants and Animal Breeds, issued by the Patent Office. The Academy has 5 operating registered utility models in the field of crop production, animal husbandry and food technology.

In 2018, 51 licensing agreements were signed with companies and farmers totaling BGN 412,898 for the use of varieties developed by the AA institutes.

Reducing the Regulatory and Administrative Burden on Business

In the context of the policy of the European Union and the Government of the Republic of Bulgaria for reducing the administrative and regulatory burden on business and citizens, the MAFF annually reviews the regulatory regimes applied in the Ministry's system. The purpose of the review is to identify opportunities to reduce the regulatory and administrative burden on businesses and citizens, create better conditions for business development by improving access to and quality of public services, as well as improving the efficiency of public expenditure.

The main mechanism for achieving this goal is to remove unnecessary regulatory regimes and streamline their implementation procedures, introduce electronic provision of administrative services and increase the volume of publicly available information for business operators and citizens.

Measures taken in 2018 to reduce the Regulatory and Administrative Burden on Business

In 2018, a number of actions have been taken in the MAFF system aimed at repealing unnecessary regulatory regimes and easing existing ones in order to create an optimal business environment. Amendments and supplements to the normative acts regulating the economic relations in the agriculture, fisheries and forestry sectors have been adopted, with which they are:

- 6 regulatory regimes abolished;
- Simplified 53 regulatory regimes by eliminating the requirement to submit documents that are publicly available or obtainable through official channels, and by extending the validity of a MAFF document.

With the legislative changes made, the requirement for submission of 94 documents was abolished and the validity period of 1 license was extended.

In the course of 2018, actions have been taken to fulfill the set priority for introducing possibilities for electronic provision of a number of services and administration of regulatory regimes.

Amendments to the Sowing and Planting Material Act, the Veterinary Medicine Act, the Hunting and Game Conservation Act, and Ordinance No. 7 of December 28, 2017, on the approval procedure for the type of agricultural and forestry vehicles, systems, components and separate parts were adopted technical units for them, which extend the ability to submit documents / applications for certain services electronically or through a licensed postal operator.

Work is ongoing on reforming administrative workflows to prioritize the deployment of e-Government systems. The aim of MAFF is to provide one-stop-shop services using better organisational models and implementing information and communication technology capabilities to achieve interoperability when interacting and exchanging data between systems and the workflows they support.

Review of the Applied Regulatory Regimes in the MAFF system as of 01.01.2019

Following the review of the regulatory regimes in the MAFF system, as of January 1, 2019, 172 regulatory regimes related to the regulation of economic activity in the field of agriculture, fisheries and forests were identified, including:

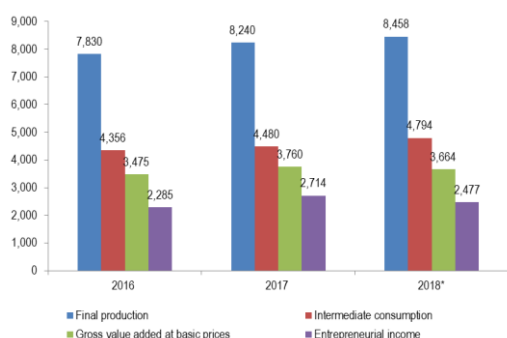
- Licensing - 10 pieces;
- Registration - 68 pieces;
- Licenses - 83 pieces;
- Certifying - 2 pieces;
- Notifying - 3 pieces;
- Reconciliation - 6 pieces.

Of the total number of regulatory regimes, 44 are administered by MAFF - Headquarters and the remaining 128 by various structures within the Ministry's system.

Entrepreneurial income

For 2018, acc. to the preliminary data the entrepreneurial income in industry amounted to BGN 2,477.2 million - by 8.7% below the level of the previous year. The main factors contributing to this result were the decrease of gross value added by the industry and the increase in rental costs and compensation of employees.

Figure II.2. Basic economic indicators for Agriculture sector for the period 2016 - 2018*, million BGN



Trade with the Balkan countries

The countries of the Balkan region retained their importance in the agrarian trade of Bulgaria, due to their territorial proximity.

In 2018, the exchange of agricultural goods with the Balkan countries (including those from the EU and Turkey) amounted to EUR 2,590.0 million (34.2% of the total agricultural commodity exchange). This is 4.3% more than in 2017 as a result of an increase in both Bulgarian exports (by 3.2%) and imports (by 5.7%). The positive balance for Bulgaria in the agrarian trade with these countries shrunk by 2.2% annually, but remained significant - EUR 447.6 million.

Traditionally, the most significant was the exchange of agricultural goods with Greece, Romania and Turkey. In all countries of the Balkan region, with the exception of Serbia and Slovenia, the agricultural exports from Bulgaria exceeded the imports from the respective country.

Table III.5. Agricultural trade with the Balkan region countries in 2017 and 2018, thousand EUR

2017			2018		
Export	Import	Balance	Export	Import	Balance

Total, including:	1,470,957	1,013,125	457,832	1,518,711	1,071,105	447,606
Albania	18,610	5,801	12,808	20,081	5,769	14,312
Bosnia and Herzegovina	15,226	1,258	13,968	12,633	1,800	10,833
Greece	592,706	341,920	250,786	604,387	340,162	264,226
Kosovo	12,303	1,424	10,879	13,803	1,897	11,906
Republic of Northern Macedonia	43,533	36,490	7,044	46,587	38,041	8,546
Romania	440,807	389,179	51,628	509,591	401,227	108,364
Slovenia	7,822	10,973	-3,151	9,793	11,088	-1,294
Serbia	38,572	95,778	-57,206	38,756	85,748	-46,992
Turkey	266,841	111,269	155,572	223,779	158,428	65,351
Croatia	28,172	18,982	9,190	28,107	26,941	1,165
Montenegro	6,366	51	6,315	11,193	4	11,188

Organic Farming Status in Bulgaria in 2018

Factors that motivate Bulgarian farmers to focus on organic production are the availability of very good prerequisites for the development of this type of production in the country - environmentally conserved areas, the perceived benefits to the environment and rural areas, as well as the growing demand for healthy food from consumers.

Information on the state of organic production in Bulgaria for 2018 is based on the data from the annual reports of a total of 17 organic control entities approved by the Minister of Agriculture, Food and Forestry.

Organic Products Market

Although relatively new and still small, the market for organic products in Bulgaria is growing rapidly. Over the last few years, there was a boom in the market for organic products in Bulgaria. The number of specialized stores is increasing as well as the number of retail stores offering organic food.

Most of the Bulgarian organic foods and products are intended for foreign markets. Bulgaria is a traditional producer of various types of organic certified honey with excellent quality indicators, with most of the production being exported to the world market.

Bulgarian organic fresh fruits and vegetables, milk and dairy products, jams, chutneys, dried fruits and nuts, have excellent taste and are highly valued on the European and world market.

The Ministry of Agriculture, Food and Forestry promotes the development of organic farming by creating the necessary legal framework that makes Bulgarian bio products legitimate in the EU common market and through information and awareness raising activities on the benefits and advantages of organic farming. The efforts are also directed towards the Bulgarian producers to work for the Bulgarian market, so that the majority of the high quality products produced reach the Bulgarian consumers.

Control System Operators

The collection of information from the organic production control system occurs within the calendar year.

As of the end of 2018, the biological operators registered in the MAFF were 6,660 - 162 less compared to the previous year. Of these, 6,214 were producers, 234 were processors of organic production and 212 were traders (importers, exporters, wholesalers and retailers).

In 2018, the number of operators in a control system in organic production represented nearly 7.2% of the total registered farmers under Ordinance No. 3 of 1999 on the establishment and maintenance of a register of farmers. There is a relative preservation of the level from the previous year, when this share was slightly below 7.1%.

Food Chain Safety

A major objective of EU food safety policy is to ensure a high level of protection of human health and consumer interests in food, including traditional products, as well as the effective functioning of the internal market.

The Ministry of Agriculture, Food and Forestry manages, coordinates and controls the implementation of state policy and EU policy in the field of animal health and food safety through its specialized administration.

The Agro-Food Policy Directorate assists the Minister of Agriculture for Food and Forestry in developing, coordinating and implementing state policies in the fields of food and feed quality and safety, animal health, plant health and plant reproductive material. An important part of this policy is to limit the spread of genetically modified organisms throughout the food chain from farm to mass.

The regulatory framework in the field of food and feed safety, animal health and welfare, plant health, plant reproductive material and plant protection products continued to be optimized in 2018.

The Bulgarian Food Safety Authority (BFSA) conducts official farm-to-table control of food, following best European practices in the application of high standards in the control of the safety and quality of food, food additives and beverages, veterinary medicine and animal health and welfare, plant protection and fertilizers, phytosanitary control, feed control, border control and more.

18. Assessment of the current and planned entrepreneurship policies and programmes in Bulgaria - funding opportunities

<http://2020.eufunds.bg/>

Policy framework Entrepreneurship policies and programmes are part of the suite of policy efforts to address poverty and social exclusion. At the national level a number of strategies, plans and programmes exist for supporting entrepreneurship in general. Most policies do not, however, include tailored support to potential entrepreneurs from under-represented and disadvantaged groups in the labour market. The main policy documents covering entrepreneurship and self-employment, including for the target groups of inclusive entrepreneurship are:

- **National Strategy for Promotion of SMEs 2014-2020.** The encouragement of entrepreneurial activity is among the key priority areas. This includes inspiring future entrepreneurs by encouraging entrepreneurial interest and talent, particularly among youth, and women (Ministry of Economy, 2013).
- **Action Plan “Entrepreneurship” 2020 – Bulgaria.** The plan covers the promotion and support of entrepreneurship for under-represented and disadvantaged groups with a focus on women and youth. • **Operational Programme Human Resources Development (OPHRD) 2014-2020.** This programme focuses on youth unemployment and encouraging youth entrepreneurship (OPHRD, 2015).
- **Operational Programme Innovation and Competitiveness (OPIC) 2014-2020.** This programme provides support for enterprises in specific areas, e.g. creative and cultural industries, companies developing new products and services related to an ageing population, and healthcare. Support is intended for ideas implemented by social entrepreneurs and cooperatives of people with disabilities, women entrepreneurs and entrepreneurs up to 29 years and aged over 50 (OPIC, 2015).
- **Operational Programme Rural Development 2014-2020.** The programme aims at supporting small farmers and has a special funding line for young farmers who can receive start-up aid in the form of project grants of up to EUR 12 500 to launch their businesses (EC, 2015c; State Fund Agriculture, 2016). • **National Plan for Implementation of the European Youth Guarantee 2014-2020.** This plan outlines implementation measures to support youth in transitioning from school into the labour market. It contains a small number of entrepreneurship measures.
- **National Social Economy Concept and Action Plan.** The plan sets the policy framework for social entrepreneurship and the social economy, but is rather isolated from other government policies. It aims, among other objectives, to set up a Social Entrepreneurs’ Academy supporting the development of student companies (Center for Social Innovation and Entrepreneurship, 2017)

In addition, the Project Law on Enterprises of the Social and Solidarity Economy (2018) may be relevant for inclusive entrepreneurs. It focuses on social enterprises, e.g. those that carry out their economic activity so that part of their employees are people from vulnerable groups and/ or the profit is predominantly spent on carrying out a social activity. Information on implementation of some of these documents is available, but information focused on vulnerable groups remain limited. Indicators for implementation of OPHRD reveal that the implementation of measures related to entrepreneurship development is much less advanced than the implementation of general measures for labour market integration of vulnerable groups (Table 2). Table 2. Reported financial indicators related to entrepreneurship and inclusive employment – OPHRD 2014-2020

Priority Axis	Number of contracts	Budget - Total	Agreed Funds	% of impl.	Amounts paid	% of impl.
Promoting economic activity and development of inclusive labour markets	1443	607 124 285 627 595 223	103,37 621 206 951 102,32			
Sub-priority Integration of vulnerable groups into the labour market	307	597 427 286 89,66	591 605 194 88,78			
Employment through development of entrepreneurship	113	30 167 937 40,22	29 601 758 39,47			

% of impl. – percentage of implementation Source: (Unified Management Information System for the EU Structural Instruments In Bulgaria, 2017) All OPIC grant procedures announced till the end of 2016 are intended to achieve objectives related to implementation of EU horizontal principles (promoting equality between men and women, preventing discrimination and sustainable development). In particular, promoting accessibility for people with disabilities and ensuring the mainstreaming of the gender dimension in the programme and operations. To be eligible, project applicants’ activities must correspond to at

least one principle, whose application is mandatory and is monitored. In reporting project progress as well as in the final reports, beneficiaries provide information on compliance with the principle. At programme level, a mechanism and indicators for observing the principle of promoting gender equality and non-discrimination are not available in OPIC. Appropriate process-level indicators will be developed in order to correctly and effectively measure the effect of applying the principle of equality and non-discrimination in future grant procedures (Ministry of Economy, 2017c). Considerable resources in recent years have been concentrated on support of youth through the Youth Guarantee (YG) and the Youth Employment Initiative (YEI). YEI's objectives are to reduce the number of NEETs. It is a part of a priority axis in the OPHRD, coordinated by the Ministry of Labour and Social Policy. Unemployed young people can access support by registering through the Labour Offices. The Roma population, which displays high NEET rates, and long-term unemployed are also target groups in the country. Activities supported by the YEI are not always new or innovative, but are rather existing activities that are offered on a larger scale (EC, 2016b). Recent aggregated country-level data show that support actions reached out to a number of disadvantaged groups, with a large number of success indicators focused on participation from specific groups (e.g. ethnic minorities and migrants, NEETs, the long-term unemployed). However, a minor fraction of indicators is linked to self-employment and in some cases those are not separated from employment indicators (EC, 2017e).

Monitoring showed that in 2015 the YG scheme in Bulgaria reached only 14.3% of NEETs under 25 years old, a decline of 5 percentage points compared to 2014 (EC, 2017b). In addition to this outreach challenge, there is a need to re-focus the YG on low-skilled youth, including the low-skilled Roma NEETs (at present most YG measures target young people with secondary or tertiary education). YG is further hampered by very low registration rates with the Public Employment Services (EC, 2017a). Self-employment and business creation is a means of labour market integration and income generation for under-represented and disadvantaged groups interested in entrepreneurship. In Bulgaria, the high share of people living at-risk-of poverty or social exclusion is a major economic and social challenge. At-risk groups include the Roma, children, the elderly and people living in rural areas. Fragmentation of the agencies supporting risk groups impedes an effective coordinated response to this challenge (EC, 2017a). There is no set working mechanism for coordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations. The monitoring and evaluation process inherited from the last programming period reflects historical coordination issues. In some cases implementation delays in the provision of financing and ambiguities in the guidelines for applicants lead to a decreased trust in policy actions, further contributing to a lower motivation of potential beneficiaries to participate. Relevant information for monitoring the implementation of strategies and programmes is typically scattered across various responsible institutions. A positive development in this regard is the creation of an online database containing information about the implementation of operative programmes – financing, beneficiaries, and projects. Still, there is no centralized information at a national level on other programmes.

• Rural Development Programme 2014 - 2020

The Rural Development Programme for the 2014-2020 programming period has a total budget of BGN 5,706,727,515 (EUR 2,917,848,203) public funds allocated between 17 measures and a Thematic Sub-Programme for the Development of Small Farms.

Till 31.12.2018, four amendments to the Program were approved. In December 2018, the Fifth Amendment, which was approved in the second quarter of 2019, was sent for review by the EC services.

From the beginning of implementation of the Programme until December 31, 2018, the agreed resource amounted to BGN 3,216,112,871 public funds or 56.5% of its budget. The

accumulated public resource amounted to BGN 1,435,116,611, which represents 25.2% of the available budget of the RDP. For the calendar year 2018, BGN 582,882,036 under public funds were paid.

In 2018, the following measures and sub-measures of the RDP 2014-2020 were implemented:

- ✓ Sub-measure 4.1.2. Investments in farms under Thematic sub-programme for small farms development
- ✓ Sub-measure 4.2. Investments in Processing/Marketing of Agricultural Products

- ✓ Sub-measure 6.1. Starting Aid for Young Farmers
- ✓ Sub-measure 6.4 "Investments in support of non-agricultural activities"
- ✓ Sub-measure 6.4.1 "Investments in support of non-agricultural activities"
- ✓ Sub-measure 7.2. Investments in Creation, Improvement or Expansion of All Types of Small-Scale Infrastructure
- ✓ Sub-measure 8.3 "Forest damage prevention, natural disasters and catastrophic events"
- ✓ Sub-measure 8.6. Investments in forestry technologies and in processing, in mobilising and in the marketing of forestry products
- ✓ Measure 9 "Establishment of producer groups and organisations"
- ✓ Measure 10 "Agri-environment-climate"
- ✓ Measure 11 Organic Farming
- ✓ Measure 12 "Natura -2000 and Water Framework Directive payments"
- ✓ Measure 13 "Payments to areas facing natural or other specific constraints"
- ✓ Measure 14. Animal Welfare"
- ✓ Sub-measure 19.3. Preparation and Implementation of LAG Cooperation Activities

Measure 2 "Consultancy, farm management and farm substitution services

Sub-measure 2.1. Aid for Consultancy services

In the period March - June 2018, the NAAS announced acceptance procedure for the provision of A2B consultancy packages under sub-measure 2.1. Aid for Consultancy services. Applicants were farmers who were candidates for financial assistance under sub-measure 6.1. "Start-up aid for young farmers" of the Programme. Within the deadline for application submission, 936 applications for consultancy services were received.

In 2018, the payments made under the sub-measure amounted to BGN 4,263,640.

Measure 4 "Investments in tangible assets"

Sub-measure 4.1 Investments in farms

In 2018, no project proposals were accepted under sub-measure 4.1 of the RDP 2014-2020. 121 support contracts were concluded with value of the agreed subsidy amounting to BGN 86,920,233. Payments in the amount of BGN 122,768,449 were made.

Of the 3,341 applications received for the first acceptance procedure under the sub-measure conducted in 2015, by the end of 2018, 903 contracts for financial assistance were concluded, amounting to BGN 346,939,362; and of 2,921 project proposals received during the second acceptance procedure in 2016, 577 support contracts were signed amounting to BGN 440,328,812. A total of 632 projects have been completed, with public funds paid to the amount of BGN 206,415,132.

The highest was the number of contracts concluded in the Fruit and Vegetables sector - 635 (40.4% of the contracts concluded), with approved financial assistance amounting to BGN 325,816,722, and of the projects in the Livestock sector - 573 contracts or 36.42% of all, with

approved financial assistance amounting to BGN 354,019,358. Mixed projects accounted for 15% of the contracts concluded, with a financial aid amounting to BGN 98,181,160, while contracts in the sector of essential oils and medical crops accounted for 8.1% of all. Almost one third of financial aid contracts were for the implementation of investment projects of young farmers.

Sub-measure 4.1.2 Investments in farms under Thematic sub-programme for small farms development

The sub-measure aims to improve the economic sustainability and the results of small farms by restructuring and developing the available capacities in the farms, encouraging the introduction of new processes and technologies for enhancing the quality of production, protecting environmental components and complying with EU standards and improving conditions on farms.

During the period July 18 - October 22, 2018, project proposals acceptance procedure was electronically opened through the UMIS 2020 system, with a budget of BGN 24,447,500. There were 244 applications received, with a total value of the requested grant of BGN 3,672,246. At the end of 2018, projects were under examination.

Sub-measure 4.2. Investments in Processing/Marketing of Agricultural Products

Between February 14 and May 16, 2018, project proposals acceptance procedure under the sub-measure was announced, with a budget of BGN 166,243,000. There were 593 applications received, with a total value of the requested grant of BGN 703,676,087. 82 financial aid contracts, amounting to BGN 71,880,767 were concluded, and 25 applications were under examination.

For the period of application of the sub-measure until 31.12.2018, 295 contracts have been concluded, of which 270 are in force, with the amount of the agreed financial assistance BGN 342,181,804. The number of contracts involving investments for the introduction of new and energy-saving technologies and innovations in the manufacturing industry was 177 in total, with the approved financial aid amounting to BGN 273,538,188. The projects with investments for the promotion of cooperation and integration between the farmers and the enterprises of the processing industry were 82, with a subsidy value of BGN 101,564,694. For the processing of organic raw materials and production of organic products, 33 projects were implemented, and the approved financial assistance under them amounted to BGN 38,646,608.

Among the contracts in force as of 31.12.2018, the largest was the share of the projects in the Fruit and Vegetables sector - 49.3%. 42.2% of the approved project proposals were for processing livestock products, and 8.5% for the processing of essential oils.

Measure 6 Farms and enterprises development

Sub-measure 6.1. Starting Aid for Young Farmers

In order to facilitate farmers and to reduce the administrative burden, the sub-measure is implemented in the 28 regional departments of the Paying Agency.

In the period March 15 - June 14, 2018, a second acceptance of project proposals under sub-measure 6.1 was conducted through the UMIS 2020 system. A total of 1,658 applications have been received, with a total value of BGN 80,970,120, which were processed at the stage of "Administrative compliance and eligibility" by the end of the year. In 2018, 12 support contracts were signed, with a subsidy of BGN 586,740, on applications received at the first acceptance procedure in 2015. Financial assistance amounting to BGN 23,079,471 was paid.

The total number of concluded contracts for the whole period of application of the measure up to 31.12.2018 was 1,323, with the value of the agreed financial assistance amounting to BGN 64,688,085. The projects in the Crops sector - 61.4% and Livestock - 33.9% had the largest relative share of contracts. The total amount paid was BGN 54,390,798.

Sub-measure 4.1.2 Investments in farms under Thematic sub-programme for small farms development

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Between February 14 and May 16, 2018, project proposals acceptance procedure under the sub-measure was announced, with a budget of BGN 166,243,000. There were 593 applications received, with a total value of the requested grant of BGN 703,676,087. 82 financial aid contracts, amounting to BGN 71,880,767 were concluded, and 25 applications were under examination.

For the period of application of the sub-measure until 31.12.2018, 295 contracts have been concluded, of which 270 are in force, with the amount of the agreed financial assistance BGN 342,181,804. The number of contracts involving investments for the introduction of new and energy-saving technologies and innovations in the manufacturing industry was 177 in total, with the approved financial aid amounting to BGN 273,538,188. The projects with investments for the promotion of cooperation and integration between the farmers and the enterprises of the processing industry were 82, with a subsidy value of BGN 101,564,694. For the processing of organic raw materials and production of organic products, 33 projects were implemented, and the approved financial assistance under them amounted to BGN 38,646,608.

Among the contracts in force as of 31.12.2018, the largest was the share of the projects in the Fruit and Vegetables sector - 49.3%. 42.2% of the approved project proposals were for processing livestock products, and 8.5% for the processing of essential oils.

Measure 6 Farms and enterprises development

Sub-measure 6.1. Starting Aid for Young Farmers

In order to facilitate farmers and to reduce the administrative burden, the sub-measure is implemented in the 28 regional departments of the Paying Agency.

In the period March 15 - June 14, 2018, a second acceptance of project proposals under sub-measure 6.1 was conducted through the UMIS 2020 system. A total of 1,658 applications have been received, with a total value of BGN 80,970,120, which were processed at the stage of "Administrative compliance and eligibility" by the end of the year. In 2018, 12 support contracts were signed, with a subsidy of BGN 586,740, on applications received at the first acceptance procedure in 2015. Financial assistance amounting to BGN 23,079,471 was paid.

The total number of concluded contracts for the whole period of application of the measure up to 31.12.2018 was 1,323, with the value of the agreed financial assistance amounting to BGN 64,688,085. The projects in the Crops sector - 61.4% and Livestock - 33.9% had the largest relative share of contracts. The total amount paid was BGN 54,390,798.

Sub-measure 6.3. Starting Aid for Small Farms Development

The implementation of the sub-measure started in 2016. This is the first focused reception for small farms in the RDP 2014-2020, as through it, the actual implementation of the specially developed Thematic sub-programme for small farms for the territory of the country started. In order to facilitate farmers and to reduce the administrative burden, the sub-measure is implemented decentralised in the 28 regional departments of the Paying Agency.

In 2018, no project proposals acceptance procedures were announced under the sub-measure. During the year, 401 contracts were concluded, amounting to BGN 11,764,137. The paid public funds amounted to BGN 19,257,160.

During the whole period of application of sub-measure 6.3, 3,433 applications for support have been received. As of the end of 2018, 1,925 financial aid contracts were concluded, amounting to BGN 56,473,725 in total. The completed projects were 1,153, with a subsidy to amount of BGN 33,815,782.

Sub-measure 6.4.1 "Investments in support of non-agricultural activities"

The sub-measure started with first acceptance procedure in the calendar year 2018, with a total budget of BGN 132,994,400, divided into three support procedures - in the sectors "Production", "Services", and "Crafts". The total number of received applications under the acceptance procedure was 826, with the value of the requested subsidy BGN 220,848,690.

As of the end of 2018, no contracts were concluded and the project proposals received were under examination and evaluation.

Measure 7: Main Services and Renovation of the Villages in the Rural Regions

Sub-measure 7.2. Investments in Creation, Improvement or Expansion of All Types of Small-Scale Infrastructure

In 2018, a second project proposals acceptance procedure was conducted under the sub-measure. The reception budget, amounting to BGN 195,580,000, was allocated in the following directions:

- Direction "Kindergartens", with a budget of BGN 9,779,000, on which 24 applications were received, with a total value of the requested subsidy of BGN 20,271,952.
- Energy Efficiency Direction, with a budget of BGN 19,558,000. There were 51 applications received, with a total value of the requested subsidy of BGN 26,860,734.
- Direction "Areas for general public use", with a budget of BGN 19,558,000. There were 132 applications received, with a total value of the requested subsidy of BGN 95,885,080
- "Sport" Direction, with a budget of BGN 19,558,000. There were 107 applications received, with a total value of the requested subsidy of BGN 10,184,151.
- Direction "Streets", with a budget of BGN 97,790,000, on which 148 applications were received, with a total value of the requested subsidy of BGN 168,378,409.
- Direction "Schools", with a budget of BGN 14,668,500. There were 41 applications received, with a total value of the requested subsidy of BGN 34,512,007
- Direction "Gym", with budget of BGN 14,668,500, on which 15 applications were received, with a total value of the subsidy applied for in the amount of BGN 7,138,160.

In 2018, 157 contracts for financial aid were concluded, amounting to BGN 520,083,226 in total. Payments to the amount of BGN 43,829,978 were made.

For the whole period of implementation of the sub-measure until 31.12.2018, within the two project proposal acceptance procedures, 925 project proposals were received, with the value of the financial aid amounting to BGN 2,112,775,519. The total number of concluded support contracts was 325, with the amount of the agreed subsidy BGN 824,906,719.

Sub-measure 7.3. Support for broadband infrastructure including its creation, improvement and expansion, passive broadband infrastructure and measures to access solutions through broadband infrastructure and e-government.

Sub-measure 7.3 implements not only the objectives set out in the RDP but also in the National e-Government Development Plan (National e-Government Development Plan). It is also consistent with the National Broadband Development Strategy in Bulgaria and supports the activities of the State Agency for Electronic Governance, which is the sole beneficiary of the sub-measure.

Sub-measure 7.6. "Surveys and Investments for Maintenance, Restoration and Improvement of Villages' Cultural and Natural Heritage"

In 2018, no acceptance procedures project proposals were announced under the sub-measure. During the year, 16 contracts were concluded, with the amount of financial support of BGN 9,909,170. Public funds paid were to the amount of BGN 12,791,421.

During the whole period of implementation of the sub-measure, a total of 348 applications for financial support were received, with a total amount of the requested investments BGN 209,752,376. As of December 31, 2018, 89 support contracts were concluded, with a total subsidy of BGN 50,599,536.

Measure 8 "Investing in the development of forest regions and improving the viability of forests"

Sub-measure 8.3 "Forest damage prevention, natural disasters and catastrophic events"

In the period July - October 2018, the first acceptance procedure of project proposals was announced under the sub-measure, with a budget of BGN 33,363,992, conducted through the UMIS 2020 system. Eligible for support are the introduction and improvement of preventive activities to reduce the risk of forest fires and the introduction and improvement of preventive activities to reduce the risk of pests, diseases, natural disasters and catastrophic events in forest areas.

37 applications have been received, with a total value of the requested grant of BGN 57,690,674, which are under review and approval by the end of 2018.

Sub-measure 8.4 "Restoration of damage to forests from fire, natural disasters and catastrophic events"

In 2018, the first procedure for admission of projects under the sub-measure through the UMIS 2020 system was carried out, with a budget of BGN 15,646,400. The support aimed at restoring forests affected by forest fires, natural disasters, catastrophic events, diseases and pests, protecting the environment and adapting to climate change.

14 applications were accepted, for a total amount of BGN 5,946,658. As of 31.12.2018, the applications submitted were under review and evaluation.

Sub-measure 8.6 Investments in forestry technologies and in processing, in mobilising and in the marketing of forest products

In 2018 the first procedure for admission of projects through the UMIS 2020 under the sub-measure was announced, with a budget of BGN 35,204,400. The support aims at improving the competitiveness and job creation of the forest sector, as well as improving the condition of forests, their protection and sustainable management. There were 197 applications received, with a total amount of the financial aid of BGN 79,373,910, which, by the end of 2018, were under review and approval.

Measure 9: Establishment of Producer Groups and Organisations

In the period June 15 - September 4, 2018, the first procedure for admission of applications for support under the sub-measure was announced, with a budget of BGN 14,793,044. The support aimed at promoting and supporting the establishment of groups and producer organisations in the agricultural sector, supporting the production and supply of high quality agricultural products meeting European standards and market requirements, as well as facilitating access to the SME market.

In 2018, there were 38 applications received, with a total amount of the requested subsidy of BGN 32,228,355.7 contracts were concluded, with the amount of financial assistance BGN 5,438,315. The funds paid amounted to BGN 248,259.

Measure 14 "Animal Welfare"

The measure is implemented in two sub-measures: 14.1. Animal welfare payments in the large ruminant sector and 14.2. Animal welfare payments in the small ruminant sector.

Sub-measure 14.1. Animal welfare payments in the large ruminant sector

Eligible for support under the sub-measure are farmers breeding cattle and buffaloes.

The aid is granted to cover additional costs or income foregone associated with the implementation of voluntary welfare commitments for eligible animals and covers only those obligations that go beyond the mandatory standards and other mandatory requirements imposed by the national legislation.

Commitments under the sub-measure should be implemented for a minimum of five years. Compliance with the commitments requirements is subject to annual checks.

In 2018, the payments made under sub-measure 14.1. amounted to BGN 3,032,491.

Sub-measure 14.1. Animal welfare payments in the small ruminant sector

Beneficiaries under the sub-measure are farmers breeding sheep and goats. The rules for granting support are analogous to those of sub-measure 14.1.

In 2018, payments under sub-measure 14.2 amounted to BGN 852,926.

Measure 19– Community-led local development

Sub-measure 19.1. Assistance for Preparatory Activities

Within the implementation period of the sub-measure, 101 contracts were concluded amounting to BGN 5,085,080 in total, for performance of activities by 180 municipalities covering a population of 2,300,000 inhabitants and a territory of 74,433 sq km (78% of the country's rural territory). Through the activities carried out by the beneficiaries, about 1,200 public events (conferences, seminars, meetings, trainings, etc.) were organized and held.

The total value of the funds paid till the end of 2018 with accumulation was BGN 3,886,069.

Sub-measure 19.2. Implementation of Operations within the Frameworks of Strategies for Community-Led Local Development

Within the implementation period of the measure, two admission procedures were conducted. At the first admission procedure, conducted in 2016, 53 applications for financial aid from the LAG were received, of which 40 strategies for CLLD were approved for implementation, mobilizing funds from the following sources:

EAFRD (RDP) - BGN 112,435,465
ERDF (OPE) - BGN 3,146,994
ERDF (OPIC) - BGN 29,779,468
ESF (OPHRD) - BGN 21,742,545

The approved strategies cover 74 municipalities in the country's rural areas, within which 1,047,819 residents will benefit from the aid.

In 2017, a second admission procedure under sub-measure 19.2 was carried out through the UMIS 2020 system, under which 70 applications for support were submitted. 25 LAGs were approved for the implementation of the CLLD strategy, covering 43 municipalities with an area of 22,203 square km. and a population of 619,026 inhabitants.

The funds under the approved strategies amounted to BGN 164,132,884 in total, of which:

RDP - BGN 92,558,875 (BGN 69 419 156 for projects on CLLD strategies under sub-measure 19.2 "Implementation of operations under Community-led Local Development Strategies" and BGN 23,139,719 for LAG management and promotion of CLLD strategies under Sub-measure 19.4 "Ongoing costs and promotion of CLLD strategies)

OPE - BGN 10,326,415
OPIC - BGN 27,512,614
OPRD - BGN 23,581,345
OPSEGG - BGN 10,153,635

The number of project proposals received under the various LAG measures was 479.

In 2018, 72 procedures under the sub-measure, amounting to BGN 38,876,786 in total, were received through UMIS 2020, in the status "Completed".

Sub-measure 19.3. Preparation and Implementation of LAG Cooperation Activities

The budget for the sub-measure amounted to BGN 12,712,700. In August 2018, an call for project proposals was announced, divided into two procedures - "Selection of project proposals for preparatory activities for the preparation of cooperation projects", with a budget of BGN 399,994 and "Selection of project proposals for implementation of cooperation projects", with a budget of BGN 1,599,975. According to Regulation (EU) 1305/2013, the application for the sub-measure is ongoing.

Within the first deadline for receipt of project proposals, which ended at the end of August 2018, 10 project proposals were registered in the UMIS 2020 system, of which 8 were for preparatory activities and 2 for cooperation which were subsequently withdrawn.

Eight project proposals were approved for funding, with an approved grant amounting to BGN 344,089.

Sub-measure 19.4. Running Costs and Popularization for strategy for Community-led local development

Pursuant to Art. 12, para. 1 of Ordinance No. 1 of 2016 on the implementation of sub-measure 19.4 annually by September 30, the local initiative groups submit an application for approval of planned activities and expenditures for the next calendar year. In 2018, 63 budgets were approved under the sub-measure, amounting to BGN 11,522,857 in total. Advance payments for 2018 were paid and the costs incurred by the local initiative groups have been regularly paid. As of 31.12.2018, LAGs were reimbursed the amount of BGN 5,372,311.

• State Aids

The main purpose of the state aid policy in the field of agriculture is improving economic efficiency of the agricultural farms and the living standard of the employees in the sector. Submitting state aid to Bulgarian agriculture is aimed at improving the competitiveness of agricultural farms, producing better quality produce, as well as quickly managing crisis situations in relation to animal and plant diseases or meteorological damage.

State aids in agriculture are provided in accordance with EU legislation in this area and according to the capabilities of the state budget. As additional means of promoting the industry support, they are directed to priority and sensitive sectors for activities not covered by EU funds or in cases of emergency. State aid is targeted primarily at small and medium-sized agricultural farms.

In 2018 were applied existing in the previous year's schemes for state aids in sector "Plant-growing" and in sector "Stock-breeding", as well as two schemes for state aid in the form of tax relief for the both sectors, one of which is of investment nature.

The schemes for state aids may be summarized in the following directions:

Investment Aids

- State aid for investments in construction of commercial premises and purchase of commercial equipment to farmers engaged in direct deliveries of small quantities of raw materials and foodstuffs of animal origin. Applied investment aid aims at upgrading the material and technical base in agriculture and closing the production cycle;
- State aid for investments in agricultural farms through assigning of a corporate tax. The tax relief is designated to encourage investment in new buildings and new agricultural machinery in the production of unprocessed plant and animal production

Compensatory Aids

- State aid for offsetting losses suffered by farmers for damage to crops caused by adverse climate events that can be assimilated to natural disasters;
- State aid to offset material damage to dead livestock and destroyed beehives;
- State aid for prevention of diseases in plants and animals;
- State aid for co-financing of insurance premiums in relation with insurance of agricultural production;
- State aid for compensating costs for removing and disposal of fallen stock.

The compensatory aids are particularly important for farmers, as agriculture is highly dependent and vulnerable to natural conditions, the invasion of pests, diseases of plants and

animals. This type of aid enables farmers to be maximally protected from unforeseen adverse circumstances.

Aid, encouraging the use of a quality seeding material in crop husbandry and support of high level of breeding activity in livestock breeding.

- State aid for participation of farmers in a quality scheme for production of high-quality seeds and seedlings.
- State aid to keep a stud book and to identify the productivity quality of livestock.

The application of aid of this kind aims at increasing the production and use of certified (qualitative) seeds for cereals, feed, oilseeds, potatoes, tobacco, cotton and vegetables, as well as supporting breeding activities in the livestock sector, which, in turn, aims to increase the number of animals under breeding control, to increase productivity and to maintain the trend of consolidation of livestock farms.

Aids aimed to improving the quality of food and raw materials of animal origin by giving special attention to the animal's welfare:

- State aid for implementing voluntary commitments for the welfare of pigs;
- State aid for implementing voluntary commitments for the welfare of poultry.

Aids for participation in exhibitions

The support of such kind contributes both to the promotion of Bulgarian agricultural production on the market and to the promotion of profitable plant varieties, breeds of animals, innovative and effective technologies and practices among Bulgarian farmers. It is applied in the sectors "Crop Production", "Livestock" and "Processing of Agricultural Products".

De Minimis Aid

De minimis aids are granted upon observance of the provisions of Regulation (EU) № 1408/2013. De minimis rule applies on aids, which, due to their small amount, do not threaten the competition and may be granted by the member-states without the necessity of approval by the European commission. The maximum amount of de minimis aid in the sector of agricultural production is EUR 15,000 per farm for three consecutive fiscal years.

This type of aid is usually aimed at a rapid effect in case of arising of various significant difficulties in a particular agricultural sector.

The total value of state aid in the agricultural sector in 2018 amounted to BGN 270 million, of which:

- ✓ BGN 144.8 million under the State aid and de minimis aid schemes administered by the SFA;
- ✓ BGN 125.2 million under 2 tax relief schemes (corporate tax reduction for tax year 2018 and reduced rate of excise duty on gas oil).

In 2018, under de minimis schemes, assistance amounting to a total of BGN 22.4 million were granted in the following directions: for animals; for bee colonies and for farmers growing Damask rose.

According to data from the National Revenue Agency, the state aid granted for investment through the corporate tax reduction for the tax year 2018 amounts to BGN 41.2 million. Under this aid, administered by the NRA, 2,267 farmers benefited during the year.

In 2018, under state aid in the form of a discount on the amount of excise duty on gas oil used in primary agricultural production, nearly BGN 84 million was paid to 9,595 farmers.

19. Government regulations

The Ministry of Labour and Social Policy is the main institution in charge of ensuring the provision of equal opportunities throughout society. The Ministry of Economy acts as an institutional coordinator of a number of measures from the Action Plan 2020 related to promotion and support of entrepreneurship among the target groups of inclusive entrepreneurship. The Ministry of Education and Science is responsible for the inclusion of entrepreneurship in the system of formal education at all levels of education. Bulgaria generally offers favourable conditions for starting a business, although there is still room for improvement. In 2017 it took six procedures and 23 days to start a business in Bulgaria, compared to an average of five procedures and eight days in high-income OECD countries (Andonova & Krusteff, 2017). This represents a slight increase in procedures and time to start a business (in 2016 it took only four procedures and 18 days) (GEM, 2016). The Entrepreneurship 2020 Action Plan recommended reducing the time for licencing and other permits to one month (EC, 2015b). Registration with the Register Agency takes two days and costs EUR 28-56 which is below the target of three days and EUR 100 to register a private limited company. National data are also well below EU average - in 2017 the average time to start a private limited company was 3.1 days and cost was EUR 311 (EC, 2018b; EC, 2018c). Taxation remains a burden on businesses and administrative procedures remain complex, affecting disproportionately the target groups of inclusive entrepreneurship. However the corporate tax rate is the lowest in the EU. The legal requirement for registering a special enterprise for people with disabilities was reduced from 50% of staff members having a disability to 30% (20% for blind people) (Center for Social Innovation and Entrepreneurship, 2017). Specialised enterprises or co-operative societies that meet this criterion (defined in the Integration of People with Disabilities Act) are granted a reduction of corporate income tax according to a scale based on the proportion of employees with different impairments.

The corporate income tax is fully remitted for enterprises that have 20% of the total staff are people with visual impairments, or 30% suffer from hearing impairments, or 50% suffer from other physical impairments (Ministry of Finance, p. 31). The Action Plan “Entrepreneurship 2020 – Bulgaria” puts forward several measures to improve the institutional framework for under-represented and disadvantaged groups of society. This includes: Facilitating participation in employment of people of working age who take care of children and other dependent family members; Participation in the European Network for Early Warning and for Support to Enterprises and Second Starters; Reducing the time necessary to obtain licenses and permits. According to the latest available implementation report (2017), 18 general measures were reported for 2016 in response to nine EC recommendations (Ministry of Economy, 2017a). One of the country specific recommendations of the European Commission as part of the dialogue held with the member states is: “to develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness” (EC, 2016a). The Commission estimates that Bulgaria has made only limited progress on this recommendation and an integrated approach for target groups that are marginalised in the labour market has yet to be developed. Overall, measures remain mainly targeted at securing employment rather than promoting and supporting inclusive entrepreneurship through reducing regulatory obstacles for the target groups. Tailored actions to improve the regulatory environment for individuals of these target groups are lacking.

20. Financing entrepreneurship

The start-up support system is still largely dependent on public support, especially start-up financing. Financing instruments are less developed than in other European countries. Venture capital and business angel financing for new and growing firms are still well below the EU average. In 2015, the government set up a fund manager of financial instruments (Fund of Funds) responsible for all financial instruments co-financed by European Structural and Investment Funds. However, progress was slow in 2016 and the first agreements with local financial institutions signed in 2017 were for modest amounts (EC, 2017a). Hence, access to finance remains an obstacle in front of development of inclusive entrepreneurship in Bulgaria. Although some measures exist, the scope of these only addresses some target groups, notably youth and women. The following is a brief overview of the main financial support initiatives related to inclusive entrepreneurship:

- the procedure Support for Entrepreneurship financed under OPHRD 2014-2020 aims to support aspiring self-employed workers (including youth entrepreneurs up to 29 years) through:
 1. Information and motivation for entrepreneurship.
 2. Providing training for development of entrepreneurial, management and business knowledge and skills, and developing business ideas and business plans for managing an independent business.
 3. Advice on developing business ideas and assessing the viability of business ideas and would-be entrepreneurs.
 4. Mentoring in preparation for the management of a business activity; supporting access to networks that promote business development.
 5. Directions for financing the activity from available financial sources, including financial instruments of OPHRD, legal aid, etc.
- Technostart – Encouragement of innovation activity of young people in Bulgaria. The project is conducted within the scope of the National Strategy for promotion of SMEs, priority areas

“Entrepreneurship” and “Skills and innovation” under the responsibility of the Ministry of Economy (Ministry of Economy, 2016b). Technostart 2 2016-2018 is the only project in Bulgaria entirely focusing on new entrepreneurs from universities in the earliest stage of their business development. The main objective of the project is to provide grants of up to EUR 10 000 to establish start-ups by BA, MA and PhD students. The total budget of the project is EUR 151 854. Through the support of the Technostart 2 programme, 16 new entrepreneurs in industry and R&D have been able to start their own business (EC, 2017d). Technostart 3 continued the trend and provided financing to 14 projects in 2017 (Ministry of Economy, 2017b).

- Development of farms and enterprises. This measure is targeted at encouraging start-up and development of agricultural activities in rural areas by young farmers; promoting job creation and retention and reducing seasonal fluctuations in employment. The Ministry of Agriculture, Food and Forestry reported that 1 373 farmers were assisted with a total of EUR 28 809 464 in 2016 under measure “6.1. Start-up support for young farmers” of the OP Rural Development (Ministry of Economy, 2017a). As of December 2017, 37 young farmers had been supported with fully implemented projects, 1 542 young farmers had seen their projects selected (in the pipelines) out of a plan to support 3 060 young farmers (EC, 2017e).
- In 2016, the Ministry of Labour and Social Policy and the Fund Manager for Financial Instruments in Bulgaria signed a Financial Agreement with an investment strategy for implementing all financial instruments under the OPHRD 2014-2020. A financial instrument focused on youth entrepreneurship (for people up to 29 years old) was formulated (Ministry of Economy, 2017a). A public procurement contract was announced to select financial intermediaries for the implementation of a shared-risk microcredit finance instrument with a budget of BGN 50 million (about EUR 26 million) provided by OPHRD 2014-2020. The instrument will combine public and private microcredit facilities to promote entrepreneurship, including for certain vulnerable groups (Ministry of Labour and Social Policy, 2017).
- Fostering entrepreneurial ideas in areas related to European and regional challenges. This measure provides support for business idea development for women entrepreneurs, and people under 29 or over 50 years old who are

interested in starting their own business. It targets enterprise creation and growth in specific areas including creative and cultural industries, firms, developing new products and services linked to population aging, provision of care and health services and social enterprises.

Microfinance is also available, and most offerings target youth. The European Commission considers that Bulgaria's involvement in the Erasmus for Young Entrepreneurs programme and the micro-financing facilities for start-ups "provide positive incentives that underline the generally favourable situation in this policy area" (EC, 2014). Some gaps remain in terms of access to finance, particularly for some groups. Access to finance for business start-up is even a greater challenge for entrepreneurs with disabilities, with little or no work experience, low levels of savings and collateral (OECD/EU, 2014). Similar problems are met by youth and the long-term unemployed. Apart from the restructured and systematized policies, the financing of Roma integration efforts comes mainly through the instruments of the European Social Fund and the EEA and Norway grants. These are championed by the European Commission and international organisations. Scarce financing is provided by the state budget and in most cases it is a co-financing to major grants provided by the above mentioned financial mechanisms (SERCo project, 2016)

Entrepreneurship skills - Several measures have been designed and implemented to strengthen entrepreneurship skills in Bulgaria, in particular among youth and women. Other disadvantaged or under-represented groups at the labour market, however, have not yet been included in the measures. Moreover, co-operation with different associations and actors active in the field of entrepreneurship education remains limited. The following is a brief overview of the entrepreneurship training, coaching and mentoring programmes related to inclusive entrepreneurship:

- Promoting entrepreneurship and new business creation in Bulgaria. The measure financed by OPHRD is targeted at young people who are willing to start their own business. Success is monitored using the number of participants.
- Establishing a mechanism for passing on the experience and skills of older entrepreneurs to new inexperienced entrepreneurs. The measure is implemented jointly with the measure "Promoting entrepreneurship and new business creation in Bulgaria", as part of a project of the Ministry of Economy financed by the OPHRD. The measure includes the establishment of a voluntary register of older entrepreneurs willing to transfer their expertise to new inexperienced entrepreneurs, in particular young people. Success is monitored using the number of young people receiving training by registered senior entrepreneurs. An important challenge in the implementation of the measure is that the senior mentors are expected to participate on a voluntary basis. Incentives are not sufficient to attract a significant number of experienced entrepreneurs to act as coaches and mentors.
- Improving access to employment for unemployed youth through support for starting own business. This measure is financed by the OPRHD and implemented under the responsibility of the Ministry of Labour and Social Policy. It provides training in entrepreneurial, managerial, and business skills, financial support for self-employment, and consulting services to the self-employed in areas related to business development. The support is offer to unemployed youth up to 29 years old. The initiative aim to support 200 unemployed youth in becoming self-employed within six months of receiving support.
- Support for the activities of entrepreneurship centres at universities. This measures aim to foster the development of entrepreneurial skills among students by supporting entrepreneurship centres at universities. It is managed by the Ministry of Education and Science. In 2017, there were 19 functioning entrepreneurship centres in Bulgarian higher education institutions (Ministry of Economy, 2017a). A lot of these centres have been set up in universities where there is little critical mass for entrepreneurship development (especially the

development of innovative research and teaching methodologies and international networking). However, the list includes the Institute for Entrepreneurship Development at the University of National and World Economy (UNWE) which has a long-acting centre whose good practices are well-known abroad albeit not appropriately recognized and used in the country. Initially established as entrepreneurship development centre in 1997, with a systematic teaching in entrepreneurs since 1991, the Institute was a pioneer in entrepreneurship education and research in Bulgaria. • Updating curricula and programmes of entrepreneurship education at universities. 1 The measure implemented by the Ministry of Education and Science aims to include 1 Its key characteristics are the inclusion of entrepreneurship in the curricula or formation of theoretical and practical knowledge in entrepreneurship. The initial formulation is misleading – it vi.e.ws the two key characteristics as alternative rather than complementary.

Entrepreneurship education in the curricula of universities. The first university course in entrepreneurship was launched in Bulgaria at the University of National and World Economy in 1991. In 2016, students in 104 disciplines receive entrepreneurship education, and an additional 376 curricula update had been reported under this measure in 2016 (Ministry of Economy, 2017a). • Promoting entrepreneurship among young people and providing services. This measure is implemented through the National Programme for Youth, Sub-Programme 1 “Development of the network of youth information and counselling centres”, under the responsibility of the Ministry of Youth and Sports. The measure aims to offer training to stimulate youth entrepreneurship and to develop business skills among young people up to 29 years old. In sum, there are a number of tailored measures for development of entrepreneurship skills. However, most of these are small-scale initiatives and little tailored support is offered to groups other than youth. A notable challenge is that an appropriate budget for implementation is not always set. Another issue is that existing measures do not make use of the experience of long-standing institutions in the field of entrepreneurship. These organisations have learned from past experiences and typically co-operate internationally

Entrepreneurial culture and social capital. The promotion and development of entrepreneurship among under-represented and disadvantaged groups can contribute to reducing and preventing poverty and social exclusion in these groups in line with the objectives of Europe 2020 Strategy. Entrepreneurship and self-employment can contribute to improving the social and economic status of entrepreneurs from under-represented and disadvantaged groups in society as well as mitigate isolation and improve personal confidence. Inclusive entrepreneurship policies also allows for tapping into the unused creative potential in target groups. While entrepreneurship is promoted, most targeted actions focus on women and youth, including the following: • Promoting entrepreneurship among young people and providing services. This measure is implemented through the National Programme for Youth, Sub-Programme 1 Development of the network of youth information and counselling centres. The measure focuses on promoting social entrepreneurship among young people with the aim to promote youth entrepreneurship. • Social Innovation Relay (SIR). This mentorship programme aims to build social business acumen and team-working skills among secondary school students. Inspiring social entrepreneurs join the classroom through webinars and mentor students to help them in addressing a social need or challenge. (OECD/EU, 2017). Some initiatives were introduced as part of efforts to incorporate entrepreneurship education in elementary, secondary and vocational education as part of the Action Plan Entrepreneurship 2020 implementation: • In 2016, several training modules were introduced for students in grades I to VIII, including a new discipline for vocational students in all professional fields. •

The stARTs3 project, managed by the Ministry of Economy aims to provide entrepreneurship training, including through training enterprises to students in four art schools and a sports school. Ten training companies have been set up, involving 103 students.

The Ministry of Education and Science provides an opportunity to develop and publicly defend students' projects and manage virtual enterprises. Several events were held in 2016 in that context, attended by 1950 students (Ministry of Economy, 2017a). Some projects financed under the COSME programme in relation to the Erasmus for young entrepreneurs (EYE) scheme with Bulgarian participation are oriented towards inclusive entrepreneurship. These include the "Young Entrepreneurs in Motion" (YEIM) 2017-2019 (total budget: EUR1 732 595, which promotes young entrepreneurs, especially within ICT subsector and the "Entrepreneurs for Innovative Change System 2018-2020" (total budget: EUR 595 754) which aims to support ICT entrepreneurs and female entrepreneurs. The "SEEDplus" 2017-2019 (total budget: EUR 866 815) includes ensuring that young entrepreneurs and women entrepreneurs have opportunities to take part in the "EYE" programme as one of its objectives. While some good initiatives exist, they are mainly of promotional and motivational nature. In order to achieve a greater impact, such initiatives should be extended to include role models from the private sector and particular self-employment training and support initiatives.

21. Quality Policy: Protected Designations

In 2018, the submitted by the Association "Traditional raw-dried meat products" requests for minor amendments to the specifications of the TSG (traditional specialities guaranteed) "File Elena", TSG "Role Trapezitsa", TSG "Lukanka Panagyurska" and TSG "Kayserovan vrat Trakia", were evaluated under the national procedure.

The application-specification for PDO „Iztochnobalkanska svinia“ has been evaluated within the framework of the national procedure.

In accordance with the envisaged procedures for registration of new producers in the registers of the producers of protected designations under Ordinance № 16 of 2007, in 2018 to the registers of the producers of PGI "Bulgarsko rozovo maslo" (Bulgarian rose oil) 7 new producers were registered.

Following a national procedure, two new controllers of PGI, TSG and PDO products have been approved by an order of the Minister of Agriculture, Food and Forestry.

The national procedure is conducting for processing the application-specification of the applicants for PDO "Bulgarian yoghurt" and "Bulgarian white brined cheese" and accompanying documentation in order the two dossiers to be sent to the European Commission for consideration and obtaining the entry of the two names in the European register of protected designations of origin and protected geographical indications.

The national procedure for the processing of two separate applications for the entry of Lutenitsa Parvomay as a protected geographical indication in the European Register of protected designations of origin and protected geographical indications is in progress.

In 2019, the EC entered the Protected Designation of Origin „Strandzhanski manov med/„Manov med ot Strandzha“ in the European Register of protected designations of origin and protected geographical indications.

In May, 2019, an Ordinance No 4/28.05.2019 on the terms and conditions for the use of the optional term for quality "mountain product" and for the official control of its use was adopted. According to the Ordinance in question, the farmers in the mountain areas are entitled to put the designation "Mountain Product" on their labels.

Hazard analysis and critical control points (HACPP)

Hazard analysis and critical control points, or HACCP, is a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe and designs measures to reduce these risks to a safe level. The HACCP system, which is science based and systematic, identifies specific hazards and measures for their control to ensure the safety of food. HACCP is a tool to assess hazards and establish control systems that focus on prevention rather than relying mainly on end-product testing

HACCP is based on seven principles:

1. Conduct a Hazard Analysis

This is where you evaluate your processes and identify where hazards can be introduced. Hazards can be physical (i.e. metal contamination), chemical (i.e. can a cleaning product contaminate the product, are there toxins that could contaminate the product?) or biological (at what points could bacteria or virus contaminate your product?). You will need to make sure that you have the expertise to make an accurate evaluation of the hazards. This means that if you do not have sufficient expertise in your organization you will need to identify external resources that you can use to perform the hazard analysis.

The hazard identification is done in two steps, first the identification of hazards, then an evaluation of the hazard. The hazard evaluation is a determination of the degree of risk to the user from the identified hazard. Once the hazard is identified and evaluated the team must identify critical control points. These are points where the hazard must be controlled or it will present a risk to the end user.

2. Identify the Critical Control Points

At what steps in your process can controls be applied to prevent or eliminate the hazards that have been identified? These are your critical control points. For each critical control point you will identify the preventive measure. How will you prevent the hazard?: Use of specific Temperature, ph, time, procedures?

Establish a maximum or minimum limit for temperature, time, pH, salt level, chlorine level or other processing characteristic that will control the hazard. This is the critical limit for the CCP. If this limit is ever exceeded corrective action must be taken, and all affected product controlled.

3. Establish Critical Limits

Your next step is to establish criteria for each critical control point. What criteria must be met to control the hazard at that point? Is it a minimum temperature? Are there regulatory limits that you must meet for this control point?

4. Establish Monitoring Procedures

What will you measure and how will you measure it? You need to monitor the process at the critical control point and keep records to show that the critical limits have been met. Can you do continuous monitoring of the control point? If not, how often will the measurements need to be performed to show that the process is under control?

The monitoring that takes place at the critical control points is essential to the effectiveness of the HACCP program. The monitoring program will be made up of physical measurement or observations that can be done in a timely manner, to provide the information in a time frame that allows you to take action and control product if an out of control situation occurs.

5. Establish Corrective Actions

You will establish what actions need to be taken if a critical limit is not met. This will be identified ahead of time for each CCP. The action must make sure that no unsafe product is released.

There must also be an evaluation of the process to determine the cause of the problem and an elimination of the cause.

The action or actions taken have two purposes, to control any nonconforming product resulting from the loss of control, and to identify the cause, eliminate it and prevent the situation from reoccurring. By identifying the corrective action before an out of control situation occurs, you are prepared to take action quickly if and when it does occur.

6. Establish Record Keeping Procedures

You will determine what records are needed to show that the critical limits have been met, and the system is in control. Address regulatory requirements and include records from the development of the system and the operation of the system.

7. Establish Verification Procedures

The HACCP plan must be validated. Once the plan is in place, make sure it is effective in preventing the hazards identified. Test the end product, verify that the controls are working as planned. Perform ongoing verification of the system. Are measuring and monitoring equipment in control? What are corrective actions showing? Are records being maintained as required?

The Food Safety Management Systems reaches beyond the hazard analysis critical control point and also incorporates management systems principles similar to those found in ISO 9001. You will be building a system to manage quality and continual improvement throughout your organization. It will reach beyond the control systems that we have discussed above and into how you plan and manage quality into your organization.

- Global market place
- Increasing incidents of food-borne pathogens
- New pathogens emerging
- Need to protect Brands, control risks

To protect themselves, multinational food manufacturers, retailers and grocers are asking their suppliers to implement a Food Safety Management System.

The Global Food Safety Initiative, GFSI has benchmarked a number of Food Safety Management Systems Certification programs, all of which are HACCP based.

GLOBALG.A.P. Certification for Producers

GLOBALG.A.P. offers you one core product: GLOBALG.A.P. Certification, available for 3 scopes of production: Crops, Livestock, Aquaculture and consisting of a total of more than 40 standards. Click on GLOBALG.A.P. to start your certification process today.

You also have the option for a stepwise approach through localg.a.p., which helps you prepare for GLOBALG.A.P. Certification and provides you easier access to local markets.

If you are looking to upgrade your existing GLOBALG.A.P. Certificate to demonstrate your commitment to advancing Good Agricultural Practice to your retailers and buyers, GLOBALG.A.P.+ Add-On offers you voluntary add-on modules to enhance the core product and adapt it better to your environment.

GLOBALG.A.P., the standard-setter for implementation of Good Agricultural Practices on farm, invites everyone to participate in this process. Based on your interest and individual links with GLOBALG.A.P. you can interact in various ways. Together, we build standards that can be verified and used to due diligence.

This GLOBALG.A.P. policy applies to all standard development activities and services. It is a guidance for decision-making and the strategic alignment of our GLOBALG.A.P. Standards or any related issues

Standard setting can only be sufficiently comprehensive if all the relevant stakeholders are involved. Reasonable opportunities are provided to the public as well as relevant stakeholder groups to participate in governance, assurance and monitoring and/or evaluation of the standard.

22. Transfer of Knowledge and Innovations

Transfer of Knowledge and Scientific Products and Vocational Training

In 2018, in the 51 demonstration fields, 36 open days were organized to familiarize farmers with new varieties of plants, animal breeds, agricultural machinery, technological solutions, irrigation equipment and plant protection measures.

AA units have participated in over 51 different exhibitions and fairs of national and local character with their work. 66 scientific-practical conferences, seminars, symposia and round tables were held during the year. 154 AA scientists have participated in 13 short-term training courses for agricultural professionals and farmers. A total of 10 courses were conducted at the Vocational Training Centre of the AA (7 courses "Farmer - producer of agricultural products", 2 courses "Farmer- plant grower" and 1 course in "Agroecology"), with 126 farmers trained.

During the year, a large number of consultations were carried out related to technologies in the crop, livestock and food industries.

Sofia Tech Park

<https://sofiatech.bg/en/incubator/>

The Incubator of Sofia Tech Park is the place where the innovative start-up business meets opportunities for developing products, services and prototypes in the three main focal areas of the science and technology park – information and telecommunication technologies, life sciences and green energy.

For the start-ups there are acceleration programs, venture capital funds that invest in helping develop from the idea to realization. Companies can develop their R & D activities thanks to the latest laboratory equipment in the Laboratory Complex of Sofia Tech Park.

Here is the home of high-tech, digital and IT companies, as well as specialists dealing with virtual reality, artificial intelligence, environmental protection, biotechnology and innovation.

18 high-tech companies including 11 startups are already working and develop their innovative business ideas in the Sofia Tech Park' office space. Currently members of the Incubator are companies that offer IT services, software innovations in livestock, security, biotechnology, create new products, develop new materials, and more. Well-established organizations such as Microsoft Innovation Center, Tech Tour Global Network, Junior Achievement Bulgaria and The Municipal Guarantee Fund for SMEs has its office in the Incubator.

The start-ups has also access to services that will support their development – legal, accounting, marketing, administrative, advertising, assistance in applying for funding programs from different institutions and organizations.

The Science and Technology Park provides to the start-ups access to 11 high-tech modern laboratories where they can validate their research as well as partnership with leading universities and scientists.

The laboratory complex is one of the key elements of the park, consisting of 11 laboratories and managed by an independent consortium, established specifically for that purpose – Research and Development and Innovation Consortium. Among the members of the consortium we can see some of the leading academic institutions such as Sofia University, Technical University of Sofia, Medical University of Sofia and the Bulgarian Academy of Science. For more information about the Consortium, please click [here](#). Laboratories within the complex carry out independent and collaborative research and development activities.

Labs:

- Bioinformatics Lab – Bioinfotech
- 3D Creativity and New Products Rapid Prototyping Lab
- Intelligent Communication Infrastructures Lab
- Artificial Intelligence and CAD Systems Lab
- Micro Nano Lab – Minolab
- Cyber Security Lab
- Virtual and Augmented Reality Lab
- High Performance Computing Lab
- Drug Design and Development Lab
- Laboratory for Extraction of Natural Products and Synthesis of Bioactive Compounds
- In Vitro Laboratory for Evaluation of Biological Activity and Toxicity

Since 2020 STP starts support for innovative FOOD TECH companies- a new opportunity for young people, working in the field of agrofood sector to reach to research labs and experts and get qualified advices and incubation.

Research Institutes

Agro-Bio Institute – Agriculture Academy, Sofia

AgroBioInstitute (ABI), at the Agricultural Academy is the leading research center in Bulgaria in the field of plant and agro-biotechnologies. ABI's activities include a wide range of fundamental and applied research targeting various bio-economy areas related to characterization and utilization of national bio-resources. The Institute and its scientific staff possess state-of-the-art research equipment and know-how for application of modern experimental methods and approaches. ABI is accredited for training PhD students in the fields of "Genetics" and "Plant Protection"

Relevant projects under EU programs

<http://www.bulvitis-db.com/>

<http://plantbiotech.bg/en/>

Academia Pendaro- training opportunities for startups and SMEs in agrofood sector

Local food Foundation, Plovdiv

<https://www.localfood.bg/foundation/>

Offers trainings for food producers with certificate issued

Course content:

Module 1: International, European and national food safety legislation

- 1.1. International law
- 1.2. European legislation
- 1.3. Basic EU food law
- 1.4. Official EU food control
- 1.5. Hygiene package - Reg. (EU) 852/2004
- 1.6. Hygiene package - Reg. (EU) 853/2004
- 1.7. Food hygiene
- 1.8. Food labeling and packaging
- 1.9. National legislation

Module 2: Guidelines for the implementation of food safety management systems covering pre-requisite programs (RIP)

- 2.1. Introduction to prerequisite programs
- 2.2. Prerequisite programs
- 2.3. Form standardization
- 2.4. Guide of prerequisite programs

Module 3: Guidelines for the implementation of food safety management systems based on HACCP principles - introduction

- 3.1. Introduction to the HACCP system
- 3.2. What is NACSR?
- 3.3. HACCP training and education
- 3.4. HACCP definitions
- 3.5. Basic requirements of the HACCP system
- 3.6. Formation of HACCP team
- 3.7. Description of the product
- 3.8. Flow diagram

Module 4: Guidelines for the implementation of food safety management systems based on HACCP principles - principles

- 4.1. HACCP principle 1 - Hazard identification
- 4.2. HACCP principle 2 - Determination of CCP
- 4.3. HACCP principle 3 - Creating a critical limit
- 4.4. HACCP principle 4 - Monitoring
- 4.5. HACCP principle 5 - Corrective actions
- 4.6. HACCP principle 6 - Verification procedures
- 4.7. HACCP principle 7 - Documentation and records

Module 5: Guidelines for facilitating and flexibility in the application of food safety management systems in micro-enterprises and for food retailers

- 5.1. Key points for a simplified HACCP procedure for micro production
- 5.2. Facilitation and flexibility in the application of HACCP for food retailers
 - 5.2.1. Review of prerequisite programs - summary
 - 5.2.2. Overview of prerequisite programs - block diagrams
 - 5.2.2.1. Meat shop
 - 5.2.2.2. Grocery store
 - 5.2.2.3. Bakery
 - 5.2.2.4. Fish store
 - 5.2.2.5. Ice cream shop

Abbreviations:

- BH - food safety
BOH - food business operators
GMP - good manufacturing practices
DHP - good hygiene practices
CL - critical limit

CCP - critical control point
OK - official control
RDP - prerequisite programs
SJP - animal by-products

TD - technical documentation

Qualification of Scientists and Training of PhD Students

The total number of researchers at the AA at the end of 2018 is 494, distributed by academic positions and by scientific degrees, as follows: professors - 79, associate professors - 171, chief assistants - 127 and assistants - 117, with educational and scientific degree "doctor" - 397 scientists and with scientific degree "doctor of sciences" - 11. The ratio between habilitated and non-habilitated scientists in the AA is 1.02.

In 2018, 14 scholars were habilitated, 7 of whom had acquired the academic position of "professor" and the other 7 - "associate professor". During the year, 26 teaching assistants occupied the academic position of Chief Assistant.

Within the framework of 2018, the National Agency for Evaluation and Accreditation submitted documents for the opening of a program accreditation procedure for training at the Doctor of Science in Nursing under the new Doctoral Program in Viticulture for the Academy of Crop Production at the Institute of Viticulture and wine - Pleven. 6 PhD students and 5 PhD assistants are enrolled at AA research institutes. During the reporting period, 95 PhD students were trained at the Doctor's Degree educational level. 18 PhD students successfully defended their dissertations and received their doctoral degrees.

Specialized Scientific Periodicals

AA publishes five specialised magazines - "Bulgarian Journal of Agricultural Science", "Plant Science", "Animal Breeding Sciences", "Soil Science, Agrochemistry and Ecology" and "Economics and Management of Agriculture". Web-based platforms for indexing technical requirements to world databases of articles published in magazines are implemented.

International Cooperation in the Field of Agricultural Science

In 2018, AA's research institutes and research stations have participated in topics of mutual interest in joint research projects, international seminars, conferences, consultative meetings, specializations abroad, admission of foreign scientists, and more.

During the year, a total of 73 international agreements were implemented, of which 25 were bilateral.

The Academy's institutes have implemented 8 projects funded and supported by various international institutions - the Food and Agriculture organisation (FAO), the International Center for Genetic Engineering and Biotechnology (ICGIB), the International Atomic Energy Agency (IAEA), the International Center for Improvement of maize and wheat (SIMMIT) and others.

In 2018, joint projects were implemented under the EU's Horizon 2020 programme, projects under the Cross-border Co-operation between Bulgaria and Romania and Cross-border Co-operation between Bulgaria and Greece, projects under the Health and Consumer Program with the European Office, Food Safety Authority (EFSA).

AA scientists are national coordinators or participants in 7 EU COST projects in the following areas: Food and Agriculture and Earth and Environmental Sciences.

Separate research institutes at AA have fulfilled 59 distribution and trade contracts with Turkey, Russia, Romania, Ukraine and others. 155

During the year, scientific and technical cooperation with Algeria, Vietnam, the PRC, Cyprus, the Kingdom of Morocco, Moldova, Mongolia, Romania, Ukraine and others was made.

Improving the Link "Scientific Research - Advice in Agriculture - Agricultural Business"

In 2018, 113 joint information meetings, seminars and events with universities were held to discuss specialized topics, opportunities to support farmers under the RDP 2014-2020 measures and direct payment schemes - campaign 2018, with participation of scientists and experts from NAAS, SAS, Agrarian University -Plovdiv, Thracian University - Stara Zagora, Angel Kanchev University of Rousse, BFSA Regional Directorates and other organisations.

Conducting information seminars with demonstrations on the farms of NAAS customers has started as a good practice since 2016. The seminars with demonstrations for 2018 are 27 in number.

More than 2,300 farmers have taken an interest in the information events in 2018. These joint activities and events, by their very nature, constituted specialized training, fully geared to the needs of farmers. The highest number of joint events was held in the crop sector - 50%, followed by those in the livestock sector - 42% and in the agricultural economy - 21%.

Information support

In 2018, NAAS experts participated in 264 information events (124 information meetings, 98 seminars, 27 demonstration seminars and 15 other events). 145 informational materials were prepared and distributed (farmer's calendar, educational leaflets, leaflets, brochures).

Farmers receive up-to-date information and advice on the funding opportunities under the RDP 2014-2020, direct payment schemes and national on-the-spot aid schemes in the region through exported foster homes. In 2018, 1,092 outgoing reception rooms were held and 3,145 persons were consulted.

The "27 Farmers Circles" created continue to function. 348 farmers participated in them during the year. The aim of the "farmer circles" is to disseminate useful information to farmers and to promote good practices in applying for and implementing RDP projects.

Agrochemical analyses

The directions of the laboratory activity of the Centre for Testing and Assessment of Soil Suitability and Quality (CTASSQ) at the NAAS are related to the requirements for improving the activity and improving the competitiveness of the farms.

The CTASSQ is to assist small and young farms in obtaining advisory packages from NAAS experts.

The Centre performs agrochemical analyses of soil samples for acidity, absorbable phosphorus and potassium, mineral nitrogen (ammonia and nitrate), total nitrogen in soils, determination of active calcium, determination of humus and determination of the rate of liming of acid soils.

In 2018, the laboratory received 2,036 soil samples from 1,078 individuals, on the basis of which 2,033 samples were made for 10,158 determinations (analyses). Based on the analyses performed, 1 256 fertilizer recommendations were made.

NAAS activity under measure 2 "Consultancy, farm management and substitution services" of RDP 2014 - 2020.

In 2016, started the implementation of sub-measure 2.1.2 "Small Business Farm Advisory Services" under measure 2 "Consultancy services, farm management and farm substitution services" of RDP for the period 2014-2020, as the NAAS was the only advisory organisation designated at this stage and approved by the European Commission to provide advisory services to small farms.

Under Sub-measure 4.1.2.NAAS provides six basic advisory packages entirely free of charge to small farms, contributing to both economic development and the strengthening of small farms through modernisation and technological renewal as sustainable and viable units and to improving environmental protection and combat climate change.

The total number of applications for sub-advisory package under sub-measure 2.1.2 in 2018 was 768, 44% less than in 2017.

NAAS activity under measure 6 "Development of farms and enterprises" from RDP 2014 - 2020.

In 2018, applications for the provision of an A2B Advisory Package to young farmers under sub-measure 6.1 "Starting aid for young farmers" under measure 6 "Development of farms and enterprises" of the RDP 2014-2020 were received.

The A2B Advisory Package includes information and advice on: creation and development of young farmers' farms (including preparation of business plans and baseline information on project proposal under sub-measure 6.1.); farm-level obligations arising from statutory management requirements and / or standards for good agricultural and environmental status; agricultural practices that benefit the climate and the environment; water policy; the requirements for the placing on the market of plant protection products; occupational safety standards and farm safety standards.

During the period of acceptance of projects under sub-measure 6.1, 1,658 applications were submitted, on the basis of which the NAAS experts prepared 930 project proposals, of which 717 were for crop farms, 148 for livestock farms and 65 for mixed farms. Of the farms for which project proposals have been prepared, 91% cultivate up to 5 ha.

As of the date of application, 408 farms are organically grown or in organic production or in transition to organic production, and by the date of the second payment, 526 farms are planning to become and/or continue 159 to engage in organic farming. By the date of the second payment, it is expected that additional jobs will be created in 760 young farmers' farms.

23. Vision of Republic of Bulgaria for the future of the Common Agricultural Policy 2021-2027

Highlights

- ✓ The growing global challenges call for the CAP to continue to be a strong and adequately funded Community policy.
- ✓ In order to achieve the desired results of the forthcoming process of modernization and simplification, the policy must maintain its current balanced approach, based on two pillars with specific objectives and areas of support through complementary instruments. The possibility of transfer between the two pillars must be maintained.
- ✓ In order to ensure long-term stability and predictability for the agricultural sector, we believe that in the context of the CAP discussions after 2020, the focus should be on

improving the current policy structure and measures and integrating them with other policies, rather than on revision of the main policy.

- ✓ The common agricultural policy must be market-oriented, with simplified rules and guaranteed funding for their implementation, based on the principles of solidarity and social justice. It must be flexible and transparent, to ensure optimal utilization of the financial resources provided for its implementation and to show the public the need and effectiveness of investing public funds for its implementation.
- ✓ Another problem for farmers and the administration is the constant complication of the applied support schemes and measures. We believe that real and effective action is needed to simplify the CAP.
- ✓ In order to minimize distortions of competitiveness between EU farms, it is necessary to introduce regulation to support the process of real convergence between Member States and to ensure a level playing field at EU level.
- ✓ The European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development must interact with the other European Structural and Investment Funds in an efficient and simplified manner, with a view to integrated territorial development.

24. Networks and Networking

Start networking

Networking is a great way to make new business contacts (and to put on weight). Often run as breakfast, lunch or social events, it is an opportunity to get to know other local business people and if handled correctly, may ultimately lead to more custom. There will be many formal and informal networks near you. Your local Chamber of Commerce may be a good starting point but there are also plenty of international, national and local networks and it is a good idea to try a few to see which suit you best before committing to a joining fee.

A lot of local initiatives of business support and branch organizations as farmer festivals, markets, happenings, competitions, exhibitions, fairs contribute for building networks and extend the support with common projects, trainings, new market opportunities, support for innovative ideas and international pool of experts.

https://enrd.ec.europa.eu/policy-in-action_en

https://enrd.ec.europa.eu/networking/nrn-profiles/bulgarian-rural-network_en

<https://ruralnet.bg/>

<https://ruralnet.bg/?lang=en>

<https://ec.europa.eu/eip/agriculture/en>

<https://www.smart-akis.com/index.php/network/eip-agri-thematic-networks/>

<https://www.slowfood.com/tag/balkans/>

<https://www.facebook.com/www.bioferma.org/>

<https://www.eitfood.eu/entrepreneurship/projects/Seedbed>

Conclusions: Startups in Agrofood sector are not so much and they need support, guiding, funding and motivation. This Guide is a trial to give some perspective where they can find information, advices, support and inspiration.

Balkanet project worked three years for collecting the knowledge and experience of three countries: Greece, Albania and Bulgaria in the field of agrofood in order to create a network of sustainable innovative ideas, contacts and common values for boosting the innovations in agrofood sector, strengthen the links between researchers and entrepreneurs for better

products on the market. The topic for our food is eternal, our countries has potential to make progress using traditions and natural resources, people experience and ideas to make regional brand and develop agritourism, new products keeping old recipes and creating jobs in this difficult economic situation.

Joining the Balkanet network is a great opportunity to access to new investors, new markets, new business partners in Balkan- Mediterranean area. The main benefit for innovative young entrepreneurs is the access to experts, to experienced practitioners, working networks and a lot of new projects, i.e. funding opportunities.

<https://www.balkanet.eu/>



Sources of information:

1. <https://www.mzh.government.bg/bg/politiki-i-programi/programi-za-finansirane/>
2. <https://www.eufunds.bg/en>
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