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# Tax News+

# Amendments to the tax provisions

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# Amendments to the tax provisions

**The aim of our Newsletter is to briefly inform our Clients about the bill on certain rules of international administrative cooperation in the field of taxation and other public burdens introduced on 1 March 2013 and has been adopted recently.**

## Rules of taxation

The adopted bill refers the tax assessment and recovery rules on the international administrative cooperation in the field of taxation and other public burdens from Chapter V of Act XCII of 2003 on the Rules of Taxation to an independent legislation. The Code of Conduct relating to multilateral conventions on the avoidance of double taxation between the Member States of the European Union together with the rules on the requirements established with relation to the application of the double tax treaties will be included in the same act.

## Duties

Giving preference to home-saving contracts, the legislature exempts acquisitions based on home-saving contracts from the inheritance tax as well as from the gift tax liability.

## Company car tax

According to the current statutory provisions (that aim to preclude double taxation), vehicle tax is deductible from the company car tax if certain conditions apply. However, the deduction is not available if the registered operator of the vehicle subjected to company car tax is different from the actual owner thereof (except for leased passenger cars under financial lease agreements) bearing in mind that in this case the subject of the company car tax and the vehicle tax are two different persons. (According to the general rule and the relevant legal provisions, the subject of the company car tax is the owner of the vehicle while the subject of the vehicle tax is the registered operator thereof.) The adopted bill aims to address this problem in the case of the long-term lease of passenger cars (including the operative leasing scheme) as of 1 July 2013 in a way that the long-term lessee (i.e. who is a lessee for over a period of one year) and the operative lessee are considered as the subject of the company car tax instead of the owner provided that the right to act as registered operator of the vehicle is reported to the authorities. In this regard, the scope of the vehicles on which tax can be levied has also been adjusted and so have the relevant rules for the beginning and end for the tax liability.

## Value added tax

With respect to the provision of Act on Value Added Tax (hereinafter: "VAT Act"), clarification was made concerning the qualification of real estate (partial real estate) as newly built and the respective meaning of portion of land. Besides the above, the adopted bill also clarifies the concept of construction site which determination often caused practical uncertainties in the past.

Furthermore, an amendment eliminates the possibility of accumulating taxes in the case of multiple sales of passenger cars that were not acquired for resale or leasing purposes. The VAT Act is amended so that tax exemption applies not only to the sale when with relation to the acquisition of the passenger car the input VAT was not deductible but also to the cases when, though no input VAT was accounted for in connection with the acquisition, but if it had been, it could not have been deducted by the taxpayer.

## Personal income tax

The adopted bill lists an additional legal title to tax-exempt income with respect to certain activities under the title *promoting social inclusion "Road to career choice" for the apprenticeship and vocational training join in the framework of the program, the expense of EU resources donated to student scholarship*.

According to the commentary to the bill, the Ministry for National Economy is planning to introduce a scholarship program in the frame of the project called "Road to career choice" that will be supplemented by providing mentoring to students. The program is designed to encourage children with (multiple) disadvantage in the involvement of vocational/apprenticeship training. The focus group of the program consists of pupils at primary schools starting their seventh and eighth grade in 2013/2014. According to the bill, the program offers support for two years. The program is expected to start in early May. Scholarship will be provided to pupils as of 1 September 2013.

## Corporate income tax

The adopted bill includes clarifications with respect to technicalities and legal provisions relating to sponsorship certificates issued by organizations of performing arts, motion picture productions and the popular team sports.

Further, the adopted Bill orders in relation to the application of the corporate tax credit resulting from sponsoring of performing arts organizations that taxpayers shall not be entitled to any consideration for providing the sponsorship.

As a supplementary amendment to Act on Corporate Tax (hereinafter: "CIT Act"), the popular team sport sponsoring system will be modified in a way that the sponsor of a team sport will be subjected to supplementary sport development subsidy in order to take advantage of the tax credit. This implies that via the sponsored professional association the tax saving of 10-19 per cent realized over the sponsoring amount shall be partially reinvested for further sponsoring of sports. The amount of the supplementary sponsoring shall be 75 per cent of the calculated amount using the CIT rate and the amount established in the sponsoring certificate. The cost related to supplementary sponsorship shall not be considered as expense incurred in the interest of the business operation, therefore, the tax base should be increased by it. As a result, team sports sponsoring companies – that have been realizing 10-19 units of return on the provided 100 unit of sponsoring (depending on the applied tax rate) – In the next sponsoring period could endorse only 2.5-4.75 units of return. The above lowers the benefit of popular team sport sponsoring; therefore, it could be more advantageous considering sponsoring motion picture productions and performing arts organizations where no such limit has been established.

A further condition to the application of the tax credit related to the sponsoring of popular team sports is that the sponsor reports the fact of the payment to the tax authority of the sponsorship and the supplementary sport development subsidy. The deadline for making the report towards the tax authority is within 8 days after the financial execution which corresponds to deadline set by the previous rules. Nevertheless, the regulations tighten with respect to the omission of the deadline in what case application for the certificate will not be possible. Additionally, the amendments establish that those rules should be applied with respect to new sport development programs submitted for the 2013-2014 sponsoring period.

## Other taxes

We would like to draw our Clients' attention that small taxes are also affected by the adopted bill such as the financial transaction tax, gambling tax and the income tax of energy suppliers (commonly known as "Robin Hood" tax). Further, small changes have been executed to the rules established in the Act on Excise Taxes and in the Act on Small Business Tax.

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