



NAVIGATING BULGARIA'S LABOR LAWS - A COMPREHENSIVE GUIDE FOR EMPLOYERS



Your Essential Handbook for Compliance & Best Practices



Updated for 2025



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INTRODUCTION: WHY UNDERSTANDING BULGARIAN LABOR LAWS MATTERS



Bulgaria is an attractive destination for foreign businesses due to its strategic location, low corporate tax rate (10%), and competitive labor costs. As a member of the European Union (EU), Bulgaria offers businesses access to the EU market while maintaining lower operational expenses compared to Western Europe.

However, navigating Bulgaria's labor laws, payroll regulations, and tax requirements can be complex. Employers must comply with The Bulgarian Labour Code (Закон за труда), which governs employment contracts, benefits, taxation, and termination procedures.

This white paper provides a comprehensive guide for companies looking to expand into Bulgaria, covering employment regulations, payroll obligations, compliance strategies, and case studies for successful workforce management.



OVERVIEW OF BULGARIA'S EMPLOYMENT REGULATIONS

📌 Key Legal Framework

Employment relationships in Bulgaria are governed by:

• The Bulgarian Labour Code – Regulates employment contracts, working hours, and termination.

• The Social Insurance Code – Covers pensions, health insurance, and social security contributions.

• The Income Tax Act – Defines tax obligations for employers and employees.

• The Health and Safety at Work Act – Ensures workplace safety regulations are met.

The Bulgarian labor market follows EU labor standards, ensuring employee protections and compliance with European directives.

Types of Employment Contracts in Bulgaria

Permanent (Indefinite-term) Contracts – The most common contract type, offering full job security

Fixed-term Contracts – Maximum 3 years, renewable under specific conditions.

Part-time Contracts – Must specify working hours, with proportional benefits.

Temporary Work Contracts – Typically used for seasonal or project-based employment

Probation Periods:

- Maximum 6 months
- Can be terminated with 3 days' notice during probation.

All employment contracts must be in writing and signed before the employee's first working day.



MANDATORY EMPLOYEE BENEFITS & ENTITLEMENTS

Employers in Bulgaria must provide statutory benefits to employees, ensuring compliance with labor laws.

📌 Paid Leave and Public Holidays

Annual Leave – Minimum 20 working days per year

Public Holidays – 12 national holidays, including New Year's, Easter, and Independence Day

- Sick Leave
 - First 3 days paid at 70% of salary by the employer
 - From day 4 onwards, covered by social security at 80% of salary

Maternity, Paternity, and Parental Leave

• Maternity Leave – 410 days paid at 90% of salary, covered by social security.

• Paternity Leave – 15 days fully paid, covered by social security.

Parental Leave – Either parent can take up to 2 years of unpaid leave, with job security.

📌 Other Employee Benefits

• Health and Social Security Contributions – Covers medical care, pensions, and unemployment insurance.

 Meal Vouchers – Not mandatory but commonly provided by employers

• Workplace Injury Insurance – Required for all employers

Providing additional benefits such as private health insurance, bonuses, and professional development programs helps companies attract and retain top talent.



PAYROLL AND TAXATION IN BULGARIA



Payroll Contributions (2024)

- Employee Contributions
 - Personal Income Tax (PIT): 10% flat rate
 - Social Security Contributions: 13.78% of gross salary

• Employer Contributions

- Social Security Contributions: 18.92% of gross salary
- Total Employer Cost: Gross salary + 18.92% social security

Employers must submit payroll reports monthly to the National Revenue Agency (NRA) and ensure timely payments of taxes and social security contributions.



BEST PRACTICES FOR COMPLIANCE WITH LOCAL LABOR LAWS



To ensure compliance with **Bulgarian labor laws**, businesses should adopt these best practices:

Ensure Legally Compliant Employment Contracts – Contracts must be in writing and registered with local authorities

Monitor Working Hours & Overtime – The standard workweek is 40 hours, and overtime must be paid at 150% of the regular wage.

Automate Payroll Processing – To ensure accurate tax deductions and social security contributions

Follow Proper Termination Procedures – Employees must receive notice periods based on tenure (30 days to 3 months).

Stay Updated on Employment Laws – Bulgarian labor laws change frequently, requiring HR teams to stay informed

Engage a Local HR Partner – Outsourcing payroll and HR administration ensures compliance with Bulgarian employment regulations



CHALLENGES OF EXPANDING INTO BULGARIA



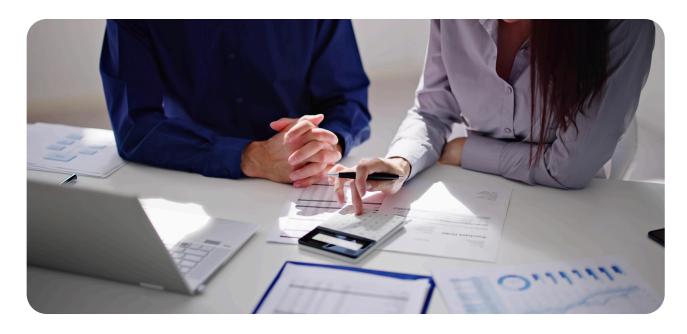
 Frequent Legislative Updates – Tax and labor laws change regularly

- Payroll & Tax Complexity Employers must manage PIT, social security, and health insurance.
- High Employer Contributions 18.92% of gross salary, increasing labor costs.
- Strict Termination Laws Employees have strong protections against unfair dismissal.
- Remote Work Compliance Employers must ensure homeworking policies comply with tax and labor laws.

Partnering with an HR outsourcing provider can help businesses overcome these challenges efficiently.



CASE STUDIES: SUCCESSFUL HR STRATEGIES IN BULGARIA



Case Study 1: A Tech Startup Expanding to Sofia

Challenge: Managing payroll and labor law compliance.

Solution: Partnered with an Employer of Record (EOR) to handle payroll, benefits, and tax compliance.

Result: Successfully expanded operations while ensuring full labor law compliance.

Case Study 2: A Manufacturing Firm Facing Complex Workforce Regulations

Challenge: Understanding termination rules and severance obligations.

Solution: Consulted an HR advisory firm to ensure legally compliant dismissals and HR policies.

Result: Avoided legal disputes and ensured compliance with Bulgarian labor laws.

These case studies highlight how expert HR support can streamline business operations in Bulgaria.



CONCLUSION & NEXT STEPS

Navigating Bulgarian labor laws requires a deep understanding of employment regulations, payroll obligations, and HR best practices.

Employers must prioritize compliance, adopt efficient HR systems, and consider outsourcing HR functions for smoother business operations.

F Looking for expert HR support in Bulgaria?

Europe HR Solutions (EHRS) specializes in payroll, compliance, recruitment, and HR outsourcing, helping businesses stay compliant while streamlining operations.

Contact us today to discuss how we can simplify HR for your business in Bulgaria!

Need HR support in Bulgaria?

