



PS HUNGARY NEWSLETTER

15 December 2015

Although the tax package for 2016 had already been accepted surprisingly early – back in June 2015 – further changes were adopted by the Parliament in November 2015. Modifications made to the Rules of Taxation and to the Personal Income Tax have already been highlighted in our previous newsletter – in this issue we are going to browse through the changes made to other taxes and dues.

I CHANGES TO THE ACT ON VAT

Exercising the right of deduction

VAT paid on supplies after January 2016 will be eligible for deductibility for a period of 2 years only.

After the above 2 year period taxable persons will only be able to exercise their right for deduction – provided those rights have not elapsed yet – exclusively in the particular tax period, in which the right for deduction originally arose. This implies that VAT for the corresponding period

will only be possible to be reclaimed by the way of self-revision.

Periodically settled transactions

As already pointed out in previous newsletters the VAT treatment of periodically settled transactions is changing fundamentally as of 1 January 2016. According to the general rule the tax date for periodically settled transactions shall be the last day of the settlement period. Unfortunately the applicability of this straightforward general rule will be limited by the following exceptions:

- a) the tax date shall correspond to the invoice date when the last day of the settlement period is preceded by both the invoice date and the due date
- b) the tax date shall correspond to the due date when the due date falls after the last day of the settlement period with the stipulation that the tax date cannot be later than the 60th day following the end of the settlement period (the original Bill had proposed a 30

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CHANGES IN TAX LAWS (PART 2)



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days limit but eventually an amendment extended the period available for taxpayers to invoice these transactions without the obligation of a self-revision).

The new regulation will first be applicable for transactions where the starting date of the settlement period, the invoice date and the due date of payment all fall after 31 December 2015.

Invoice for airplane tickets

As of 1 January 2016 international passenger air transport providers will be relieved from their obligation to issue invoices unless the customer is explicitly requesting an invoice.

II CHANGES TO DUTIES

New exemptions for vehicles

By granting exemption for business entities from duties on the acquisition of buses, trailers and trucks the legislation seeks to foster the modernization of vehicles employed in the logistic and road transportation sectors. In the same time the extension of currently existing duty exemption of electric cars to other environmental friendly vehicles (such as hybrid and zero emission cars) aims to promote the proliferation of such vehicles. The exemption granted for these eco friendly cars is to be considered as 'de minimis' subsidy. As of January 2016 for buses, trucks and trailers with an engine capacity exceeding 120kW duty on title transfer will also have to be determined based on the effective engine capacity.

New exemption for built-in lands

As of 2016 exemption from stamp duty is granted on the acquisition on land on which a building stands provided that the building was constructed by the acquirer.

Conditional exemption of historical buildings

Acquisition of ownership of buildings classified as historical monuments will be exempted from stamp duty provided that the building will be renovated. Renovation shall start within one year following the date the acquisition was reported to the real estate supervisory authority for duti-

able purposes and shall be finished within five years of the same date.

ESOP related exemptions

Provisions have been amended to provide duty exemption as of 1 January 2016 on the acquisition of stocks and shares under an Employee Stock Ownership Plan.

Duty stamp to be phased out in certain proceedings

The compulsory utilization of duty stamp as a method of payment for duties on copies and extracts in certain administrative proceedings will be abolished as of 1 January 2016.

III CHANGES TO LOCAL TAXES

Facilitated tax return filing

Taxable persons without any local business tax payable (resulting from the application of preferential rules or exemptions) will not be obliged to file their local tax return.

As of 1 January 2017 businesses will be allowed to file their local business tax return also with the Tax Office (instead of the local municipality) and what is more, in an electronic way. The Tax Office in turn will forward the returns without further review to the competent municipality. A submission will not be regarded as being late as long as it makes it to the Tax Office in due time. This might immensely ease the administrative burden on taxpayers operating in the jurisdiction of several different municipalities.

New items to decrease local business tax

The augmentation of the definition of 'road toll' will imply that 7.5% of expenses incurred both in and outside the country for the usage of tolled motorways, highways and main roads will be deductible from the local business tax.

Moreover, as of 2016 municipalities may grant a tax credit corresponding to 10% of the R&D expenses incurred by taxpayers.

Building tax liability set in by occupation

Up till 2016 building tax liability used to commence on the first day of the year following the year when the occupancy or continuation permit had been issued. As of 2016 apart from the above events, de facto occupation of the building

will also trigger tax liability. This is much more in tune with real life practice where the authority – rather than issuing the permits – simply acknowledges the fact of occupancy and consents to continuation.

Treasury software used for the administration of local taxes

With the deadline of 1 October 2017 municipalities are expected to switch to the software supplied by the State Treasury to maintain their records on local taxes and other public debts enforceable in the manner of taxes. The database will also be made accessible to taxpayers, however, the information downloaded will not be recognized as authentic and taxpayers will be advised to use it only at their own risk.

IV CHANGES TO VEHICLE RELATED TAXES

New exemptions in vehicle, car and registration tax

Apart from electric cars, exemption from vehicle tax and car tax will be extended also to other environmental friendly vehicles such as hybrid and zero emission cars. The exemption granted for these eco friendly cars is to be considered as 'de minimis' subsidy.

Registration tax also follows suit.

V CHANGES TO ENVIRONMENTAL PRODUCTION PRODUCT CHARGES

Definitions

In accordance with changes made to the regulation existing definitions have been reworded and new definitions have been introduced.

This line is followed in importing some of the concepts straight from the Act on Rules of Taxation and moreover declaring the Rules of Taxation as framework in procedural issues and in issues unregulated by the Act on Environmental Production Product Charges itself. This concept manifests itself especially in the sanction regime where the definitions of default penalty, late payment surcharge,

product-charge arrears and product charge difference have all been introduced.

On contrary to the above, definitions which are not described in the Act on Environmental Production Product Charges should be referred to in the Waste Act.

Flat-rate product charge in the trade of motor vehicles

Obligators can opt to pay flat-rate product charge on passenger cars and motorbikes. The choice is binding for a calendar year and has to be reported by 31 January to the Tax Office.

The flat-rate product charge is determined based on the Customs Tariff Number of the vehicles (in the range of HUF 4,000 – 7,000 for passenger cars and HUF 1,000 – 3,000 for motorbikes).

This scheme will not be available for other vehicles such as trucks and buses.

The flat-rate charge will be refunded provided that the prescribed conditions are met.

Declaration, payment, advance

Selective waste management operators will declare their liability annually (as opposed to the quarterly submission they had been subject so far) by 30 April of the following year. They are liable for an advance payment in the amount of 95% of previous year's tax liability, payable by 20 December along with the submission of the advance declaration.

Obligators paying flat-rate product charges will submit their declaration until 20 January. Deadline for advance payment is also set at 20 December as above.

Other changes

It has been clarified that it is the alternate obligator who is obliged to report the assumption of product charge liability to the Tax Office, within 15 days of signing the assumption agreement.

Reusable packaging products imported from abroad shall be returned to abroad in a year's time; product charge liability will take effect on day 366 with respect to the quantity not returned.

As the average nation-wide waste management output of State waste management coordinator organization has seen some growth in the area of some electronic equipment, the charges due from selective waste management operators is expected to increase.



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