



Tax&Legal Highlights

Hungary

Positive development relating to VAT reclaims concerning uncollectible receivables

Based on the ruling (case C-246/6) made by the Court of Justice of the European Union at the end of 2017, taxpayers have had a theoretical opportunity to decrease their tax base by reclaiming VAT on transactions settled by them but financially not settled by their partner ("uncollectible receivables").

At the same time, despite the ruling, the possibility to decrease the tax base was uncertain, as the effective Hungarian regulations do not provide for this opportunity. One of the administrative courts is trying to solve this controversy in a current case, also supported by Deloitte's expert. The Court has recently suspended the procedure and has transferred the case to the Court of Justice of the European Union to conclude a preliminary ruling procedure in order to settle the current legal dispute between the parties.

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The already high significance of the case is further increased by the fact that the receivables in the case lapsed in 2008; i.e. in the case of lapsed receivables, the court also found it reasonable to file a request to the judicial bodies of the EU. This is especially good news, as it was typical in the period 2008-2011 that transactions were not settled financially due to insolvency. The question of limitation may only arise in connection with receivables qualified as uncollectible.

Based on the above, our clients are advised to review the exact amount of receivables they might have which may be qualified as uncollectible. This review and subsequently the initiation of the decrease of the tax base should be done as soon as possible, considering that the Court of Justice of the European Union is due to make a decision in the aforementioned case in only 1-1.5 years, during which period receivables that may be qualified as uncollectible might reach their limitation period. Both with reviews of receivables and with the initiation of the decrease of the tax base, Deloitte's experts are happy to help Clients.

Contacts Details

Marcell Nagy

Marketing Business Partner

Tel: +36 1 428 6737

Mobile: +36 30 555 0501

Email: mnagy@deloittece.com

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