

Tax changes 2016-2017

Dear Client,

You are reading PKF Hungary's tax alert, which contains the most important amendments to the tax laws adopted in June which are essential to your Hungarian operation.

SYSTEM OF TAXATION

As in the current legislation, reliable taxpayers are treated more positively, while risky taxpayers are treated more strictly than under the general rules. Taxpayers not in either of the above mentioned categories are subject to the general rules.

As of 1st of July 2016, when classifying a taxpayer as reliable, the total tax difference charged to the taxpayer can be reduced by the total tax difference credited to this taxpayer. In order to be qualified as reliable taxpayer, the difference calculated this way shall not precede 3 percent of the taxpayer's annual payable tax.



VALUE ADDED TAX

As of 1st of January 2017, as far as output VAT is concerned the threshold of necessary indication of the domestic customer's tax number on the invoice will decrease from the current HUF 1 million to HUF 100 000.

As of 1st of July 2017, the domestic recapitulative statements will have to be filed for the invoices inclusive of VAT of HUF 100 000 instead of the current 1 million, furthermore taxpayers will be

required to provide details as specified in the law on invoices that are issued with an invoicing program and are inclusive of VAT of the minimum amount of HUF 100 000.

As of 1st of January 2017 the VAT rate of milk, eggs and poultry will be decreased to 5%. The current 27% tax rate will be reduced to 18% on meal provided and non-alcoholic beverages produced in local catering establishments, whereas in 2018 there will be a further reduction to 5%.

ADVERTISEMENT TAX

To assure the fulfilment of the tax obligations of the publisher taxpayers who do not have any legal establishment in Hungary the Act on Advertising Tax is to be amended in 2017. As part of this framework of that, the following strict sanctions will be introduced:

- If the publisher of the advertisements fails to provide a declaration to its customer and cannot be found in the records of the National Tax Authority of the advertising-tax fulfilling companies, it will be requested to fulfil the declaration-obligation to the National Tax Authority within 8 days. Any publisher's failure to comply with the request will result in a default penalty of HUF 500 000. A repetitive failure of providing a declaration in respect of the same customer will be penalized for HUF 10 million, and any further non-compliance will lead to a fine equalling the triple of the previous fine, in order HUF 30, 90, 270, etc. million.
- Failure to comply with the obligation to registration – along with a request for fulfilment – will result in a HUF 10 million default penalty. Similar to the above written, repetitive failure will lead to a fine of the triple of the previous fine, with an addition, that if the publisher complies with its registration obligation immediately after the first request the fine can be reduced without restraint. Failure of registration obligation is stated by the National Tax Authority on a daily basis in a Decision, which becomes mandatory and feasible upon declaration.



The above mentioned default fines shall not exceed HUF 1 billion in respect of the same taxpayer.

Furthermore, to enforce the filing of the advertisement tax returns, from 2017, the National Tax Authority will levy a deemed tax of HUF 3 billion (for the preceding tax year equivalent with the calendar year) on the taxpayers who fail to submit their returns. This legal presumption – as an individual legal remedy – may be challenged by the concerned taxpayer within a limitation period of 30 days by submitting contrary evidence.

Should you have any questions in relation with the content of our letter or any other taxation related subject, do not hesitate to contact us!

Vadkerti Krisztián
Managing director
vadkerti.krisztian@pkf.hu

Pénzely Márta
Transfer pricing | CIT
penzely.marta@pkf.hu

Molnár Emese
Compliance | VAT | PIT
molnar.emese@pkf.hu

Tel: +36-1/391-4220 | Fax: +36-1/391-4221
Email: mail@pkf.hu | www.pkf.hu
22 Bölöni György street, Budapest, H-1021
Hungary