

Tax News+



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Below you will find the tasks and potential issues arising from key tax law changes of the past month and recent weeks. We would be ready and glad to discuss with you any of your company specific issues.

Personal income tax

Consequences of incorrect tax assessment selection

Individuals in Hungary can request that their tax be assessed by the employer by submitting a declaration to the employer by 31 January of the year following the tax year. In such cases, the employer was required to supply the relevant data in the monthly tax return by 12 February 2012. If the employer incorrectly indicated that the individual had opted for tax assessment by the employer, the tax return must be amended and the Hungarian tax authorities will not process the individual's personal income tax return until the correction is made. To avoid such cases and any accompanying delayed refunds, employers should ensure that the employee data is accurate.

Rehabilitation contribution liability

To facilitate the employment of disabled employees, an employer must pay a rehabilitation contribution if the number of its employees exceeds 25 and the number of disabled employees does not reach the level stipulated by law. The contribution is due even with respect to temporary agency hires. In calculating the average statistical headcount of the employer, temporary employees from agencies are not taken into account.

Food chain supervision fee

Taxpayers subject to the food chain supervision fee, which covers the operations of the food chain supervisory body, must comply with their reporting obligation by 31 May. The annual fee, which is due by all players in the food industry (including

enterprises engaged in food manufacturing), is payable in two equal installments: the first by 31 July and the second by 31 January. The supervision fee is 0.1% of the net sales revenue (excluding excise duty and the public health product tax) generated in the preceding year from activities covered by the fee.

The Central Agricultural Office, authorized to collect the supervision fee, has indicated that it will issue an implementing decree and guidelines by the beginning of April to provide assistance in complying with the law.

Legal outlook

Stricter requirements of EU Solvency II directive

The EU Solvency II directive, "On the taking up and pursuit of the business of Insurance and Reinsurance," will include stricter capital requirements as from 1 January 2013.

The directive provides that each group member must independently manage risks in line with the requirements of the directive, and it will include stricter and more comprehensive risk management reporting tasks by all insurance companies. This will result in significant actuarial and risk management investments and other costs, creating a burden on most independent operating companies and may require the restructuring of multinational groups (e.g. through cross-border mergers).

The EU directive on cross-border mergers promotes the establishment of more concentrated organizations for all companies, not only those subject to the more stringent capital requirements. Mergers can simplify group structures and intra-group processes, which means they can optimize corporate management, reduce administrative and trading costs, and improve the operating efficiency of a group. Since a cross-border merger and the simultaneous setting up of a Hungarian branch may

take between six and eight months, companies electing this path need to be sure they take the required steps in a timely manner.

Legislation

Reverse-charge taxation in agriculture

A social debate has started regarding the introduction of reverse taxation in agriculture as a means of preventing VAT fraud. Plans are to introduce reverse charge taxation in the grains, oily seeds and protein plant sectors.

Spectator team sport support

A recently proposed amendment to the grant awards spectator team sports would introduce stricter rules on the use of the tax allowance stipulated in the Act on Corporate Tax and Dividend Tax. Under the proposal, the tax allowance would only be available for taxpayers that do not have any overdue public debt at the time the grant certificate is issued. Under current rules, public debt-free status is only required for organizations eligible for support. The amendment would extend this requirement to organizations providing the support.

Public debt for these purposes would include tax debt and all other payment obligations to fund functions to be performed using the budgets of the subsystems of the state budget, which are identified, verified and collected by a court or a government body, including administrative and court service fees. The introduction of this new criterion could create uncertainties, imposing an extra administrative burden on taxpayers wishing to use the tax allowance. Under the general corporate income tax rules, a party wishing to benefit from a tax allowance must demonstrate that it is eligible for the allowance, i.e. the taxpayer would be required to prove that it does not have any overdue debt at any public administration body or court.

The proposal also would extend the exceptions to the general rule that the organization have been

engaged in operations for at least two years and reduce the value limit of sports development programs to HUF 300 million in specific decision-making procedures for applications involving larger grants. (In the decision-making process, the national association of the spectator team sport makes the decision with the opinion of the ministers in charge of sports and taxes taken into account.)

Call for applications

Executive Training Program – Business development possibilities in Japan and Korea

The European Commission sponsors an Executive Training Program (ETP) that aims to provide executives of European companies with an opportunity to learn about the Japanese and Korean economies, languages and business cultures in a year-long training program in order to enhance their business prospects in the Japanese/Korean markets and extend their business relations in these countries. More than 1,100 executives have participated in the ETP since 1979.

The ETP is held in London, Japan and Korea, and includes a 12-week internship in Japanese and Korean companies. The program is available to executives of all companies, irrespective of the industry or size of the company, and a significant portion of the costs is borne by the European Commission. Applications are due by 31 May 2012.

More information about the program (including minimum requirements for applicants and supporting companies, rates of financial support) can be found at: <http://www.euetp.eu/>

The coordinator of this Program in Hungary is Deloitte Co. Ltd..

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