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PKF TAX NEWSLETTER – April 2013

Our newsletter presents the Decree of Ministry for National Economy about cash registers, and the tax allowances available for enterprises operating in free entrepreneurial zones.

In addition, we present the most important changes in taxation that were adopted this April.

Should you have any questions related to the current newsletter, or any other tax-related issues, please feel free to contact us.

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Cash registers with online data supply

In order to reduce tax evasion and enhance taxpaying moral, the Government made a decision in October 2012 to connect cash registers to the Tax authority for data supply. According to the new legislation, every taxable person who is required to operate cash register has to use cash register enabled to online data supply specified in 3/2013 (II. 15.) Decree of Ministry for National Economy. The Decree became effective on 20 March 2013, but allows a transitional period for the change until 30 April.

The deadlines relevant to the new legislation are the following:

- 10 March 2013: the Tax authority published the licence number of cash registers unable to record a digital log, which are not allowed to be operated after 30 June.
- 20 March 2013: the new legislation became effective about the technical specifications, licensing and servicing of cash registers.
- 1 May 2013: the date of transition to the new cash registers.
- 30 June 2013: the deadline for changing cash registers unable to record a digital log (the Tax authority does not penalize until this time).
- 1 July 2013: the operators of traditional cash registers with digital log are liable to monthly online data supply to the Tax authority on the receipts, simplified invoices issued by cash register.
- 31 December 2013: the deadline until which traditional cash registers with digital logs can be operated.

Taxpayers not required to operate cash register may use traditional cash registers until the end of 2014.

The possible default penalty for the failure to comply with the new legislation can be between 500 THUF to 10,000 THUF.

Allowances for companies operating in free entrepreneurial zones

A Government Decree published on 12 February 2013 designated 903 zones in Hungary which became "free entrepreneurial zones" and therefore the taxpayers operating in these will be entitled to take advantage of several tax allowances.

A development tax allowance can be claimed from corporate income tax if the company puts into operation an investment of at least 100m HUF at present value within the territory of a free entrepreneurial zone. There are data supply liabilities in connection with the tax allowance.

A social contribution tax allowance is available if the company claims the above development tax allowance and its headcount increases compared to the headcount of the month preceding the investment. There is no social contribution tax on the salaries of the new employees for 2 years, and there is a 14.5% discount afterwards. The allowances apply to the part of the monthly gross salary below 100,000 HUF (~350 EUR). The allowance can be claimed within five years from the investment.

If a company claims the social contribution tax allowance, it is also entitled to claim a vocational training tax allowance for two years, on the wages of the new employees up to 100,000 HUF / month.

Reverse VAT in agricultural sector

The European Commission did not support the introduction of reverse VAT to the sale of certain products in the pig sector and several types of fodder.

The reverse VAT would have entered into force from 1 April 2013, but the Parliament adopted the modification which cancelled it. These products are therefore still subject to standard VAT.

Latest changes in taxation

The Minister of National Economy submitted a new tax law proposal in March, which was adopted in April. The major changes are the following:

- In the case of a permanent lease of a car, the lessee will be subject to company car tax.

- In the case of tax allowance for the sponsorship of sports, a so-called „supplementary sponsorship of sports development” will be introduced. This sponsorship should be provided to the association of the sponsored sport, for at least 75% of the claimed tax allowance. This sponsorship is not a deductible expense.
- The financial transaction duty will be extended to the “white cheque” introduced by the Hungarian Post.
- Small business tax can be chosen by anyone during the whole of the year.
- Insurance agents may use flat tax for micro enterprises as well.

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