

# News Flash

June, 2016



**Hungary's newly accepted tax package for 2017**

## Hungary's new tax package for 2017

On Tuesday, 7th June, the Hungarian parliament approved the tax package proposal for 2017, which contains various innovations in our tax system. In our recent newsletter, we are going to summarize these new accepted adjustments.

### Changes in the cafeteria system

Health care service granted by the employers are going to fall under the category of tax free allowances from next year, but it is still unknown exactly what kind of healthcare benefits will be involved. The types of benefits will be specified later, in a separate regulation, decided by the Minister for Healthcare in consultation with the Minister for National Economy.

Health Insurance Fund and the other voluntary funds will be no longer part of fringe benefits. From next year, they will be taxed as certain specified benefits not qualified as fringe benefits, which means higher tax burden and put these benefits into a significantly disadvantageous aspect.

Furthermore a yearly amount of 100.000 HUF can be paid in cash for the employee under preferential tax treatment conditions. Additionally, employers can transfer to the employee's SZÉP voucher an amount of 450.000 HUF in the private sector, and 200.000 HUF in the public sector. As the part of the cafeteria tickets or passes for sport- and cultural events given by the employer will be still tax free, just like aids up to 5 million HUF for home builder, home buyer and home loan payer employees.

From 2017, other benefits (like, canteen services, school support etc.), excluding holiday service and non-cash income from the community fund of the co-operative society, are also going to get out of the scope of fringe benefits.

### Decreasing VAT rates

In 2017 the VAT rate on poultry, fresh milk and eggs going to decrease to 5 percent. And while the VAT on restaurant services – including locally produced non-alcoholic beverages – and internet services will also going to be decreased to 18 percent in 2017, there will be a further

decrease on restaurant services effective from 2018, the VAT rate of these services will also fall under the same 5 percent rate.

### Domestic summary reports

From January 1, 2017 the limit of output tax will be lowered from the current 1.000.000 HUF to 100.000 HUF in connection with the domestic summary report obligation. In case of reaching this limit as a resident taxpayer, it will be mandatory to indicate the tax number of the customer and the invoice details should be included in the domestic VAT Information Exchange System.

It's an additional plan, that invoices issued with accounting programs should be traceable online and in real time by the tax authority.

### Rising fueling prices

From September 1, 2016 the excise tax on gas oil, petrol and kerosene will be assigned to the world market price of oil. The level of the excise duty will be aligned to the world trade price of Brent crude at the end of every quarter year.

### Electronic local business tax return filing

From January 1, 2017 the local business tax declaration will be possible to be fulfilled via the tax authority's electronic system which and what the National Tax and Customs Office of Hungary automatically forward to the competent local government.

### Labour mobility

The raise on the tax free exemptions for employees reimbursing their expenses for commuting to and from work has been accepted, and starting next year, the current 9 HUF per kilometer reimbursement will be raised to 15 HUF per kilometer. Furthermore in addition

to the housing support mobility, the formation and maintenance expenses of working accommodations will be treated in the same favorable way in the corporate income tax.

### **Tightened advertisement tax**

The sticking rules ensure the compliance of the advertisement tax rules.

If the publisher of an advertisement omits the necessary declaration towards to its client, furthermore the publisher is not stated on the register list of 'taxpayers performing the advertisement tax obligations', then the tax authority may call on to declare a supplement. If the publisher continues to miss these expectations within the 8-day deadline, then 500.000 HUF default penalty should be paid and in case of repeated omission additional 10 million HUF fine will be levied. If the publisher still misses these expectations, after every new omission, the previous fine is going to be tripled.

In case the advertisement publisher misses the notification requirements, the same fine system will take effect, with the exception, that the first penalty can be mitigated without restraint, if the registration has been undertaken after the first call of the tax authority.

The proposal maximizes the amount of fine imposed under the two presented title for one taxpayer by 1 billion HUF.

### **Cease of occupational lease**

The law, in order to preclude the abuses, countermands the term of occupational lease and in the future a company car tax will burden these previously tax free leases.

### **Allowance free tax debt installments**

Every individual who has a 200.000 HUF debt at most, is entitled to request an allowance free monthly payment in the future. For this installment it is enough to submit an application with only indicating the tax identification number and the number of months of installments.

### **Broaden inspection types**

From July 1, 2016 the National Tax and Customs Office of Hungary (NAV) will broaden its repertoire of inspections with a material time related inspection based on conditional tax assessments. As the part of the new inspection, the NAV will investigate if the conditional tax statement (what had been completed until the start of the inspection) has been completed as it was stated in the Decision.

### **KATA (Fixed Rate Tax of Low Tax Bracket Enterprises)**

Until now, the actually not received incomes of taxpayers who are applied for small taxpayers' itemized lump sum tax (KATA) were not considered as income.

According to the new amendment, the date of getting an income can be the termination day of taxpayer, if it did not receive the invoice consideration until the last day of being a taxable person of KATA. The clarification was necessary to prevent tax avoidance in the future. Whereas the law amendment contains facilitations too, which provides that small taxpayer enterprises received aids for costs and developments will not be the part of their income.

Other facilitation, that those small taxpayers who are having auxiliary activities will be exempted from the itemized tax for the time they are incapable of work.

### **KIVA (Small Company Tax)**

According to the amendment, KIVA tax status can be chosen by taxpayers whose average statistical number of staff does not exceed 50 persons. The tax status is ceasing when the average statistical staff headcount exceeds 100 persons. The regulations on accrued loss are also changing.

## Health service contribution

The monthly health care contribution fee for every private person without insurance relationship or who's not entitled to any other

health service, will be heighten to 7110 HUF from the current 7050 HUF.

If you have any additional questions regarding the newly approved tax package, feel free to contact us, we would be pleased to help you.

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