Introducing a new taxpayer qualification system
As of 1st of January 2016 the Hungarian Tax Authority introduces two new rating categories for the taxpayers; together with the already existing general taxpayer, the reliable and the risky categories shall apply as well. The qualification of the taxpayers will be automatic, based on the data of the last day of the current quarter.

The taxpayer shall meet all the ten conditions listed in the Hungarian Act on the Rules of Taxation (e.g. the net tax debt does not exceed HUF 500 000, the taxpayer had been conducting business for more than three years continuously, its default penalties and tax shortfall did not exceed the expected levels defined in the Act in a given period) to be considered reliable. If the taxpayer fulfils all the conditions - which basically means obeying the law - it will get several benefits, such as maximizing the default and tax penalties at 50 percent of the general rate; getting the VAT refunds within 45 days as of 1st January 2017 and within 30 days from 1st of January 2018 and providing an automatic, interest-free instalment to tax liability under HUF 500 000 (~ EUR 1600).

On the contrary, the taxpayer will be considered risky, if it fulfils any of the following conditions: it is on the list of delinquent tax payers; it is on the list of taxpayers with huge amount of tax debt; on the list of taxpayers who employed undeclared workforce or have been subject of repeated business closure by the Tax Authority. The risky taxpayer suffers several disadvantages, such as:

- increased allocation time of VAT refunds,
- the minimal rate of the default and tax penalties will be at least 50% of the general rate,
- the maximum amount of the default penalty will be 150% of the maximum tax penalty rate of the general taxpayer,
- the late payment interest will be calculated with 5 times the central bank base rate (which is only 2 times in case of the general taxpayers), and
- the tax inspections of Tax Authority will be extended by 60 more days.

Tax return declaration
In order to ease the fulfilment of the tax obligations of the individuals, a so called “tax return declaration” system will be implemented, first applicable to the year 2015. If the individuals meet certain criteria defined in the Act on the Rules of Taxation (e.g. their only income derives from employment, they have not taken advantage of any tax allowance), then the individuals may fulfil their tax obligations by filing a declaration to their employer. The employer submits the data provided in the declaration to the Tax Authority, who determines the individuals’ tax liability by 20th May of the following year.

Tax return proposal
As of 1st January 2017, individuals who have an electronic client gateway accounts and did not request tax assessment from their employer or did not submit the previously mentioned tax return declaration, will receive a so called ‘tax return proposal’ from the tax authority. The proposal will be sent electronically, which may be amended and corrected by the individual and shall be accepted by 20th May – which is the deadline for the payment of tax as well-, through which the obligation for filing the tax return will be deemed as fulfilled.

Integrated tax and duty accounting
As a result of the integration of the tax and customs accounts, the different certificates proving that the taxpayer does not have any outstanding tax or customs liabilities will also be merged together, in a general tax certificate.

EKAER
In order to speed up the inspection process of transportation vehicles, as of 1st January 2016, the inspectors no longer prepare minutes about the inspection if no violation of law can be determined, except if the freighter specifically asks for it.

Tax registration procedure
Tax registration will be slightly stricter from 1st January 2016. The Tax Authority may decline to issue a tax number even at lower level tax debts (HUF 5 million and HUF 10 million). Also, the representative manager of a company may be subject to inspections.
LOCAL BUSINESS TAX

New R&D tax allowance
The local municipalities – based on their own decision – may introduce a special tax allowance, where 10% of the R&D direct costs could be used as an allowance, up to even 100% of the local business tax liability.

Electronically filed tax returns
As of 2017, the taxpayers may file their local business tax returns directly to the National Tax Authority in a standardised format. The form must be completed electronically, and submitted to the National Tax Authority, who will forward it to the competent municipality. Local business tax returns shall be considered as filed if submitted to the National Tax Authority in due time.

IFRS
There are various changes in the CDTA in line with the transition to IFRS, ensuring that the companies shifting to IFRS can appropriately fulfil their corporate income tax liabilities. We note that – similarly to the local business tax – the tax base of the transition year and the tax base of the following year shall not be lower than the tax base calculated in the year before the transition.

VALUED ADDED TAX

Restrictions for VAT deduction
As of 1st January 2016 the right to deduct the self-assessed VAT on intra-Community acquisitions, import, and also reverse charged domestic purchases may only be exercised in the same tax period in which the deductible VAT was assessed.

In all other cases, the taxpayers may only reduce the VAT payable in a given tax period by the VAT deductible occurred in the current and the previous tax year. Any deductible VAT occurred earlier may only be deducted in the period in which it arose by means of self-revision.

Periodical settlement
In order to avoid unnecessary self-revisions regarding periodically settled transactions, when the due date falls after the last day of the settlement period, the date of supply shall be the due date, but cannot be later than the 60th day (instead of the previously accepted 30 days) after the last day of the settlement period, effective from 1st January, 2016.

Reduced VAT rates for apartments and houses
As of January 1st 2016, a reduced rate of 5% VAT must be charged in case of the sale of newly built houses (smaller than 300 m²) and apartments (smaller than 150 m²).

Exemption on filing the tax return
If a taxpayer has no local business tax liability based on the allowance and exemption rules of the municipality’s tax decree, no tax return shall be filed.

CORPORATE INCOME TAX

Tax credit for growth
As of 2015 a new, so called growth tax credit is available, where the taxpayer may opt to pay the corporate income tax due in the given tax year in the subsequent two tax years. The tax credit is subject to various conditions defined by the Corporate Income Tax and Dividend Tax Act (“CDTA”); if those ar fulfilled, the taxpayer shall submit a declaration about this to the Tax Authority by the deadline of the top-up liability.

As of 2015, the undue part of the growth tax credit may be converted to a tax allowance through investments or increasing the head count of employees, where the tax allowance can reach up to 90% of the undue corporate income tax liability.