

Breaking Tax News

Tax law changes

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In contrast to our monthly Tax News+, in our Breaking Tax news you will be informed immediately of regulatory changes affecting your business but without commentary by our experts.

Changes in the reporting rules concerning the road transportation of goods

The specific rules relating to the electronic public road transportation control system (hereinafter: EKAER) - to be launched on 1 January 2015 - will be amended.

The amendment will introduce new exemptions from reporting liabilities on small quantity transportation and transportation of excise goods:

- non-high risk products up to the weight 2,500 kg or the value of net HUF 2,000,000;
- high risk foods up to 200 kg or the value of net HUF 250,000;
- other high risk products up to 500 kg or the value of net HUF 1,000,000;
- alcoholic products, beer, wine, champagne, intermediate alcoholic products, tobacco products, dried tobacco, verified mineral oils, bioethanol, biodiesel, E85 or a combination of these as defined in the Act on Excise Taxes and Special Regulations on the Distribution of Excise Goods.

As a result of the amendment, (as of 1 February 2015) the tax authority may levy penalties on taxpayers for not fulfilling the reporting obligation, and also for reporting incorrect, false or incomplete information. In such cases, the goods or the part of goods (which were not reported or were reported incorrectly) will be considered as being of uncertified origin. Consequently, the tax authority may levy a default penalty up to 40 per cent of the value of the goods of uncertified origin.

Another significant amendment is that if the tax authority decides on the default penalty in presence of the taxpayer (or his representative, authorized representative or employee), then the resolution (which may order the seizure of goods alongside with the assessed default penalty) will become enforceable upon announcement and no appeal may be filed.

The amendment removes the mobile phone number and e-mail address from the scope of reportable information.

For the avoidance of issues arising from the interpretation of the law, the amendment sets forth definitions for the terms addressee and recipient. Addressees (purchasers) can only be taxpayers being considered as taxable persons within the scope of the VAT Act. The recipient (receiving the goods at the place of unloading) may be a taxpayer considered as non-taxable for VAT purposes, in the following cases:

- intra-Community supply of goods from another EU Member State to Hungary;
- domestic supply of goods in Hungary;
- intra-Community supply of goods to Hungary for other purposes.

According to the amendment, reporting the licence plate number is not an initial condition of the issuance of the EKAER number. Furthermore, the sender/addressee may provide the EKAER number to the transportation company (or the organizer of the transportation). However, if the destination of the transportation is another Member State, then the licence plate number has to be provided by the loading of goods. If the destination of transportation remains in Hungary, then the licence plate number has to be reported by the commencement of the transportation.

Based on the amendment the date of arrival of the vehicle at the place of unloading (receipt) may be reported on the working day following the date of arrival in the case of transportations of which destination is in Hungary or transportations of which the place of loading and the place of unloading are in Hungary.

Based on the amendment, the licence plate number, the weight and the value of the goods may be amended until the arrival of the transportation is reported in the case of all transportations of which the destination is in Hungary. However, if a potential tax audit occurs, then the report relating to the respective EKAER number should contain valid information. The licence plate number, the weight and the value of the goods remain subject to any modification within the validity period of the EKAER number (i.e. 15 days) in the case of transportations to another EU Member State.

The amendment clarifies that the amount of the security deposit has to be calculated on the basis of the value of those goods which are considered as high risk products. Consequently, the calculation of the security deposit should not be based on the value of all the previously registered goods. The amendment sets forth the method of calculating the amount of security deposit upon the first transportation of high risk products carried out by a taxpayer. In addition, the amendment sets forth the possibility of reducing the amount of the security deposit in certain cases. Taxpayers may be exempt from the obligation to provide a security deposit if the following conditions are met:

- The taxpayer has been operating for at least 2 years without public debt, or
- The taxpayer has been registered in the database of certified taxpayers.

The EKAER system is now live and can be accessed [here](#).

Amendments affecting individuals, including modifications in relation to personal income tax, social security contributions, social security pensions, private pension funds and the simplified tax and social tax payment (“EKHO”)

Modifications affecting the private pension funds

The amendment sets forth new regulations for the services and operating principles of private pension funds. The most important modifications are the following:

- A private pension fund will be terminated if (during two consecutive months) the number of members paying membership fees is below 70 per cent of the number of members, calculated as an average of the previous six months. (Payments of membership fees for the previous six months can be reviewed subsequent to 30 September 2015.)
- Members may decide to return to the state pension scheme or to choose another private pension fund.
- Private pension funds may use up to 2.5 per cent of the membership fees to cover their operation. Asset management costs will be limited to 0.4 per cent of the membership fees in order to ensure the profitability of the investments made.
- Private pension funds may distribute annuities.

Amendments to social security pensions and health care benefits

The amendment includes minor changes in terms of the regulation of social security pensions and health care benefits

If an individual is entitled to the pension benefits of multiple of his/her relatives, then the individual has to select which (exclusive) pension benefit he/she wishes to benefit from. The amendment clarifies those

income and earnings which should not be taken into account upon calculating the monthly average earnings (serving as the basis for old-age pension). In addition, if an individual receives own state pension benefits and has employment income at the same time, then the employment income should not be taken into account upon calculating the monthly average earnings (serving as the basis for old-age pension).

Based on the amendments concerning health care benefits, the regulations set forth for the pregnancy and child care benefit are amended. As a result, this kind of benefit will be named as "baby nursing benefit". Beyond the modified naming, the starting date of the availability and the calculation method will be modified. As a further amendment, the regulations of calculating the sick leave payment are also modified.

Cancellation of liabilities relating to consumer loan contracts

According to the amendment, an income derived by an individual in connection with the cancellation of liabilities related to the change in the currency of the individual's consumer loan contract should qualify as a tax-free benefit (provided that receiving such an income is a result of the enforcement of the provisions of the relevant legislation).

Simplified tax and social tax payment ("EKHO")

The thresholds for the annual income of individuals set forth for opting for simplified tax and social tax payment ("EKHO") will be amended. The annual threshold of HUF 25 million will increase to HUF 60 million, whereas the threshold of HUF 50 or 100 million for sportsmen will be increased to HUF 125 million.

Amendments to energy tax

The earlier wording of the respective act did not set forth transitional provisions for those cases in which a change in the applicable tax rate has an effect on the calculation of the energy tax liability. The amendment aims to mitigate the potential uncertainties arising in such cases as a result of the incomplete regulations. As a general rule, the tax rate effective at the time when the tax liability is incurred should be applied upon calculating the energy tax payable. As an exception, the tax rate effective on the first day of the period should be applied for transactions with periodic settlement (as defined in the VAT Act).

Amendments to local taxes

The amendment authorizes the local tax authorities to a new form of tax liability assessment. Local tax authorities may correct or supplement the taxpayer's tax return on the basis of the compulsory information provided by the building control authority (e.g. reporting on the occupancy permits issued by the authority) in respect of the municipal taxes, property taxes and communal tax introduced by the local self-government. As of 1 January 2015, local tax authorities may levy the above taxes on the basis of the information provided by the building control authority even if the taxpayer has not submitted the respective tax returns.

Should you have any remarks or questions regarding the above, please contact our professionals:

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