

BEPS Actions implementation by country

Hungary

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Hungary.



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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	The EU VAT directive applies and is already implemented into domestic law.	1 January 2015
Hybrids (Action 2)	Common approach	<p>Existing tax legislation already contains some anti-hybrid provisions. In certain cases the Hungarian GAAR rules do not allow the exemption of foreign source income. Furthermore, Hungary has amended its domestic legislation addressing (downward) transfer pricing adjustments to include a linking rule which will be effective from January 2018. It is not yet known whether further amendments will be proposed.</p> <p>As an EU member state, Hungary is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension until 31 December 2021 for the reverse hybrid provisions).</p>	<p>January 2018</p> <p>1 January 2020 (1 January 2022 for reverse hybrid provisions)</p>
CFCs (Action 3)	Best practice	<p>As an EU member state, Hungary is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes a CFC rule.</p> <p>Hungary's CFC rules have been amended (in line with the relevant provisions of ATAD) to reflect the recommendations in Action 3.</p>	January 2017

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Interest deductions (Action 4)	Common approach	<p>Hungary already has thin capitalization rules. It is not yet known whether additional measures will be introduced.</p> <p>As an EU member state, Hungary is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.</p>	<p>Not yet known</p> <p>1 January 2019 unless the transitional rules apply to the existing regime, in which case 1 January 2024.</p>
Harmful tax practices (Action 5)	Minimum standard	<p>Changes have been made to Hungary's IP regime to adopt the nexus approach recommended by the OECD.</p> <p>Hungary has implemented into domestic law the changes made to the EU directive on administrative cooperation in the field of taxation regarding the exchange of tax rulings.</p>	<p>16 July 2016</p> <p>January 2017</p>
Prevent treaty abuse (Action 6)	Minimum standard	<p>Hungary already has anti-hybrid rules and a general anti-avoidance rule. It is not yet known whether additional measures will be introduced.</p>	<p>Not yet known</p>
Permanent establishment status (Action 7)	Revision of existing standard	<p>Not yet known.</p>	<p>Not yet known</p>
Transfer pricing (Actions 8-10)	Revision of existing standard	<p>The standards in Actions 8-10 are expected to be implemented in Hungary.</p>	<p>Likely 2017</p>
Disclosure of aggressive tax planning (Action 12)	Best practice	<p>Not yet known.</p>	<p>Not yet known</p>
Transfer pricing documentation (Action 13)	Common approach	<p>Hungary is expected to introduce rules regarding the master file and local files.</p>	<p>Likely 2018</p>

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CbC reporting (Action 13)	Minimum standard	A draft version of an amendment to the domestic legislation was submitted to the Parliament on 28 March 2017. The expected ratification of the amendment is April-May 2017. The requirements listed in the draft are in line with the OECD requirements and the respective directive of the Council (2016/881).	Applicable to financial years started as of 1 January 2016.
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Consultations are in progress in Hungary relating to the final text of the multilateral instrument (MLI).	Hungary is expected to sign and ratify the MLI in 2017

Unilateral BEPS Actions

There have not been any unilateral BEPS actions other than the measures adopted above.

Other Tax Developments

None.



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