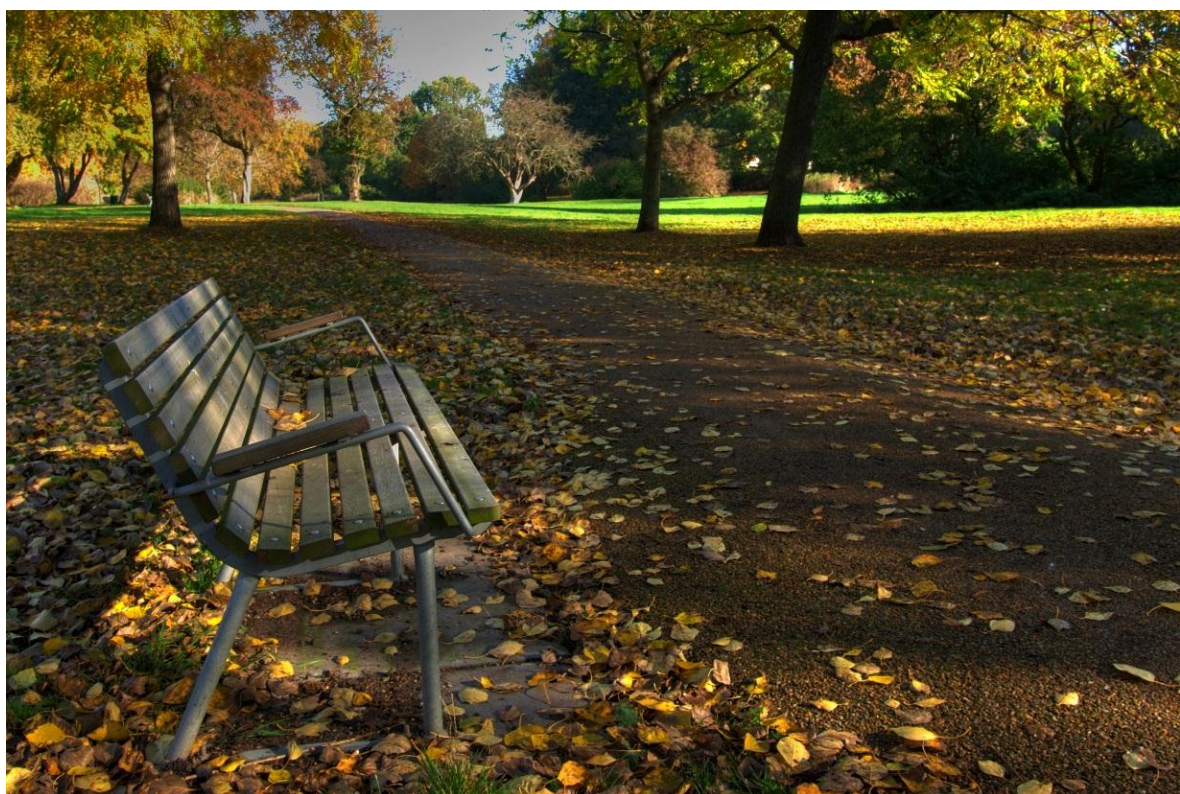


## Tax News+



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# Tax News+

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.

## More efficient audits through the cooperation of tax and customs authority departments

**In our present newsletter, considering the legislative break, we focus on the application of the law. Because of the increased number of tax audits, we would like to illustrate the cooperation and the investigating measures of the National Tax and Customs Administration (NAV) and the customs areas.**

To assure the more efficient collection of customs duties and taxes, the Tax and Financial Control Office (APEH) and the Customs and Finance Guard (VP) were merged as of January 1, 2011. As a next step towards full integration, as of January 1, 2013 the first mid-level department was established that is not divided between the two areas. The Special Tax and Customs Directorate (KAVFIG) were set up as the NAV mid-level tax and customs service. Under KAVFIG, the Special Affairs and Taxpayers Directorate of Customs and Finance Guard (KAVIG) and the Large Taxpayers Tax Directorate (KAIG) were established.

The two main areas of cooperation of the customs and tax departments are jointly and concurrently coordinated inspections, as well as the exchange of information that makes the pre-selection process for audits and the audits themselves more efficient. In addition, we emphasize that the customs authorities are enabled to carry out certain tax audits themselves as well. It is worth mentioning also that the monitoring by the customs authorities of goods currently being transported contributes effectively to the improvement of tax audit results.

## Individual audits

Between January 1, 2011 and December 31, 2012 the customs authority could commence audits regarding taxes and budgetary supports falling under the competence of the national tax authority only on condition of the obtaining the permission of the president of the NAV. However, as of January 1, 2013 the national customs authority is enabled to carry out the following audits without obtaining any special permission as well despite that these areas may fall under the competence of the national tax authority being related to taxes or budgetary subsidies:

- Audits targeting the collection of data, such as
  - overlooking purchase test aiming at revealing deficiencies in providing receipts or issuing invoices;
  - audit of the origin and records of inventories, raw materials, semi-finished products;
  - audit of the lawfulness of the employment of personnel involved in business activity; furthermore, the compliance of employment contracts with the social security legislation;
  - audit regarding other data collection.
- Audit of certain tax obligation

Audits in connection with on-site independent data collection are generally conducted at public roads, catering facilities, retail shops, markets, spas, public spaces, entertainment venues and bars. During these audits, the customs authority carries out inspections in respect of goods storage and employment status.

### Simultaneous (consolidated) audits

The following list of audits are coordinated in time and space together with intense information exchange between the tax authorities and customs authorities and the clarification of facts and assessments are made taking into account the position of the other. Simultaneous audits are carried out by the tax authority and the customs authority under two separate letter of credent. However, the audit schedule is compiled taking into account the schedule of the other.

Their assessments are made based on reciprocal consideration. The high priority areas for simultaneous audits are markets, public places, especially during Easter, Christmas and the summer tourist season.

### Joint audits

Based on the ordainment of the president of the NAV, the tax authority may involve the customs authority also in the audits. The participation of the customs authority in audits is possible in case of comprehensive tax audits, furthermore, in case of the audit of certain tax obligations or in case of data collection.

Joint audits shall be conducted by the tax authority under the letter of credent or the general letter of credent on the basis established by the identity card and by the tax audit schedule on which the names of the participating customs officers should be indicated as well. Tax audit minutes are prepared involving also customs officers that participate in the audit. Customs officers are allowed also to provide observations and opinion on the comments made by taxpayers.

### The most successful areas of the cooperation in respect of data transfer and databases

The information from the customs authorities is well-utilized during inspections. The transmission of information and data is involved with many areas, but three areas have proven particularly successful. The data provided from the registration tax databases as well as from metal trading registration system has been used to close several successful revisions. The Movement Control System Registry

(AMEN) provides essential help in controlling the transportation during intra-Community transactions.

The information forwarded by the customs authorities regarding registration tax procedures facilitates fundamentally the selection for tax audits. The purpose of accepting information on registration tax assessments is to establish the circle of entities liable for paying VAT. The inspection of taxpayers paying registration tax in connection with the purchase of cars has revealed in several cases that some companies did not fulfil their VAT payment obligation following the car purchase.

### Movement Control Registry System (AMEN)

The data collected during the launched nationwide action for the control of transport of grain, meat and other goods (i.e. the name of the sender, the recipient, details of the carriers, details of the transported goods, and details on the place of loading and unloading) are recorded by the customs authority in the Movement Control Registration System (AMEN). The recorded data may be accompanied also by scanned documents (bill of loading, invoice, CMR). The officers of the tax authority can directly retrieve, filter, process, view and print the documents. Thus, in practice, data will be available for the tax authority directorates nationwide immediately after recording.

The AMEN is a useful tool in the control of transportation related to intra-Community transactions. Based on the data retrieved from the system, the delivery of goods to Member States of the European Union and shipments back from those countries can be easily traced which may help authorities identify the participants and characteristics of the typical carousel fraud.

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**As explained, as a result of the integration a number of tools are available for the NAV, which in addition to the increase in the efficiency of the audit activity increases the efficiency of the assessments as well, so the prudent process for our customers and in case of inspection the support from experts is well-founded.**

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