

Law on Small and Medium-Sized Enterprises

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Chapter One

GENERAL PROVISIONS

Art. 1. This Law shall regulate the public relationships pertinent to the State policy carried out to promote the establishment and development of small and medium-sized enterprises.

Art. 2. The objective of this Law is to establish a propitious institutional, regulatory, administrative and financial environment for setting up and developing small and medium-sized enterprises in the Republic of Bulgaria.

Art. 3. (1) Shall be small and medium-sized enterprises: the micro-enterprises, the small enterprises and the medium-sized enterprises.

(2) Micro-enterprises are the enterprises which have an average number of up to 10 employees.

(3) Small enterprises are the enterprises which:

1. have an average annual number of up to 50 employees;
2. have an annual turnover not exceeding BGN 1 million or a fixed tangible assets value not exceeding BGN 800 thousand; and
3. are not dependent.

(4) Medium-sized enterprises are the enterprises which:

1. have an average annual number of up to 100 employees; and
2. have an annual turnover not exceeding BGN 3 million or a fixed tangible assets value not exceeding BGN 2.4 million; and
3. are not dependent.

Art. 4. Shall not be small and medium-sized enterprises the enterprises of public companies as provisioned by Art. 83 of the Law on Securities, Stock Exchanges and Investment Companies, and the enterprises carrying on by way of occupation banking or insurance transactions, transactions in securities, organize gambling games or produce and trade in wine and spirits.

Chapter Two

AGENCY FOR SMALL AND MEDIUM-SIZED ENTERPRISES

Art. 5. (1) The State policy for the promotion of small and medium-sized enterprises shall be set and pursued by the Chairperson of the Agency for Small and medium-sized enterprises with the

(2) The Chairperson of the Agency shall be nominated by the Decision of the Council of Ministers and shall be appointed by the Prime-Minister.

Art. 6. The Chairperson of the Agency shall:

1. co-ordinate the activities to implement the State policy in regard to small and medium-sized enterprises and collaborates in substantiating the interaction between governmental bodies, the associations in support of small and medium-sized enterprises and the local self-governance structures.
2. elaborate and review draft legal instruments and international draft international treaties providing for certain rights and/or obligations of small and medium-sized enterprises; also analyze existing legal instruments with regard to their impact on the competitiveness of small and medium-sized enterprises;
3. develop and co-ordinate the preparation and execution of projects and programmes for the promotion of setting up and development of small and medium-sized enterprises;
4. hold educational training events and seminars for small and medium-sized enterprises;

5. co-operate in the provision of information and consulting services to small and medium-sized enterprises, including by the publishing of bulletins and other publications for information and reference concerning small and medium enterprises;
6. analyze the status and development of the small and medium-sized enterprises in the Republic of Bulgaria by means of preparing an annual report to be adopted by the Council of Ministers and further submitted to the National Assembly;
7. facilitate the investment in small and medium-sized enterprises on the part of foreign physical persons and legal entities;
8. take part in the preparation of the Republic of Bulgaria for accession to the European Union, with a view on the issues relating to small and medium-sized enterprises;
9. collaborate with domestic and foreign and international governmental and non-governmental organisations and bodies working for the promotion and development of small and medium-sized enterprises;
10. keep a register of small and medium-sized enterprises;
11. undertake other activities aimed at promoting the development of the small and medium-sized enterprises.

Art. 7. (1) In its activity the Chairperson shall be assisted by administration consolidated in an Agency for Small and Medium-Sized Enterprises with the Council of Ministers.

(2) The Agency shall be a legal entity financed through the State budget having its seat in Sofia, and shall have regional offices around the country.

(3) The structure, operation and organization of work in the Agency or its regional offices shall be determined in the Rules and regulations for the implementation of this Law.

Art. 8. (1) The Agency shall build up an information system. It shall maintain a data-base for:

1. the small and medium-sized enterprises in the Republic of Bulgaria;
2. the associations supporting small and medium-sized enterprises;
3. the organisations and persons providing information and consulting services to small and medium-sized enterprises;
4. projects, contests/bids, programmes and training courses for small and medium-sized enterprises;
5. investments options in or by small and medium-sized enterprises;
6. international and foreign programmes and credit lines for credit extension to small and medium-sized enterprises.

(2) The Information system in compliance with Para. 1 shall constitute part of the administrative communication and information infrastructure of the executive power.

(3) Maintaining the Information system in compliance with Para. 1 the Agency shall collaborate with the organizations supporting small and medium-sized enterprises, and with the chambers of industries and associations to build up a nation-wide information network for small and medium-sized enterprises.

Art. 9. (1) The Agency keeps a register where the circumstances under Art. 4 of this Law shall be entered.

(2) The register for small and medium-sized enterprises shall be public.

(3) The terms and conditions for keeping and maintaining the register in compliance with Para. 1 shall be set forth in the Rules and regulations for the implementation of this Law.

Art. 10. The fee payments to be charged for the services provided by the Agency shall be determined in a tariff adopted by the Council of Ministers.

Chapter Three

ADVISORY BOARD FOR SMALL AND MEDIUM-SIZED ENTERPRISES

Art. 11. (1) An Advisory Board for Small and medium-sized enterprises of 16 members is hereby set up as a state-public advisory body under the Chairperson of the Agency.

(2) The Council of Ministers shall appoint the representatives of the Advisory Board as nominated by:

1. Ministries -- four in number;
2. The National Association of the Municipalities in the Republic of Bulgaria -- two in number;
3. The industrial chambers and unions and associations supporting small and medium-sized enterprises - nine in number;
4. The Agency for Small and Medium-Sized Enterprises -- one representative.

(3) The chairperson of the Agency shall by virtue of right be member and chair the Advisory Board for small and medium-sized enterprises.

(4) The Advisory Board for small and medium-sized enterprises shall adopt internal rules for the organization of its work.

(5) The Chairperson and the members of the Advisory Board for Small and Medium-Sized Enterprises shall not receive remuneration for their participation in the board's work.

Art. 12. (1) The Advisory Board for Small and Medium-Sized Enterprises shall:

1. deliberate on the standing and the promotional policy for setting up and development of small and medium-sized enterprises and make proposals with respect to its priority lines for the respective year;
2. analyze the results of studies of the standing of small and medium-sized enterprises, by sector and by industry, and contribute during the preparation of the annual report under Art. 6;
3. make proposals for improvement of the regulatory framework governing the social relations connected with small and medium-sized enterprises;
4. secure the public access to information about legislative initiatives and the participation of entrepreneurs and their associations in the discussion of draft laws and other legal instruments.

(2) The Advisory Board for Small and Medium-Sized Enterprises may form task forces for specific issues falling within its competence.

Chapter Four

MEASURES TO PROMOTE THE ESTABLISHMENT AND DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

Section I General Provisions

Art. 13. The establishment and development of small and medium-sized enterprises shall be promoted via:

1. supporting their operation financially;
2. guaranteeing part of their credit risk on extended credits earmarked for small and medium-sized enterprises;
3. developing and execution of programmes for small and medium-sized enterprises;
4. information and consultative servicing of the small and medium-sized enterprises;
5. access to public orders as regulated by the Law on Public Procurement;
6. educational projects for professional qualification and the acquisition of entrepreneurial skills;
7. privatization of state-owned and municipal enterprises;
8. leasing of real estate -- privately owned by the state and by municipalities;
9. setting up of infrastructure in support of small and medium-sized enterprises and fostering the interaction between them;
10. building up of technological parks and business incubators for the development of small and medium-sized enterprises;
11. other activities and measures for the benefit of small and medium-sized enterprises stipulated in other laws.

Art. 14. Priority promotional treatment shall enjoy:

1. manufacturing small and medium-sized enterprises;
2. high-technology small and medium-sized enterprises;

3. export-oriented small and medium-sized enterprises;
4. small and medium-sized enterprises creating jobs in areas with unemployment above the average;
5. small and medium-sized enterprises carrying out tourist activities;
6. small and medium-sized enterprises -- health care establishments;
7. small and medium-sized enterprises performing by way of occupation transportation activities;
8. newly constituted small and medium-sized enterprises;
9. small and medium-sized enterprises involved in agricultural production;
10. small and medium-sized enterprises involved in environment conservation activities;
11. small and medium-sized enterprises involved in research and development activities.

Section II

Financial Support for the Small and Medium-Sized Enterprises Promotional Activities

Art. 15. (1) The State shall support the activities promoting the establishment and development of small and medium-sized enterprises securing funds for:

1. development and implementation of projects and programmes;
2. training courses and seminars;
3. information and consulting servicing of small and medium-sized enterprises, publishing materials for reference and information included;
4. maintaining the register of small and medium-sized enterprises;

(2) The moneys in compliance with Para. 1 shall be expended by the Agency and shall come from:

1. subsidizing from the budget of the Republic, as set forth in the Law on State Budget of the Republic of Bulgaria for the respective year, and extended via the budget of the Council of Ministers in support of the activities of the Agency under Para. 1, items 1 and 4.;
2. receipts of the Agency from:
 - a) fees charged pursuant to Art. 10 above;
 - b) interests;
 - c) grants and donations;
 - d) other moneys legally stipulated.

Art. 16. (1) The Agency shall contribute BGN 10 billion, shall extend credits as a priority to small and medium-sized enterprises in compliance with the provisions of the Law on State Budget of the Republic of Bulgaria for the respective year, and extended via the budget of the Council of Ministers in support of the activities of the Agency under Para. 1, items 1 and 4.;

Section III

Programmes to Promote the Development of Small and Medium-Sized Enterprises

Art. 17. The ministries and authorized institutions according to their capacity shall set forth in their line programmes measures for:

1. enhanced job creation in the small and medium-sized enterprises;
2. increasing the export activity of small and medium-sized enterprises and their competitiveness;
3. promoting investment in small and medium-sized enterprises;
4. improving the information and consulting servicing of small and medium-sized enterprises;
5. strengthening the professional qualification and acquisition of entrepreneurial skills;
6. increasing the number of high-technology small and medium-sized enterprises..

Art. 18. The Agency for Privatization in co-operation with the Agency for Small and Medium-Sized Enterprises shall develop and implement programmes for the development of small and medium-sized enterprises under the terms and conditions stipulated in Section Four, Chapter Two of this Law.

Art. 19. (1) The municipal councils within their available resource potential for regional development and in accord with the regional development plans shall:

1. advance and implement long- and medium-term programmes for the promotion of small and medium-sized enterprises on the territory of the corresponding municipality;
2. assist small and medium-sized enterprises, the National Employment Office and other organizations in carrying out programmes for training and improvement of the qualification of the managers and employees of small and medium-sized enterprises;

(2) The activities under Para. 1 shall be undertaken jointly with the Agency.

Art. 20. In the programmes pursuant to Arts. 17 and 19 the municipal councils, the ministries and responsible institutions shall specifically target the measures and conditions for small and medium-

Section IV

Small and Medium-Sized Enterprises, Private State or Private Municipal-Owned and Municipal Enterprises and Leasing Real Estate - Private State or Private Municipal Property

Art. 21. In the occasion of privatization of integral parts of state-owned and municipal enterprises, whenever the buyer constitutes a small and medium-sized enterprises, it shall be entitled to acquiring the property under rescheduled payment conditions, upon which:

1. the initial sum shall be paid on entering upon the contract and amount to 50% of the price;
2. the payment shall be rescheduled for a period of three years.

Art. 22. (1) In the occasion of privatization of unfinished building sites, whenever the buyer constitutes small and medium-sized enterprises, it shall be entitled to rescheduled payment of the price for a period of five years. The initial payment shall account to 30% of the price of the site and shall be paid on entering upon the contract.

(2) The conditions of the Law on Transformation and Privatization of State-Owned and Municipal-Owned Enterprises.

Art. 23. (1) The right to rescheduled payment in accord with Arts. 21 and 22 can be exercised once only upon the acquisition of one site.

(2) Articles 21 and 22 shall not be applied whenever the buyer constitutes a person meeting the requirements pursuant to Art. 31 of the Law on Transformation and Privatization of State-Owned and Municipal-Owned Enterprises.

Art. 24. Stock and equity for sale owned by the State and the municipalities shall be sold to small and medium-sized enterprises, who shall acquire the ownership of the stock and equity pursuant to Art. 25, Para. 3 of the Law on Transformation and Privatization of State-Owned and Municipal-Owned Enterprises in case they are the sole contender.

Art. 25. (1) Determining the terms and conditions for acquisition, administration, management and disposal of municipal property the municipal councils shall allocate the share of estate -- in private municipal ownership to be leased exclusively by small and medium-sized enterprises under the terms and conditions of Art. 14 of the Law on Municipal Property.

(2) The term of the leasing contract shall not be under two years in length.

(3) The leasehold under Para. 1 may not be re-leased within the term it has been leased, and may not be utilized concurrently under contract with third parties, unless party to the subsequent contract is and enterprise fulfilling the requirements pursuant to Art. 3.

Art. 26. (1) Upon subsequent bid for leasing a real estate -- private state property -- intended for administrative, manufacturing or business purposes, small and medium-sized enterprises may lease that at initial bid price of 60% of the initial price on the preceding bid.

(2) Small and medium-sized enterprises shall enjoy the rights under Para. 1 on condition that they are not the sole contender and the initial bid has not been cancelled due to missing sufficient number of contenders.

(3) The term of the lease contract concluded under Para. 1 may not be below two years in length.

(4) The leaseholds pursuant to Para. 1 may not be re-leased within their specified term of leasing, and may not be utilized concurrently under contract with third parties, unless party to the subsequent contract is an enterprise fulfilling the requirements under Art. 3.

ADMINISTRATIVE AND PENAL PROVISIONS

Art. 29. Lessee in violation of the prohibitions under Art. 25, Para. 3 for re-leasing of leasehold or jointly utilizing it under contract with third parties shall be imposed penalty amounting from BGN 50 to 200 as provided by Art. 80 of the Law on Municipal Property.

Art. 30. Lessee in breach of the prohibitions stipulated in Art. 26, Para. 4 for re-leasing of leasehold or jointly utilizing it under contract with third parties shall be imposed penalty amounting from BGN 500 to 2,000 as provided by Arts. 87 and 88 of the Law on State Property.

ADDITIONAL PROVISION

Art. 31. Article 31 of the Law on Small and Medium-Sized Enterprises

1. "Enterprise" shall be any entity doing business as under Art. 1 of the Commercial Code.

2. "Associations supporting small and medium-sized enterprises" shall be the associations registered under the Law on Persons and Family, the registered object of which is to provide support and assistance to small and medium-sized enterprises, regardless of the form such provision takes, or associations in which more than two-thirds of the members are small and medium-sized enterprises or in which more than half of the projects and programmes implemented are targeted at small and medium-sized enterprises.

3. "Associations supporting small and medium-sized enterprises" shall be the associations registered under the Law on Persons and Family, whose members carry on similar business activities in the same field of the economy. They shall be associations having no more than 25% of its capital or of the number of its general meeting voter person/s not fulfilling the requirements for small and medium-sized enterprises.

4. "Associations supporting small and medium-sized enterprises" shall be the associations constituted small and medium-sized enterprises which have registered up to 12 months previously their entry in the Commercial register with the respective district court.

6. "Average annual number of employees" shall be the average number of employees retained under labor contracts of employment for the period of the previous financial year, including the persons working under contracts for management or control of sole proprietor commercial companies, and/or on the grounds of resolutions of the general meetings of commercial companies. The average annual number of employees shall also include those who carry on activities as single person traders; those who work as member co-operators under the Law on Co-operatives or as farmers. For the enterprises which have not had a previous financial year, the annual average number of employees shall be determined for the period from their constitution till they have submitted their entry application for the small and medium-sized enterprises register with the Agency.

7. "Annual turnover" shall be the turnover on all transactions and services conducted during the previous financial year.

TRANSITIONAL AND FINAL PROVISIONS

Art. 32. The rights and obligations of the Agency for Small and Medium-Sized Enterprises with the Ministry of Industry shall be transferred to the Agency for Small and Medium-Sized Enterprises with the Council of Ministers.

Art. 33. The Small and Medium-Sized Enterprises Fund with the Agency for Small and Medium-Sized Enterprises under the Ministry of Industry shall be closed, so shall be the extra-budgetary account for funding the activities of the Agency for Small and Medium-Sized Enterprises.

(2) The moneys and the claims on the closed Fund and extra-budgetary account at the Agency under Para.1 shall be transferred to the budget of the Agency for Small and Medium-Sized Enterprises.

Art. 34. The Agency for Small and Medium-Sized Enterprises shall be a bank for investments and development (promulgated in State Gazette # 95 of 1996; amended # 52 of 1997).

