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# News Flash

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## Changes in the Rules of Invoicing Continuous Transactions' VAT

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In our News Flash we will cover the latest amendments that have been made regarding the VAT of invoicing continuous transactions.

## The VAT Act amendment

Processing invoices of continuous transactions (periodically settled) will change yet again as of January 1st 2016. In order to get the most involved experts (accountants, tax advisors, bookkeepers) prepared, the implementation of the rules was brought forward for these providers by legislators. For them, the new rules have to be applied as of July 1 2015 (VAT Act Art. 58/A)

Amending the current VAT Act was necessary as previously, the Hungarian regulations regarding VAT completion did not meet the EU directive, which clarifies the sale of product or service to be completed (VAT payment due date) on the last day of the settling period instead of the payment date (much like in current Hungarian regulations).

## Transactions affected

Range of transactions affected by the new amendment (VAT Act Art. 58.) are as follows:

- If parties agree on periodical settlements or payments regarding the sales of product / provision of service

- Amount of sale of product / provision of service taken into consideration is stated for a determined period regardless of actual completion like lease agreements, flat fees, etc.

## Changes and exceptions

Changes of these sale of products / provision of services are related to the VAT completion date as follows:

- Act clarifies that the date of VAT completion is the last day of the affected settlement / payment month
- First exception: if the payment date or date of issue (invoice) is before the last day of the month when the settlement is due. In this case the date of issued invoice will be the VAT completion.
- Second exception; if the settlement period's last day is followed by the payment date, the payment date will be the VAT completion date, taking into account that payment date cannot be more than the settlement period plus thirty days as the completion date will be followed by the 30th day after the settlement period's last day.

## Possible scenarios

In conclusion, the following scenarios may be present:

1. If the date of issue as well as due date is before the settlement period's last day, payment date will be the date of issue.

2. If the due date is before the settlement period's last day or is on the same day, but the date of issue is after the settlement period's last day, that means the settlement period's last day is the completion date.

3. If the due date is after the settlement period's last day but it is before the 30th day after the settlement period's last day the due date will be the completion date regardless the date of issue.

4. If the due date is following the 30th day after the settlement period's last day, completion date will be the 30th day after the settlement period's last day regardless the date of issue.

As previously mentioned – accountants, tax advisors, bookkeepers need to apply this rule after 30 June 2015, other continuously fulfilled services will need to apply to invoices with their settlement periods starting from 31 December 2015.

Should you have any questions regarding the new amendments our team of experts will be gladly of your service.

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