

Bulgaria as an operating base

What the current evidence says about cost, tax, talent and sector depth for companies placing an operation in Bulgaria — and where the evidence is thinner than the marketing.

Prepared for investors and executives weighing an entry, IT outsourcing buyers selecting a delivery location, and software companies planning an EU footprint. All figures are dated and sourced; the source list begins on the final page.

FOUR FINDINGS

€12.0

Average hourly labour cost in 2025 — the lowest in the EU, against €34.9 for the EU as a whole. [\[1\]](#)

10%

Flat corporate income tax, unchanged since 2007 and the lowest standard rate in the EU. [\[2\]](#)

105,436

Full-time employees in the BPO, ITO and R&D sector across 833 companies, 2024 data. [\[6\]](#)

1 Jan 2026

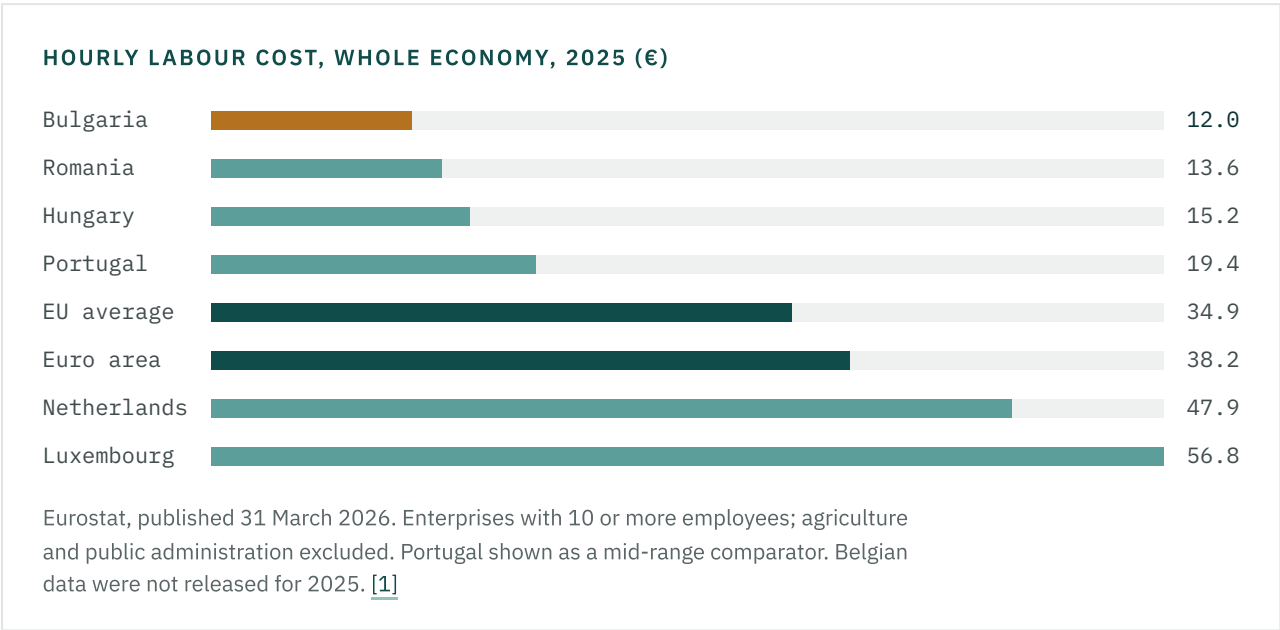
Euro adoption. Eurostat now reports the euro area as including Bulgaria. [\[1\]](#) [\[4\]](#)

1. Cost

Bulgaria has the lowest hourly labour costs in the European Union. Eurostat's 2025 estimates put the whole-economy average at **€12.0 per hour**, ahead of Romania at €13.6 and Hungary at €15.2, and against €34.9 for the EU and €38.2 for the euro area. [\[1\]](#) The gap to Western Europe is a factor of three to four: the Netherlands stood at €47.9, Denmark at €51.7 and Luxembourg at €56.8.

Two qualifications belong next to that number. First, non-wage costs are a real component: employers' social contributions and employment taxes made up 24.8% of total labour cost across the EU in 2025, so headline salary comparisons understate the employer's position.

[1] Second, the gap is closing quickly. Bulgaria recorded the largest increase in the euro area in 2025 at **+13.1%**, against +4.1% for the EU. [1] A cost case built on the 2025 level, without wage escalation modelled in, will not survive a three-year plan.



2. Tax and currency

Corporate income tax is a flat 10% on taxable profit, with no state, local or sector surtax. The rate has been in place since Bulgaria joined the EU in 2007 and is the lowest standard rate in the Union. [2] Personal income tax is also flat at 10%. Groups above the €750m Pillar Two threshold are the exception: for everyone below it, the effective rate remains 10%. [2] Losses carry forward five years with no cap, and there is no group consolidation regime — each company files its own return even under full ownership. [3]

Bulgaria adopted the euro on 1 January 2026 at the fixed conversion rate of 1 EUR = 1.95583 BGN, removing currency conversion and hedging from intra-EU trade, payroll and treasury. [4] Eurostat's March 2026 labour cost release confirms the change from the statistical side, noting that the euro area is now calculated in a composition that includes Bulgaria. [1]

SOURCES DISAGREE — VERIFY BEFORE MODELLING DISTRIBUTIONS

The dividend withholding rate is unsettled in the published record. The draft 2026 budget proposed doubling it from 5% to 10%. [5] One 2026 commentary states the increase took effect. [4] Two others report that the increase was not adopted — the 2025 budget was extended following the early parliamentary elections of 19 April 2026, leaving the 5% rate in force and a combined burden of about 15% on distributed profit. [7] PwC's summary also carries 5%. [8] We have not found a primary text settling it. Treat the rate as a live question for Bulgarian tax counsel rather than an input you can take from a guide.

Even at the higher rate the position holds up comparatively: Germany, France and Italy tax dividends above 25%. [5] The point for a board paper is not the exact percentage but that the difference between 5% and 10% changes distribution planning materially and is decided by budget law, not by long-standing statute.

3. Talent

Two industry bodies measure the technology workforce, on overlapping but different definitions. BASSCOM, surveying software companies, reported 11.5% revenue growth in 2024 with a 9% forecast for 2025, roughly 6,100 companies, more than 60,000 people employed, and 87% of revenue coming from exports. [9] AIBEST, surveying the sourcing sector — 388 BPO, 412 ITO and 33 R&D companies — counted **105,436 full-time employees** in 2024. [6] Do not add the two together; they cover different populations.

The more useful signal in the AIBEST data is the divergence between the two lines. Employment was effectively flat in 2024, up 0.2% after the fast expansion of 2022–23, while operating revenue grew 7.6%. [6] The association reads that as a shift toward higher-value, knowledge-intensive work, and names skills shortages amid rising costs as the constraint on further growth. [6] For an entrant, that means the market is no longer absorbing headcount growth easily — the scarce input is senior capability, not bodies.

On language, Bulgaria placed 18th of 123 countries in the 2025 EF English Proficiency Index with a score of 594, inside the "high proficiency" band and just short of the 600-point "very high" threshold. [10] The speaking sub-score, at 501, is the weakest dimension, which argues for assessing spoken English directly for client-facing roles rather than inferring it from the country rank. [11] The same guide puts the higher-education pipeline at roughly 5,000 STEM graduates a year, concentrated in a small number of Sofia institutions plus the English-language American University in Bulgaria; that figure comes from a commercial hiring guide rather than a statistical office, and should be treated as indicative. [11]

4. Sector depth

Bulgaria's inbound investment has moved away from construction and tourism toward electronics, software development and outsourcing, automotive components, energy and life sciences. [\[12\]](#) The clearest physical evidence is the Trakia Economic Zone near Plovdiv, described as south-eastern Europe's largest industrial development, with roughly €3bn of investment from companies including ABB, Schneider Electric, Ferrero, Osram and Kaufland. [\[12\]](#) In software, R&D centres operated by multinationals anchor the Sofia cluster, and every company in AIBEST's R&D segment is foreign-owned — a useful proxy for whether an entrant's model has precedent here. [\[6\]](#)

Aggregate FDI flows are more volatile than the cluster story suggests. UNCTAD recorded USD 3.9bn of inflows in 2023 against USD 2.7bn the year before, with total stock of USD 61.9bn. [\[13\]](#) Bulgarian central bank preliminary data then showed 2024 inflows of €1,497.9m, about 1.5% of GDP and down sharply year on year, with the largest contributions from Austria, Greece and Italy. [\[13\]](#) These are different measures on different bases; read the direction, not the delta.

One procedural change matters for non-EU acquirers: a foreign investment screening regime took effect in March 2024, requiring prior review of non-EU investments in critical sectors. [\[14\]](#) Greenfield operations in services are generally unaffected, but an acquisition structure should be tested against it early.

What argues against

Wage inflation is the first-order risk: +13.1% in 2025 and among the highest in the EU for four consecutive years. [\[1\]](#) The labour pool is shrinking — AIBEST recorded a national workforce of 3.064 million at the end of 2023, down 2% year on year. [\[15\]](#) Sector employment has plateaued while revenue grows, so senior hiring is competitive. [\[6\]](#) And fiscal parameters that read as permanent, such as the dividend rate, are in fact set annually by budget law. [\[5\]](#)

5. How IGS Consult works

This section describes our own practice. It is not a sourced finding, and it is set apart from the research above for that reason.

We advise external investors and companies entering the Bulgarian market, and we build the business infrastructure that entry requires. The judgements above are the kind we make for clients daily: which numbers in a market case are load-bearing, which are marketing, and what an operation actually costs to stand up and run here. We have established a working methodology for that — four stages, applied in order, each with a decision the client makes before we proceed.

01 Assess

Demand, competition, pricing and the real cost of the operation you intend to run — modelled on current wage and contribution data rather than headline rates, with escalation included. The output is a go, no-go or narrowed scope, not a brochure.

02 Structure

Entity form, ownership and contract architecture, tested against tax treatment, transfer pricing, screening obligations and the group's existing footprint. Where a parameter is genuinely unsettled — the dividend rate is a current example — we say so and price both cases.

03 Establish

Company formation, banking, compliance registrations, employment structure and the first hires. This is where entries usually slip, so it is sequenced against dependencies rather than run in parallel.

04 Operate

Advice on how the operation is run once it exists: delivery and sourcing models for technical work placed in Bulgaria, the local footprint a software product requires, retention in a market where senior capability is scarce.

MARKET ENTRY CONSULTING

How an operation in Bulgaria is structured and run. Two subjects recur: IT outsourcing — delivery models, sourcing, the structure of technical work placed here — and SaaS operation, meaning what a software product's local footprint requires and how it is run.

BUSINESS INFRASTRUCTURE

Everything an expansion needs in order to exist: legal work covering company formation, contracts and compliance; market research on demand, competition, pricing and positioning; and human resources — hiring, employment structure and retention.

We advise on outsourcing and SaaS operation. We do not perform them: we do not staff delivery teams, build software, or own and run products. Where products are named in our work, they are client mandates.

SOURCES

1. Eurostat, [EU hourly labour costs ranged from €12 to €57 in 2025](#), published 31 March 2026; dataset lc_lci_lev.
2. Innovires, [Corporate income tax in Bulgaria \(2026\)](#), updated 19 March 2026.
3. Innovires, [Bulgarian corporate income tax 2026](#), accessed September 2026.
4. J. Galea, [Incorporating a company in Bulgaria in 2026](#), April 2026. Commercial guide; used for the euro conversion rate and cited as one side of the dividend disagreement.
5. Orbitax, [Bulgaria budget law for 2026](#), November 2025 — draft proposal to raise dividend withholding from 5% to 10%.
6. AIBEST, [Annual Industry Report 2025](#) (2024 data), 833 companies.
7. Innovires, [Dividend tax Bulgaria 2026](#), April 2026 — reports the increase was not adopted and 5% remains.
8. PwC, [Bulgaria: corporate withholding taxes](#), Worldwide Tax Summaries.
9. BTA, [Software sector in Bulgaria reports 11.5% revenue growth in 2024](#), 9 December 2025, reporting the BASSCOM Barometer 2025.
10. EF Education First, [EF EPI 2025 fact sheet — Bulgaria](#). Self-selected online test takers; a proficiency indicator, not a census.
11. Outsorcy, [Hiring developers in Bulgaria: 2026 guide](#), June 2026. Commercial guide; STEM pipeline and sub-score figures are indicative.
12. Global Finance, [Bulgaria: return to growth](#), April 2025 — Trakia Economic Zone and FDI sector shift.
13. Lloyds Bank Trade, [Foreign direct investment in Bulgaria](#), citing UNCTAD World Investment Report 2024 and Bulgarian National Bank preliminary 2024 data.
14. White & Case, [Foreign direct investment reviews 2025: Bulgaria](#).
15. AIBEST, [Annual Industry Report 2024](#) (2023 data) — national workforce and sector headcount growth.

Research compiled September 2026 from the sources above. Figures are dated where dated data exist; where only commercial guides carry a figure, that is stated in the text. Nothing here is tax or legal advice.