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# News Flash

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**Year-end top-up obligation  
in Hungary**

## Year-end top-up obligation is approaching

The taxpayers have tax advance supplement liability in respect of certain taxes (also known as top-up obligation) until 20 December. This year we should not forget about the year-end top-up obligation either. Let's see what you should pay attention to in order to fulfill the top-up obligation.

### Tax types that are subject to year-end top-up liability

Companies are obliged to complete the tax advances paid during the tax year to the expected annual tax payable in respect of certain type of taxes by 20 December. The top-up obligation arises in connection with the following tax types:

- corporate income tax,
- innovation contribution,
- local business tax,
- income tax of energy suppliers,
- advertisement tax,
- simplified entrepreneurial tax.

Our current summary does not cover the top-up related rules of simplified entrepreneurial tax.

For companies whose financial year differs from the calendar one, the deadline for completion the paid tax advances to the expected tax is the 20<sup>th</sup> day of the last month of the chosen financial year.

### Top-up obligation in respect of corporate income tax

#### Taxpayer who are liable to tax advance supplement

Those companies who are subject to double-entry book-keeping and whose previous year's net sales revenue exceeds HUF 100 million are obliged to complete the paid tax advances to the expected tax payable.

There is no tax advance supplement liability in the following cases:

- where the net sales revenue of previous year does not reach HUF 100 million;
- in case of termination of the taxpayer and if the tax declaration is submitted

- due to the completion of the registration process at Company Court;
- for specific taxpayers listed by law (public benefit business associations, water management associations, foundations, associations, churches etc.);
- companies using single-entry book-keeping;
- taxpayers who were established in the current year, as in their case the net sales revenue of previous year is uninterpretable.

#### Deadline for the top-up obligation

Deadline for the payment of top up liability and submission of the return on top-up obligation is the 20<sup>th</sup> day of the last month of the tax year. (For taxpayers whose tax year corresponds to the calendar year this means 20 December.)

Taxpayers who are obliged for top-up have to pay the last monthly or quarterly tax advance together with the top-up liability.

#### Declaration and payment of the top-up liability

The amount of the tax advance supplement has to be submitted to the tax authority. In 2015 the tax declaration no. 1501 is to be used for this purpose; line 15 on page 1501-01 should include the calculated amount.

Please note that the top-up amount to be included in the declaration and to be paid may differ. The reason of the discrepancy may be that the tax return shall include the difference between the calculated tax for the financial year and the submitted tax advances during the financial year, while the payable amount shall be the difference between the expected amount of

tax payable and the tax advances already paid for the tax year.

Tax declaration is to be submitted (if the taxpayer is subject to top up obligation) even if there is no top up liability because the advances of the tax year exceed the amount of the expected annual tax.

### **Top-up obligation in connection with innovation contribution**

Contrary to the corporate income tax, in case of innovation contribution the net sale revenue of previous year shall not be considered. Every company who has innovation contribution liability is obliged to top-up i.e. the contribution advance paid during the year is to be completed to the expected amount of innovation contribution of the year.

The deadline for the top up is the same as in case of the corporate income tax, thus the declaration and payment liability is to be fulfilled by the 20<sup>th</sup> day of the last month of the tax year. The declaration obligation is to be fulfilled on tax return no. 1501, in line 17 on sheet 1501-01.

### **Top-up obligation related to the local business tax**

Those companies have tax advance supplement liability with regard to local business tax who are obliged to the same responsibility in respect of corporate income tax.

The deadline for submission the tax declaration and arranging for the payment agrees with the corporate income tax related deadlines, i.e. the 20<sup>th</sup> day of the last month of the financial year.

Counter to the corporate income tax, the tax declaration about local business tax top-up is to be submitted to the local municipality on whose territory of jurisdiction the company performs business activity. Should the company have business activity at the territory of more local municipality, it has to share its tax base according to the methods prescribed by law.

### **Top-up obligation in case of the income tax of energy suppliers**

Energy suppliers whose previous year's net sales revenue exceeds HUF 50 million are obliged to top-up in relation to the income tax of energy suppliers.

Deadline for fulfillment the top-up obligation is also in case of this tax type the 20<sup>th</sup> day of the last month of the financial year. Tax return no. 1501 is to be used; line 16 on sheet 1501-01 has to include the top-up amount.

### **Top-up obligation related to the advertisement tax**

The advertisement tax law introduced last year prescribes also tax advance supplement liability. According to the law two types of taxpayers are distinguished: the publisher of the advertisement and the customer (who ordered the advertisement). Among them top-up obligation has the publisher only.

The deadline for the tax advance supplement declaration and payment is also in this case the 20<sup>th</sup> day of the last month of the tax year. For the declaration the return no. 1594 is to be used, line 30 on sheet 1594-01 has to include the top-up amount.

According to the law, the publisher, whose tax base does not exceed HUF 100 million has to use tax rate of 0% and is exempt from top-up obligation (it does not need to submit tax declaration with zero data).

## **Fine in case of failing the top-up obligation**

If the taxpayer does not comply with the top-up requirement by the above-mentioned deadline, the tax authority may levy default penalty. It is not to be expected that the taxpayer is able to exactly calculate the final tax payable before the end of the financial year. Therefore, the law allows a “margin of error” up to 10%. Under this regulation the tax advances already paid have to be supplemented up to the expected tax amount within the framework of the top-up liability.

However, the company should expect sanctions only if it did not arrange payment for at least 90% of the expected tax by the deadline, also taken into account the tax advances paid for the tax year.

Amount of the default penalty is 20% of the difference between 90 % of the annual tax liability and the total amount of advance payments and top up payment made for the tax year.

Should you have any questions, need assistance or would you like someone to prepare or review your top-up tax calculation, we would be glad to help you.

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