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News Flash

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**Tax package proposal for 2017 in
Hungary**

Tax package proposal for 2017 in Hungary

On the 3rd of May, 2016, after the press conference of András Tállai, the Minister of State for Parliamentary Affairs and Taxation and the Commissioner for the National Tax and Customs Administration, the Hungarian government submitted the current term's most important law amendment proposal to the Hungarian Parliament. The tax proposal includes 30 law amendments in almost 260 paragraphs, but the basic conditions of the current tax system are remains unchanged. Although the motions can be changed during the parliamentary negotiations, but the 117 pages of the law proposal about the excise duty and the 204 pages of the new tax package includes countless interesting items, so it still worth to mention them in their original form in our current newsletter.

VAT reduction:

The new VAT act proposal would like to reduce the VAT rates of several products and services, while the government would give up 55 billion HUF of revenues to "whiten" and stimulate the Hungarian economy.

The following products and services could be affected:

- VAT cut on poultry and eggs from the current 27 percent to 5 percent.
- The VAT on restaurant services (including locally produced non-alcoholic beverages) will be lowered in two rounds; the first cut will be in next year to 18 percent and further to 5 percent from 2018.
- The VAT on fresh milk in retail sale will be lowered to 5 percent. The proposal only mentioned 'fresh milk', so the VAT rate of other processed milk and ultra heat treated milk (UHT) are not going to be changed.
- The proposal intends to lower the VAT rate of internet services by 9 percent, so this service would be related to the preferential 18 percent category.

Public tax burdens:

- With the planned personal income tax amendment the tax benefits of families with two children will increase, what will affect 350.000 families and increase of the current 12.500 HUF after each children to 15.000 HUF will leave them 15 billion HUF more in total.
- In case of tax debt of private individuals (up to 200.000 HUF) the amendment would guarantee a six month simplified allowance free installment.
- The limitation period of executions will be lowered from the current 5 years to 4 years.

Business tax burdens:

- The tax allowance maximum of small and medium-size companies will be ceased.
- With the new amendment, the current 9 HUF/kilometer of tax-exempt support of daily commute to work will be increased to 15 HUF/kilometer.
- Expectedly the conditions of R&D (research and development) tax base reduction will be changed favorably.
- A new tax base decreasing item would be introduced by the government about working accommodations and mobility housing allocations.

Proposal for whitening of the economy:

- The limit of itemized VAT data submission will be lowered from the current 1 million HUF to 100.000 HUF.
- Make the road transportation control system (EKÁER) more enclosed to eliminate the tax dodgers.
- Beverage vending machine linking obligation toward to the tax authority (NAV).
- System expansion of the online cash registers to additional businesses.

Proposal for excise tax laws:

- Much shorter and clear, reduced the previous 150 pages to 65 pages.
- Full switch to electronic system, in case of excise duty the tax authority (NAV) can submit the tax return.
- Nearly 7000 winemakers will be absolved of significant administration.
- There will be only one type of tax warehouse instead of the current 47.
- From 2017 just like, in the case of alcoholic beverages, tax seals will be added to tobacco products. That means that the current tax stamps will be ceased and no longer used.
- Because of EU standards, the by the date of 1 September 2016 the excise tax on tobacco products will be raised by 29 percent (in three steps) until December 2017.
- From that time, excise tax will be applied to e-cigarettes too.

- The cabinet proposes an alternative on the excise tax on fuel: The excise tax on fuel should be linked with the price of Brent crude. That means if the market price of oil drops under the threshold (currently there are two options: 40 or 50 USD/barrel) then the tax will come into force (raise the price of diesel by 10 HUF/liter and raise the price of gasoline by 5 HUF/liter) but will expire immediately, as soon as the market rates increases.

The result of the first taxpayer classification:

The National Tax and Customs Administration graded nearly 560.000 taxpayers by their qualified life path and according to that:

- 190.000 companies got 'good taxpayer' classification
- 370.000 companies got 'average taxpayer' classification
- and 70 taxpayers got 'dangerous, risky' classification.

Every taxpayer will be notified through the client gateway and if someone disagrees with the classification, it's possible to submit objection toward to the tax authority within six months after the notification.

If you have any additional questions about the planned tax package or about any bills, feel free to contact us, our tax advisors would be pleased to help you.

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