

APPENDICES

Appendix 1. Criminal and Administrative Liability Provisions for Tax Offences and Corruption

CRIMINAL CODE

General Part

Art. 93. The words and expressions below have been used in this Code in the following context:

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14. (New, SG 62/97; amend., SG 21/00) „Taxes large in size“ are those exceeding three thousand levs, and „taxes particularly large in size“ are those exceeding twelve thousand levs;

From Chapter VII. OFFENCES AGAINST THE FINANCIAL, TAX AND INSURANCE SYSTEMS

Art. 255. (Amend., SG 28/82; SG 89/86; repealed, SG 10/93; new, SG 62/97, in force from November 5, 97)

(1) Who avoids the payment of tax liabilities in large amount by not presenting declaration required by virtue of a law, or confirms untruth or conceals a truth in a filed declaration, shall be punished by imprisonment of up to three years and a fine of up to five hundred levs.

(2) If, until the conclusion of the court investigation in the first instance court the tax liability which is not declared and not paid, together with the due interest, is paid to the budget the punishment shall be a fine of up to two thousand levs.

Art. 256. (Repealed, SG 10/93; New, SG 62/97) Who, with the purpose of frustrating the establishment of tax liabilities of particularly large size, keeps accountancy or uses accountancy documents of untrue contents, shall be punished by imprisonment of one to five years and a fine of one thousand to five thousand levs.

Art. 257. (Repealed, SG 10/93; New, SG 62/97; in force from November 5, 97)

(1) If the acts under art. 255 and 256 have concealed tax liabilities of particularly large size or if they have been committed with the participation of an official of the tax administration or of a certified expert accountant the punishment shall be imprisonment of two to ten years and a fine of five thousand to twenty thousand levs.

(2) In minor cases under art. 255 and 256 the punishment shall be a fine of the double amount of the concealed tax liabilities , imposed through administrative channels.

(3) If, until the conclusion of the court investigation in the first instance court the tax liability which has not been declared and paid, together with the due interest, are paid to the budget the punishment shall be imprisonment of up to three years and a fine of up to ten thousand levs.

Art. 258. (Amend., SG 28/82; repealed SG 10/93; new, SG 62/97) (1) Who unlawfully obstructs a tax body to fulfil his legal obligation shall be punished by imprisonment of up to three years and a fine of one thousand to two thousand levs.

Art. 301. (1) Any official, who requests, or accepts a gift, or any benefit, which he is not due, or accepts an offer, or a promise for a gift or benefit, in order to perform, or fail to perform an act within his/her duties, or because he/she has performed, or failed to perform such an act, shall be punished for bribery by imprisonment for up to 6 years and a fine to 5000 levs.

(2) If an official has committed an act under Para 1, in order to breach, or because has breached his/her duties, where such a breach does not constitute a crime, he/she shall be punished by imprisonment of up

to 8 years, and a fine of up to 10000 levs.

(3) If an official has committed an act under Para 1, in order to commit, or because has committed another crime in connection with his/her duties, the punishment shall be imprisonment of up to 10 years, and a fine of up to 15000 levs.

(4) (Amend., SG 89/86) In the cases under the preceding paras the court shall also rule revoking of right according to art. 37, item 6 and 7.

(5) The punishment under Para 1 shall be imposed to a foreign official, who requests, or accepts bribe, or accepts an offer, or promise for a bribe.

Art. 302. For a bribery made:

1. by a person who occupies a responsible official position, including a judge, juror, prosecutor or investigator;
2. through extortion through embezzlement;
3. (amend., SG 28/82) repeatedly and
4. in large size, the punishment shall be:
 - (a) (suppl., SG 89/86; amend., SG 51/00) in the cases of art. 301, para 1 and 2 - imprisonment of three to ten years, a fine of up to twenty thousand levs and revoking of rights according to art. 37, item 6 and 7;
 - (b) (amend., SG 89/86) in the cases of art. 301, para 3 - imprisonment of three to fifteen years, a fine of up to twenty-five thousand levs and confiscation of up to one seconds of the property of the culprit, whereas the court shall also rule revoking of rights according to art. 37, item 6 and 7.

Art. 302a. (New, SG 89/86) For a bribe of particularly large size, representing a particularly serious case, the punishment shall be imprisonment of ten to thirty years, a fine of up to thirty thousand levs, confiscation of the whole or a part of the property of the culprit and revoking of rights according to art. 37, item 6 and 7.

Art. 303. Having regard for the differences in the preceding articles, an official and a foreign official shall also be punished and where with their consent, the gift or material benefit have been proposed, promised, or given to a third person.

Art. 304. (1) Any person who proposes, promises or makes a gift or any other material benefit to an official so as to perform or fail to perform an official act in his/her official duties, or on account of having performed or failed to perform any such duty of service shall be punished by imprisonment of a term of up to six years, and a fine of up to five thousand levs shall be imposed."

(2) If in connection with a bribe, the official has breached his/her duties, the punishment shall be imprisonment of up to eight years, and a fine of up to seven thousand levs shall be imposed, if the breach does constitute a crime of a graver punishment".

(3) Punishment under Par. 1 shall also be imposed to any person who offers, promises, or gives a bribe to foreign official.

Art. 304a. (New, SG 51/00) (1) Any person who offers, promises, or gives a bribe to a high-ranking official, including a judge, juror, prosecutor or investigator shall be punished by imprisonment of up to ten years and a fine of up to fifteen thousand levs.

(2) The punishment under para 1 shall also be imposed to those who promise or offer a bribe to a foreign official.

(3) An official who requests or agrees to receive a bribe shall be punished by imprisonment of up to five years.

Art. 304(b) (1) Any person who requests or accepts a gift or any benefit, to which he/she is not entitled, or accepts an offer, or promise for a gift, or benefit in order to exercise influence while taking a decision by a foreign official in reference to his/her job, shall be punished by imprisonment of up to 6 years, or a fine up to 5000 levs.

(2) Any person, who offers, promises or gives a gift or any benefit not due to another person, which claims that he/she can exercise influence under Para. 1 shall be punished by imprisonment of up to 3 years, or a fine of up to 3000 levs.

Art. 305. (1) The punishments for bribery under the previous articles shall be imposed on an arbiter, or an expert witness, appointed by the court, institution, enterprise, or an organization, after having performed such acts in reference to their activity, as well as to that person, who offers, promises, or gives such a bribe.

(2) The punishments for bribery under the previous articles shall be imposed also to a defender or an attorney, while performing such acts in order to help to be decided in favour of the counter party, or to the detriment of the demandant a criminal, or civil case, as well as to that person, who offers, promises or gives such a bribe.

Art. 305a. (New, SG 28/82) Any person who acts as a mediator to the offences under the preceding articles and if this act does not constitute a graver crime shall be punished by imprisonment of up to three years and a fine of up to five thousand levs.

Art. 306. Any person who has offered, promised or given a bribe, if he/she has been extorted by an official, arbiter or expert witness to do so and if he/she has immediately and voluntarily communicated the above circumstances to the competent authorities shall not be punished.

Art. 307. (Amend., SG 51/00) Who intentionally creates circumstances or conditions in order to provoke offering, giving or receiving of a bribe with a purpose of doing harm to those who gives or receives the bribe shall be punished for provoking a bribe by imprisonment of up to three years.

Art. 307a. (New, SG 28/82) The subject of the crime under this Section shall be seized in favour of the state, and if it is missing its equivalence shall be adjudicated.

From Chapter IX. DOCUMENTARY OFFENCES

Art. 308. (1) Who draws an untrue official document or forges the contents of an official document with the purpose of being used shall be punished for forging a document by imprisonment of up to three years.

(2) (New, SG 26/2004) Where the subject of the offence under paragraph 1 are Bulgarian or foreign personal identity documents or educational or qualification certificates, or driving licences or vehicle registration certificates, or visa stickers, or any other such document as certifies legal capacity or personal identification or registration data, the punishment shall be imprisonment not to exceed eight years.

(3) (New, SG 26/2004) Where the offence under paragraph 1, having subject under paragraph 2, has been committed for material gain, the punishment shall be imprisonment not to exceed 10 years. Any such material gain, where received, shall be confiscated, and where missing or disposed of, the offender shall pay to the State the equivalent thereof.

(4) (New, SG 28/1982, former paragraph 2 as amended SG 26/2004) In minor cases, the punishment shall be:

1. under paragraph 1, imprisonment not to exceed six months or correctional labour;
2. under paragraph 2, imprisonment not to exceed two years;
3. under paragraph 3, imprisonment not to exceed three years,

(5) (New, SG 26/2004) Any action in preparation for an offence under paragraph 1 shall entail imprisonment no to exceed one year. Any action in preparation for an offence under paragraphs 2 and 3, or any collusion for the purposes of any such offence, shall entail imprisonment no to exceed six years.

(6) (New, SG 26/2004) No such party to collusion shall receive any punishment who, prior to the completion of any counterfeit or forged official document (if such is the purpose of collusion) or prior to the circulation of any such document (if such is the purpose of collusion), desists from such offence and reports it to the authorities.

(7) (New, SG 26/2004) Whoever holds in possession or conceals any physical items or materials or tools, which he knows or suspects to be intended for, or to have served, the purpose of counterfeiting or forging any document under paragraph 2 or 3, shall be punished by imprisonment not to exceed six years.

Art. 309. (1) Who alone or through another draws an untrue private document or forges the contents of a private document and uses it in order to prove the existence or non-existence, or termination or amendment of a certain right or obligation or some legal relation shall be punished for document forgery by imprisonment of up to two years.

(2) If the crime has as a subject securities the punishment shall be imprisonment of up to three years.

(3) (Amended, SG 10/1993) In minor cases, the punishment under any of the preceding paragraphs shall be correctional labour or a fine not to exceed BGN 300.00.

Art. 310. (1) (Amended, SG 26/2004) Where an offence under 308(1) or 309(1) or (2) is committed by an official servant in such servant's official capacity, such offence shall entail imprisonment not to exceed five years, and under 308(2) or (3), imprisonment not to exceed 12 years and, in the court's discretion, forfeiture of the right under 37(1.6).

(2) (New, SG 28/82) In minor cases the punishment shall be imprisonment of up to one year or corrective labour.

Art. 311. (1) An official who, within the scope of his duties, draws an official document certifying untrue circumstances or statements with the purpose of using this document as a proof of these circumstances or statements shall be punished by imprisonment of up to five years, whereas the court can also rule revoking of right according to art. 37, item 6.

(2) In minor cases the punishment shall be imprisonment of up to one year or corrective labour.

Art. 312. (1) A physician who provides somebody with a false certificate for the status of his health when he is not acting as an official shall be punished by imprisonment of up to two years or by corrective labour.

(2) Under the same circumstances a veterinarian who issues a document of untrue contents for the health status of an animal shall be punished by imprisonment of up to one year or by corrective labour.

Art. 313. (Amend., SG 28/82) (1) (Amend., SG 10/93) Who confirms a falsehood or conceals a truth in a written declaration or message sent electronically which, by virtue of a law, edict or decree of the Council of Ministers, are presented to a body of the authority for certifying the genuineness of certain circumstances shall be punished by imprisonment of up to three years or by a fine of five to thirty levs.

(2) (New, SG 10/93; amend., SG 50/95) If the act under para 1 has been committed with the purpose of evading payment of due taxes the punishment shall be imprisonment of one to six years or a fine of twenty to two hundred and fifty levs.

(3) (Prev., para 2 - Amend., SG 10/93) The punishment under para 1 shall also be imposed on those who confirm a falsehood or conceals a truth in a private document or message sent electronically, which, by an explicit provision of a law, edict or decree of the Council of Ministers, are specially obliged to certify the truth, and he uses this document as a proof of falsely certified circumstances or statements.

(4) (New, SG 62/97) Who, in connection with public offering of securities by a prospectus or a survey of the economic status uses untrue favouring data or withholds unfavourable ones, which are of substantial importance for taking a decision for acquiring securities, shall be punished by imprisonment of up to three years and a fine of up to five hundred levs.

Art. 313a. (New, SG 89/86; amend., SG 99/89; repealed., prev. Art. 313b, New SG 54/92 - SG 10/93) (1) Who, in a declaration under art. 4, para 2 of the Law for the property of the Bulgarian Communist Party, the Bulgarian Agrarian People's Union, the Fatherland Front, the Dimitrov Communist Youth Union, the Union of the active fighters against fascism and capitalism and the Bulgarian Trade Unions confirms a falsehood or conceals a truth with the purpose of frustrating entirely or partially the seizing of the illegally possessed state property shall be punished by imprisonment of three to eight years.

(2) Who, upon request, refuses to present a declaration according to art. 4, para 2 of the law under para 1 shall be punished by imprisonment of two to six years.

(3) In the cases under para 1 and 2 the court can also rule revoking of rights according to art. 37, para 1, item 6 and 7.

(4) The perpetrator under para 1 and 2 shall not be punished if, while discovering the truth would accuse himself of a crime, or his spouse, the descendants, ascendants, brothers or sisters.

Art. 313b. (New, SG 41/01) Who conceals a truth or confirms a falsehood in a written declaration he presents by virtue of the Law for the access to the documents of the former State Security and the former Intelligence Department of the Chief Staff shall be punished by imprisonment of one to three years or by a fine of five thousand to thirty thousand levs.

Art. 314. Who deliberately becomes an instrument of introducing false circumstances or statements in an

official document drawn by the established order on the grounds of a declaration of an individual shall be punished by imprisonment of up to two years or by corrective labour.

Art. 315. (1) Who draws a document by filling out a list bearing the signature of the issuer, with contents which do not coincide with the will of the signed, shall be punished according to the differences under art. 308 and 309.

(2) Punished, in compliance with the same differences, shall be those who through a fraud persuades another to sign a document with contents which do not coincide with the will of the signed.

Art. 316. The punishment stipulated by the preceding Art.s of the present chapter shall also be imposed on those who deliberately avails himself of false or forged document, of a document with untrue contents or of a document under the preceding Art. if he cannot be charged with criminal liability for the drawing itself.

Art. 317. Who illegally avails himself of a document, knowing that the issuer has signed it without an intention of taking responsibility by it, shall be punished by imprisonment of up to two years or by corrective labour.

Art. 318. (Amend., SG 28/82; SG 10/93) Who illegally uses an official document, issued to another person, with the purpose of misleading a body of the authority or a representative of the public shall be punished by imprisonment of up to two years or by corrective labour or by a fine of up to six levs.

Art. 319. Who destroys, conceals or damages a document of another or not belonging to him explicitly with the purpose of causing a damage to another or to provide for himself or for another a benefit shall be punished by imprisonment of up to three years or by corrective labour.

From Chapter IXa (New, SG 92/2002) COMPUTER CRIMES

Art. 319a. (1) Any person who performs irregular access to the computer resources, copies or uses computer data without authorization, where such is required, shall be punished by a fine of up to 3000 levs.

(2) If the act under Para. 1 has been committed two or more persons, agreed in advance upon the commitment of such an act the punishment shall be imprisonment of up to one year and a fine of up to 3000 levs shall be imposed.

(3) If the act under Para. 1 has been committed for a second time the punishment shall be imprisonment of up to tree years and a fine of up to 5000 levs shall be imposed.

(4) If the acts under Para. 1-3 have been committed in reference to information comprising state secret the punishment shall be imprisonment from one to tree years if it is not subject to heavier punishment.

(5) If the act under Para. 1 has caused grave consequences the punishment shall be imprisonment from one to eight years.

Art. 319b. (1) Any person who without permission of the person who administrates or uses a computer, adds, alters, deletes or destroys computer programme or data in non trivial cases, shall be punished by imprisonment and a fine of up to 2000 levs.

(2) If the act under Para. 1 has caused substantial damages or other grave consequences have occurred the punishment shall be imprisonment of up to two years and a fine of up to 3000 levs.

(3) If the act under Para. 1 has been committed whit the purpose of property benefit, the punishment shall be imprisonment from one to tree years and a fine of up to 5000 levs shall be imposed.

Art. 319c. (1) Any person who commits an act under Art.319b in reference to data provided under a law, electronically or on a magnet disc shall be punished by imprisonment of up to two years and a fine of up to 3000 levs.

(2) If the act under Para. 1 has been committed with the purpose to frustrate the performance of an obligation the punishment shall be imprisonment of up to tree years and a fine of up to 5000 levs.

Art. 319d.(1) Any person who implants computer virus in a computer or in a IT network, shall be punished by a fine of up to 3000 levs.

(2) If as a result of the act under Para. 1 substantial damage have occurred or the act has been committed

for the second time, the punishment shall be imprisonment of up to tree years and a fine of up to 1000 levs.

Art. 319e. (1) Any person who disseminates computer or system passwords and as a result personal data or state secret has been disclosed, shall be punished by imprisonment of up to one year.

(2) For an act under Para. 1 committed with mercenary intent, and if trough it substantial damages have been caused the punishment shall bi imprisonment of up to tree years.

Art. 319f. Any person who while providing information services breaches the provisions of Art. 6, Para. 2, item 5 of the Law on the Electronic Document and the Electronic Signature, shall be punished by a fine of up to 5000 levs, if he/she is not subject to a heavier punishment.

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CODE OF TAX PROCEDURE

...

Article 245. The tax administration officials may not:

1. (amended and supplemented, SG No. 42/2003) perform as sole proprietors, unlimited liability partners in commercial partnerships, commercial representatives or authorized commercial entities;
2. participate in surveillance and management Boards of commercial partnerships, cooperatives and other organizations, except with the permission in writing of the General Director of the tax administration or his/her designee;
3. (amended, SG No. 42/2003) conclude additional employment contracts with other employers or work outside the system of the tax administration, except with the permission in writing of the General Director of the tax administration or his/her designee.

...

Article 250 (Amended, SG No. 45/2002, supplemented SG No. 42/2003)

The persons referred to in Article 12, Article 12a, as well as all persons legally having access to confidential information, who disclose, provide, publish, use or spread in any way confidential facts and circumstances, if no subject to a heavier punishment, shall be penalized from 3,000 to 20,000 BGN, dismissed for disciplinary reasons and deprived of the right to occupy the relevant position for a period of 1 to 3 years.

...

Article 253. (1) (Amended and supplemented, SG No. 45/2002) Any tax administration official, failing to issue a certificate for the presence or absence of tax liabilities, at the request of the tax subject, shall be penalized up to 250 BGN. In cases of a repeated offence the tax administration authority shall be penalized by up to 500 BGN.

...

Article 255. (1) (Supplmented, SG No. 45/2002) Any tax administration official, responsible for acceptance of tax returns, who refuses to accept a duly signed tax return, including such filed by an authorized person, shall be penalized with up to 250 BGN, and in cases of a repeated offence the tax administration authority shall be penalized up to 500 BGN.

(2) The penalty under Paragraph 1 shall be imposed to any tax administration official who fails to enter the filed return into the corresponding ledger of the Tax Administration Directorate (for incoming documents), as well as in cases when no document is issued to certify the filing of the return.

Article 256. (Supplmented, SG No. 45/2002) Any tax administration authority, who fails to timely inform the tax subject about any omissions and discrepancies inthe return, or makes an untimely assessment of the tax liabilities, when so required by law, as well as in cases when he/she does not send the notification for tax due within the legally determined deadlines, shall be penalized with up to 250 BGN. In cases of a repeated offence the tax administration authority shall be penalized by up to 500 BGN.

...

Article 258. (Supplmented, SG No. 45/2002) Any tax administration authority, performing a tax audit

without having an assignment to do so, or continuing the audit after the specified deadline, unless the deadline has been suitably extended, shall be penalized with from 250 to 500 BGN, and in cases of a repeated offence the penalty shall be from 500 to 1,000 BGN.

...

Article 261. (1) (Supplemented, SG No. 45/2002) Any tax administration authority who fails to initiate procedures for issuing a tax administration decision or does not issue a decision on an appeal filed by a tax subject within the legally determined deadlines, shall be penalized from 250 to 500 BGN, and in cases of a repeated offence the penalty shall be from 500 to 1,000 BGN.

(2) The penalty referred to in Paragraph 1 shall apply for any tax administration authority who has refused, without reasonable grounds, to allow an offsetting or refund of overpaid taxes and undue amounts, subject to refund on other grounds, as well as in cases when he/she has allowed a delay of the tax procedure and this fact has been established by a superior tax administration authority under this Code.

Article 262. (Amended, SG No. 45/2002) Any tax administration authority who has allowed the preliminary execution of a tax administration decision to be suspended, without securing collateral, shall be penalized from 250 to 500 BGN, and in cases of a repeated offence the penalty shall be from 500 to 1,000 BGN.

Article 263. (Amended, SG No. 45/2002) Any tax administration authority, who fails to invite the debtor to voluntarily comply, after the legally determined deadlines for payment have expired, shall be penalized up to 50 BGN, and in cases of a repeated offence the penalty shall be up to 100 BGN.

Appendix 2. Anticorruption Policies of the Tax Administration: Strategy & Programmes

NATIONAL ANTICORRUPTION STRATEGY (Decision 671/01.10.2001) (Excerpts)

1.2. Improvement of the Financial and Fiscal Control

Financial discipline, transparency and responsibilities of the institutions should be completely ensured based on the Internal State Financial Control Act and in compliance with the new economic and social environment. This can be achieved through improvement of the forms of liability such as increased fines in cases of administrative liability and extended applicability of full financial liability for unlawfully inflicted damages. There is also a need for changes in the tax legislation aimed at:

- Clearer regulation of the powers of tax authorities and simplification of the taxation process;
- Increase in incentives for officials contributing to a greater exposing of tax evasions;
- Introduction of a public register of the income of tax administration officials;
- Improving the efficiency of interaction between State Financial Control, the National Audit Office, tax administrations, National Social Insurance Institute, General Labor Inspectorate Agency, the Ministry of the Interior authorities, and the judiciary, through the adoption of joint instructions for prevention and combating corruption;
- Feasibility study on Establishing an integrated information system for control authorities and the law-enforcement agencies in compliance with the laws regulating the protection of personal data;
- Improving the internal financial control offices within the various agencies and organizations.

Responsible: Minister of Finance, Council of Ministers

2002-2003 IMPLEMENTATION PROGRAMME OF THE NATIONAL ANTICORRUPTION STRATEGY (Decision 84/13.02.2002) (Excerpts)

Programme Objectives

Harmonise national tax strategy and policies with the tax policies of the single EU market:

- Narrow the gap between effective and legal arrangements by developing processes and systems to encourage improvements in tax compliance.
- Improve taxpayer service; increase transparency in the tax administration.
- Enhance the effectiveness of internal public financial control in fiscal loss prevention, detection and recovery, and in the detection and investigation of corrupt practices.

Main Initiatives and Tasks

1.2.1. The following should be reviewed, and appropriate amendments to them drafted:

- Acts of Parliament conducive to corruption pressure (VATA, CITA, Customs Act, PITA, Public Procurement Act, PIFCA, etc.).
- Under the Value Added Tax Act and the Excise Duties Act, synchronise provisions allowing control authorities to present as court evidence any documents requested and received through official channels from neighbouring countries.
- Propose amendments to CCP and CTP concerning financial embezzlement proceedings, with a view to providing a time-limit for the completion of court cases relating to financial embezzlement. In addition, provide severe penalties in cases of court files being lost with material effect on the outcome of such proceedings.

Responsible for the above: Minister of Finance; Minister of Public Administration.
Deadline: 31 July 2002.

1.2.2. Develop and implement measures to:

- Reorganise the existing control arrangement to limit corruption opportunities for public internal financial control officers.
- Improve implementation mechanisms to follow up on audit reports issued by the Audit Office, as an important factor in preventing fiscal loss, financial irregularity, and corruption at auditees.

- Widen the use of unannounced examinations to uncover fiscal loss and financial irregularity, and prevent the introduction of any bureaucratic conditions conducive to cover-up.

Responsible for the above: Minister of Finance.
The deadline: 31 July 2002.

1.2.3. Under the Minister of Finance, create a Council of the Heads of Inspectorate Departments as the coordinating body among the appropriate Agencies and Directorates in their respective antifraud and anticorruption efforts.

- Develop and adopt common criteria for the identification of corruption and financial fraud, and define countermeasures to be applied by all Agencies and Directorates concerned.

Responsible for the above: Minister of Finance.
Deadline: 31 December 2002.

1.2.4. Modify the reporting arrangements and structure of the existing Inspectorate Departments under the General Tax Directorate:

- Create a single Inspectorate entity of the General Tax Directorate.

Responsible for the above: Minister of Finance.
Deadline: 31 March 2002.

1.2.5. Modernise the systems for: supplementary financial incentives, performance appraisal, compensation, training, and career development of tax officers.

Responsible for the above: Minister of Finance.
Deadline: 30 June 2002.

1.2.6. Consider possibilities for the simplification of tax procedures and the introduction of conspiracy criteria regarding the actions of tax authorities. Introduce rules to ensure alternative current review of tax authorities' actions already in the course of proceedings.

Responsible for the above: Minister of Finance.
Deadline: 31 December 2002.

1.2.7. Introduce controlled-access register of tax officers' personal wealth.

Responsible for the above: Minister of Finance.
Deadline: 31 December 2002.

1.2.8. Develop special rules to safeguard tax officers' security in conflict situations arising in connection with the discharge of their duties.

- Tax officers should be treated with respect.
- Any contempt of a tax officer in his or her official capacity must be sanctioned.
- Tax officers themselves must be sanctioned for any lack of respect for a taxpayer.

Responsible for the above: Minister of Finance.
Deadline: 31 August 2002.

1.2.9. Introduce rules to award pay bonuses to tax officers and auditors whose correction assessments have been sustained in court appeals.

Responsible for the above: Minister of Finance.
Deadline: 28 February 2002.

2004-2005 IMPLEMENTATION PROGRAMME OF THE NATIONAL ANTICORRUPTION STRATEGY (Excerpts)

4. Development of the Anticorruption Potential of the National Control System

Programme Objectives

- *Raising the efficiency of the state internal financial control in preventing, revealing and compensating of damages, and enhancing its role to reveal and provide evidence for corrupt behavior;*

- Improvement of the tax and financial control;
- Raising the efficiency of the specialized services involved in the discovery and prevention of corrupt acts;
- Application of the strategy of collaboration and community in the audit and tax policy in the European Union Single Market;
- Improvement of the services to taxpayers, raising the transparency in the tax administration's activities;
- Improvement of the coordination and interaction between the controlling structures of the Executive Power, the Chamber of Accounts, and the judicial system structures.

Main Initiatives and Tasks

4.1. Development and implementation of measures for the expansion of the possibilities of the Agency „Financial Intelligence Bureau“ in respect to receiving and examining of signals of corrupt acts, and the existence of higher risks for corruption.

*Responsible for the above: Minister of Finance
Deadline: 31.01.2004 – for announcement
30.12.2004 – for holding the initiatives*

4.2. Development and implementation of measures for anticorruption control, based on the possibilities for information exchange and control, formed within the framework of establishing a system of bylaws for organizations subject to the Law on Measures against Money Laundering, and the Rules for Enforcement of the Law on Measures against Money Laundering.

*Responsible for the above: Minister of Finance
Deadline: 31.03.2004 – for adoption of the measures
31.03.2005 – for implementation of the measures*

4.3. Establishment of systems for financial management and external audit.

*Responsible for the above: the National Audit Office Chairperson
Deadline: 31.03.2004 – for adoption of a project*

4.4. Raising the administrative capacity, to protect the financial interests of the Community against frauds and irregularities.

*Responsible for the above: Minister of Interior and Minister of Finance
Deadline: 30.10.2004 – for the project*

4.5. Establishment of a Service for Fiscal Investigations.

*Responsible for the above: Minister of Finance
Deadline: 30.11.2004*

4.6. Organizational and functional final establishment and reinforcement of the National Agency of Revenues.

*Responsible for the above: Minister of Finance
Deadline: 30.12.2004*

4.7. Finalization of the reconstruction of department „Inspectorate and Internal Security“ within the Tax Administration.

*Responsible for the above: Minister of Finance
Deadline: 31.01.2004*

4.8. Updating the programs for training the employees at the Bulgarian Tax Administration in Anticorruption practices.

*Responsible for the above: Minister of Finance
Deadline: 31.03.2004*

4.9. Development and testing of a unified information system for the National Agency of Revenues.

*Responsible for the above: Minister of Finance
Deadline: 30.12.2004*

4.10. Definition of the channels of interaction between the Anticorruption Coordination Commission and the Coordination Council for Combating Violations, infringing the financial interests of the European Communities, established by Decree No. 18 of the Council of Ministers adopted on February 04, 2003.

*Responsible for the above: Chairperson of the ACC and Minister of Finance
Deadline: 31.03.2004*

4.11. Carrying out of training of experts from the controlling institutions in the application of the new Law on Public Procurements.

*Responsible for the above: Chairperson of the ACC and Minister of Finance
Deadline: 30.07.2004*

4.12. Development and implementation of a common information system for the national controlling structures (the National Audit Office, the Agency of Public Internal Financial Control, the Tax Administration, the Agency of Revenues, the Ministry of Interior, the Agency „Financial Intelligence Bureau“, the ACCC, etc.)

*Responsible for the above: Chairperson of the ACC and Minister of Finance
Deadline: 31.03.2005*

4.13. Development of a project for the improvement of the coordination and interaction between the national structures exercising controlling functions (the Chamber of Accounts, the Agency of Public Internal Financial Control, the Tax Administration, the Agency of Revenues, the Ministry of Interior, the Agency „Financial Intelligence Bureau“, the ACCC, etc.), when examining signals concerning corruption and the danger of higher risks for corruption.

*Responsible for the above: Chairperson of the ACCC and Minister of Finance
Deadline: 31.03.2004*

2004-2005 IMPLEMENTATION PROGRAMME OF THE NATIONAL ANTICORRUPTION STRATEGY PROGRAMME IMPLEMENTATION REPORT FROM THE ANTICORRUPTION COORDINATION COMMITTEE (Excerpts)

Ministry of Finance

In pursuance of its tasks under the Programme for the Implementation of the National Anticorruption Strategy, the Ministry has taken the following action during the January–October 2004 period:

The tax administration and the National Revenue Agency developed, and are in the process of implementing, a number of internal training programmes funded by the World Bank and the US Treasury. These focus on professional capacity strengthening and officers' ethical conduct. In 2004, the tax administration consolidated its territorial directorates with a view to providing better service to the public and the Treasury. The appropriate staff training programmes underway were developed jointly with the National Social Security Institute.

The Financial Intelligence Agency has performed on its tasks under the Programme by the development and continued updating of its web site (www.fia.minfin.bg). The website contributes to the further improvement of relations with the entities of the Agency's concern (by posting internal rules and other information of current interest).

Pursuant to the Money-Laundering Act and the Detailed Rules for its implementation, and the Financial Intelligence Agency is the recipient of relevant information, concerning also money laundering predicated on corruption.

The constant internal control, performed by the Agency's Inspectorate Directorate, the assignment of concrete responsibility to the Agency's staff in their communication with persons of concern, and the observance of strict reporting requirements, together with the increasingly broad application of electronic intelligence-gathering resources (the Agency's website, which carries the supervision provisions relating to the implementation of the Money-Laundering Act; the introduction of an electronic reporting system for commercial banks)—are all elements which contribute to the prevention of corrupt practices. Another such important element is the cooperation between the Agency and the other government agencies which

have a duty to provide information to it pursuant to the 2003 amendments to the Money-Laundering Act (OG, 31/04.04.2003). The same holds for the increasingly close cooperation between the Agency and all the other law enforcement authorities engaged in fighting money laundering, which has been the product of the EU/PHARE, *Combating Money-Laundering*, Twinning Project which concluded on 1 November 2004. Rigorous control and corruption countermeasures have also supported the Agency's international exchange arrangements.

Pursuant to an Order issued by the Minister of Finance in June 2004, the Inspectorate Departments of the Regional Tax Directorates in Sofia, Plovdiv, Varna, Bourgas, and Veliko Turnovo have been abolished and replaced with the appropriate sections of GTD's Inspectorate Department. The relevant new job descriptions and structure for the Inspectorate Department are and development.

The tax administration developed *Ethical Norms of Tax Officers' Conduct*. These were approved by the General Tax Director and the Executive Director of the National Revenue Agency. Each officer of the tax administration was given a copy of the Norms and acknowledged receipt by signature. A total of 150,000 leaflets concerning the newly-adopted Norms were printed for the administration's clients and circulated locally. The relevant training programme for the administration's staff for 2004–2005 has been developed.

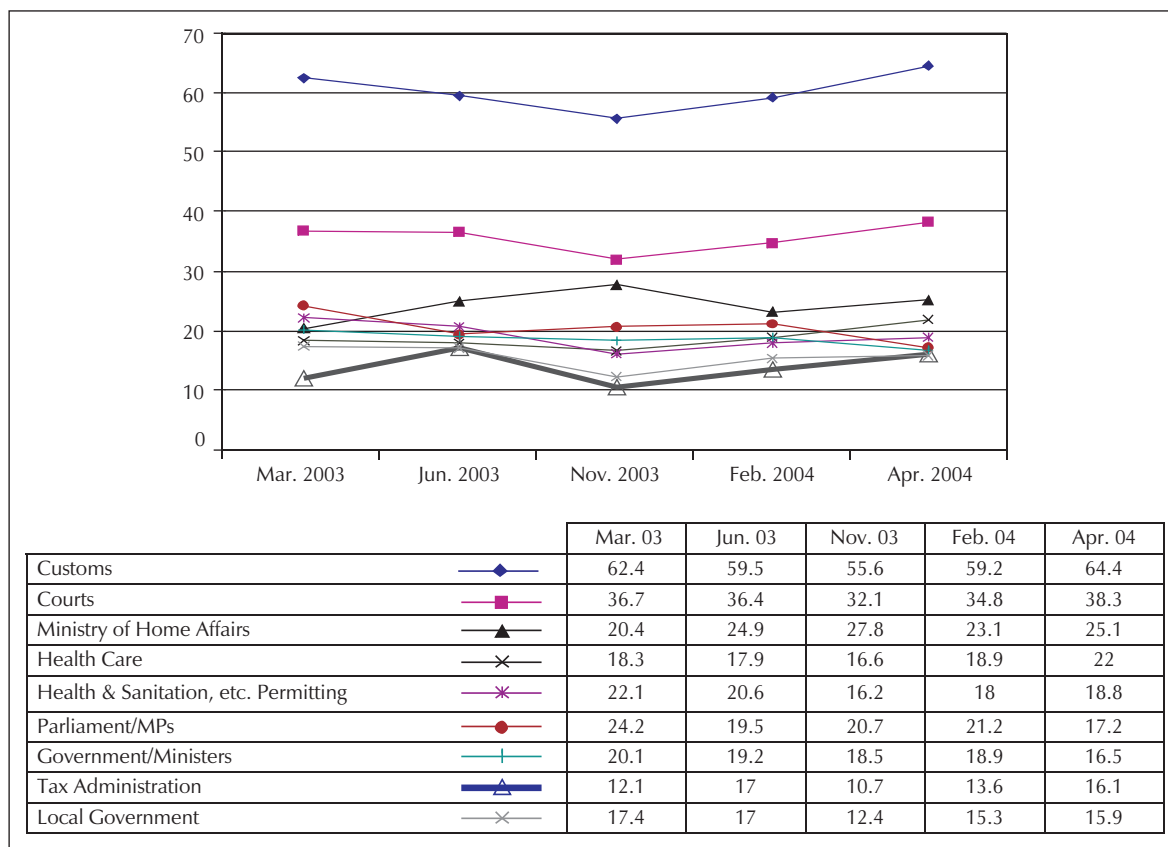
A number of actions were taken for the purposes of the further institutional build-up at the National Revenue Agency, with World Bank funding support and human-resource support from the Agency and the tax administration. The projects will be ongoing in 2005. For the purposes of a smoother migration to the National Revenue Agency, the tax administration is consolidating its territorial directorate.

The Financial Intelligence Agency works in close cooperation with the Customs Agency and receives information on all cash amounts crossing the border. On the other hand, a single information system for all control and law-enforcement agencies (Audit Office, Public Internal Financial Control Agency, the tax administration, National Revenue Agency, Ministry of Home Affairs, Financial Intelligence Agency, the Anticorruption Coordination Committee) is yet to be implemented. The Financial Intelligence Agency and the General Tax Directorate have been improving their cooperation with the other government agencies by operation guidelines, joint participation in conference and training events, in the active involvement of a number of government authorities in the Twinning Project at the Financial Intelligence Agency.

Appendix 3. Spread and Level of Tax Corruption on a Comparison Basis

3.1. Institutional Comparisons

(% of responses by institution to: „In your view, where in Bulgaria is corruption widest-spread?"; up to 3 responses)



Source: Coalition 2000 CMS, April 2004, Business Sector. Base: 478.

3.2. Professional Group Comparisons

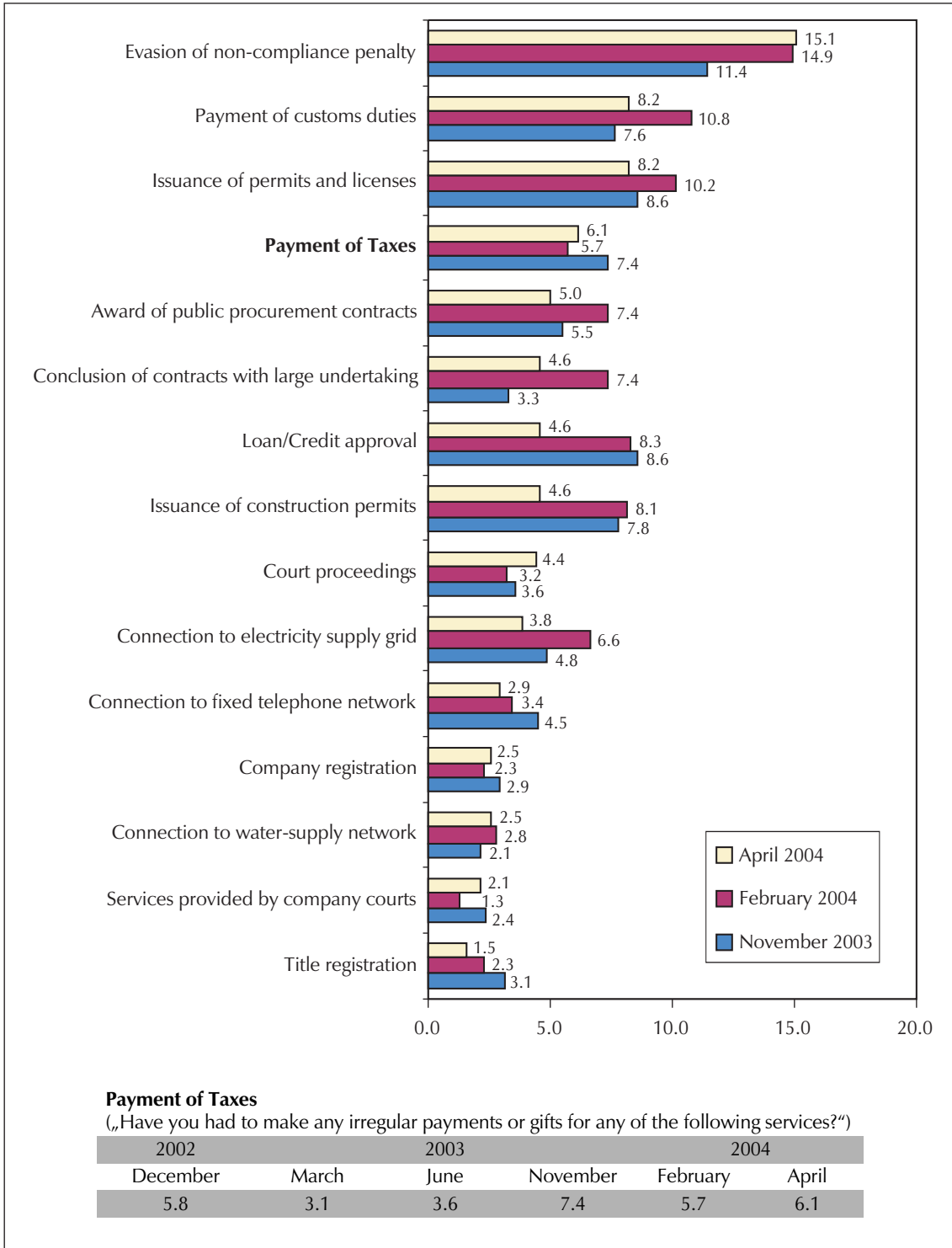
(% of „Almost all or most are involved in corruption“ responses by group to: „How widespread is corruption among the following?“)

	2000	2002	2003			2004	
	Oct.	Dec.	Mar.	Jun.	Nov.	Feb.	Apr.
Customs Officers	80.0	80.3	73.6	74.9	80.3	82.4	81.1
Police Officers	57.7	59.8	53.5	62.7	62.5	64.5	56.0
Politicians/Political Party Leaders	64.5	59.6	55.3	57.5	62.7	64.3	54.4
Judges	53.4	57.4	47.7	50.4	53.4	53.7	52.7
Members of Parliament	60.2	60.8	53.9	54.3	58.7	58.2	51.4
Tax Officers	58.8	62.7	50.3	58	62.9	58.0	51.1
Public Prosecutors	49.3	56.5	49	50.2	52.0	52.0	51.0
Physicians	38.2	53.1	46.8	45.4	53.4	54.8	50.2
Lawyers	52.0	53.0	47.0	50.3	49.4	52.0	50.0
Local Servants	49.3	54.2	43.2	49.6	47.5	50.1	47.1
Mayors/Local Councillors	36.9	54	47.4	52.9	54.9	54.6	47.1
Government Ministers	60.2	54.5	42.1	51.4	55.6	56.1	45.4
Criminal Investigators	43.2	52.2	43.6	47.5	46.8	44.4	44.0
Government Ministry Officials	60.0	57.8	43.2	49.1	46.8	50.1	41.6

Source: Coalition 2000 CMS, April 2004, Business Sector. Base: 478.

3.3. Service Comparisons

(% of businesses which admit having paid bribes in the past year for any of the following services)



Source: Coalition 2000 CMS, April 2004, Business Sector. Base: 478.

3.4. Average Bribe-Size Comparisons

(a) compared with other services (% of businesses which admit having paid bribes by bribe size reported)

Service	Average Bribe Size (BGN)				
	< 250	250-500	501-1,000	1,001-5,000	> 5000
Award of public procurement contract	13.3	13.3	13.3	40.0	20.0
Issuance of building permit	18.8	25	37.5	6.3	12.5
Payment of customs duties	35.3	20.6	35.3	8.8	–
Court proceedings	27.8	38.9	22.2	11.1	–
Title registration	16.7	66.7	16.7	–	–
Payment of Taxes	56.5	39.1	–	–	4.3
Issuance of permits and licences	68.8	28.1	–	–	3.1

Source: Coalition 2000 CMS, April 2004, Business Sector. Base: of 478, those who admit having paid.

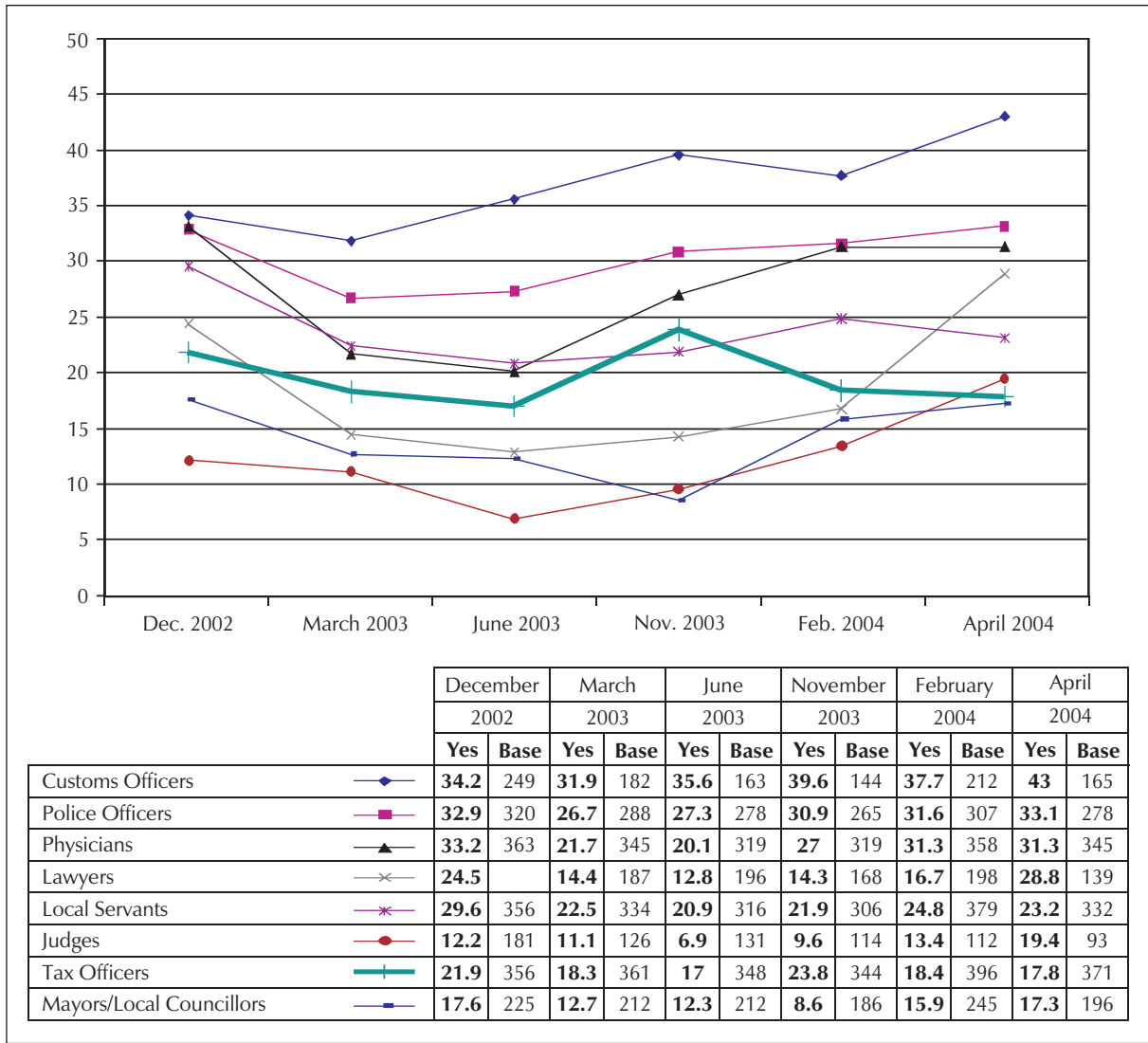
(b) over time „On average, what size irregular payment/gift value have you had to pay for tax-related services?“ (% of those who admit having paid)

BGN	Dec. 02	Mar. 03	Jun. 03	Nov. 03	Feb. 04	Apr. 04
< 250	58.3	72.7	50.0	74.2	94.1	56.5
251-500	29.2	18.2	41.7	19.4	5.9	39.1
501-1,000	12.5	–	8.3	6.5	–	–
1,001-5,000	–	9.1	–	–	–	–
> 5,000	–	–	–	–	–	4.3

Source: Coalition 2000 CMS, April 2004, Business Sector.

3.5 Corruption Pressure by Professional Group Comparisons

(% of businesses of which irregular payments, gifts or favours were asked by the following)



„If, last year, anything (e.g., money, gift or favour) was asked of you in consideration for a solution to a problem of yours, it was asked by:–“
 (% of respondents who had had contacts with the group concerned)

Source: Coalition 2000 CMS, April 2004, Business Sector.

Appendix 4. International Corruption Indices on Corruption in Bulgaria

Bulgaria features in a number of international ratings and indices of corruption, of economic freedom, of the quality of the business and institutional environment, and of investment risk, the most authoritative of which are listed in the box below. Even though most of them are interrelated,⁷⁰ the overall picture derived from them is inconclusive.

- **Transparency International.** *The Corruption Perceptions Index (CPI)* has been published annually since 1995, and has included Bulgaria since 1998. In 2003, CPI covered 133 countries. It assesses perceived corruption levels in the *public sphere* and defines corruption as the misuse of public powers for personal gain, including bribery, irregular payments in public procurement, misappropriation, etc.
- **World Economic Forum.** The *Global Competitiveness Report* publishes annual competitiveness ratings of economies, including two indices based on business surveys and statistics: the *Growth Competitiveness Index (GCI)*, developed by Geoffrey Sax's team, and the *Business Competitiveness Index (BCI)* developed by Michael Porter's team. One of GCI's three components is the index of public institutions, which has a corruption subcomponent. The latest Report covers 102 countries. Among other things, it features a tax-burden indicator.
- **The World Bank** surveys businesses about the business environment, including questions about the incidence of bribery and the extent to which corruption is perceived as a business barrier. Bulgaria was included in the sample of the *World Business Environment Survey (WBES)* in 2001, and in the two transition-countries regional *Business Environment and Enterprise Performance Surveys (BEEPS)* in 1999 and 2002. These have provided the empirical basis for the World Bank's two surveys of corruption in transition countries. In addition to business's corruption perceptions, the World Bank uses annual indicators based on expert assessments of the institutional environment—*Country Performance and Institutional Assessment (CPIA)*—which, however, remain unpublished.
- **Freedom House** has, since 1998, published annual expert assessments of the democratisation process in 27 transition countries, which include a corruption index.
- **The Heritage Foundation** has, since 1995, published its *Index of Economic Freedom* for 161 countries based on its expert assessments. Among the 10 components of the index are tax burden and regulatory burden.
- **The Fraser Institute** has, since 1997, published an annual report on economic freedom in 123 countries. Its business environment indices, including corruption and tax burden, are derived from the World Economic Forum's ratings.
- **Investment risk ratings.** The leading agencies which publish investment ratings include: The Economic Intelligence Unit (100 countries); World Market Research Centre (196 countries); Global Insight (117 countries); Political Risk Services (140 countries); etc. Most of these are based on expert assessment of the various kinds of investment risk, including: political, economic, regulatory, taxation, operational, etc. All ratings include a corruption indicator as a component of the operational risk assessment.

⁷⁰ For example, Transparency International's index for Bulgaria is a composite of several others, including Random House's, which, for its part, relies for countries' corruption ratings on Transparency International's index. Fraser Institute's index is fully derived from the corruption component of the World Economic Forum's Global Competitiveness Report. The WMRC index relies on Global Insight data, etc.

For example, according to the corruption index in the 2003 Global Competitiveness Report,⁷¹ Bulgaria ranked 35th of 102 countries, i.e., below the undoubted regional leaders Estonia (27), Hungary (28), and Slovenia (32), but on a par with Lithuania (34) and ahead of Slovakia (40), the Czech Republic (41), Italy (47), Poland (53), and Romania (90). In all fairness however, that was a setback by six places from Bulgaria's 2002 ranking: 27th of the 80 countries included in GCR.

For its part, the World Bank's 2004 Report⁷² presents a rather different regional comparison based on the 1999 and the 2002 BEEPS. In it, the scale of corruption is derived from the extent to which it is perceived by business as a barrier, and the scale of administrative corruption is assessed on the basis of businesses' estimates of bribe incidence and size in their respective industries (size being measured as a proportion of annual sales). The findings for Bulgaria are rather worse than the average for the Region—of the new EU Member States and accession countries, only Romania and, partially, Slovakia having performed worse than Bulgaria. In terms of *bribe incidence*, Bulgaria is behind all new EU Member State, excepting Slovakia, and behind all Balkan countries, excepting Romania and Albania. On this indicator, Bulgaria also ranks behind some former Soviet Republics, such as Armenia, Uzbekistan, and Azerbaijan, which incidentally, are perceived by business as having scored remarkable progress in curbing corruption between 1999 and 2002. During that period, Bulgaria had seen no change. In terms of *businesses' corruption costs*, Bulgaria has performed worse than all new EU Member States, all Balkan countries, excepting Romania and Albania, and also worse than Armenia, Russia, Uzbekistan, and Belarus.

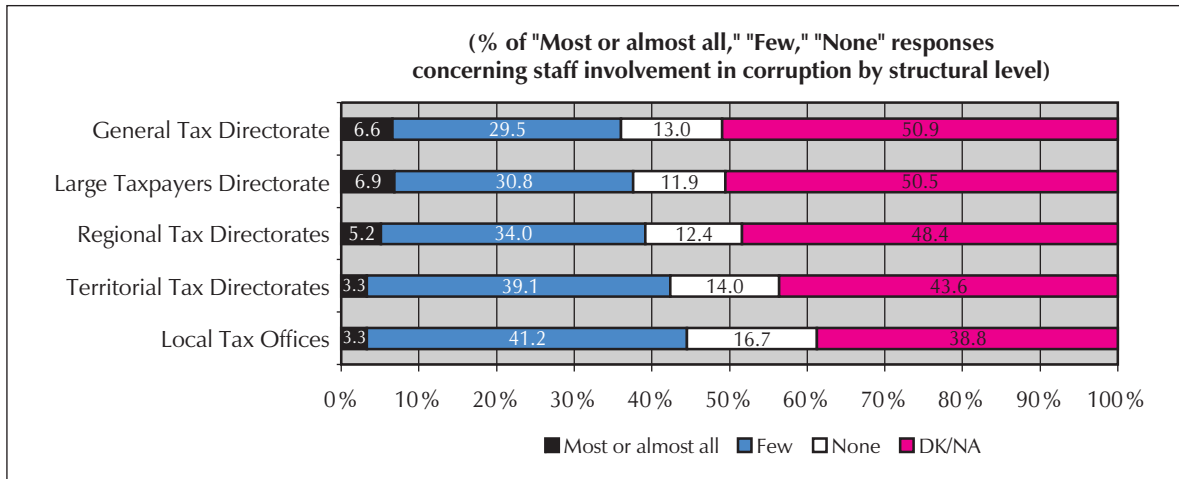
Freedom House's 2000 corruption index also ranked Bulgaria behind all new EU Member States, but first in the Balkans and ahead of all the former Soviet Republics, and as having registered a steady positive trend.

⁷¹ The corruption index, together with the law and contract enforcement index, makes up the index of public institutions. The latter is one of the three components (weighted equally), including the technological development index and the macro-environment index, of the economic competitiveness index, i.e., GCI. The corruption index reflects the incidence of irregular payments in export and import; tax collection; connection to network services, such as telephone, water supply, and electricity; public procurement; loan approval; public governance; administration of justice; and also, corruption related to embezzlement of public funds, policymaking and lawmaking, the funding of political parties, and money laundering.

⁷² Gray *et al* (2004).

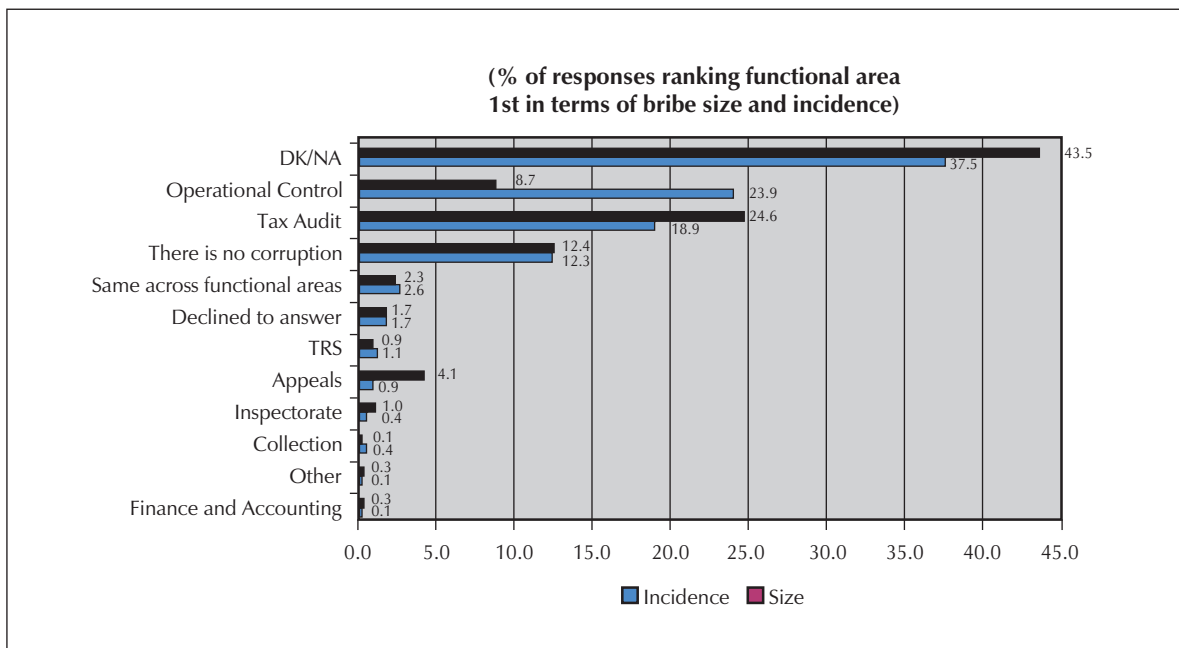
Appendix 5. Spread of Corruption in the Tax Administration by Structural Level and Functional Area

5.1. Perceived Spread of Corruption by Structural Level



Source: Vitosha Research, April 2004. Base: 699.

5.2. Perceived Spread of Corruption by Functional Area



Source: Vitosha Research, April 2004. Base: 699.

5.3. Perceived Level & Spread of Corruption by Respondents' Functional Area

„Where is corruption biggest?“					
Responses	% of responses by respondent's own functional area				
	TRS	Tax Audit	OC	Collection	FA
Tax Audit	30.6	14.2	28.4	33.3	22.7
Operational Control (OC)	8.3	12.5	0.0	11.1	9.1
Appeals	0.3	9.9	0.0	7.4	2.3
Same across areas	1.7	3.4	3.0	0.0	0.0
There is no corruption	13.9	10.3	16.4	11.1	9.1
Other	2.5	3.1	1.5	3.8	0.0
DK/NA	42.7	46.6	50.7	33.3	56.8
	100.0	100.0	100.0	100.0	100.0
Base	288	232	67	27	44

Source: Vitosha Research, April 2004. Base: 699.

„Where is corruption most common?“					
Responses	% of responses by respondent's own functional area				
	TRS	Tax Audit	OC	Collection	FA
Operational Control (OC)	20.8	35.3	1.5	22.2	13.6
Tax Audit	26.4	5.6	29.9	33.3	20.5
Other	1.8	6.1	1.5	0.0	2.3
Same across areas	1.7	3.4	4.5	0.0	0.0
There is no corruption	13.5	10.8	14.9	11.1	9.1
DK/NA	35.8	38.8	47.8	33.3	54.5
	100.0	100.0	100.0	100.0	100.0
Base	288	232	67	27	44

Source: Vitosha Research, April 2004. Base: 699.

Appendix 6. Spread of Corrupt Tendencies by Age-Group and Length of Service

(a) „Are younger or older officers more likely to exert corruption pressure?“

Responses	Age		< 35		35–50		> 50		NA	Total	
	#	%	#	%	#	%	#	%	#	#	%
Younger	13	5.8	41	13.7	26	23.4	5		85	12.2	
Older	29	12.9	19	6.3	8	7.2	5		61	8.7	
Makes no difference	155	69.2	199	66.3	63	56.8	46		463	66.2	
Other	4	1.8	4	1.3	0	0.0	1		9	1.3	
DK/NA	23	10.3	37	12.3	14	12.6	7		81	11.6	
TOTAL	224	100.0	300	100.0	111	100.0	64		699	100.0	

(b) „Are younger or older officers more likely to yield to corruption pressure?“

Responses	Age		< 35		35–50		> 50		NA	Total	
	#	%	#	%	#	%	#	%	#	#	%
Younger	15	6.7	58	19.3	39	35.1	10		122	17.5	
Older	20	8.9	7	2.3	2	1.8	3		32	4.6	
Makes no difference	170	75.9	201	67.0	59	53.2	43		473	67.7	
Other	3	1.3	4	1.3	0	0.0	0		7	1.0	
DK/NA	16	7.1	30	10.0	11	9.9	8		65	9.3	
TOTAL	224	100.0	300	100.0	111	100.0	64		699	100.0	

(c) „Are shorter or longer-serving officers more likely to exert corruption pressure?“

Responses	Service yrs.		< 3		3–10		> 10		NA	Total	
	#	%	#	%	#	%	#	%	#	#	%
Shorter-serving	2	4.1	26	6.7	43	16.9	1		72	10.3	
Longer-serving	14	28.6	63	16.3	22	8.7	1		100	14.3	
Makes no difference	21	42.9	259	66.9	155	61.0	3		438	62.7	
Other	1	2.0	4	1.0	4	1.6	0		9	1.3	
DK/NA	11	22.4	35	9.0	30	11.8	4		80	11.4	
TOTAL	49	100	387	100	254	100.0	9		699	100.0	

(d) „Are shorter or longer-serving officers more likely to yield to corruption pressure?“

Responses	Service yrs.		< 3		3–10		> 10		NA	Total	
	#	%	#	%	#	%	#	%	#	#	%
Shorter-serving	4	8.2	43	11.1	55	21.7	1		103	14.7	
Longer-serving	12	24.5	47	12.1	17	6.7	1		77	11.0	
Makes no difference	23	46.9	268	69.3	152	59.8	3		446	63.8	
Other	1	2.0	3	0.8	3	1.2	0		7	1.0	
DK/NA	9	18.4	26	6.7	27	10.6	4		66	9.4	
TOTAL	49	100	387	100	254	100.0	9		699	100.0	

Source: Vitoshka Research, April 2004. Base: 699.