

Tax Optimization or Evasion?



Clients often contact me from French-speaking European countries or English-speaking countries to register companies in Bulgaria to benefit from a low tax rate (in Bulgaria, the corporate tax is 10%, and the tax on dividends is 5%).

Most entrepreneurs attracted by this approach have no notion of private international law. In particular, they need to learn that if they become managers of a company registered in Bulgaria while continuing to reside in their country of origin, the tax authorities of their country of residence will be authorized to tax their Bulgarian company in this country of residence.

Thus, international conventions and French law allow the French tax authorities to consider that the manager residing in France constitutes the decision-making center and the driving force behind the activity of the Bulgarian company. It deduces from this that the turnover generated by the company registered in Bulgaria must be taxed in France.

Tax reassessments imposed retroactively are often all the more severe in their consequences as they involve obligations to pay the State of residence VAT that has not been collected from customers in Bulgaria.

Having recourse to an advised lawyer at the planning stage of international entrepreneurial activity will likely avoid many problems.

