



IPA CROSS-BORDER PRPGRAMME
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1. TYPES OF COMPANIES AND TYPES OF ACCOUNTING – LEGAL POSITIONS

- ✗ What is the most appropriate legal form for us in company's registration process
- ✗ First is necessary to determine whose capital will be.
- ✗ It is necessary to make an analysis of the legal status of the trader, advantages and disadvantages of each of the possible forms of registration of the company, and only then to proceed to the process of preparing the documents and the actual registration of the company or OCAC.
- ✗ Registration papers and registration steps



TYPES OF COMPANIES

- ✗ A limited liability company liable to its creditors only up to the amount of contributed capital and the amount of property in his name.
- ✗ Unlimited partnerships - 2 or more persons;
- ✗ Limited – 2 or more persons with unlimited solidarity liability and limited liability
- ✗ Joint stock company
- ✗ Limited partnership with shares – for the limited partners are issued shares – they are established by the general unlimited partners



KEY TERMS

- ✗ Accounting is a science that systematically describes the business operations of an entity to be able to adequately represent its financial position at a given time (by balance) or in development for a certain period of time (through profit and loss account).
- ✗ Business transaction is any change in assets (machinery, finished goods, raw materials, receivables or money) or liabilities in an enterprise.
- ✗ Double entry accounting is a method by which each business operation is described by the inevitable bilateral and equal in value changes which make result in at least two sites.



Book of revenues - entries in it are made

on the basis of regular, authentic accounts that are classified in folders in order of their receipt in the company and reflect the different revenues types.

- ✗ Book of expenditure - chronologically reflects and summarizes information made by the company different types of costs as the primary and secondary accounting documents
- ✗ Inventory book - it is entered depreciable tangible and intangible assets of the company.
- ✗ Book of material goods- it serves to filing and reporting of any kind of material available, the kind, quantity, price and value.



2. DOCUMENTS - TYPES. WHAT CONTENTS, WHAT SHOWS AND WHAT IT MEANS.

✗ INVOICE - Requirements by:

- 1.Accountancy Act
2. VAT /Value Added Tax/ Act



3. BASIC CONCEPTS

- ✗ Asset
- ✗ Inventories
- ✗ Goods
- ✗ Raw materials
- ✗ Materials
- ✗ Services
- ✗ Fair value
- ✗ Cost
- ✗ Reporting period
- ✗ Equity capital
- ✗ Revenue
- ✗ Expenditure
- ✗ Financial reports-
Balance sheet; Income
and revenues statement;
Equity capital statement;
Statement of Cash Flows
- ✗ Trial balance.
- ✗ General ledger.



4.ACCOUNTING PRINCIPLES

- ✗ Acting company
- ✗ Charging
- ✗ Matching of incomes and expenditures
- ✗ Priority of content over the form
- ✗ True and fair representation
- ✗ Substantiality
- ✗ Precautionary
- ✗ Independence between periods and valuable link between the beginning and ending balance
- ✗ Documentary support
- ✗ Keeping the accounting policy



5.WHAT IS AN ACCOUNTING POLICY?

Significant elements of the accounting policy are:

- 1) The accounting documents;**
- 2) valuations of assets, liabilities and capital;**
- 3) depreciation policy;**
- 4) investments of the enterprise;**
- 5) ways of shaping and reporting of contractual relations;**
- 6) financial planning of the enterprise;**
- 7) analysis and monitoring of the activities**



II. BASIC TAX LAWS FOR THE COMPANY – VAT, CITA AND RULES TO THEM.

✗ 1. Value added tax /VAT/ Act.

Tax rates for taxable supplies:

20% - Standard rate applicable to taxable supplies with place of transaction in Bulgaria, ICA and imports.

9% - Reduced rate applicable for accommodation services provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravans.

0% - zero rate is applicable to community supplies, export of goods outside the EU, international transport, etc.
VAT is not charged with making an exempt supply, community acquisition and delivery at the place of execution outside the country.



1. VAT ACT

✖ SUPPLY AND PURCHASE OF PRODUCTS WITH CONTRACTORS IN THIRD COUNTRIES

Community delivery (VOD) - delivery of goods from one EU country to another when both the supplier and the recipient are registered for VAT purposes in the Member States

Community acquisition (ICA) - the acquisition of goods from another EU country, the supplier is registered for VAT purposes in that other Member State

Distance selling of goods

Import of goods



1. VAT ACT

✗ TAX EVENT AND TAX BASE

Tax event

The tax event is the moment when VAT becomes chargeable, i.e. should be charged (e.g.: the invoice for the sale) and declared.

Tax base

The tax base is the amount on which VAT is charged (or not charged if such supply is exempt). In principle, the tax base is all that is payable to the supplier.



1. VAT ACT

The tax documents are:

- Invoice;
- Notice to an invoice - debit or credit;
- Protocol;
- Other - customs declaration, sales report;



2. CORPORATE INCOME TAXATION ACT

CITA regulates the taxation of:

- the profit of local entities (including local entities who are not traders and religious organizations from commercial activity and rental of movable and immovable property) and profits of unincorporated businesses and local insurance funds;
- profits of foreign legal persons from commercial activity in the Republic of Bulgaria or the disposition of property in such a form of commercial activity;
- the income of foreign entities from a source in the Republic of Bulgaria;
- Income from dividends paid to domestic and foreign entities;
- expenditure covered by the law of expenditures;
- gambling activities;
- revenues from commercial transactions, as well as rental of movable and immovable property of the budgetary organizations;
- the activity of operation of ships, persons carrying out maritime commercial shipping.



2. CORPORATE INCOME TAXATION ACT

CITA provides several types of taxation, related to entities:

2.1. Corporate tax – with corporate tax is levied taxable profit (i.e. accounting financial result, transformed for tax purposes) of the local legal entities and foreign legal entities with business activities in Bulgaria.

2.2. Tax of expenditure - A tax on the cost with a tax rate of 10% is levied on the following categories of costs, incurred by taxpayers:

- Representation expenses
- Social benefits provided in kind
- Cost of additional voluntary insurance, supplementary health insurance, Life insurances and food vouchers, excluding amounts exempted by law.
- Costs related to the operation of vehicles when they are used for management activities



2. CORPORATE INCOME TAXATION ACT

2.3. Tax at the source - is levied on the income source in Bulgaria of foreign legal entities, as well as some income to local entities.

2.4. Alternative taxes - are taxed following persons or activities:

Gambling - the tax is determined not based on profit but on the basis of bets or gambling facilities;

Budget enterprises - due to tax revenue from business and rent;

Ships' operations - the tax is payable on the tonnage of ships, but the regime is applied by choice.



III. INDIVIDUALS AND INDIVIDUALS INCOME TAXATION ACT. TAX AUDIT FOR INDIVIDUALS

Individuals income taxation Act regulates the taxation of individuals. The scope of the IITA are several different types of taxation related to individuals, namely:

- ✗ Tax on the total annual tax basis without the activity as a sole trader - often called the income tax (DOD)
- ✗ Tax on the activity as a sole trader (ET)
- ✗ Final tax (tax at the source)
- ✗ Patent tax



IV. EMPLOYEES AND RELATIONS WITH THEM. THE LABOR CODE AND RELATED REGULATIONS. PROTECTION OF LABOR INSPECTION

The Labor Code (LC) regulates labor relations between the employer and the employee/worker, and other directly related relations.

Relations in the provision of workforce shall be governed only as labor relations.

The purpose of LC is to provide freedom and protection of labor, decent and fair working conditions and fair implementation of social dialogue between workers, employers and the state to settle labor relations.



- ✗ 1 EMPLOYMENT CONTRACT
- ✗ 2 RIGHTS AND OBLIGATIONS OF EMPLOYERS
- ✗ 3 OBLIGATIONS OF WORKERS
- ✗ 4 WORKING HOURS
- ✗ 5 HOLIDAYS
- ✗ 6 BUSINESS TRAVELS
- ✗ 7 DISCIPLINARY LIABILITY
- ✗ 8 PROPERTY LIABILITY OF EMPLOYERS
- ✗ 9 TERMINATION OF EMPLOYMENT CONTRACT



APPLICATIONS





BALANCE SHEET

It's prepared in thousands of BGN

It's prepared to December, 31 corresponding year

Contains the assets and liabilities of the enterprise,
referred by:

- ✗ section
- ✗ group
- ✗ article
- ✗ amount of the current year
- ✗ amount of the previous year

It is important that the amount of assets is always equal to the amount of liabilities!



BALANCE SHEET

Assets distributed by a section, group and article:

A. Subscribed but unpaid capital

B. Long-term assets

I. Intangible assets

II. Fixed assets

III. Long-term financial assets

IV. Taxes for future periods

C. Current /short-term/assets

I. Stocks

II. Loans

III. Investments

IV. Cash

D. Expenses for future periods

TOTAL ASSETS / $A + B + C + D$ /



BALANCE SHEET

Liabilities distributed by a section, group and article:

A. Owners Equity

I. Subscribed capital

II. Premium reserves

III. Subsequent Valuations Reserve

IV. Reserves

V. Retained profit/loss/ of previous years

VI. Current profit /loss/

B. Provisions and similar obligations

C. Obligations

G. Financing and revenue for future periods

TOTAL LIABILITIES / A + B + C + D /



GENERAL LEDGER

It contains some information about the accounting accounts from January, 1 to December, 31 of corresponding year

It contains accounting account codes and sums, distributed in debit or credit accounts, distributed in debit and credit accounts, opening and closing balances in the following columns:

- ✗ Debit accounts
- ✗ Credit accounts
- ✗ Opening balance Debit
- ✗ Opening balance Credit
- ✗ Debit turnover
- ✗ Credit turnover
- ✗ Closing balance Debit
- ✗ Closing balance Credit



CARDS BY MATERIALS

It's prepared for the materials in storage for the period from 1 January to 31 December of the corresponding year in the following categories:

- ✗ Price
- ✗ Revenue
- ✗ Expenditure
- ✗ Availability
- ✗ Document
- ✗ Contractor



TRIAL BALANCE WITH QUANTITIES

It's prepared for the period of January, 1 to December, 31 of the corresponding year

It contains some information about:

- ✗ Account
- ✗ Opening balance Debit
- ✗ Opening balance Credit
- ✗ Debit turnover
- ✗ Credit turnover
- ✗ Closing balance Debit
- ✗ Closing balance Credit



REPORT ON CASH FLOWS

It's prepared for the period 1 January – 31 December of the corresponding year

It contains some information about types of types of receipts and payments by accounts in amounts indicated for the current and previous year:

- ✗ A. Receipts from general activity
- ✗ A. Payments from general activity
- ✗ A. Net cash flow from general activity
- ✗ B. Receipts from investment activities
- ✗ B. Payments for investments
- ✗ B. Cash flow from investment activities
- ✗ C. Receipts from financial activities
- ✗ C. Payments from financial activities
- ✗ C. Net cash flow from financial activities
- ✗ D. Change in cash in the period / $A + B + C$ /
- ✗ E. Cash at the beginning of period
- ✗ F. Cash at the end of period



INCOME AND EXPENSES REPORT

- ✗ A. Expenses
 - ✗ I. Expenses of operating activities
 - ✗ II. Financial expenses
 - ✗ III. Exceptional expenses
- ✗ B. Profit from ordinary activities
- ✗ V. Accounting profit / total revenue - total expenses/
- ✗ IV. Costs for profit taxation
- ✗ V. Other types of taxation, alternative corporate tax
- ✗ G. Profit
- ✗ A. Revenue
 - ✗ I. Revenue from operating activities
 - ✗ II. Financial revenue
- ✗ B. Loss from ordinary activities
- ✗ III. Exceptional revenue
- ✗ C. Accounting loss /total expenses – total revenue/
- ✗ G. Loss
- ✗ All /total revenue + G/



THANK YOU FOR YOUR ATTENTION!

