

2013

TAXATION SYTEM OF A HUNGARY IN RENEWAL

Summary of tax amendments

23 November 2012

Table of contents

TAXATION SYSTEM OF A REFORMED HUNGARY	7
1. Objectives	7
2. Proposed measures	9
1. Personal income tax	9
1.1. As of 1 January 2013, the genuine, proportionate, flat-rate personal income tax will be introduced	9
1.2. Amended health tax on fringe benefits.....	9
1.3. Special support for luncheons at workplace canteens.....	10
1.4. Changes to the Erzsébet voucher	10
1.5. New regulations on the school-start voucher	10
1.6. New regulations on luncheon vouchers.....	10
1.7. Changes to insurance regulations	10
1.8. Changes regarding capital market transactions and long-term investment contracts.....	11
1.9. Changes regarding voluntary mutual insurance funds and retirement savings accounts (NYESZ-R).....	11
1.10. Tax exemption for utilizing cultural services.....	11
1.11. Long-term investment contracts	11
1.12. Tax exemption for the condonation of foreign currency debt.....	12
2. Social security contributions	12
2.1. Abolishing the pension contribution ceiling.....	12
2.2. State pension insurance option for private pension fund members	12
2.3. Health service contribution increases slightly.....	13
2.4. New social contribution tax allowance for employees with small children.....	13
2.4.1. New social contribution tax allowances	13
3. Vocational training contribution	14

3.1.	Change in determining of vocational training contribution liability	14
3.2.	Subsidies for the development of training workshops	14
4.	Corporate income tax.....	14
4.1.	Broadening the definition of reporting intangible assets	14
4.2.	Change in the definition of controlled foreign companies	15
4.3.	Free entrepreneurial zones	15
4.4.	Combating member loan fraud	15
4.5.	Regulations on the derecognition of business value or goodwill	15
4.6.	Regulation on carry-forward of losses in case of restructuring or acquisition is less strict 16	
4.7.	Carry-forward of losses in case of bankruptcy or liquidation	16
4.8.	Amended regulation on entitlement to development tax allowance.....	16
4.9.	Complementary regulation on tax relief for sponsors of performing artists.....	17
4.10.	Formerly concluded long-term donation contracts can reduce tax base	17
4.11.	Unrealized capital gains are not subject to tax	17
4.12.	"Tripled benefits" of R&D activities.....	17
4.13.	Corporate income tax payment of taxpayers no longer under scope of small enterprise tax	18
5.	Small enterprise tax.....	18
5.1.	Taxpayers, tax base and advance tax of simplified entrepreneurial tax.....	18
5.2.	Deduction of expenditures and costs incurred formerly	18
5.3.	Calculating advance tax; deadline of payment	19
5.4.	Contribution base calculation	19
5.5.	Registration of new enterprises	19
6.	Financial transaction levy.....	19
6.1.	Transactions of the National Bank of Hungary are not subject to tax	19
6.2.	The number of transactions subject to the levy increases.....	19
6.3.	Exemptions to paying the levy	20

6.4.	Rate of levy modified.....	20
6.5.	Tax liability of the Hungarian State Treasury	20
6.6.	Levies on securities transactions.....	20
7.	Bank tax.....	21
8.	Robin Hood tax.....	21
9.	Local taxes	21
9.1.	Improving information flow for taxpayers	21
9.2.	Local business tax.....	22
10.	Public utility tax	22
11.	Value added tax.....	23
11.1.	Reverse charge VAT in the swine sector	23
11.2.	Online cash registers	23
11.3.	Motor vehicle repair and maintenance services.....	24
11.4.	Amendments regarding place of delivery	24
11.5.	Invoicing	24
11.6.	Amendments aimed at facilitating the application of law	26
12.	Public health product fee	26
13.	National cultural contribution.....	26
14.	Excise duty.....	27
14.1.	Simplified tax reclaim	27
14.2.	Pure vegetable oil produced on own farm premises	27
14.3.	Monthly commercial diesel refund	27
14.4.	Decreased excise guarantee for distilleries.....	27 28 ²⁷
14.5.	Champagne production by small producers	28
14.6.	Improving the competitiveness of Hungarian ethanol producers	28
14.7.	Replacement of damaged or detached excise seals	28
14.8.	Cancellation or reduction of excise fines	29

14.9.	Revocation of excise licenses	29
14.10.	More severe tax penalties for "crimes"	29
14.11.	"On-board shopping" tax warehouse.....	29
14.12.	Catering activity on flights.....	29
14.13.	Mobile sale of cigarettes	30
14.14.	Miscellaneous provisions on reporting and accounting requirements.....	30
15.	Environmental protection product charges	30
16.	Registration tax	30
17.	Duties and fees.....	30
17.1.	Two-rate system remains for duties on inheritance and gifts	30
17.2.	All asset transfers between relatives in direct line of descent are tax exempt	31
17.3.	Widows who inherit from their spouses shall be exempt from paying duties irrespective of asset value.....	31
17.4.	Rate of duty on the onerous transfer of property	31
17.5.	Tax liability for negative duty base abolished	31
17.6.	Real estate transfer tax for young people decreases.....	32
17.7.	The sphere of those exempt from paying duties on the purchasing of farmland is expanded.....	32
18.	Customs administration	32
18.1.	Harmonising tax and customs terminology.....	32
18.2.	Requesting VAT guarantee exemption permission	33
19.	Taxation procedure	33
19.1.	Simpler and faster issuing of tax authority certificates.....	33
19.2.	Positive changes regarding payment facilitation and tax reduction	34
19.3.	Compulsory professional advocacy introduced	34
19.4.	Amendments to regulations on provisional tax assessment	34
19.5.	Tax payment within multiple tax categories with a single transfer	35
19.6.	Regulation on calls for self-monitoring	35

19.7.	Late appeal requests prompt no supervisory measures	35
19.8.	Legal practices in relation to taxpayers become more equitable	35
19.9.	Simplified personal income tax declaration becomes even less complicated	36
19.10.	Former executive directors may be fined	36
19.11.	To protect tax payers, local governments' debtor lists shall become more limited	37
19.12.	Clarifying regulations.....	37
19.13.	VAT may be settled more frequently	37
19.14.	Restriction of cash payments	37
19.15.	Electronic data storage.....	38
20.	Accounting.....	38
20.1.	Simplified financial statements for micro-enterprises.....	38
20.2.	Amendments aimed at reducing the administrative burdens of enterprises.....	38
21.	Gambling	39
21.1.	Supervisory service charge	39
21.2.	Items used for organising illegal gambling activities may be confiscated	39



MINISTRY
FOR NATIONAL ECONOMY

2013

TAXATION SYSTEM OF A REFORMED HUNGARY

1. Objectives

In the focal point of taxation policy: securing financial balance, acknowledging aspiring entrepreneurs and reducing the proportion of income taxes while increasing the role of consumption and turnover taxes.

Since taking office, the Government has been consistently pursuing the implementation of the tax policy it had predefined: it has submitted only such measures to the Parliament that **gradually shift the emphasis of income taxes towards levies on consumption and turnover, or on negative externalities.**

In line with the announced taxation policy guidelines the objectives in which tax amendments for 2013 have been focusing on are as follows:

- cementing the proportionate, flat rate personal income tax system;
- stabilizing the budget parallel to maintaining a constantly declining general government debt-to-GDP ratio;
- transforming the rates of duties;
- improving business conditions and competitiveness, stimulating investments;
- reducing administrative costs for taxpayers, cutting tax and customs red tape;
- strengthening tax morale;
- improving the efficiency and transparency of taxation regulations;
- and correcting anomalies arising from applying regulations.

These prioritized objectives can be attained via the amendments which this study presents in detail. Some changes proposed by the Government are aimed at keeping the fiscal deficit well below 3 percent, others at improving business conditions or reducing administrative burden for private persons and some of them have necessary in order to improve tax morale.

The government considers it a priority to create fiscal stability, contribute to establishing a competitive and efficient economy, fulfill requirements of legislative harmonization as well as to implement the Small State Programme.

It is crucial that as many as possible of private persons and enterprises wishing to pay taxes in Hungary be informed of tax amendments for 2013, and the below presentation provides an overview of proposed amendments.

2. Proposed measures

1. Personal income tax

1.1. As of 1 January 2013, the genuine, proportionate, flat-rate personal income tax will be introduced

As of the beginning of January 2013, the proportionate flat-rate personal income taxation will be introduced in Hungary; the rate of tax for private persons on every kind of income will be 16 percent. Thus the tax base supplement (super-grossing) above annual incomes of 2 million 424 thousand forints will be abolished.

Phasing out super-grossing will significantly simplify the determination of tax base and advance tax. As a result, a flat-rate personal income tax system will be completed which is proportionate, stimulates performance and family-friendly due to family tax allowances.

1.2. Amended health tax on fringe benefits

The rate of health tax levied on fringe benefits in addition to the 16 percent personal income tax will increase to 14 percent as of 2013 (from 10 percent formerly). The tax base will continue to be 1.19 times the value of benefits.

1.3. Special support for luncheons at workplace canteens

As of 2013, employers can provide workplace canteen vouchers even if the canteen is open to guests who are not employees. Thus employers with an in-house canteen can subsidize the luncheon of their employees with 12 500HUF as a preferential monthly fringe benefit.

1.4. Changes to the Erzsébet voucher

As of 1 January 2013, the monthly upper limit for fringe benefits related to the Erzsébet voucher will increase to 8000HUF.

In addition to purchasing ready-to-eat meals, as of 2013 the Erzsébet voucher will be applicable for paying for meals at restaurants.

1.5. New regulations on the school-start voucher

School-start subsidies from 2013 can only be provided via vouchers (and thus settlements via invoice will be abolished). Vouchers can be paper-based or electronic. The validity of vouchers will also be extended to the last day of the year of issuance.

1.6. New regulations on luncheon vouchers

Products, services or benefits provided by the employer as vouchers and which are provided to employees on equal terms or on the basis of rules known for each employee are treated as non-cash benefits and are subject to tax. Luncheon vouchers, however, shall not be included among these as of 2013.

1.7. Changes to insurance regulations

As of 1 January 2013, an employer's premium payments to term insurances – insurance policies for life, accident or health either without payment on expiry or a surrender value – will be exempt of tax (up to 30 percent of the minimum wage each month). The premia paid by the employer for personal insurance policies combined with savings elements (excluding whole-life policies with payment upon expiry or surrender value), however, are treated as taxable on the date of premium payment as non-cash benefits and it shall be paid parallel to the other easily calculable tax items.

Special rules are applicable in case of whole-life insurances (for death) with surrender value. Although these insurance policies have savings elements, the regular premium paid by the disburser will continue to be free of tax after 31 December 2012 as well. Tax exemption

carries, however, the obligation to provide information: the disburser shall disclose information for the state tax authority on the tax free insurance premium, the name of the insurance company and its legal domicile.

If a private person draws money from the whole-life insurance policy with surrender value or if the contract is modified in certain predetermined ways the disburser (the insurance company) shall treat it as other income. Other incomes are also subject to health contribution tax of 27 percent, except if the income is realized after 10 years of concluding the contract. In this case health contribution tax of only 14 percent is levied on the other income.

1.8. Changes regarding capital market transactions and long-term investment contracts

As transactions related to a rights issue shall not be included among capital market transactions as of 2013, from that date on such securities cannot be registered on long-term investment contracts.

1.9. Changes regarding voluntary mutual insurance funds and retirement savings accounts (NYESZ-R)

In order to achieve reasonable amounts as retirement savings the period of accumulation has been modified from 3 years formerly to 10 years. Consequently, in case only of accounts opened as of 1 January 2013, payments from accounts held at voluntary mutual insurance funds or retirement savings accounts can only be free of tax if that particular account was opened at least 10 years before by the private person.

1.10. Tax exemption for utilizing cultural services

As of 1 January 2013, tickets or season tickets for cultural institutional services provided by the employer (disburser) for the same private person will be exempt of tax up to 50 000HUF per year per individual.

1.11. Long-term investment contracts

A new regulatory provision regarding securities held on long-term investment accounts stipulates that the account shall not be terminated in case the securities are swapped or

modified. However, securities obtained via a rights issue cannot be placed on such an account even in this case. The amendment has thus closed a legal loophole.

Another new provision regarding securities on a long-term investment account prescribes that yield to maturity (YTM) shall be calculated for the last workday of the three-year period instead of the very last day of the year (31 December). As capital markets are not open on 31 December and it is not possible to correctly evaluate securities necessitated this correction.

1.12. Tax exemption for the condonation of foreign currency debt

Regulations which credit institutions apply for the potential tax exemption concerning the condonation of foreign currency debt will also change. Former regulations only allowed this when per capita income in the family did not exceed double the amount of the minimum old age pension. This ceiling, on the basis of empirical evidence, was too low, therefore this amount was increased to the four-fold of minimum old age pension. On the other hand, tax-free condonation is not permitted if the parties involved are not independent: if, for example, the credit institution was to condone the debt of an executive. However, tax exemption can be applied for forgiving debt in case the credit institution acts as lender to the estate on the debt of a deceased private person.

2. Social security contributions

2.1. Abolishing the pension contribution ceiling

As of 1 January 2013, capping the amount of employees' pension contribution (contribution ceiling) will be abolished.

2.2. State pension insurance option for private pension fund members

As of 2013, private pension fund members will also be given the opportunity to conclude an agreement with the state pension fund for gaining years of service (seniority) similarly to those without a private pension fund membership.

As after the system of compulsory private pension fund contributions was abolished and those who still remained with their private pension fund are entitled to 100 percent of state pension, it has been justified to provide them with the opportunity of concluding such a contract.

2.3. Health service contribution increases slightly

Health contribution payable by those not insured (i.e. dependants of legal age) will increase in line with the rate of inflation from 6390HUF to 6660HUF per month.

2.4. New social contribution tax allowance for employees with small children

The new regulation on tax allowance for employees with small children, which was elaborated on the basis of the Job Protection Action Plan, clarifies that those employees with small children will also be eligible to this incentive who already return(ed) to work before 1 January 2013 (the date when the new regulation enters into effect) after their maternity benefits (maternity leave payment, child benefit, childcare allowance) had expired or who were employed while receiving these.

This rule is applicable (also for employees with small children returning to work already before 2013) even if the new tax allowance can only be utilized for the tax year starting from 1 January 2013 earliest, and the three-year employment period commences after the maternity benefit period expire or with the date when the eligible person was employed again parallel to receiving support.

2.4.1. New social contribution tax allowances

2.4.2. Free entrepreneurial zones

In order to improve employment two new types of tax reliefs will be introduced. Enterprises operating in free entrepreneurial zones which are eligible for applying development tax incentives provided by the corporate tax act can apply social contribution tax relief within the five-year period after having completed their investment project if the number of its employees is increased.

The tax relief is applicable in the initial two years of employment up to a gross wage of 100 000HUF per month and it corresponds to 100 percent of social contribution tax and vocational training contribution. In the third year of employing a new employee the payable social contribution tax equals the 14.5 percent of gross wage.

2.4.3. Tax relief for researchers

As of 2013 the research and development activities of domestic enterprises will be assisted by tax relief related to the social contribution tax. Researchers with a (PhD) degree or other title in science employed by enterprises will be eligible to tax relief next year. According to

the new regulation, the rate of social contribution tax will be 0 percent (instead of 27 percent) for gross wages of up to 500 000HUF per month. The research facilities of enterprises are eligible to this tax relief.

3. Vocational training contribution

3.1. Change in determining of vocational training contribution liability

For the calculation of training contribution the cooperation agreement and practical training based on a trainee contract can both be taken into account.

Expenses incurred in connection with the training of own employees will be to some extent deductible from the contribution provided certain requirements are fulfilled.

Requirements with regard to filing tax declaration and providing vocational training scholarships will be clarified.

3.2. Subsidies for the development of training workshops

For large enterprises operating trainee programmes regulations on subsidies for workshop development provided on the basis of individual government decision will be more flexible and practical.

4. Corporate income tax

4.1. Broadening the definition of reporting intangible assets

As of next year, the proceeds from the sale of self-developed intangible assets which qualify as „reported intangible asset” – similarly to the incentive related to the taxpayer’s other intangible assets – will be exempt of tax. The amendment provides the greatest tax relief for those who create intellectual property via R&D activities. The amendment defines further provisions on the sale of reported intangible assets with regard to tax base deductions based on in-kind derecognition.

According to the new regulation, taxpayers can apply tax base deduction provided, among others, that in the tax year preceding the tax year of reporting net income the taxpayer does not deduct from the pre-tax profit the amount of profit transferred from the profit reserve resulting from the sale or derecognition of intangible assets (the difference between reported revenues and reported expenditures) to committed reserves of the tax year and reported in the income statement (P&L account) as committed reserves on the final day of the tax year.

4.2. Change in the definition of controlled foreign companies

According to the amendment, in case a foreign country levies more than one corporate income tax rates depending on the tax base, the lowest of these shall be at least 10 percent. The regulation is favourable primarily because of Hungary's fulfillment of requirements arising from its membership in the European Union and other international organizations (such as the OECD), as it ensures that companies can apply a uniform tax rate on incomes. In addition, in the future – contrary to other requirements – the burden of proof of verifying ownership shall not lie with the taxpayer.

4.3. Free entrepreneurial zones

The term free entrepreneurial zone shall be added to the definitions of the corporate tax act. As of 2013 taxpayers may apply development tax incentives related to completed investments in a free entrepreneurial zone.

Free entrepreneurial zones will be areas designated by the Government in order to stimulate their development which will be managed by a regional economic development institution, enclosed by municipal borders and registered under a topographical number or an area within a prioritized region.

4.4. Combating member loan fraud

As of 2013, in determining minimum income total incomes shall be increased by the 50 percent of the difference between the daily average amount in the tax year of member loans and total liabilities vis-à-vis members on the final day of the previous year.

The objective of the amendment is to make member loan system more transparent, combat misuse and improve tax morale.

4.5. Regulations on the derecognition of business value or goodwill

The former provisions of the corporate tax act did not regulate tax liabilities related to derecognition of business value or goodwill concerning registered shareholding. As of 2013 it will be clarified that in case of business value or goodwill derecognition the capital gains on the reported share (extraordinary gains from in-kind contributions) shall be reduced and capital losses (extraordinary losses from in-kind contributions) shall be increased by expenses accounted for as a result of business value or goodwill derecognition.

4.6. Regulation on carry-forward of losses in case of restructuring or acquisition is less strict

According to currently effective regulations, in case of restructuring or business acquisition the legal successor is entitled to continue with acquired carry forward losses if, along with fulfilling some other requirements, in the two tax years following the restructuring income or proceeds are generated from the business activities pursued by the predecessor.

As of 2013 this provision is no longer applicable provided the business entity is wound up without a legal successor within two years following the restructuring. This amendment is favourable for those taxpayers which decide to wind up the business after restructuring, i.e. according to the amendment, they are not obliged to continue operating only in order to comply with the provision on the carry forward of losses. Consequently, the regulation satisfies the principles of freedom of enterprise and freedom of contract. In case of corporate spin-off the regulation stipulates as of 2013 that along with the spin-off entity the parent company shall also comply with requirements on carry forward of losses.

4.7. Carry-forward of losses in case of bankruptcy or liquidation

As of 1 January 2012, the regulation which stipulates with regard to approved liquidation or bankruptcy settlements that in determining the amount deductible from the pre-tax income half of remissions granted which are recognized as extraordinary revenue may be taken into account retroactively. Accordingly, the taxpayer continuing as legal successor shall incur no corporate tax liabilities related to the settlement provided it has losses carried forward.

4.8. Amended regulation on entitlement to development tax allowance

It has been a Government objective to ensure transparency regarding investment projects completed via development tax allowance and the application of related tax incentives. Consequently, as of January 2013 the date of completing the investment project for which development tax allowance is applied shall be reported to the minister responsible for taxation policy. This provision will carry no additional administrative burdens for the taxpayers at issue, but it enhances the supervisory efficiency of the state tax authority.

The provision stipulating that the minister responsible for taxation policy shall in the future inform the tax authority about registered projects applying development tax allowance will similarly improve the system's transparency and communication between institutions.

As of 2013, the scope of entitlements regarding development tax allowances will be complemented within the corporate tax act by extending it to investments related to free entrepreneurial zones and energy efficiency projects.

In addition, the amendment provides that in case a legally enforceable fine for environmental protection offences is imposed on the taxpayer within 5 years after the project is completed the development tax allowance shall not be applied in the year when the decree becomes non-appealable.

4.9. Complementary regulation on tax relief for sponsors of performing artists

The European Commission has approved the cultural subsidy programme prepared by the Government. As a consequence, sponsors of registered performing art organizations can apply corporate income tax relief of up to 80 percent of proceeds from the sale of tickets.

In order to assist reporting requirements related to the subsidy programme – which has been essential according to the European Commission’s resolution – the amendment commissions the publication of a decree containing full particulars of reporting requirements.

4.10. Formerly concluded long-term donation contracts can reduce tax base

Due to regulatory amendments to the act on civil organizations in 2011, no tax relief could be applied for long-term donation contracts concluded before that date. In accordance with the amendment, those organizations can also apply deductions on pre-tax income which concluded a permanent donation contract prior to the aforementioned amendment.

4.11. Unrealized capital gains are not subject to tax

The amendment entering into effect as of next year will specify that tax liabilities incurred on unrealized capital gains on long-term liabilities will be payable in the year of settlement, i.e. capital gains shall be added to the tax base after they are realized.

4.12. "Tripled benefits" of R&D activities

As of 1 January, enterprises which conduct basic research, applied research or experimental studies via a written cooperation agreement concluded with research institutions operating as a central budgetary institution or as an economic entity majority owned directly or indirectly by the state can also utilize corporate tax base deduction of up to 50 million forints, which amount is three times higher than the tax allowance formerly granted for in-

house R&D activities, in addition to enterprises having a contractual relationship with the Hungarian Academy of Sciences, a tertiary education institution or research institutions and centers established by them or founded jointly.

4.13. Corporate income tax payment of taxpayers no longer under scope of small enterprise tax

Those taxpayers who gain the status of corporate income taxpayer after their status as a small enterprise taxpayer is terminated shall declare and pay corporate income tax in each quarter within 60 days after the termination for the six-month period. In case the tax year period was 12 months, the amount of advance tax shall be the 1 percent of income determined in the year of termination (in case the period is shorter, the advance tax shall be determined as the 1 percent of income for the 12 months calculated of the calendar days of operation).

5. Small enterprise tax

5.1. Taxpayers, tax base and advance tax of simplified entrepreneurial tax

Taxable entities paying simplified entrepreneurial tax who are not under the scope of the Accounting Act and keep revenue records shall determine their tax base (cash-basis profit and loss account) in the first year of gaining the status of small enterprise taxpayer by taking into account income on the opening balance sheet as stipulated by the Accounting Act.

Similarly, taxable entities with a former simplified entrepreneurial taxpayer status shall determine the change in cash and cash equivalents for calculating the base of small enterprise tax advance by taking into account data of the opening balance sheet in the first year of gaining the small enterprise taxpayer status.

5.2. Deduction of expenditures and costs incurred formerly

Costs related to activities subject to the small enterprise tax which are not deducted as expenses or expenditures in the year prior to gaining small enterprise taxpayer status, and which are incurred prior to the year when the small enterprise taxpayer status is obtained will be deductible from the small enterprise tax base.

5.3. Calculating advance tax; deadline of payment

The amendment stipulates that contrary to the formerly effective provision the deadline of determining, filing and paying advance tax shall be on the 20th of the month after the reference month instead of the 12th of the month after the reference month (when required account statements are not always available yet for the taxpayer).

In addition, the amendment provides that in the first year of obtaining small taxpayer status taxpayers shall determine advance for the small enterprise tax by taking into account the anticipated income for the tax year prior to the year of gaining small taxpayer status.

5.4. Contribution base calculation

As of 2013, contributions paid on the basis of determined tax base shall also constitute small enterprise tax base. In this case the 112.5 percent of minimum wage can be deducted as human resource expenses in case human resource expenses are below that threshold per acting partners.

5.5. Registration of new enterprises

As of 2013, new enterprises can register as small enterprise taxpayers within 30 days after being founded (i.e. they do not automatically qualify as corporate income taxpayers.) Pursuant to the amendment in case the deadline for registration is not met, applications by the new enterprise will not be entertained (accordingly, the 30-day period is a forfeit deadline).

6. Financial transaction levy

6.1. Transactions of the National Bank of Hungary are not subject to tax

In harmony with the recommendation of the European Commission, the National Bank of Hungary will not be included among those subject to the levy.

6.2. The number of transactions subject to the levy increases

Foreign exchange transactions, loan repayment, cash withdrawal with credit cards from ATMs as well as commissions and fees charged by financial services providers will be subject to the levy.

6.3. Exemptions to paying the levy

In accordance with the regulation, payments from limited purpose accounts and transfers between jointly owned or partly jointly owned accounts will be exempt of tax.

6.4. Rate of levy modified

The standard rate of the financial transaction will increase to 0.2 percent and the levy on cash withdrawals will be 0.3 percent. These measures were necessitated in order to prompt a shift from cash to electric payments and thus limit cash payments which boosted the grey economy.

6.5. Tax liability of the Hungarian State Treasury

Certain Treasury transactions will not be subject to the levy (payments related to contribution funds and those from accounts held at the Treasury which are related to EU subsidies and transfers and settlement accounts for transactions with international organizations).

Transactions involving accounts of the National Tax and Customs Administration held at the Treasury will be tax exempt.

For each transaction at the Treasury involving the sale of government securities the payable levy will be capped at 6 000HUF.

6.6. Levies on securities transactions

In accordance with the proposal of the European Commission regarding the financial transaction levy, the scope of the levy will be extended to securities transactions including derivatives transactions related to securities from the first day after the calendar year when the proposed directive on the EU's harmonized financial transaction tax enters into effect. The amount of payable tax corresponds to the 0.01 percent of the transaction value involving a derivatives transaction and 0.1 percent of the transaction value involving other securities (shares or bonds).

7. Bank tax

Credit institutions and financial companies will continue to be obliged to pay the extra tax for financial institutions, and the extra tax and surcharge on credit institutions will also remain in effect.

8. Robin Hood tax

The corporate income tax rate for energy service providers will increase to 31 percent. One favourable element stipulates that expenses related to new investments can be deducted from the income tax of energy services providers. The top rate for this equals the 50 percent of calculated tax liabilities. In addition, income from a facility abroad will also be exempted of tax even if no treaty on the avoidance of double taxation has been concluded between Hungary and the foreign country at issue.

9. Local taxes

9.1. Improving information flow for taxpayers

Currently the key problem regarding compliance with local tax liabilities is that – without a proper information data base and communication – it often happens that taxpayers are not aware of their liabilities. This circumstance usually carries the risk that the tax authority of a local government may impose sanctions (fines, surcharges, etc.) for failing to file a tax declaration or for failing to pay.

The Government mitigates this risk by having established the regulatory background of a data base containing local taxation information which is handled by the Hungarian State Treasury.

The monthly updated database commencing operation as of 1 January 2013 will contain taxation information on local taxes of settlements for each local government which are important for taxpayers, such as the types of applicable levies, their rates as well as relevant tax breaks or allowances.

In addition, the database will provide up-to-date information on contact details of tax authorities (website address of a local government or phone number, email- and mail address of a tax authority). According to the amendment, tax authorities at local governments are responsible for providing data for the database.

As of 2013, local governments will be required to publish all regulations related to local taxes, tax declaration forms and contact details in a compact system parallel to furthering data to the Treasury.

9.2. Local business tax

From next year on the deductibility of the acquisition costs of goods sold and mediated services from the tax base of local business tax will be limited. In order to ensure that small taxpayers shoulder proportionately smaller burdens, deductions shall be based on income brackets, depending on revenues. It means that the larger the sales revenues the smaller the total deductible amount of the cost of goods sold and mediated services.

The income brackets are the following:

- Up to 500 million HUF net sales revenues: 100 percent of cost of goods sold and mediated services will be deductible from net revenues;
- Between 500 million HUF and 20bn HUF net sales revenues: the 85 percent of the cost of goods sold and mediated services will be deductible from net revenues;
- Between 20bn HUF and 80bn HUF net sales revenues: the 75 percent of the cost of goods sold and mediated services will be deductible from net revenues;
- Above 80bn HUF of net sales revenues: the 70 percent of the cost of goods sold and mediated services will be deductible from net revenues.

This measure will mainly impact trade and energy services providers. No limit will be set on deductions for enterprises with annual net sales revenues below 500 million HUF. No limit will be applicable for the total cost of goods and mediated services related to export income or the acquisition costs incurred on the purchase of instruments via financial leasing.

In order to combat tax avoidance, a special regulation is applicable to taxpayers of affiliates.

10. Public utility tax

As of 1 January 2013 a new kind of tax will be integrated into the system, in order to achieve the budget deficit objectives for the year 2013 and beyond,

Tax will be payable for cables (electricity, phone, television, internet) and pipelines (gas, water, conduit) laid above or underneath municipal areas or in certain cases property which is not a municipal area. The tax is not applicable to section(s) of pipelines and/or cables,

branching off the main system which only connect(s) with the consumer of a particular site or a building. Tax liability covers wires and cables above and underneath an area, irrespective of whether the section is within a municipal or non-municipal area. From the aspect of tax liability it makes no difference whether the utility cable or wire is in use or not.

As a main rule, the taxpayer is the entity which owns the cable or wire on the first day of the calendar year. In case the cable or wire is owned by the state or a local government, the service provider is obliged to pay the levy.

The total length of cables and wires constitutes the tax base, and the payable tax is 125HUF per each meter of the cable or wire.

Tax relief brackets are applicable to telecommunication cables as several smaller taxpayers with moderate profitability are active in this sector. For telecommunication cables taxpayers shall pay

- on the section up to 170 000 meters the 20 percent of standard levy;
- on the section between 170 000 and 250 000 meters the 40 percent of standard levy;
- on the section between 250 000 and 300 000 meters the 80 percent of standard levy;
- on the section above 300 000 meters the total tax liability.

The tax shall be self-assessed, i.e. the taxpayer shall calculate and declare it to the tax authority, for the first time until 20 March 2013, and the declared liability shall be payable in two installments, first until 20 March 2013 and second until 20 September 2013.

11. Value added tax

11.1. Reverse charge VAT in the swine sector

In the interests of reducing tax fraud, Hungary is introducing reversed charge value added tax on the trade of live pigs and pig half-carcasses, and also for the trade of certain products that may also be used as feed. The amendment will come into force on 1 April 2013.

11.2. Online cash registers

The Government is establishing the legal basis for the online supervision of cash registers by the tax authority. These amendments shall come into force on 1 April 2013.

11.3. Motor vehicle repair and maintenance services

In the interests of decreasing black market activities in the field of motor vehicle repair and maintenance services, a 50% VAT deduction limit will be valid for these transactions from 2013, instead of the currently applicable 100% limit.

11.4. Amendments regarding place of supply

The country in which VAT is due in case of long term rental of means of transport to a non-taxable person is to change.

According to the currently applicable regulations, tax must be paid in the country where the taxpayer who provides this service has established a business or has a fixed establishment. According to the new legislation, the payment of tax will depend on the place where the non-taxable person whom this service is provided is established or resident (has his permanent address or usual place of residence). Otherwise, the regulations regarding the payment of VAT on the renting of means of transport shall remain unchanged. The objective of the amendment is that taxation should correspond as much as possible to the place of consumption, thus reinforcing the consumption tax characteristic of VAT.

In practice, the amendment means that, from 1 January 2013, if for example a non-taxable individual usually residing in Hungary rents a motor vehicle for a period exceeding 30 days from a taxpayer established in Slovakia, then in view of the amendment the VAT payable with regard to the transaction must be paid in Hungary, instead of Slovakia, according to the applicable Hungarian tax rate.

11.5. Invoicing

The fundamental objective of the invoicing directive is the simplification of regulations regarding electronic and other forms of invoicing, and their standardising at an EU level in the interests of improving the functioning of the internal market. The amendments that have been adopted fully conform to EU regulations, including the government objective regarding the simplification of the use of electronic invoicing.

11.5.1. Clarification of the use of electronic invoices

The most important changes to VAT regulations concern electronic invoicing. The amendment, which comes into force on 1 January 2013, determines in accordance with the invoicing directive what may be regarded as an electronic invoice with regard to the

application of VAT regulations. Accordingly, any invoice that includes the mandatory data required according to VAT regulations and which has been issued and accepted in electronic form shall be regarded as an electronic invoice. The format shall be decided by the taxpayer: after the amendment comes into force, an e-mail with an attached PDF file may for instance also be regarded as an electronic invoice.

The acceptance of the recipient of the invoice shall continue to be a condition for the use of an electronic invoices, as the receipt of such an invoice requires technical conditions on the part of the recipient.

In the interests of eliminating the differences between paper and electronic invoices, similar conditions shall apply with regard to both paper and electronic invoices. Accordingly, the following must be assured from the date when the invoice is issued until the end of the invoice retention period:

- 1.1. the authenticity of the invoice's origin (the identity of the vendor and the individual that appears as vendor on the invoice are identical),
- 1.2. the integrity of the content (the data included in the invoice has not been changed),
and
- 1.3. its legibility (the invoice is legible for a human being).

According to the amendment, the taxable party shall determine in what way they assure conformance to these requirements (there is no mandatory method), as this mandatory requirement may be achieved through any business control that creates a reliable audit trail between the invoice and the supply of goods or services.

To aid taxable parties, the amendment – in accordance with the directive – stipulates that if the taxable party issues an invoice that includes a certified electronic signature or an invoice that is forwarded using the EDI system, then in these cases conformance to the requirements of the integrity of content and the authenticity of the invoice's origin shall be regarded as having been assured.

11.5.2. Clearer invoicing regulations

Several other changes will also be introduced to simplify and clarify issues related to invoicing. For instance, the new regulation determines which country's invoicing regulations should be applied if the issuer of the invoice is not established in the country in which the transaction takes place, unifies the mandatory information that must be indicated on invoices on EU level, allows for the application of the exchange rate published by the European Central Bank, and clarifies that there is no need to issue an invoice where a payment, with relation to an exempt intra-community supply of goods, is made on account before the goods are actually supplied.

11.6. Amendments aimed at facilitating the application of law

Within the framework of amendments aiming to facilitate and clarify the unified interpretation of law, while conforming to the guarantee conditions determined by the VAT Act, from next year no VAT will be chargeable upon the transfer of a branch of business. Accordingly, the VAT-treatment of the transfer of a branch of business shall become unified; furthermore, the liquidity of the company that acquires the business branch is not burdened by a disproportionately high amount of tax that will otherwise be paid back in the future by deducting the VAT paid at the preceding stage.

12. Public health product fee

The rate of tax on energy drinks shall remain at the currently applicable level (HUF250/litre) in the case of energy drinks that also contain taurine. However, from 2013 a tax rate of HUF40/litre shall apply to products that do not contain taurine, and so pose a lower health risk, but contain more than 15mg/100millilitres of methylxanthine.

The procurement of taxable products that the taxable party uses within the country for the production of its own taxable products without the pre-packaged character of the acquired product changing during the production of the goods are exempt from this tax to prevent the payment of tax twice on the volume included in the product in unaltered form.

13. National cultural contribution

At present, the national cultural contribution only applies to those who produce, import or distribute films, audio materials or pictures that include pornographic content in Hungary. In accordance with the amendment of regulations on the national cultural contribution, the tax

shall also be applicable to those cable television providers, satellite television program distributors and terrestrial broadcasting distributors who, within the framework of the programs they broadcast, make channels with pornographic content available to their subscribers, meaning that the services they offer include a package that includes at least one adult/pornographic channel. The objective of the amendment is for the distribution of pornography through such channels to also be liable to taxation.

14. Excise duty

14.1. Simplified tax reclaim

The proceedings to be applied in relation to paper or electronic excise duty refund are simplified and unified. In view of the fact that in the case of electronic excise duty refund it is not mandatory to attach the invoices and business documents that form a basis for them, in future it will also not be mandatory in the case of paper requests, thus significantly reducing the administrative burden of enterprises.

Another of the Government's goals is to facilitate the extended use of electronic excise duty refund. To this end, taking into account the time required to switch to the new method, excise duty refund applied to gas oil used for agricultural, horticultural or piscicultural works and in forestry may only be submitted in electronic form as of 1 January 2014.

14.2. Pure vegetable oil produced on own farm premises

From 2013, farmers are allowed to use the pure vegetable oil that they produce themselves on their own farm in their own agricultural machinery. The level of excise duty reduction is the same in the case of gas oil and pure vegetable oil, except that the procedure is reversed. While in the case of gas oil 82% excise duty reduction may be applied to the excise duty paid, in the case of pure vegetable oil that a farmer produces himself, 18% of the excise duty rate of gas oil must be paid. A separate ministerial decree determines the rules concerning the authorisation of a tax warehouse and the accounts to be kept.

14.3. Monthly commercial diesel refund

In the interest of improving the liquidity of road hauliers, excise duty refund to commercial diesel may be claimed on a monthly basis beside the yearly and quarterly option.

14.4. Decreased excise guarantee for distilleries

In the interest of improving the operating conditions of contract distilleries, the current tax and excise guarantee ceiling of HUF 500 thousand is reduced to HUF 200 thousand. In the interest of further decreasing the burden on enterprises, the excise guarantee of small commercial distilleries shall be reduced to HUF 2 million.

14.5. Champagne production by small producers

In the interest of improving the operating conditions of wine producers and increasing their product spectrum, it is possible from 1 January 2013 to produce yearly 10 thousand litres of bottle-fermented champagne for commercial purposes using self-produced grape-wine in a simplified tax warehouse.

Champagne produced by small-scale producer should be registered in the cellar record; accounts, tax returns and tax payment would coincide with the second grape wine accounting period of the given year and no excise guarantee is required.

As the supporting document for champagne produced by small-scale producer wine accompanying document is mandatory, the sphere of products that may be produced in a simplified tax warehouse includes also champagne produced by small-scale producer, and the sphere of products that may be returned to simplified tax warehouse in case of quality problems or expired shelf-life (in relation to which excise duty may be deducted or a request for refund may be submitted) shall also include champagne produced by small-scale producer.

14.6. Improving the competitiveness of Hungarian ethanol producers

In the interest of improving the competitiveness and market position of Hungarian business operators producing completely denatured alcohol, alcohol denatured using the method of another Member State is tax exempted, provided the alcohol is transported to the Member State concerned.

14.7. Replacement of damaged or detached excise seals

From 2013 in the course of wholesale and retail distribution damaged or detached excise seals may be replaced, thus enabling the continued distribution of spirits. The trader must report to the Customs Authority the damage or detachment of seals. The Customs Authority will place a new seal on the product within 30 days, thus making continued distribution

possible. Until the placement of the new excise seal the possession of the spirit is certified by the submitted report.

14.8. Cancellation or reduction of excise fines

If the taxpayer requests the cancellation or reduction of the imposed excise fine, the Customs Authority may investigate in the case of the cancellation whether the taxpayer has acted with due care in the given circumstances .

14.9. Revocation of excise licenses

The legislative anomaly according to which the Customs Authority may subsequently revoke tax warehouse, registered trader and exempted user licenses even if the tax arrears that form the basis for such action have already been paid is eliminated. In future, the subsequent revoking of licences shall only be possible if the tax arrears have not yet been paid.

14.10. More severe tax penalties for "crimes"

The stipulations of the Act on excise duties and the Act on the rules of taxation regarding tax penalties are harmonised. Consequently the tax penalty shall be 200% of the tax arrears, if it relates to the concealment of revenues or the falsification or destruction of documents, books or records.-

14.11. "On-board shopping" tax warehouse

In the interest of enabling the sale of alcoholic drinks and tobacco products exempt of excise duty on flights to third countries, the institution of the so-called "on-board shopping" tax warehouse has been established. Similarly to the transit tax warehouse, on-board tax warehouse may be established according to preferential terms and conditions, i.e. without the need of a given floor space, and with preferential excise guarantee requirements.

14.12. Catering activity on flights

The refilling of alcoholic beverages and tobacco products served and distributed on aeroplanes without the need to pay excise duty has been made possible. Refilling may be performed by a registered trader according to the terms and conditions determined by a ministerial decree. The registered trader shall store the excise goods used for catering

activity separately from other stocks. Alcoholic beverages and tobacco products may be stored in relation to this activity without excise seal or tax marking.

14.13. Mobile sale of cigarettes

In the interest of establishing consistency with the law on “tobacconist’s shops”, it will be possible from 1 July 2013 to distribute tobacco products via mobile shops. Thus there will be opportunity to distribute tobacco products in settlements with less than 2000 inhabitants where the State itself performs tobacco product retail activity.

14.14. Miscellaneous provisions on reporting and accounting requirements

From 1 January 2013, the removal of fuel from aircraft during the course of maintenance may only be performed if suitable records of these activities are kept, and it will be mandatory to report the extraction of mineral oil during the course of recultivation. Consequently, the Customs Authority will be able to check the performance of these activities in possession of suitable information.

15. Environmental protection product charges

The possibility of assuming product charges is expanded in case of packaging product and and packaging material. Consequently the domestic buyer providing resale in an unaltered form or the processor of products subject to product charges may assume the product charges.

16. Registration tax

According to the Ministry of Transport, Communication and Construction (KÖHÉM) decree on classification within environmental categories, from 20 June 2012 registration tax in the case of at least Euro III category hybrid motor vehicles should be determined on the basis of the motor vehicle's engine capacity in cm³, instead of the previously applied level.

In view of the adopted amendment, the owners of hybrid motor vehicles shall continue to pay a uniform, HUF 76,000 registration tax irrespective of the capacity of the engine in cm³.

17. Duties and fees

17.1. Two-rate system remains for duties on inheritance and gifts

In the interests of simplifying the duties system, two duty rates have been introduced with regard to duties on inheritance and gifts in place of the previous 18-rate systems.

The general rate of duty had been determined at 18%, while the reduced rate with regard to the acquisition of property will be 9%.

Consequently, the level of assets acquired and/or the family relationship is no longer relevant when determining the duty payable on inherited assets or gifts, however, the free transfer of assets between people in direct line of descent remains exempt from asset acquisition duties.

17.2. All asset transfers between relatives in direct line of descent are tax exempt

All transfers of assets between relatives in direct line of descent – irrespective of their (free, for consideration) nature and value – shall be exempt from the payment of asset acquisition duties.

17.3. Widows who inherit from their spouses shall be exempt from paying duties irrespective of asset value

In accordance with current inheritance duty regulations, widows are only exempt from the payment of inheritance duty with regard to the first HUF 20 million of the net value of the acquired inherited assets, while begin fully exempt from the payment of duties with regard to the acquisition of rights of use of the property.

From 2013, regulations determining the exemption from duty of relatives in direct line of descent with no upper limit will be expanded to include inheritance by widows, especially in view of the fact that according to the new concept of the Civil Code, there will be significant changes to the legislation regulating inheritance by surviving spouses (widows will also become inheritors of the estate).

17.4. Rate of duty on the onerous transfer of property

In relation to the previous, two-rate system of duty payable with regard to the onerous transfer of property (2% up to HUF 4 million, 4% on the remainder), the Government has developed a single-rate system. The general rate of property transfer duty will be 4%. This makes it possible for those acquiring property to quickly and easily calculate any duty payment responsibilities they may have in relation to each property acquisition.

17.5. Tax liability for negative duty base abolished

Duty payment liability with regard to so-called negative duty bases will be abolished. According to current legislation, when applying the benefits relating to purchasing to cover

the exchange of property, private individuals who acquire property are still liable to pay duty if the market value of the property purchased is lower than that of the property sold.

In view of the fact that it is primarily those with foreign currency loans who purchase a property of a lower value than their original property, the introduction of duty exemption also serves to improve the status of people with foreign currency loans.

17.6. Real estate transfer tax for young people decreases

The Government is giving priority to facilitating the acquisition of property by young people. Within the framework of this objective, in the case of property purchasing benefit for the under 35s, the current limit of HUF 8 million shall be raised to HUF 15 million, and the maximum level of benefits on duties will be abolished. As a result, young people under the age of 35 shall only be required to pay half of the usually mandatory property transfer duty when acquiring their first property, providing the market value of the total property purchased does not exceed HUF 15 million.

17.7. The sphere of those exempt from paying duties on the purchasing of farmland is expanded

The sphere of those exempt from paying property transfer duties relating to the acquisition of farmland has been expanded; family farmers shall now also be able to apply this favourable regulation. In addition, while taking into account the special conditions of the agriculture sector, the starting deadline for exemption of duties shall also be modified, as a result of which the acquirer of farmland need only begin agricultural activities on the farmland purchased when the land in question is in fact taken into possession, rather than at the time of purchase.

18. Customs administration

18.1. Harmonising tax and customs terminology

Some amendments are aimed at harmonising tax authority and customs authority concepts with similar content but differing designations that has become necessary following the integration of the National Tax and Customs Authorities. These clarifications assure a clear legal definition for both clients and the acting authority.

18.2. Requesting VAT guarantee exemption permission

The sphere of those who may request permission to become exempt from VAT guarantees on imports is to be expanded.

The general regulation shall continue to be applicable, namely that those requesting exemption may not be in tax arrears at the time of submitting the request. However, according to current regulations the applicants may not even have had late payments during the period analysed.

The new amendment eases these conditions, because from 2013 those business operators who, depending on permit type (100% or 50%), have been late in delivering payment of VAT on imports or any other payment obligations towards the customs authority, may also request permission to be exempt from paying VAT guarantees (provided that the sums paid in arrears do not exceed 3% of the total yearly or two-yearly sum of the VAT on imports as required by the tax authority or the payment obligations determined by the customs authority in relation to its scope of operations).

In consequence of the changes, applicants who have been late in paying are not automatically excluded from the permission process if their late payment remains within the limit. (Previously, it sometimes took several days for officially accepted public contribution payments to be recorded in the authority's books, and so payees may have temporarily found themselves in various levels of arrears.)

This amendment results in a clearly positive change for clients, as they no longer need to wait for another one or two years to enjoy the benefits that exemption from the payment of VAT guarantees on imports entail.

19. Taxation procedure

19.1. Simpler and faster issuing of tax authority certificates

The maximum processing time for the issuing of tax authority certificates will be reduced from 8 days to 6 days. In addition, it will become the general rule that taxpayers shall not be required to apply for a tax certificate or joint tax certificate in relation to any procedure if they are included in the tax authority's database of taxpayers with no public contribution arrears.

In addition, regulations on tax authority certificates (tax certificate, joint tax certificate, income certificate, jurisdiction certificate) shall be presented in a clearer and simpler form.

19.2. Positive changes regarding payment facilitation and tax reduction

With regard to payment facilitation and tax reduction, if the taxpayer is included in the certified taxpayer database and requests an urgent procedure when submitting his/her application, then the maximum processing time for the procedure shall be decreased from 30 days to 15 days.

The amendment increases the limits relating to the automatic easing of payments with regard to personal income tax, the maximum level of arrears that may be included in a request for the facilitation of payment shall increase from HUF 100 thousand to HUF 150 thousand, and in the case of the automatic facilitation of payments the number of equal instalments payable shall increase from 4 to 6.

19.3. Compulsory professional advocacy introduced

During the course of procedures regarding the provisional assessment of tax, the applicability of the provisional tax assessment, the determination of the usual market price, and in the case of procedures launched on the basis of a request for supervisory measures from the Minister responsible for tax policy or the Minister designated to supervise the National Tax and Customs Authority (NAV), professional advocacy shall be compulsory.

19.4. Amendments to regulations on provisional tax assessment

According to the amendment, a provisional tax assessment may be requested with regard to transactions that do not qualify as future transactions in relation to corporate tax, personal income tax, small enterprise tax and local business tax.

In addition, the regulations on the provisional assessment of tax – primarily with regard to the determination of fees – shall be clarified.

The amendment also stipulates that a provisional tax assessment shall only cease to be valid in case of an amendment or change to relevant regulations or established facts. Investigations concerning the issue of such changes indeed being relevant or otherwise shall be performed within the framework of a separate procedure on the part of the authorities and subject to request.

19.5. Tax payment within multiple tax categories with a single transfer

In the near future (expected in the second or third quarter of 2013), it shall become possible to pay liabilities from several tax categories using a single payment; detailed regulations shall be determined in new legislation.

19.6. Regulation on calls for self-monitoring

The Government establishes the legal definition of the call for self-monitoring in the case of private individuals who are not involved in business activities, the essence of which is that the tax authority may call on taxpayers to perform self-monitoring if the tax authority determines a discrepancy to the debit of the taxpayer between the taxpayer's tax return and the data it has at its disposal.

It is not compulsory to comply with the call for self-monitoring and non-compliance bears with it no legal consequence. Its legal effects are that no authority monitoring relating to the discrepancies in question may be initiated from the issuing of the call to the time of self-monitoring, but up to a maximum of 30 days after the call has been issued, however the open deadline for the allocation of claimed tax rebates shall also be suspended for this period.

19.7. Late appeal requests prompt no supervisory measures

In agreement with the Commissioner for Fundamental Rights, the Government has abolished the practice of the evaluation of late requests for appeal leading to supervisory measures.

19.8. Legal practices in relation to taxpayers become more equitable

During the tax registration procedure, during which the tax authority assesses if the organisation requesting the tax registration number is entitled to receive a tax registration number, if the taxpayer pays the tax arrears that cause the refusal to allot a tax registration number, or if the arrears cease to be applicable for other reasons (e.g. they expire or are cancelled) prior to the submission of the application for exemption, and the taxpayer proves this when submitting the application for a tax registration number, then the tax authority shall withdraw its decision to refuse the allocation of a tax registration number and shall allocate one.

During the tax registration procedure, if the tax authority determines that an individual who for objective reasons as determined by law poses a risk is in the role of executive officer or has majority ownership in an existing taxpayer (enterprise), then the tax registration number shall be withdrawn, unless the taxpayer averts these objective reasons. The taxpayer has 30 days in which to avert such reasons (instead of the previous 15 days).

The regulations relating to enhanced tax authority supervision are amended so that failure to return the form that taxpayers are called on to fill out prior to the procedure shall not automatically lead to the cancellation of the tax registration number.

With regard to the pursuance of debt, the pursuance proceedings may also be suspended following a substantiated request by the taxpayer. If the pursuance proceedings are suspended or delayed, then their implementation may not be enforced even on the basis of immediate collection orders already in process.

From 2013, in the case of the authorised facilitation or reduction of payment, the pursuance of debt with relation to the arrears in question may not be pursued from the time the related decision is brought until the time the decision comes into force.

A further stipulation aimed at aiding private individuals is that in future they shall be able to request that they be entered into the public contribution debt-free taxpayer database, which makes it possible for private individuals to certify their lack of tax arrears in this way in future, instead of requiring a tax certificate or joint tax certificate.

19.9. Simplified personal income tax declaration becomes even less complicated

From 2013, if the simplified – personal income tax – declaration prepared by the tax authority is acceptable to the taxpayer, then the taxpayer shall in future not be required to return the signed declaration to the tax authority, but instead the prepared declaration shall be regarded as the taxpayer's tax declaration.

19.10. Former executive directors may be fined

In case of liquidation or voluntary or forced dissolution proceedings, former executive directors may be fined for default regarding arrears relating to earlier tax periods.

19.11. To protect tax payers, local governments' debtor lists shall become more limited

The minimum limit for the publication of debt details shall increase from HUF 10 thousand to HUF 100 thousand in the case of local taxes and motor vehicle taxes, and from HUF 5 thousand to HUF 50 thousand in the case of private individuals. In addition, debtor information may only be published in relation to debts that are outstanding for a period of at least 90 days, and in the case of tax arrears that have been determined in an official decision, only if the decision has come into force and a court of law has not repealed it.

19.12. Clarifying regulations

The chapter of the act on tax procedures regarding monitoring shall be amended in several regards. The regulation regarding the deadline for monitoring prior to paying out funds has been clarified in view of the VAT payment deadline regulations; monitoring may be concluded without the closing of the related investigation if the required evidence is available, furthermore, in the interests of the monitoring of public health product taxes, the array of tools available for monitoring shall now include the possibility of taking samples.

19.13. VAT may be settled more frequently

On compassionate grounds, the director of the acting authority may at the request of the taxpayer authorise the more frequent settlement of VAT accounts – on a quarterly basis instead of on a yearly basis; on a monthly basis instead of on a quarterly basis – even if grounds for disqualification are present, providing that the weight of the grounds for disqualification are not comparable to the taxpayer's interests regarding the more frequent settlement of VAT accounts.

After the amendment comes into force, the fact that a taxpayer has changed his/it's registered seat at least three times within the course of the two years prior to the request being submitted shall no longer be a basis for disqualification from the more frequent settlement of accounts.

19.14. Restriction of cash payments

Taxpayers who are required to open a bank account may only pay another taxpayer who is required to open a bank account for goods or services rendered up to a maximum of HUF 1.5 million per month per contract.

19.15. Electronic data storage

Taxpayers shall be entitled to store their receipts, accounts and other records electronically and online. In this case, the taxpayer shall be obliged to inform the tax authority of this fact, and in the case of monitoring must provide the tax authority with electronic access and the opportunity to download said information.

20. Accounting

20.1. Simplified financial statements for micro-enterprises

In the interests of the implementation of the Simple State medium-term government programme, those smallest business organisations, individual enterprises and other entrepreneurs that use double-entry bookkeeping may at their own discretion also chose to use the further simplified version of the simplified annual financial statement, the micro-enterprise simplified annual financial statement, from the 2013 financial year. The micro-enterprise simplified annual financial statement must be prepared in accordance with the regulations of the law on accounting and according to the special stipulations determined in a separate government decree. The amendment will enable the further decrease of the administrative burdens of the smallest business enterprises and entrepreneurs.

20.2. Amendments aimed at reducing the administrative burdens of enterprises

In the interests of further reducing the administrative obligations of enterprises, the minimum threshold of the so-called “significant accounting errors” shall be changed, as a result of which the administrative burdens of both large and small enterprises will decrease when correcting the errors of prior financial years in their books. Another significant change that simplifies the administration of enterprises is the abolishment of the requirement to restate the annual financial statement in case of accounting errors.

Next year, amendments that serve to regulate issues that have arisen during the enforcement of the law shall also come into force, and accordingly, clarifying regulations shall be introduced for example in relation to self-monitoring regulations, the reclassification of assets, the concept of accounting permanency, the definition of intellectual products and the determination of balance sheet earnings.

21. Gambling

21.1. Supervisory service charge

In future, the supervisory service charge, which until now has been regulated by government decrees, shall be regulated on a legislative basis within a transparent system. The percentage level of the gambling supervisory charge shall not change in view of the re-regulation. Within the framework of the uniform regulations, minimum and maximum values shall be introduced for all those liable, and the sphere of those liable shall now also include the operators of gambling machines.

From January 2013, in the interests of facilitating monitoring and the keeping of suitable records, a statement must also be made with relation to the payment of gambling supervisory charges; this will however not mean an increase in administrative burdens as it shall also be possible to make such statements together with other data provision obligations, or indeed as part of such documentation.

21.2. Items used for organising illegal gambling activities may be confiscated

As a public administration legal instrument to combat the organisers of illegal gambling activities, the state authorities shall have the power to confiscate the appliances used for gambling activities organised without a licence, and also the related bets and winnings from 1 January 2013. If criminal proceedings for the organisation of illegal gambling activities are also launched in relation to the organisation of gambling activities without a licence, then the state authorities shall hand over the confiscated items (moveable property, money, securities) to the authority acting in the criminal case. Confiscation and impounding during the course of gambling supervisory authority proceedings is an especially effective tool in the fight against illegally operated gambling machines.

Ministry of National Economy

