

## BULGARIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 63 for men and 60 for women. This is due to increase to 65 for men and 63 for women from 2020. Benefits are provided from the state and from mandatory individual accounts (UPFs) for employees born after 1959. The state retirement pension is 1% of taxable income for each year of coverage. Defined contribution benefits from mandatory individual accounts are paid as pensions, based on the accumulated capital and life expectancy. The state also provides disability and survivors' pensions. All residents are provided with medical care.
Typical New Pension Plan	Additional contributions can be paid to individual accounts (VPFs) on a defined contribution basis. Provisions for setting up voluntary occupational pension plans (VPOFS) were introduced in 2007 but coverage is limited. Benefits can be paid as a lump sum or a pension.
Typical Costs	Employers pay from 13.1% to 13.8% of payroll for state benefits and employees pay 9.8% of earnings. 5% of contributions are redirected to mandatory individual accounts (the second pillar). For medical care, employers pay 4.8% of payroll and employees pay 3.2% of earnings. The maximum monthly earnings for contributions are BGL 2,000.
Tax Implications	Employer and employee contributions to pension plans are tax exempt up to 10% of income. Employer contributions for state and mandatory benefits are tax exempt. Employer contributions for voluntary benefits are tax exempt up to BGL 60 a month per employee. Investment income is exempt from tax. Benefits are tax exempt up to certain limits.
Labour Law Issues	There is a four pillar system. The first pillar (state pensions) and the second pillar (individual accounts) are mandatory. The third pillar (individual accounts) is voluntary. The fourth pillar (occupational plans) is covered by collective agreements.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in both consolidated and separate company statements and are required for financial institutions and large entities.
Local IBN Contact	Ivan Donchev, <a href="mailto:ivan.donchev@marins.bg">ivan.donchev@marins.bg</a> Marins International Ltd. 40, Graf Ignatiev Street 9000 – Varna Bulgaria Tel: +59 52 602103 Web site: <a href="http://www.mai-cee.com">www.mai-cee.com</a>