

## Tax News+

## Tax law changes for 2013



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**This newsletter will briefly inform you of bills introduced recently by the government on amendments to current tax laws, as well as other related regulations.**

**Please note that on 17 October the government decided on further measures. As the texts are currently not available, we could not include any related changes in this tax alert. However, please remember that they might though appear in the final versions of the relevant laws and regulations.**

## Personal income tax

According to the bill, most amendments to PIT will enter into force as from 1 January 2013.

### Tax base (taxable income)

In line with previous plans, the 27% tax base addition (employer's payroll tax withholding) as part of the consolidated tax base would be abolished as of 1 January 2013. Accordingly, the PIT rate on income involved in the consolidated tax base (e.g. employment income) would be a uniform 16% (even for annual incomes of over HUF 2,424,000).

### Family credit

Concerning foreign national employees, the bill extends the scope of the family credit provisions to apply also to foreign nationals from outside the European Union and clarifies the provisions by stipulating that their eligibility for the credit applies only if they are ineligible for an equivalent or similar benefit in the same period from another state where their incomes are also taxable.

### Non-wage benefits

The bill clarifies the provisions concerning workplace catering by stipulating that the provision of employees with meal vouchers that can be used in workplace canteens may be treated as a non-wage benefit if the canteen serves not only employees but also other external individuals (e.g. business partners, representatives of authorities).

## Separately taxed income

The bill restricts the definition of income from stock exchange transactions by exempting income from private company shares from the provisions applying to income from stock exchange transactions as from 2013.

## Insurance

The bill largely modifies the definition and rules applying to tax-exempt and taxable insurance premiums, primarily according to the actual economic content of the insurance concerned. According to the concept of risk insurance introduced by the bill, life, accident and sickness insurance policies without payout upon expiry and surrender value and with the monthly premium not exceeding 30% of the minimum wage may be treated as tax-exempt benefits from 2013.

The bill, furthermore, discusses the question of policy amendments which change the beneficiary of the indemnity and incur taxable income for the beneficiary.

At the same time, the premium paid by the payer under risk insurance policies becomes taxable as a certain defined benefit and subject to 16% PIT and 27% health tax calculating with a 1.19 tax base addition rate.

The bill generally treats proceeds from indemnity (e.g. also pension and benefit insurance in addition to risk insurance) as tax-exempt income although it includes special provisions to the contrary, e.g. in the case of indemnity from income protection insurance in the amount of over HUF 15,000 daily, which would be taxed according to the legal title of the lost income.

In the case of taxable indemnity, the bill qualifies the amount of the indemnity in excess of the total of premiums paid as interest income. In line with the provisions on income from long-term investments, the rules defining interest income are completed as below if the indemnity becomes taxable as interest income:

- *In the case of single premium insurance plans, 50% of the interest income after 3 years and the total proceeds after 5 years following underwriting are tax-exempt.*
- *In the case of regular premium insurance policies, 50% of the interest income after 6 years and the total proceeds after 10 years following underwriting are tax-exempt.*

According to the bill, however, the provisions on the preferential tax treatment of interest income would not apply if payments are remade in excess of the contractual premium during the term of the policy or if the level of regular premium indexing exceeds the amount of the consumer price index as increased by 30 percentage points.

The bill allows a 3-year transition period for the application of current rules to whole life and accident insurance policies taken out before 31 December 2012 which would otherwise become taxable according to the proposed rules.

## Social security contribution and health tax

### Social security and pension benefits

The bill expands the scope of mandatory social security to apply, as from 1 January 2013, besides Hungarian nationals, also to foreign individuals working in Hungary.

The text of the bill as proposed on 12 October 2012 does not include provisions on the abolishment of the individual pension insurance cap.

### Percentage health tax (EHO)

Similar to the former provision of the Social Security Act, the bill allows Hungarian resident employers to pay the health tax (instead of the foreign resident

affiliate) if the Hungarian employer's employee receives income from the foreign resident affiliate.

The percentage EHO exemption of the membership fee paid by the employer to the voluntary mutual insurance fund would be abolished from 1 January 2013. The 27% EHO liability on such income would have to be paid by the employee when the PIT return is filed.

## Employment income

Employee's contributions up to an annual income of HUF 2,424,000 would remain unchanged at the 16% PIT and 18.5% contribution liabilities.

In the case of annual income between HUF 2,424,000 and 7,942,000, the amount in excess of HUF 2,424,000 would be subject to 16% PIT instead of the current 20.32% and the contributions would remain at 18.5%. As a result, the tax liability of the part of the income above the annual 2,424,000 income would reduce by 4%, which gives a maximum additional income of HUF 19,865 per month (HUF 238,377 per year) (the maximum amount is available for those receiving an annual income of HUF 7,942,000).

In the case of an annual income of over 7,942,000, 16% PIT instead of the current 20.32% and contributions at a rate of 18.5% instead of 8.5% would be payable. Accordingly, the PIT and contribution liability on the part of the income above the annual HUF 7,942,000 would probably increase by 5.68%, which additional liability is compensated by the additional net income resulting from the lower tax rate applicable annual incomes up to HUF 12,139,000. As a result, the PIT and contribution liability of annual incomes of over 12,139,000 is expected to rise in 2013.

## Corporate income tax

### Notified intangible asset

The bill extends the concept of notified intangible asset introduced in 2012 and related deductions to apply also to self-manufactured intangible assets. According to the bill, the provision may be applied to tax assessments for 2012.

## Controlled foreign company

The bill clarifies the definition of controlled foreign companies where the non-resident entity's pre-tax profit is zero or negative and it is to be analysed what tax rate (equal to what CIT rate) the foreign country applies. The bill requires the lowest rate to reach the 10% specified if the foreign country applies different tax rates depending on the amount of the tax base (e.g. in the case of progressive tax rates).

## Minimum income (profit)

According to the bill, 50% of the part of the average daily balance of current-year liabilities due to shareholders (shareholder loans) which is in excess of the balance of shareholder loans as of the last day of the previous fiscal year would be added to the total income for determining the minimum income (profit) as from 2013.

## Thin capitalisation

The bill excludes trade receivables from accounts receivable when determining their ratio to liabilities for the calculation of thin capitalization.

## Notified shares

The bill would adjust the tax base also by the expenditure recognized due to the retirement of related goodwill recognized previously upon the retirement of notified shares (due to sale or in-kind contribution to equity).

## Loss carry-forward

Pursuant to loss carry-forward rules introduced in 2012, the legal successor may only recognize the legal predecessor's carried forward losses if at least one of the activities pursued by the latter generates revenues for the legal successor in two tax years following transformation.

This was not applicable to asset management activities according to former regulations, whereas the bill would lift this restriction, and in the case of a de-merger, the above condition is extended to apply, aside from the new entity, also the one from which the new company de-merged.

Furthermore, the bill stipulates that the above two-year condition need not be satisfied by taxpayers dissolving without a legal successor within two years after transformation.

Pursuant to current regulations, the condition of continuing the former activity for two years in order to be allowed to recognize the carried forward losses of the legal predecessor might even apply, apart from transformations, to acquisitions, as well. In the case of acquisitions, the bill stipulates the same exception if the acquired entity dissolves without a legal successor within the two years concerned. This provision may be applied already to tax filings for 2012.

## Development tax incentive

The bill includes a new condition, i.e. that taxpayers would be required to report the date of project completion to the minister responsible for tax affairs if they wish to receive development tax incentive.

## Product samples

The bill would not require the statement of the entity receiving free product samples as per the VAT Act for these transfers to qualify as eligible costs for CIT purposes.

## Vehicle registration tax

The bill introduced primarily clarifies provisions on vehicle registration tax. Accordingly, certificates released by the customs authority concerning passenger cars leased out by vehicle fleet operators would include additional information in order to better identify fake certificates, which would help identify unlawful use in the case of a certificate not included in police computer databases. Furthermore, the bill would define special standardising provisions for hybrid passenger car tax.

## Value added tax

### Electronic invoicing

The amendments introduced by the bill are primarily aimed at conformity to EU legislation. Electronic invoicing would be simplified in several aspects. For instance, in line with the EU VAT Invoicing Directive, the law would not stipulate a mandatory

procedure for electronic invoicing if invoices satisfy the general requirements defined in the law (among others, it would be necessary to prevent manipulation of the data content and ensure the authenticity of origin). At the same time, to help taxpayers, both methods currently applicable under effective regulations (invoice with electronic signature and invoice sent through EDI) would be preserved in the new law in order to ensure that electronic invoices satisfy general invoice requirements.

In line with EU legislation, the bill requires the invoice receiver's approval of the adoption of electronic invoicing. The bill furthermore ensures a uniform treatment of both paper-based and electronic invoices by requiring from both types authenticity of origin, intactness of the data content, as well as legibility from their issue up until the end of the period of mandatory retention. At the same time, the bill fails to clarify how this obligation should be observed.

### **Mandatory data content of invoices**

The bill also extends and clarifies the mandatory data content of invoices. As to formal invoice requirements, the bill introduces stricter provisions, given that it requires additional information to be indicated on invoices as compared to the currently effective mandatory data content. For instance, 'own invoice' should appear on invoices where the issuing obligation is assumed from another entity and the term 'reverse charge' should be indicated if the buyer of the product or the user of the service is the taxable entity while a similar itemised reference is required by the bill for transactions subject to difference based vat payment. Current rules require the issuer of the invoice to include only a reference to some statutory provision or any other clear reference on the invoice in the case of any specially taxed transaction.

Also in line with the EU directive, the bill would define the member state whose laws would be applicable to the invoicing of cross-border transactions.

### **Selling of business line**

As an important simplification, the bill allows the treatment of business line sales, similar to in-kind contribution and legal succession, as a non-taxable transaction for VAT purposes if the special conditions defined in the law apply. It is, however,

considered a serious restriction that the non-taxable VAT status would only be applicable if the business activity pursued by the business line is a product sale or service provision which entitles the entity to input VAT deduction. Accordingly, the non-taxable status would not apply to taxable entities pursuing tax-exempt activities or the sale of a business line pursuing such activity, which sustains the considerable VAT liability of these taxpayers.

### **Long-term lease of transportation vehicles to non-taxable entities**

The bill modifies the place of delivery rule for the long-term lease of transportation vehicles (over 30 or 90 days in the case of ships and boats) to non-taxable entities also in line with EU legislation. Accordingly, as from 1 January 2012, the place of delivery would depend on the permanent establishment, domicile or residence of the user of the vehicle in every case, irrespective of whether the vehicle is leased to a taxable or non-taxable person in the long term.

### **ECB exchange rate applicability**

The bill would allow taxpayers to apply the ECB exchange rate for converting tax liability to HUF if it is denominated in a foreign currency. It might simplify tax administration primarily for taxpayers involved in international business.

### **Date of delivery for tax-exempt EU product supply**

In line with EU legislation, the bill would require partial delivery on the last day of every calendar month in the case of tax-exempt product supply within the EU if the parties agreed on payment by instalments or deferred terms payment and if the chargeable period is longer than one month.

The bill furthermore cancels the invoicing obligation for advances received on tax-exempt product supplies within the EU.

### **More transactions under reverse taxation in Hungary**

The bill further expands the range of transactions subject to reverse taxation in Hungary. The

amendment includes in the category subject to reverse taxation those product supplies not only between debtor and creditor but also between third persons entrusted by debtor and creditor which are designed to act as tangible guarantees for the payment of overdue liabilities. The definition here, however, might remain prone to raising interpretation issues.

### Other changes

The bill makes it clear that only those real property leases would be subject to VAT according to general rules which qualify as provision of accommodation as a commercial activity.

Furthermore, it clearly establishes that not even product transfers by the taxpayer from Hungary to another EU member state for the purpose of appraisal would constitute product movement within the EU, provided that the product is returned to the taxpayer (Hungary) after appraisal.

The bill extends the range of languages that can be used in VAT reclaims to also include English, German and French apart from Hungarian.

The bill also includes the transitional provisions applicable with respect to Croatia's accession to the European Union.

Finally, the bill makes it clear that taxpayers would be allowed to disclose changes in VAT payable and deductible amounts in one and the same period in the case of transactions subject to reverse taxation if the VAT liability is adjusted subsequently.

## Solidarity surtax for the improvement of public finances

In 2013, the bill would require financial institutions to reimburse 50% of the amount assumed by the state for 2013 in the exchange rate scheme pursuant to the Act on the FX Loan Exchange Rate Cap for Instalments and Forced Selling of Residential Property.

Legislators argue that the bill would, furthermore, continue to maintain financial institutions' solidarity tax payment obligation in 2013 although no actual provision on the details is included in the bill.

Please also note that according to further government proposals, solidarity tax rates would not reduce to 50% in 2013, i.e. financial institutions' solidarity tax filing obligation would remain to be calculated at the tax rates applied in 2012.

## Accounting Act

### Material misstatement

The bill would reduce both larger and smaller enterprises' administrative liabilities by amending the threshold for material misstatements in the 3-column balance sheet to over 2% of the balance sheet total or HUF 1 million, whichever is higher. (Current regulations qualify the lower of amounts over 2% of the balance sheet total or HUF 500 million as material misstatement.)

### Intellectual property definition

In order to make the definition of intellectual property compatible with current practices, the bill extends it by introducing more general terms.

### Measurement and valuation

The bill modifies the definition of permanent and significant difference in market value as the condition of revaluation. Accordingly, the difference might qualify as permanent even if the period during which it is experienced is shorter than one year but it is considered final.

### Repeated publication requirement abolished

To ease corporate administration, the bill would abolish provisions on the repeated publication requirement due to material misstatements by replacing them with transitional provisions.

## Tax administration

### Representation

The bill introduces the institution of mandatory representation by an attorney, tax advisor, tax expert or certified tax expert in binding ruling procedures, procedures to determine the applicability of a binding ruling procedure, those

aimed to determine arm's length prices, as well as those initiated based on a request for a supervisory procedure by the minister responsible for tax affairs.

In the cases referred to above, representation is not mandatory only when the taxpayer acts on his own behalf and only if the individual or the senior officer of the company has a bar certification or qualifies as a tax advisor, tax expert or certified tax expert.

### Suspension of tax number

According to the bill, the tax authority will suspend a taxpayer's tax number for a definite period of 180 days if the taxpayer fails to fulfil his reporting obligation or to pay his tax liability (or tax advance liability) within 365 days from the payment deadline or due date of payment despite the tax authority's warning. (Under currently effective regulations, tax numbers are suspended for an indefinite period.) If the taxpayer still fails to fulfil his reporting obligation or to pay his tax liability as described in the suspension ruling within 180 days from the date when the ruling becomes effective, the tax authority will cancel his tax number as a further penalty.

Furthermore, under the proposed amendment of the Act on Public Company Information, Company Registration and Dissolution Proceedings in connection with the cancellation of tax numbers, the Companies Registry will declare companies terminated within 15 days from the date of the electronic notification received from the state tax authority concerning its final and non-appealable resolution on cancelling a company's tax number.

### Risk assessment

Since 1 January 2012, the tax authority has been allowed to conduct risk assessment in the case of recently established taxpayers and taxpayers with change in senior officer positions or majority shareholders. According to the bill, the tax authority may conduct such procedures within 1 year (or for taxpayers with annual VAT filing obligation within 30 days) from the filing deadline. In contrast, such procedures are initiated under current regulations immediately following the issue of a new tax number or the date when the tax authority is informed of a personal change.

Given that a cancellation of the tax number currently used as a sanction is not always proportionate to the damage caused to the tax

system by failing to return the tax risk assessment form, the bill would levy a fine after the first offence instead of an immediate cancellation of the tax number. Then, the tax number would be cancelled only after the taxpayer has failed to return the form before the deadline specified in the resolution imposing the fine.

### New legal concept – Call for self-revision

The bill introduces the institution of "call for self-revision". Here, by providing a standstill period, the tax authority basically facilitates self-revision in cases where it reveals tax difference due from an individual taxpayer who is not engaged in business activities based on the taxpayer's tax returns and available information.

### Tax audit

According to the bill, the audit deadline remains unaffected and the disbursement deadline is subsequently modified to 75 days if the taxpayer's statement made in a tax audit prior to VAT disbursement later turns out to be invalid.

In the case of lengthy audits, the tax authority may, in the future, close the original audit regardless of the state of completion of the related audit if the facts and circumstances of the original case can be clarified based on the information and proof obtained during the related audit.

### Request for binding ruling

As of 1 January 2013, the fee of a binding ruling procedure would no longer be determined based on the value of the transaction; instead, a bracketed system would be introduced in which the fee would be between HUF 3 and 8 million, depending on the number of taxpayers directly affected by the binding ruling (in the case of long-term and emergency requests the fee will be twice the standard rate).

Although the mandatory countersignature will no longer be in effect, representation will be mandatory in binding ruling procedures as of 1 January 2013, as already mentioned above.

The bill makes it clear that according to the general rule, binding ruling requests will be evaluated in line with statutory provisions effective upon submission, except that where regulatory changes which largely

affect the binding ruling procedure are adopted after the submission of the request but before the ruling is issued, the ruling would include calculations according to both sets of regulations. The bill would allow binding rulings involving tax liabilities arising from international contracts to be issued on the basis of new regulations which have been promulgated but have not yet become effective.

The regulations for long-term binding rulings will also be subject to change. The bill clearly defines when the binding force of a long-term binding ruling becomes effective and expires, as well as the fact that if upon the submission of the binding ruling request the taxpayer provides false information regarding the requirements for the submission of a long-term binding ruling request, the ruling would be affected by subsequent tax law changes.

The heading '*extending the term of a binding ruling*' would be replaced by the heading '*verifying the applicability of a binding ruling procedure*' and that section would establish the applicability of the operative part in the binding ruling if tax law changes which entered into force after the effective date of the ruling or past or future changes in the facts and circumstances do not materially affect the contents of the operative part of the ruling.

## Appeals

In the future, late appeals, currently treated as supervisory procedures, may be dismissed by the first instance tax authority without substantial examination, and the same applies to appeals submitted by non-eligible persons and appeals against decisions which cannot be contested through a separate appeal.

Incorporating the existing practice into law, the bill provides that the minister responsible for tax affairs may evaluate a request for supervisory procedure only if the director of the tax authority has made a decision in the case.

## Self-revision fee

According to the bill, the self-revision fee may not exceed the total of default fines that would be chargeable for the period between two filing deadlines if the self-revision does not incur any additional tax liability because the amount of payable taxes was declared and paid in full by the

taxpayer or would have been treated as deductible tax in a subsequent tax return.

## Taxpayers required to open a bank account

Taxpayers required to open a bank account may only make cash payments in the amount of up to HUF 1.5 million per contract in one calendar month in connection with supplies of products or services under their taxable business activities.

The bill clarifies the promulgated but not yet effective provision by stipulating that the gross amount (i.e. which is inclusive of VAT) must be taken into account when calculating the amount of the consideration, and reduces the cap for cash payments from the proposed HUF 5 million amount to HUF 1.5 million. Furthermore, the bill allows the tax authority to levy default fines at 20% of the part of the amount in excess of HUF 1.5 million on taxpayers required to open a bank account who receive such consideration.

## Local taxes

### Publicly available information on local taxes

To raise taxpayers' awareness of any applicable local tax types and liabilities, the Hungarian State Treasury will, as of 1 January 2013, publish on its website the tax types introduced by each municipality along with their rates and rules (per each municipality).

According to the bill, further changes affecting the Act on Local Taxes will enter into force as from 1 January 2013.

### Local business tax

The bill defines the term of the tax liability on temporary gainful business activity in the construction industry as the period lasting from the date when the activity is started until the date when the client accepts the performance based on the agreement.

## Building tax – property holder's underlying liability

The bill wishes to enhance the efficiency of collecting taxes related to valuable rights registered in the land registry. If the beneficiary of such a valuable right fails to fulfil his tax liability for the period after 31 December 2012, with the liability remaining uncollectible even after a payment warrant procedure, the tax authority would be allowed to require payment of the outstanding amount from the holder of the real property.

## Transfer tax and procedural fee

### Inheritance and gift tax

Below we have outlined the most important of the number of amendments proposed by the bill to individuals' inheritance and gift tax.

To simplify tax rates, the bill would abolish the difference in the case of new property acquisitions and inheritance or gifts passing on to direct relatives and introduce two tax rates for both inheritance and gift tax, namely a general rate of 18% and a preferential 9% rate for real property purchases.

The bill would extend tax exemption without threshold in the case of inheritance between direct relatives to property acquisition by the surviving spouse. In addition, the bill raises the threshold for the 50% preferential rate of home purchases by individuals below 35 years from HUF 8 million to HUF 15 million and abolishes the HUF 40 thousand cap on preferential rates.

### Property transfer tax

The bill would preserve the current tax exemption of real property acquisitions under leaseback (where title to the real property passes on to the lessee upon the end of the tenor) which is in force temporarily until 31 December 2012.

The bill would repeal rules on deals of conspicuously disproportionate value. Since conspicuous disproportion is typical of transactions between direct relatives, with these transactions becoming tax exempt under the bill, the provision would become "pointless".

## Procedural fees

The bill would introduce several amendments to the scope and amount of procedural fees. Below we outlined those which will most probably affect clients.

- Advances on procedural fees would be repealed.
- Pursuant to currently effective rules, the liability to pay procedural fee applies, among others, even if the tax authority refuses the request or terminates the procedure for any reason whatsoever. However, according to the bill, the procedural fee is not justified in cases where the authority refuses a request without examining the merits of the case or closes down a case because it should have refused it without looking at its merits. Therefore, the bill would modify the relevant provisions of the Act on Procedural Fees.
- Courts and public authorities should, in the future, regard the electronic payment of the procedural fee as completed and start the action only based on the tax authority's certificate (currently, the bank transfer slip is sufficient).

## Customs administration

### Reliable customs debtor defined using the term 'debt' instead of 'outstanding liabilities'

The definitions introduce the term 'debt' to replace the term 'outstanding liabilities' which has been used so far. The bill defines debt as the taxpayer's liability to pay amounts owed to the state tax or customs authority and left unpaid (i.e. overdue and outstanding) following the deadline defined by law or in the payment notice. The bill would apply the new term throughout the entire act and introduces, among others, the terms 'reliable customs debtor', 'exemption from VAT provision' and 'serious breach of customs agent liabilities'. As a new element in establishing reliability, contrary to current regulations which only require taxpayers to declare that they are not under bankruptcy proceedings, liquidation or voluntary dissolution, the new regulations stipulate the obligation to have that fact certified by the court acting as companies registry.

## Subsequent review with the indirect customs representative

The rules of subsequent reviews will also change. As a fundamental change, subsequent reviews would not only be possible at the client but they may in the future be conducted also at the taxpayer acting as indirect customs representative for the client in customs administration. The amendment is justified by the fact that the indirect customs representative is to be treated as client owing to its special right of representation. The authority's right to suspend the procedure for the period of the related inspection becomes unreasonable because the deadline for the review is calculated without respect to the duration of the related inspection while the deadline for passing a resolution is calculated without respect to the duration of the additional review.

## Easing in VAT provision

The bill eases rules for VAT provision in the customs administration procedure. However, taxpayers must satisfy two conditions. The applicant must be a reliable customs debtor and, in addition, contrary to the current practice, taxpayers with delayed VAT payments in the previous two subsequent calendar years prior to the subject year but with no outstanding VAT debt at the time of the request would not be excluded from obtaining permission. On the other hand, payment liabilities concerning which taxpayers conduct self-revision before the date of the final and non-appealable resolution on the request neither qualify as debt. AEO (authorized economic operator) certified taxpayers as per Sections 14.a (1) a) and c) are granted tax-exemption automatically.

## Energy tax

### Competence

The bill proposes that the tax administration of energy tax related matters should in the future be processed by the tax instead of the customs authority. At the same time, the customs authority would maintain competence in matters where the energy tax is to be paid as levied by the authority.

## Excise tax

### Changes to the 'reliable excise debtor' category for AEO certified taxpayers

The bill modifies the conditions of categories 'reliable excise debtor', 'reliable tax-exempt user' and 'reliable license holder'. AEO certified taxpayers are granted that status pursuant to current regulations while according to the bill it would be necessary to investigate whether these taxpayers were charged with excise tax or tax penalty in excess of 10% of the excise tax guarantee and whether they have tax arrears.

### Tax reclaims

The bill simplifies and standardizes excise tax refund procedures by repealing the obligation to enclose the underlying invoices not only in the case of electronically filed requests but also for those submitted in a printed format. As a result, taxpayers subject to excise tax on gasoline used in agriculture will be required to file excise tax returns electronically as from 1 January 2014. Conforming to EU legislation, of products with the customs tariffs code 3811, fuel additions would be under the 'reviewed' category while the rest of the products remain to be treated in the 'monitored' category.

Changes to excise tax refund for mineral oil products require taxpayers eligible for refund to report to the customs authority any change to data registered by the authority within 10 days after the occurrence of the change. The amendment also allows the filing of monthly refund requests in addition to the current annual or quarterly filings.

### Customs warehouse for passenger catering as new category

The bill introduces a new type of customs warehouse, i.e. the customs warehouse for passenger catering where products served, at an international airport, to passengers of airplanes heading for a third country.

### Replacement of detached or damaged tax stamps

The amendment allows the replacement of detached or damaged tax stamps and thereby enables the resale of products concerned.

Distributors would be required to report detached or damaged tax stamps to the customs authority, which would then attach a new tax stamp on the product within 30 days of the date of the report while the distributor discloses the product in its books.

### Reduced excise fines, no fine

The bill specified the maximum amount of the fine levied under Section 170 of ART on products subject to excise duty. As a general rule, the fine levied by the tax authority is capped at 100% of the tax shortage or the amount unlawfully reclaimed except that it is capped at 200% in the case of tax shortage due to undisclosed income or the falsification or destruction of source documents, books and accounts.

Provisions on reducing and cancelling the excise fine have also been changed. While it has been so far a circumstance to be considered in the case of requests for both the reduction and cancellation of the fine whether the offender acted with due care in the question concerned, the bill would consider this circumstance only in the case of requests for the cancellation of the fine and it would be irrelevant in requests for the reduction of the fine.

## Environmental product charge

### Competence

According to the bill, tax administration of the environmental product charge would be processed by the state tax authority. Only certain review tasks remained in the competence of the customs authority.

The provisions of ART are to be applied also to representation in regulatory actions concerning the environmental product charge while according to the bill it would be mandatory to appoint a financial representative as per ART in managing environmental product charge cases if the taxpayer is established in a third country for gainful purposes or, in the absence of a permanent establishment for business purposes, has a domicile or place of residence in a third country.

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