

# **CONVENTION BETWEEN THE HELLENIC REPUBLIC AND THE REPUBLIC OF BULGARIA FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL**

***Prom. SG. 33/2 Apr 2002***

The Hellenic Republic and the Republic of Bulgaria,  
Confirming their desire to extend and promote economic co-operation to their mutual benefit;  
Desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and on capital,  
Have agreed as follows:

## **Chapter one. Scope of the Convention**

### **Personal Scope**

Art. 1

This Convention shall apply to persons who are residents of one or both of the Contracting States.

### **Taxes Covered**

Art. 2

1. This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, as well as taxes on capital appreciation.

3. The existing taxes to which the Convention shall apply are in particular:

a) In the case of the Hellenic Republic:

- i) the income and capital tax on natural persons;
- ii) the income and capital tax on legal persons, and

iii) the contribution for the Water Supply and Drainage Agencies calculated on the gross income from buildings;

(hereinafter referred to as "Greek tax").

b) In the case of the Republic of Bulgaria:

- i) the tax on total income;
- ii) the tax on profits, and
- iii) the tax on buildings;

(hereinafter referred to as "Bulgarian tax").

4. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes.

If the competent authorities of the Contracting States do not reach an agreement over the application of the first sentence of this paragraph, negotiation for the amendment of the convention shall be initiated.

At the end of each year, the competent authorities of the Contracting States shall notify each other of substantial changes which have been made in their respective taxation laws.

## **Chapter two. Definitions**

### **General Definitions**

#### **Art. 3**

1. For the purposes of this Convention, unless the context otherwise requires:
  - a) the term "the Hellenic Republic" comprises the territories or the Hellenic Republic and the part of the sea-bed and its subsoil under the Mediterranean Sea, over which the Hellenic Republic has sovereign rights in accordance with international law;
  - b) the term "the Republic of Bulgaria" means the sovereign territory of the State, its territorial waters and sea zones outside them, within which the Republic of Bulgaria exercises sovereign rights in accordance with its legislation and the international law;
  - c) the term "person" includes an individual, a legal person, a company and any other body of persons;
  - d) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
  - e) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
  - f) the terms "a Contracting State" and "the other Contracting State" mean the Hellenic Republic or the Republic of Bulgaria as the context requires;
  - g) the term "international traffic" means any transport by an aircraft operated by an enterprise which has its place of effective management in a Contracting State or by a ship which has its place of registration in, or which has been documented by, a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
  - h) the term "competent authority" means
    - i) in the Hellenic Republic, the Minister of Finance or his authorised representative,
    - ii) in the Republic of Bulgaria, the Minister of Finance or his authorised representative.
2. As regards the application of the Convention by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Convention applies.

### **Resident**

#### **Art. 4**

1. For the purposes of this Convention, the term "resident of one of the Contracting States" means:
  - a) in the case of the Hellenic Republic, any person who, under the law of the Hellenic Republic, is liable to tax in the Hellenic Republic by reason of his domicile, residence, place of management or any other criterion of a similar nature; but this term does not include any person who is liable to tax in the Hellenic Republic in respect only of income from sources in the Hellenic Republic or capital situated therein;
  - b) in the case of the Republic of Bulgaria, any individual who, under the laws of the Republic of Bulgaria, is liable to tax therein by reason of his nationality and who is not resident of a third State, as well as any person other than an individual, who, under the laws of the Republic of Bulgaria is liable to tax therein by reason of the place of its head office or its registration; but this term does not include any person who is liable to tax in Bulgaria in respect of income from sources in Bulgaria, or capital situated therein.
2. Where by reason of the provisions of paragraph 1 of this Art., an individual is a resident of

both Contracting States, then he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests). If the State in which he has the centre of vital interests cannot be determined, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where, by reason of the provisions of paragraph 1 of this Art., a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

## **Permanent Establishment**

### **Art. 5**

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of a enterprise is wholly or partly carried on.

2. The term "permanent establishment" includes especially:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop;
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources, and
- g) an installation or structure used for the exploration of natural resources.

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than nine months.

4. Notwithstanding the preceding provisions of this Art., the term "permanent establishment" shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a stock of goods exposed by the enterprise on a stock fair or an exhibition which is to be sold after it has finished.
- g) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs a) to f), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2 where a person-other than an agent of a independent status to whom paragraph 7 applies-is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any

other agent of an independent status provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

### **Chapter three. Taxation of Income**

#### **Income From Immovable Property**

##### **Art. 6**

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources, ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

#### **Business Profits**

##### **Art. 7**

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient

reason to the contrary.

6. Where profits include items of income which are dealt with separately in other Art.s of this Convention, then the provisions of those Art.s shall not be affected by the provisions of this Art..

## **Shipping and Air Transport**

### **Art. 8**

1. Profits derived from the operation of ships engaged in international traffic shall be taxable only in the Contracting State in which the ships are registered or by which they are documented.

2. Profits derived from the operation of aircraft in international traffic shall be taxable only in the contracting State in which the place of effective management of the enterprise is situated.

3. The provisions of paragraph 2 of this Art. shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

## **Associated Enterprises**

### **Art. 9**

#### **1. Where**

a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or

b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

## **Dividends**

### **Art. 10**

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

a) 40% of the gross amount of the dividends if the company making the distribution is a resident of the Hellenic Republic, and

b) 10% of the gross amount of the dividends if the company making the distribution is a resident of the Republic of Bulgaria.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends", as used in this Art., means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Art. 7 or Art. 14, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

## **Interest**

### **Art. 11**

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10% per cent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. The term "interest", as used in this Art., means income from debt-claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purposes of this Art..

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Art. 7 or Art. 14, as the case may be, shall apply.

5. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Art. shall apply only to the last-mentioned amount. In such case, the excess part of the payment shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

## **Royalties**

## **Art. 12**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed 10% per cent of the gross amount of the royalties.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations.

3. The term "royalties", as used in this Art., means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for television or radio broadcasting, any patent, or certificate of invention trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific equipment.

4. The provisions of paragraphs 1 and 2 of this Art. shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Art. 7 or Art. 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State where the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the obligation to pay the royalties was incurred and the royalties are borne by that permanent establishment or fixed base, then the royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Art. shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

## **Capital Gains**

### **Art. 13**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Art. 6 and situated in the other Contracting State may be taxed in that other State.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in the Contracting State in which the profits of such ships or aircraft are taxable according to the provisions of Art. 8 of this Convention.

4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3, shall be taxable only in the Contracting State of which the alienator is a resident.

## **Professional Services**

### **Art. 14**

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

2. The term "professional services" includes, especially, independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

## **Salaries, Wages and Other Similar Remuneration**

### **Art. 15**

1. Subject to the provisions of Art.s 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived there from may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned, and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and

c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Art., remuneration, derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic, may be taxed in the Contracting State in which the profits from the operation of the ship or aircraft are taxable according to the provisions of Art. 8.

4. Notwithstanding the preceding provisions of this Art., salaries and other similar remuneration derived by a resident of a Contracting State in respect of an employment exercised or services rendered in the other Contracting State shall not be taxable in that other State if the employment is exercised or the services are rendered directly:

a) to the National Tourist Organisation;

b) as a representative of National Airtransport Organisation, provided that such remuneration is derived from a source outside that other State.

## **Directors' Fees**

### **Art. 16**

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company or any other legal person which is a resident of the other Contracting State may be taxed in that other State.

## **Artistes and Athletes**

### **Art. 17**

1. Notwithstanding the provisions of Art.s 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or an athlete, in his capacity as such, accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Art.s 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Income derived from such activities performed within the framework of cultural agreements concluded between the Contracting States, shall be taxable only in the sending State.

## **Pensions**

### **Art. 18**

1. Subject to the provisions of paragraph 2 of Art. 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1, disbursements under the Social Security legislation of a Contracting State, shall be taxable only in that State.

## **Government Service**

### **Art. 19**

1.

a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

i) is a national of that State; or

ii) did not become a resident of that State solely for the purpose of rendering the services.

2. Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

3. The provisions of Art.s 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

## **Professors And Students**

### **Art. 20**

1. Remuneration, which a resident of a Contracting State receives for undertaking study or research at a high level or for teaching, during a period of temporary residence not exceeding two years, at a university, research institute or other recognised institutions for highest or higher education in the other Contracting State, shall not be taxable in that other State.

2. Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

3. In respect of grants, scholarships and remuneration from employment not covered by paragraph 2 of this Art. a student or business apprentice described in paragraph 2 of this Art. shall, in addition, be entitled during such education or training to the same exemptions, reliefs or reductions in respect of taxes available to residents of the State which he is visiting.

## **Other Income**

### **Art. 21**

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Art.s of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Art. 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Art. 7 or Art. 14, as the case may be, shall apply.

## **Chapter four. Taxation of Capital**

### **Capital**

#### **Art. 22**

1. Capital represented by immovable property referred to in Art. 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional service, may be taxed in that other State.

3. Capital represented by ships or aircraft operated in international traffic and by movable property pertaining to the operation of such ships, or aircraft shall be taxable only in the Contracting State in which the profits from the aforesaid ships or aircraft are taxable according to the provisions of Art. 8 of this Convention.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

## **Chapter five. Elimination of Double Taxation**

### **Methods for Elimination of Double Taxation**

#### **Art. 23**

1. In the case of the Hellenic Republic, double taxation shall be avoided as follows:

a) where a resident of the Hellenic Republic derives income or owns capital which, in

accordance with the provisions of this Convention, may be taxed in Bulgaria, the Hellenic Republic shall allow:

i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Bulgaria;

ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Bulgaria.

b) such deduction in either case shall not, however, exceed that part of the income tax or capital tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital which may be taxed in that other State.

c) where the income derived from Bulgaria is a dividend paid by a company which is a resident of Bulgaria to a company which is a resident of the Hellenic Republic, the tax credit shall take into account the tax on the profits paid in Bulgaria by the company paying the dividend in respect of such income.

2. In Bulgaria, double taxation shall be eliminated as follows:

a) where a resident of Bulgaria derives income or owns capital which in accordance with the provisions of this Convention may be taxed in the Hellenic Republic, Bulgaria shall, subject to the provisions of subparagraphs b) and c) of this paragraph exempt such income or capital from tax.

b) where a resident of Bulgaria derives dividends, interest or royalties which in accordance with the provisions of Art.s 10, 11 and 12 of this Convention may be taxed in the Hellenic Republic, Bulgaria shall allow as a deduction from the tax on the dividends, interest and royalties of that resident an amount equal to the tax paid in the Hellenic Republic. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such dividends, interest and royalties derived from the Hellenic Republic.

c) where in accordance with any provision of this Convention income derived or capital owned by a resident of Bulgaria is exempt from tax in Bulgaria, Bulgaria may, nevertheless in calculating the amount of the tax on the remaining income or capital of such resident, take into account the exempted income or capital.

3. Where, under the laws of one of the Contracting States any tax to which this Convention applies has been wholly or partly relieved, then for the purpose of calculating in the other Contracting State the deduction from the tax as referred to in the preceding paragraphs, such tax shall be deemed to have been paid.

## **Chapter six. Special Provisions**

### **Non-discrimination**

#### **Art. 24**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected. These provisions shall, notwithstanding the provisions of Art. 1, also apply to persons who are not residents of one or both of the Contracting States.

2. The term "nationals" means:

a) all individuals possessing the nationality of a Contracting State;

b) all legal persons, partnerships and associations deriving their status as such from the laws in force in a Contracting State.

3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied

on enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Except where the provisions of Art. 9, paragraph 6 of Art. 11, or paragraph 6 of Art. 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

5. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirements connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

6. The provisions of this Art. shall, notwithstanding the provisions of Art. 2, apply to taxes of every kind and description.

## **Mutual Agreement Procedure**

### **Art. 25**

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Art. 24, to that of the Contracting States of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

## **Exchange Of Information**

### **Art. 26**

1. The competent authorities of the Contracting States shall exchange such information as is

necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Art. 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement of prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on one of the Contracting States the obligation:

- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (ordre public).

### **Diplomatic Agents and Consular Officers**

#### **Art. 27**

Nothing in this Convention shall affect the fiscal privileges of diplomatic agents or consular officers under the general rules of international law or under the provisions of special agreements.

## **Chapter seven. Final Provisions**

### **Entry Into Force**

#### **Art. 28**

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at

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2. The Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect in each of the Contracting States on income derived, or capital owned, on or after the first day of January of the calendar year in which the Convention enters into force.

3. Upon entry into force of this Convention, the Art. 7 of the Maritime Agreement of 9 July 1964 between the Kingdom of Greece and the People's Republic of Bulgaria shall cease to have effect in respect of taxes covered by the Convention.

### **Termination**

#### **Art. 29**

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the expiration of five years from the date of entry into force of this Convention. In such event, the Convention shall cease to have effect in each of the Contracting States on income derived, or capital owned, on or after the first day of January of the calendar year next following that in which the notice is given.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Convention.

Done at Athens on February 15, 1991 in two originals in the English language.

**PROTOCOL BETWEEN THE HELLENIC REPUBLIC AND THE REPUBLIC OF  
BULGARIA ON THE AMENDMENTS TO THE CONVENTION FOR THE  
AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON  
INCOME AND ON CAPITAL**

***Prom. SG. 33/2 Apr 2002***

The Hellenic Republic and the Republic of Bulgaria, hereinafter referred to as "The Contracting States", considering that it is necessary to amend the Convention between the Hellenic Republic and the Republic of Bulgaria for the avoidance of double taxation with respect to taxes on income and on capital, done at Athens on February 15, 1991, hereinafter referred to as "the Convention", desiring to put the Convention into force as soon as possible, have agreed as follows:

**Art. 1**

Art. 2 "Taxes Covered" of the Convention - subparagraph (b) of paragraph 3 is amended as follows:

- (b) In the case of the Republic of Bulgaria:
  - (i) the personal income tax;
  - (ii) the corporate income tax;
  - (iii) the real property tax;  
(hereinafter referred as "Bulgarian tax")

**Art. 2**

Art. 3 "General Definitions" of the Convention - sub-paragraph (g) of paragraph 1 is amended as follows:

"(g) the term "international traffic" means any transport by an aircraft or a road transport vehicle operated by an enterprise which has its place of effective management in a Contracting State or by a ship which has its place of registration in, or which has been documented by, a Contracting State, except when the ship, aircraft or road transport vehicle is operated solely between places in the other Contracting State."

**Art. 3**

Art. 4 "Resident" of the Convention is amended as follows:

1. Paragraph 1 with sub-paragraph (a) and (b) are repealed and a new paragraph 1 is inserted as follows:

"1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature."

2. Paragraph 2 is amended as follows:

"2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (center of vital interests);

b) if the State in which he has his centre of vital interests cannot be determined, or if he does not have a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;

d) if he is a national of both States or of neither of them the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. In paragraph 3, the expression "... in which its place of effective management is situated." at the end of the sentence shall be repealed and the provision shall be amended to read as follows:

"3. Where by reason of the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, it shall be deemed to be a resident of the States under the laws of which it has been created."

#### Art. 4

Art. 8 "Shipping and Air Transport" of the Convention is amended as follows:

1 . The title of the Art. is amended to read "International Traffic";

2. In paragraph 2, the expression "or road transport vehicles" shall be added after the word "aircraft". Thus, the provision shall be amended to read as follows:

"2. Profits derived from the operation of aircraft or road transport vehicles in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated."

#### Art. 5

Art. 10 "Dividends" of the Convention - paragraph 2 shall be replaced by a new text that reads as follows:

"2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the laws of that State, but if the recipient is the beneficial owner of the dividends, the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid."

#### Art. 6

1. In addition to the requirements, set forth in Art. 28, for the entry into force of the Convention, it is understood between the signing parties, that the Convention shall enter into force only after the same requirements are fulfilled with respect to this Protocol, which is an integral part of the Convention.

2. This Protocol shall be ratified and it shall enter into force together with the Convention in

accordance with Art. 28 of the Convention.

3. The Convention and this Protocol shall be interpreted and applied together as one single text.  
In witness whereof, the undersigned, being duly authorised thereto, have signed this Protocol.  
Done at Plovdiv on 18th of July, 2000 in two originals in the English language.

FOR THE HELLENIC REPUBLIC:

Yannis Zafeiropoulos  
Deputy Minister of National Economy  
FOR REPUBLIC OF BULGARIA:  
Christo Mihailovsky  
Deputy Minister of Economy