



HUNGARY

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## The most important tax changes

In 2015, taxpayers shall again take several tax changes into consideration during their business calculations.

In our present newsletter we present the changes that in our opinion have the most significant impact on everyday practice.

## 1. Value Added Tax

### 1.1 Transactions with periodic settlement

According to the present regulations, tax payment liability in the case of transactions with periodic settlement (e.g. lease agreements, periodically settled advisory services) emerges on the due date of the payment of the countervalue.

According to the new regulations, in case the parties agree in periodic settlement or payment in return for supply of goods or for provision of services, or the countervalue is charged for a specific period, then the date of fulfilment, and consequently the due date of the tax liability is basically the last day of the above period.

Nevertheless, in case

- the issuance of the invoice for the given period and the due date are earlier than the last day of the given period, then the tax payment liability emerges at the date when the invoice is issued;
- the due date of the countervalue of the given period falls later than the last day of the given period, then the tax liability emerges on the due date, at latest 30 days after the last day of the given period.

In case of accounting, tax advisory, audit services, the above rules shall firstly be applied on settlement periods the first day of which and the due date of their countervalue fall after 30<sup>th</sup> June 2015. In the case of other services, supply of goods, the new rules are first applicable on those settlement periods, the first day of which and the due date of their countervalue fall after 1<sup>st</sup> January 2016.

### 1.2 Declaration in connection to the VAT liability of residential property sale

In case the taxpayer chose VAT liability instead of VAT exemption with respect to the sale of residential properties and other real estates, then he is not allowed to change his decision for 5 years counting from the time of the declaration. As a transitional rule, the sale of a residential property may be exempted from VAT, and the respective declaration shall be submitted to the tax authority until 28<sup>th</sup> February 2015 at latest.

### 1.3 Domicile recapitulative statement

According to the provisions currently in effect, recapitulative statement shall be made about suppliers and supplier invoices with a deductible tax amount reaching or exceeding 2 million Forints in the declaration period, as well as about invoices issued by taxpayer, the taxable amount of which reaches or exceeds 2 million Forints. The 2 million Forint threshold will be reduced to 1 million from 2015. Accordingly, when the amount of charged tax reaches or exceeds 1 million Forints, the first 8 digits of the customer's tax number shall be indicated in the issued invoice.

## 2. Corporate income tax

### 2.1 Definition of related party

From 2015, the taxpayer and another person will be qualified as related parties, if, because of the same managing director, decisive power is exercised amongst them concerning business and financial policy.

### 2.2 Minimum income (profit)

In case the pre-tax profit or the calculated tax base of taxpayer does not reach the minimum income (profit), and the taxpayer does not make a declaration at his choice to the tax authority about the reasons of the incurred loss, then he shall pay corporate income tax on the basis of the minimum income (profit).

Contrary to the earlier regulations, from 2015, during the calculation of the minimum income (profit), the total income may not be decreased by the cost of intermediated services and goods sold.

### 2.3 Tax losses carried forward

Any loss arising from 2015 may be used maximum in the 5 subsequent tax years.

Non-used losses that are arisen until the last day of 2014 may be used according to the rules effective at the date of their arising, but no later than 2025.

In case of transformation or change of ownership, in order that the tax losses arisen in the previous period can be used in the period following transformation or change of ownership, one condition in the cases defined by law is that the taxpayer shall carry on with the activity he pursued before the transformation or change of ownership. From 2015, a further restriction will be that after transformation or change of ownership, the loss may be used only in the same proportion as the proportion of the income of the carried-on activity and the 3-year average income of the same activity prior to transformation or change of ownership

## 3. Duties

### 3.1 Real estate transfer tax

Acquisition of shares in a “company owning Hungarian real estate” falls under the scope of the real estate transfer tax in certain, legally regulated cases. When qualifying a company as company owning Hungarian real estate, then pursuant to the new regulations, during the assessment of the 75% rate of real estate property to the balance sheet total, accruals shall also be ignored in addition to liquid assets and monetary receivables.

## 4. Personal income tax

### 3.1 Cafeteria

Besides the reduced, 35,7% tax burdens (16% personal income tax and 14% healthcare contribution payable on the 1,19 times multiplied contribution amount), the maximum total yearly amount of employees' cafeteria elements (e.g. Erzsébet voucher, local passes) will be reduced from 500.000 Forints to 200.000 Forints. The rate of tax burdens on the cafeteria elements exceeding this amount is 51,17% in total.

## 5. Rules of taxation

### 4.1 Declaration liability in connection to transportation of goods (EKAER)

You can find about the rules of declaration in connection to the EKAER system in our separate newsletter.

Present document does not contain the full list of changes and is not meant to substitute for the review of particular transactions or for any related consultation.

Should you have any questions, please contact us.

Best regards,

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