



PROBLEMS RELATED TO THE EU 28TH LEGAL REGIME: THE BULGARIAN PERSPECTIVE

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INTRODUCTION

- ▶ The EU has all the resources it needs to be a leader in the modern global economy
- ▶ The EU lags behind the United States in cutting-edge technologies, while China has demonstrated dynamic development and even dominates some new industries
- ▶ The share of global venture capital raised in the EU is just 5%, compared to 52% in the US and 40% in China
- ▶ The main reason for this is the lack of innovation in the European economy
- ▶ With a shrinking population, Europe cannot rely on an increased workforce as a driver of future growth.
- ▶ Productivity must be restored by investing in technological innovation and new skills
- ▶ Recent reports by Mario Draghi, Enrico Letta and the McKinsey Global Institute

A NEW REGULATORY FRAMEWORK IN THE EU

- ▶ The European Union has indicated that it is ready to "remove barriers" when it comes to economic investment to enable innovative companies to operate under a new single set of rules, defined as the 28th legal regime.
- ▶ This regime should allow companies to benefit from harmonised legislation in the areas of corporate law, insolvency, labour law and even taxation, which will facilitate their activities within the EU, without having to register separately in each Member State.
- ▶ Enabling innovative companies to benefit from a single, harmonised set of rules at EU level would be a real game-changer for the EU's economic and institutional landscape.
- ▶ The new EU "28th legal regime," is expected to be proposed by the European Commission in late 2025 or early 2026.

PROBLEMS RELATED TO THE ADOPTION OF THE 28TH REGIME

- ▶ One of the main concerns when adopting it is the hypothesis that member state governments will block the proposal
- ▶ Another problem concerns the complexity of the regulatory framework itself - the implementation of the 28th regime will require significant changes to existing laws and regulations in individual countries
- ▶ Major challenges relate to large-scale financing of the digital transformation, which will require around €700-800 billion per year over the next decade (Draghi, 2025)
- ▶ Rethinking the role of regulation and control, as well as corporate governance and shareholder rights issues

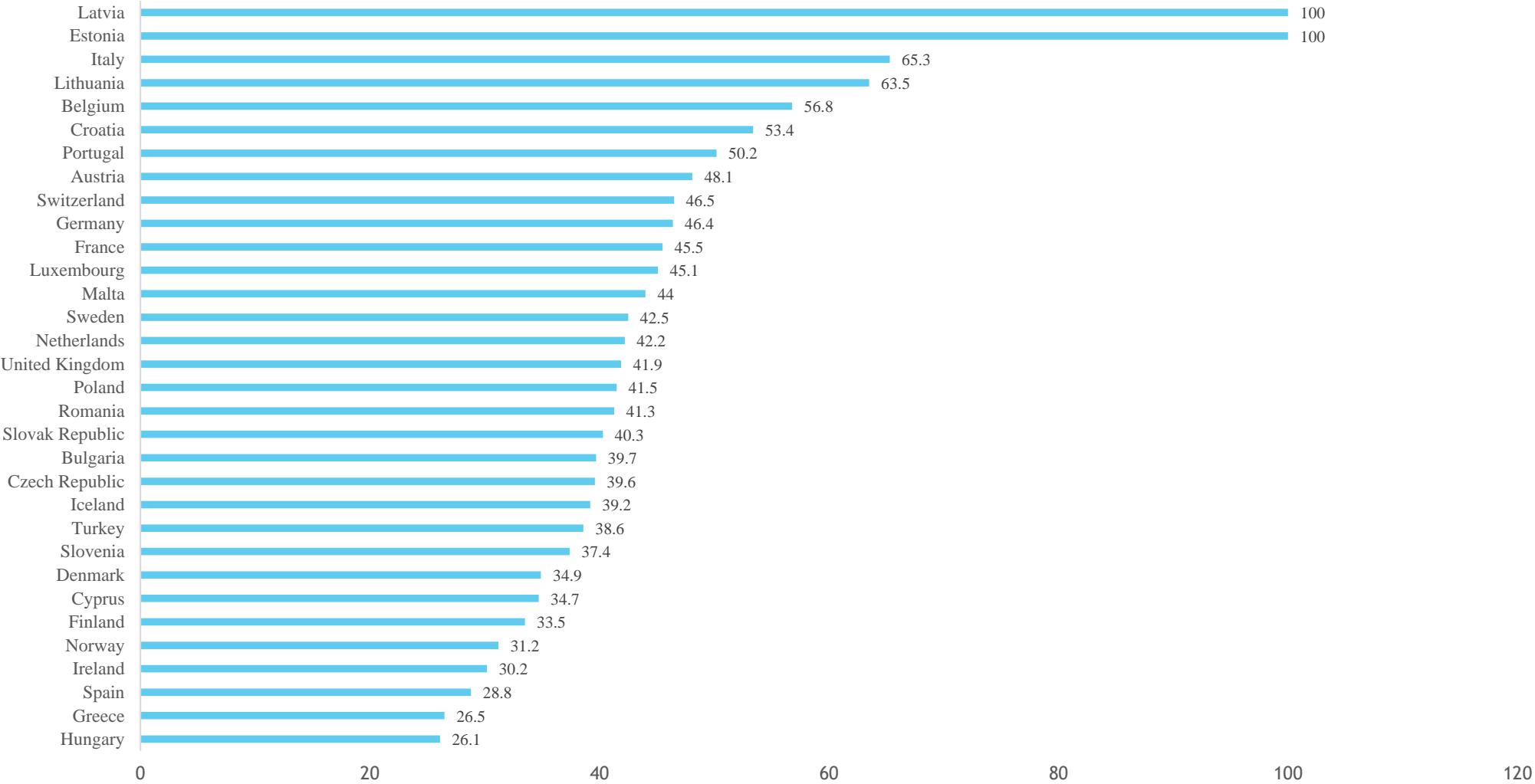
TAXATION OF DISTRIBUTED PROFITS AS A ROLE MODEL

- ▶ The implementation of the “28th regime” has the potential to boost cross-border investment in Europe
- ▶ However, increasing investment also depends on offering an attractive alternative to the current tax policies of Member States and avoiding the negative consequences of previous attempts at harmonisation
- ▶ The degree of compliance of existing corporate tax policies in the countries of the European Union with the objectives of the 28th regime can be established through the existing European Tax Policy Scorecard (Bray, Mengden, 2023b)
- ▶ A particularly important place in corporate taxation policies in order to achieve the objectives of the 28th regime may be the introduction of the tax on distributed profits

2023 EUROPEAN TAX POLICY SCORECARD (BRAY, MENGDEN)

Country	Overall Rank	Overall Score	Corporate Tax Rank	Individual Taxes Rank	Consumption Taxes Rank	Property Taxes Rank	Cross-Border Tax Rules Rank
Estonia	1	100	2	5	8	1	16
Bulgaria	2	92	3	2	6	10	10
Switzerland	3	89,4	9	14	1	31	1
Cyprus	4	88,8	4	8	3	3	21
Latvia	5	87,7	1	6	14	6	14
Malta	6	80,7	29	12	4	2	13
Czech Republic	7	80,3	11	7	12	7	9
Slovak Republic	8	75	20	3	15	5	28
Luxembourg	9	74,7	25	28	2	14	5
Lithuania	10	74	6	13	16	7	23
Hungary	11	73,2	8	4	32	19	4
Sweden	12	71,6	12	18	20	9	12
Turkey	13	71,2	17	23	5	22	6
Romania	14	70,9	7	1	27	27	20
Netherlands	15	69,6	26	21	10	14	3
Croatia	16	66,8	5	24	25	4	31
Slovenia	17	65,4	13	11	23	27	18
Finland	18	64,6	14	19	18	17	19
Germany	19	64,5	27	30	7	10	7
Norway	20	64,3	18	22	21	13	11
UK	21	62,4	28	20	26	19	2
Denmark	22	60,7	15	26	17	10	27
Austria	23	60,5	24	29	9	23	15
Belgium	24	60,5	19	15	13	25	26
Greece	25	60,1	21	9	31	21	24
Poland	26	56,9	23	10	29	24	29
Iceland	27	55	16	16	24	29	30
Ireland	28	52,9	10	27	28	17	32
Spain	29	52,6	31	25	11	30	17
Italy	30	48,6	22	17	30	32	22
Portugal	31	44,5	32	31	19	14	25
France	32	44,5	30	32	22	25	8

2023 EUROPEAN TAX POLICY SCORECARD COST RECOVERY SCORES (BRAY, MENGDEN)



THE BULGARIAN PERSPECTIVE OF 28TH LEGAL REGIME

Achieving the desired attractiveness requires the Bulgarian state to develop and implement a number of important organizational, regulatory and institutional measures that relate to:

- ▶ Bulgaria's accession to the Eurozone
- ▶ Reform in the tax legislation
- ▶ Urgent change to the existing Investment Promotion Act
- ▶ Protection of intellectual property rights
- ▶ Sufficient investments in the education system, which are now only 3.9% of GDP

CONCLUSION

- ▶ The implementation of the 28th legal regime by Bulgaria can be an important tool for accelerating the development of its economy and especially for attracting new and much needed foreign investments
- ▶ The current problems of adoption of the 28th legal regime in the European Union and Bulgaria will require a carefully planned road map for its implementation which should include the active involvement of state institutions, business organizations, academic and research institutions, as well as the non-governmental sector
- ▶ By establishing a single set of rules governing corporate law, insolvency, labor law and taxation, national barriers that have long hindered the future integration and growth of the European Union's single market will be removed

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