

# CERHA HEMPEL CEE NEWSLETTER *Bulgaria*

## Proposal for a new company form in Bulgaria

Recent draft amendments to the Bulgarian Commercial Act (the “**Draft Law**”) propose the introduction of a new type of company in Bulgaria: the variable capital company (“**VCC**”). The new company form is intended to provide for higher flexibility compared to existing company types and is also intended to promote the Bulgarian start-up ecosystem and encourage investments in emerging companies. Below we provide a brief overview of the proposed legal framework.

### Scope of application and main features

The new company form will only be available to micro or small enterprises within the meaning of the Small and Medium Enterprises Act. If at the end of the financial year the VCC no longer meets these requirements, it must be transformed into a capital company.

The core feature of the VCC is its variable capital, which will not be subject to registration in the Commercial Register. The amount of the capital has to be determined at the end of the financial year by the shareholders. The Draft Law does not provide for a minimum capital requirement and also deviates from the rule on the minimum nominal value of a share, which for VCCs can be as low as BGN 0.01.

### Further start-up oriented specifics

The Draft Law provides a minimum set of rights and obligations for shareholders and vast room for tailor-made provisions in the company’s statute. A number of rights related to venture capital investment are regulated and can be provided in the statute, e.g. drag-along rights, pre-emptive rights, tag-along rights, as well as the possibility to enter into convertible loans. In addition, VCC employees may be given the opportunity to acquire up to 15% of the company’s shares on pre-agreed terms. The VCC itself is also able to acquire its own shares (up to a total of 50%).

The Draft Law further provides for considerable flexibility when it comes to defining the structure, functioning and competence of the VCC management bodies, thus allowing the shareholders to structure the management in line with their needs and investors’ expectations.

### Outlook

The Draft Law was already adopted by the National Assembly on its first reading, and is expected to be finally adopted in the autumn, pending the parliamentary elections set for the beginning of October 2022.

### For more information

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