

BULGARIA
CROSS-BORDER MERGER DIRECTIVE

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I. Introduction

1. The Cross-border Merger Directive (including the employee participation rules) has been implemented in Bulgaria through amendments of the Commerce Act¹ approved in December 2007 by introducing a new section on cross-border mergers with participation of companies from other Member States or companies from Member States of European Economic Area. The provisions applicable to domestic mergers shall apply only when this is explicitly provided for in the cross-border mergers section.

II. Scope of the new rules

2. The new rules on cross-border mergers apply to the following types of companies governed by the Commerce Act, *i.e.*, public limited-liability companies (*акционерни дружества*) (EAD / AD), partnership limited by shares (*командитни дружества с акции*) (KDA), private limited-liability companies (*дружества с ограничена отговорност*) (EOOD / OOD) and European companies (SE).

3. The Cross-border Merger Directive shall not apply to cross-border mergers involving a company whose corporate purpose is the collective investment of capital provided by the public, which operates on the principle of risk-spreading and whose units may be, at the holder's request, purchased or redeemed, directly or indirectly, out of the company's assets (Art. 3(3) Dir.). Under Bulgarian law such companies are governed by the Public Offering of Securities Act². The companies so excluded are open-ended public entities for collective investment, which can be in the form of a public limited-liability company (*акционерно дружество*) (Art. 164(1) Public Offering of Securities Act).

The Cross-border Merger Directive rules shall not take place in case a merging company with a registered office in Bulgaria owns a land and in the same time the new or the surviving company's registered office is located outside the country.

The Commerce Act does not explicitly provide for rules related to a cross-border merger in case a liquidation or insolvency procedure is initiated for a local participating company. As mentioned above, there is no general provision stipulating the common applicability of the national law (which arranges the above two cases when a domestic merger occurs) to the cross-border mergers, the possibility for a cross-border merger with participation of a local company in liquidation or insolvency procedure shall be further decided by the court practice as it is possible the domestic rules to be considered applicable *by analogy*.

III. Cash payment

4. The local legislation does not allow the cash payments in favour of the shareholders to exceed 10% of the whole nominal value of the securities or shares acquired in the share capital of the new/surviving company (Art. 261b(2) Commerce Act) in case of a cross-border merger.

IV. Legal consequences and enforceability of a cross-border merger

5. A cross-border merger shall have the same legal consequences as an internal (domestic) merger, *i.e.*:

(i) the participating entities (with the exception of the surviving company if no new company is established) shall cease to exist;

¹ Bulgarian Commerce Act promulgated in State Gazette No. 48 of 1991, as amended from time to time

² Public Offering of Securities Act promulgated in State Gazette No. 114 of 1999, as amended from time to time

(ii) the shareholders of the companies which cease to exist shall become shareholders in the new/surviving entity; and

(iii) all rights and obligations of the merging companies, which cease to exist, shall be transferred to the new/surviving company by operation of law without liquidation of the participating companies.

6. A cross-border merger (and any related issues subject to registration in the Commercial Register) shall be considered effective, incl. enforceable against third parties as from the date of registration with the Commercial Register, Third parties can claim, within 15-days term as of the registration date, that the merger is not enforceable against them, if they can prove that it was impossible for them to have knowledge thereof. Third parties are not entitled to rely on the merger itself prior to such registration date (Art. 7(2) Commercial Register Act³ in connection with Art. 265n [265o⁴] Commerce Act).

When there are any rights *in rem* related to real estates, movables or any other rights (property of a local merging entity) subject to entry in a specific Bulgarian register⁵, the certificate for the registration of the merger, respectively the notification from the surviving company's Member State register for the merger registration, should be submitted for entering into the respective local register.

Any permits, licences or concessions granted to a merging company shall be considered transferred to the new/surviving entity as of the registration date, unless a law or the granting document provides otherwise.

According to an explicit provision of the Labour Code⁶ approved in December 2007, the employment relationship with the employee shall not be terminated in the event of mergers, incl. cross-border mergers, i.e. a change of employer as a result of:

1. merger of companies by the formation of a new company;
2. merger by acquisition of one (or more) company by another;
3. distribution of the operations of one company among two or more companies;
4. passing of a self-contained part of one enterprise to another; ...etc.

In the above cases the rights and obligations of the merging employer arising from the employment relationships existing on the date of the change (registration date) shall be transferred to the new/surviving employer.

Liability in respect of the obligations to the employee, which arose before the change/merger of employer, shall be incurred by the new/surviving employer, upon merger of companies.

It should be noted however, that without the above explicit rules the general rule for automatic transfer from the merging companies, which cease to exist, to the new or the surviving company of all rights and obligations (including the employment related) shall apply.

V. Procedure

1. Draft terms of cross-border merger

7. The management organs of the merging companies shall prepare common draft terms of cross-border merger. This document should be in simple written form and should be signed by the

³ The Commercial Register Act promulgated in State Gazette issue No. 34 of 2006, as amended from time to time

⁴ Number of the Article according to the Cyrillic alphabet.

⁵ For example, the Land Register where all immovable properties have to be registered.

⁶ Labour Code promulgated in State Gazette, issue No. 26 of 1986, as amended from time to time.

representatives of the local merging companies (Art. 265e [265д] (2) Commerce Act). The draft terms should include the information described in chapter 1, no. 19 of this book as well as information on the term within which the cash payments (if such) should be made, description of the securities and shares to be received in the resulting entity and the planned increase (if needed) of the surviving company's share capital (Art. 265e [265д] (3) Commerce Act). In the event a parent company merges with its wholly-owned subsidiary, the information mentioned in chapter 1, no. 39 of this book as well as the additional information indicated in the immediate preceding sentence can be omitted (Art. 265p [265p] (6) Commerce Act).

Generally, the directors or managers (if acting intentionally) may be held jointly liable for any damages in burden of the respective local merging entity during the merger process.

8. The common draft terms of cross-border merger together with the management report of each local participating entity (*see* no. 9 of this chapter) should be filed with the Commercial Register not later than one month prior to the local general meeting(s) convened to adopt the cross-border merger resolution. Together with the above documents, there should be submitted a list containing information on the name, registered office, and register in which each merging company is entered⁷, as well as information on the rules for protection of the creditors and minority shareholders of each company and the place where a complete data on these issues can be obtained from.

2. Management report

9. The management body of each merging company should prepare a written report on the cross-border merger. The report should contain a detailed legal and economic explanation of the common draft terms and in particular (i) the methods used to determine the share-exchange ratio and (ii) the implications of the merger for shareholders, creditors and employees (Art. 265f [265e] Commerce Act).

The management report of each participating Bulgarian entity should be made public (*see* no. 8 of this chapter) as well as available to the shareholders of the participating companies at the registered office of the respective company not later than one month prior to its general meeting. Upon request a copy or an excerpt of the management report should be provided to each shareholder free of charge.

Each local merging entity should provide its management report to its employees' representatives or, in the absence thereof, to the employees not later than one month prior to its general meeting, which will resolve on the merger. Any opinions of the employees or their representatives should be enclosed to the management report.

3. Auditor's report

10. Each Bulgarian participating company should choose an auditor to audit (and respectively to prepare a report to the shareholders on) the common draft terms of the cross-border merger. The auditor should be appointed by the management body of the respective company. The auditor should be a certified (registered) auditor. Auditor may not be a person which has, over the past two years, been an auditor of the company which is appointing it or which has produced an evaluation of an in-kind contribution. The appointed auditor may not be elected auditor of the new / surviving company for two years following the merger effective date (*see* no. 19 of this chapter).

This is not required in the event of a simplified merger of a wholly-owned subsidiary (*see* chapter 1, no. 39 of this book).

⁷ It is not explicitly provided for the type of each merging company and its number of entry in the respective register to be indicated in the list although required as per Art. 6(2) of the Cross-border Merger Directive

All merging companies may jointly require from the Registry Agency⁸ to appoint an auditor for all participating companies, incl. these with a seat in another Member State. The auditor so appointed shall prepare a report on the common draft terms of cross-border merger.

The auditor's report shall not be prepared if all shareholders of all companies (merging companies and surviving company) participating in the cross-border merger unanimously decide in written that no audit of the common draft terms shall be made (Art. 265h [265z] (5) Commerce Act).

11. In its report the auditor appointed as per the local legislation should certify whether, in its opinion, the share-exchange ratio is adequate and reasonable (Art. 262m [262M] (2) Commerce Act). The auditor's report should indicate at least (i) the methods used to determine the share-exchange ratio; (ii) indicate whether these methods are appropriate and correct in the case at hand; (iii) the value as per each of the methods and the relative importance of each method in determining the shares and securities value and (iv) the particular difficulties (if any) encountered in the valuation process.

If the new company shall have a registered office in Bulgaria or there shall be increase in the share capital of the local surviving entity the auditor shall prepare also a report on the share capital audit⁹ which should check if the following statutory requirements are met:

- the share capital of the new company not to exceed the net property¹⁰ transferred to it upon merger;
- the share capital of the surviving entity may be increased as long as new shares should be issued for the shareholders of the participating companies. The capital increase shall not exceed the net property transferred to the surviving company upon merger;
- no share capital increase of the surviving entity shall be allowed in case:
 - o the latter owns shares in a merging company;
 - o a merging company has its own shares; or
 - o a merging company has shares in the acquiring company which have not been paid in full.

The auditor (irrespective of whether appointed as per the local or that of another Member State law) shall be entitled to request from any merging company any information and documentation related to the auditor's report preparation.

12. The auditor's report for each merging entity (or the common one) should be made available to the shareholders of the merging companies at the registered office of the respective local entity (*see* no. 8 of this chapter). It should not be made public otherwise.

13. The auditor (irrespective of whether appointed as per the local or that of another Member State law) shall be liable to all participating entities and their shareholders for any damages resulting from non-fulfilment of its obligations (Art. 262m [262M] (3) Commerce Act).

4. General meeting of shareholders

A. Information of shareholders

14. The following documents shall be made available to the shareholders at the registered offices of each participating company and/or of the surviving company with seat in Bulgaria at least one month prior to the respective general meeting:

⁸ The Agency keeping the Commercial Register.

⁹ The Cross-border Merger Directive does not provide for such a report.

¹⁰ The net property equals to the difference between the market (fair) price of the rights and obligations, which are transferred to the new/surviving entity upon merger.

- common draft terms;
- management report;
- auditor's report;
- drafts of the new/amended articles of association/statutes of the new, respectively the surviving company.

Each shareholder may request free of charge a complete or partly copy of any of the abovementioned documents.

B. Shareholder approval

15. With respect to the Bulgarian participating companies, the merger and the draft terms of cross border merger must be approved as follows:

- by the general meeting of shareholders – for the public and private limited-liability companies; and
- by the general meeting of shareholders and with a resolution of an unlimited liable shareholders – for a partnership limited by shares.

The absorption of a wholly owned subsidiary by its parent company shall be approved through a resolution of the sole owner (Art. 265p [265p] Commerce Act).

The Bulgarian legislation does not provide for the simplified merger procedure where a company is acquired by another one holding 90% of the shares/securities of the first one.

16. In order a general meeting of a public limited-liability company and a partnership limited by shares to approve the cross-border merger at least 50% of the capital should be presented. If this quorum is not met, a second meeting may be called not earlier than 14 days as of the date of the initial meeting and this second meeting may resolve on the respective issues in the agenda regardless of the number of shares presented.

The merger should be approved by a special majority as follows:

- three quarters of the share capital – for a private limited-liability company;
- three quarters of the voting shares presented – for a public limited-liability company;
- three quarters of the voting shares presented – for a partnership limited by shares as well as unanimously by resolution of the unlimited liable shareholders in written form and notary certified,

as the articles may provide for a larger majority. If there are different classes of shares, special majority requirements should be met for each class of shares.

The draft terms of cross-border merger shall define the rights conferred by the company resulting from the merger on shareholders enjoying special rights or on the holders of securities other than shares representing capital.

17. Any resolutions related to the merger and within the competence of the general meetings shall be adopted together with the voting of the merger and the common draft terms and thus no further general meeting shall be needed in relation to the merger process.

18. Once the cross-border merger resolution is adopted by the general meeting¹¹ of a participating local entity none of its shareholders shall be entitled to file a claim with the court for deletion of this resolution on the grounds that it contradicts to the law or the articles of association/statute of the merging company.

5. Pre-merger certificate

19. In case the new/surviving company is not located in Bulgaria the management body of each participating local company requires from the Commercial Register issuance of a pre-merger certificate stating the legality of the merger in relation to the respective entity. There is no term of the certificate validity provided.

In order a certificate to be issued each local company involved should provide the following documents to the Commercial Register:

- the cross-border resolution taken;
- auditor's report;
- declaration that the participating local company does not own any land in Bulgaria (see no. 3, paragraph 2 of this chapter);
- any other evidences that the merger resolution has been taken in compliance with all statutory requirements.

6. Effects of the decision

20. A cross-border merger where the new/surviving company is located in Bulgaria enters into effect on the date of the merger registration with the Commercial Register. The management body of the new / surviving company should submit an application for registration of the merger accompanied with the following documents:

- the common merger terms;
- the merger resolutions and the pre-merger certificates of the other participating companies;
- copy of the new/amended articles of association/statutes of the new, respectively the surviving company;
- the auditors' report;
- list of the persons acquiring shares in the new/surviving company, data for any attachments or pledges on the shares;
- other documents specified in the law, depending on the specific case, e.g. consent of a shareholder who as a result of the merger becomes a shareholder with unlimited liability, etc.

The registration of the merger shall be completed on the files of the local new or surviving company not earlier than 14 days as of the application submission, providing that:

- the non-local participating companies have provided pre-mergers certificates; and
- the local companies have met all local cross-border merger requirements and in particular if the merger resolution has been taken with the majority needed; and
- the merging companies have approved the common terms of cross-border merger; and
- all local requirements regarding the new/surviving Bulgarian company have been fulfilled.

Changes in the statute/articles of association, share capital and management bodies of the surviving company (if any) shall be registered together with the merger registration.

The new Bulgarian entity should be considered as established and respectively the other participating local companies (if the new/surviving company is a local one) – terminated as of the date of registration of the merger in the Commercial Register.

¹¹ Please refer to no. 15 of this chapter regarding the specifics related to the body/persons entitled to take a cross-border merger resolution in case of a partnership limited by shares

In case the resulting company is not located in Bulgaria the deletion (and respectively the termination) of the local companies involved from the Commercial Register shall take place only after receipt of a notification from the Register of the Member State the new/surviving company has been entered in confirming that the merger has been duly registered.

21. As from the effective date (date of registration) of the cross-border merger, it cannot be declared null and void by the court. In addition, it is forbidden to file with the court a claim to declare the new company (resulting from the cross-border merger) null and void.

However, Art. 265p [265π], (2) of Commerce Act provides for an opportunity the merger to be challenged in case the legal requirements of the chapter of the Commerce Act regulating cross-border mergers have not been met for any of the companies involved. Entitled to such claim is each shareholder of the participating companies or the latter themselves as the competent court is the one where the registered office of the new/surviving company is located. The non-equivalent share exchange ratio can not be a ground for filing of such claim.

In case the resulting company – new or surviving - is located:

- in Bulgaria the claim could be filed not later than the date of merger registration in the Commercial Register. Filing of the claim shall result in stoppage of the registration. On the grounds of an effective (entered into force) court ruling, which awards the claim, the Commercial Register shall refuse registration of the cross-border merger;
- in another Member State the claim should be submitted not later than the issuance of the pre-merger certificate for the resulting company. Although that this option (and the respective consequences) is given in the local legislation its practical enforcement is disputable as its implementation should be regulated by the legislation of the Member State where the resulting company is located. However, an effective court ruling, awarding the claim against the merger can result in refusal of the Bulgarian Registration Agency to issue a pre-merger certificate and respectively block the registration of the cross-border merger in the other Member State.

VI. Minority shareholders

22. Bulgarian law does not provide for any special rights to minority shareholders in the case of cross-border mergers.

VII. Protection of creditors

23. Although not explicitly regulated in the cross-border mergers section of the Commerce Act, we assume that the creditors protection rules would be applicable as indicated in the general merger section accordingly, as follows:

- the creditors are considered to be informed on their rights as of the merger effective date without any further notification needed;
- the new/surviving local company should manage separately the property acquired by each participating entity for 6 (six) months as of the merger registration date. Members of the management body of the resulting company shall be jointly responsible for the separate management of the property;
- each creditor the receivable of which has not been secured and has arisen prior to the effective date shall be entitled to require either security or receipt of its receivable. In case the respective request is not fulfilled, this creditor shall be entitled preferable performance of the rights which have been property of its debtor (i.e. the respective former participating company).

VIII. Employee participation

24. The Commerce Act sets out the general rules of employees' protection in case of cross-border merger depending on the seat of the new/surviving company and the existence of rights of employees in the legislation of the accepting country. As for the constitution of the Special Negotiating Body ("SNB") and its functions in case of cross-border mergers the Commerce Act refers directly to the regulatory framework set out by the Information and Consultation with Employees in Multinational Undertakings, Groups of Undertakings and European Companies Act¹² ("LICE") – implementing the Directive 2001/86¹³ of 8 October 2001 supplementing the Statute for a European company (SE) with regard to the involvement of employees in the management of a SE.

1. Employee participation in companies established in Bulgaria resulting from a cross-border merger

25. Currently the Bulgarian law does not provide for wide range of rights of the employees to participate in the management of limited liability companies. The Commerce Act provides for the right of representatives of the employees to participate in the general meeting of the shareholders of a company with a consultative vote, provided that the Company has more than 50 employees. Thus, the Commerce Act explicitly states that when the seat of the new/surviving company is in Bulgaria and one of the merging companies has applied rules for participation of the employees in the management the new/surviving company has to procure the exercising of the rights resulting from the said rules. This rule shall be applied even in case of subsequent transformation of the company under the Commerce Act of Bulgaria or under Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) but in any case no longer than three years as of the registration of the transformation with the competent authority where the seat of the new/surviving company is.

2. Special negotiating body (SNB)

26. With regard to the method to be used for appointment of members of the SNB, the LICE provides that such election may be made by the general meeting of employees under the Labour Code¹⁴. The latter provides that the general meeting of employees comprises all employees in an enterprise and it may be convened by the employer, the management of the trade union as well as on an initiative of one tenth of the employees in the enterprise. The quorum required for the meeting to be conducted is more than half of the employees. The resolutions for election of members of the SNB are approved with a simple majority. The meeting may choose to delegate the election of members of the SNB to representatives designated by the management of the trade union(s) at the enterprise or to representatives of the employees under the meaning of the Labour Code¹⁵. Candidates for representatives in the SNB may be nominated by any employee, by groups of employees as well as by the trade unions at the enterprise. The central management / the management of the enterprise participating in the incorporation of the SE (respectively in the case of cross-border merger – the management of the new/surviving company) determines the number of members of the SNB in such a manner that each Member State in which a multinational enterprise has one or more establishments or one or more controlled enterprises or a controlling enterprise is represented by at least one member.

As to the possibility for trade union representatives to become members of the SNB (employed or not employed by the participating company/concerned subsidiary/establishment – Article 3 (2) (b) paragraph 2) of Directive 2001/86), the LICE provides that the candidates for election of employees'

¹² The Information and Consultation with Employees in Multinational Undertakings, Groups of Undertakings and European Companies Act promulgated in State Gazette No. 57 of 2006

¹³ Council Directive 2001/86 supplementing the Statute for a European company with regard to the involvement of employees.

¹⁴ The Labour Code promulgated in State Gazette No. 26 and 27 of 1986, as amended from to time

¹⁵ According to the Labour Code the general meeting of employees may choose representatives to participate in the decision-making process with consultation vote re issues relevant to the management of the company, if such participation is provided by the law.

representatives in the SNB may be nominated by an individual or group of employees as well as by the trade unions existing within the undertaking.

As mentioned above, the employees are entitled to freely form, by their own choice, trade union organizations; to join and leave them. Neither the LICE in its quality of *lex specialis*, nor the Labour Code expressly prohibit the election of trade union representatives in the SNB.

Therefore, the interpretation of the existing legal provisions of the LICE leads to the conclusion that candidates for the SNB election may be employees as well as trade union representatives who work within the undertaking participating in the creation of the SE. *A contrario*, trade union representatives who are not employed by such an undertaking cannot be candidates for the SNB election.

The LICE does not provide for any rules on a situation where the SNB fails to take any decision on the form of participation to be chosen within the various participating companies in order to be applied to the newly established SE (i.e. there are no subsidiary rules to be applied in absence of a particular decision of the SNB).

Similarly, the Bulgarian legislator did not use in the LICE the options granted:

(i) under Art. 7(3) of Directive 2001/86, i.e. the possibility to provide for non-application of the Standard Rules of Participation included in Part III of the Annex to Directive 2001/86 to an SE established by merger, or

(ii) under Art. 8(3) of Directive 2001/86, i.e. the possibility to adopt particular provisions on a SE pursuing directly and essentially the aim of ideological guidance with respect to information and expression of opinions, or

(iii) under Art. 13 (4) of Directive 2001/86, i.e. the opportunity to guarantee that structures of employees representation existing within Bulgarian participating companies, which will cease to exist as separate legal entities remain even after the SE's registration. In the case of cross-border mergers however, the Commerce Act provides explicitly that where the new or the surviving company has its registered office in Bulgaria and one of the merging companies has applied rules for participation of the employees within the meaning given by § 1, item 20 of the Supplementary Provisions of LICE, the new or the surviving company shall be obliged to ensure the exercise of the rights arising from the said rules. This rule shall furthermore apply upon a subsequent transformation (merger) according to the procedure established in the cross-border mergers' section of the Commerce Act or by Council Regulation (EC) No 2157/2001 on the Statute for a European Company (SE), but for not more than 3 years after the date of registration of the merger with the Commercial Register.

§ 1, item 20 of the Supplementary Provisions of LICE stipulates the following: "participation" shall be the ability of the representative body and/or the employees' representatives to participate in the affairs of the company by way of exercise of the right:

(a) to elect or appoint some of the members of the company's supervisory or administrative body, or

(b) to recommend and/or oppose the appointment of some or all of the members of the company's supervisory or administrative body.

In conformity with Art. 8(2) of Directive 2001/86 which grants to a Member State the possibility to release the participating companies' supervisory or administrative organ from the obligation to disclose information to the SNB/representative body/assistants if the nature of the information, according to objective criteria, is such that any disclosure may seriously harm the functioning of the companies or would be prejudicial to them, the LICE grants to the management the right to withhold any sensitive information. Upon refusal for disclosure the parties may seek assistance for settlement of the dispute through mediation and/or voluntary arbitration of the National Institute of Conciliation and Arbitration.

3. Protection of employee representatives

27. Members of the SNB and of the representative body of the employees enjoy additional rights under the LC, namely additional leaves (if they have to be absent of work due to commitments related to their membership of the SNB / representative functions) as well as a defence mechanism with respect to the termination of their labour agreements. As a general rule the company has to obtain the prior approval of the Bulgarian Labour inspection in case of dismissal of such employees.

IX. Tax treatment

28. The Merger Tax Directive¹⁶ has been implemented in Bulgaria by State Gazette No. 105 of 22 December 2006 through the new Corporate Income Tax Act¹⁷.

29. The rules provided in the Corporate Income Tax Act are related only to companies and their places of permanent establishment located in the European Union in contrast to the Merger Tax Directive which covers all European Economic Area states.

The legislation provides for a tax neutral regime for outbound reorganizations covered by the Merger Tax Directive, including the merger of a Bulgarian resident corporate taxpayer with a receiving company, resident of a Member State, and the transfer of a local establishment to such receiving company in consequence of a merger covered by the Merger Tax Directive.

Tax neutrality is achieved by way of an exemption of capital gains on assets and liabilities transferred. It is conditional on those assets and liabilities being effectively connected with a Bulgarian establishment of the acquiring company, and on the absence of a principal objective of tax evasion or tax avoidance. If the operation is not effected for "valid commercial reasons" or disguises assets disposal, there is a rebuttable presumption of tax evasion.

In general, it is not allowed the acquiring (new/surviving) company to:

- transfer tax losses accumulated by the participating (transferring) company(ies); and
- recognize for tax purposes non-recognized with the transferring entities interest costs as per the thin capitalization rules,

with exception of a merger as a result of which a local permanent establishment of a Member State company occurs and this company has not had such establishment before the merger.

The tax temporary difference at hand with the Bulgarian transferring company shall not be recognized for tax purposes as at the merger date and shall be considered as initially arising with the receiving company.

30. Any accounting losses/profit accumulated by the receiving company as a result of cancelation of shares owned in the transferring entity shall not be recognised for tax purposes irrespective of the holding share. Any related income shall not subject to local withholding taxation.

31. Any profit/losses with the shareholders of the transferring companies resulting of the acquisition of shares/securities of the receiving entity shall not be recognised for tax purposes in the respective year and shall be treated as temporary tax difference (related to the new shares) recognisable upon further disposal.

The taxation of any further shares disposal shall be regulated as per the general rules.

¹⁶ Council Directive 90/434/EEC of 23 July 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States

¹⁷ The Corporate Income Tax Act promulgated in State Gazette No. 105 of 2006, as amended from time to time.