



# 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.

## Legal amendments to the family tax allowance

A Bill was recently accepted by the Parliament, which includes **amendments to the legislation regulating the required conditions for the application for family tax allowance**. Based on the former legislation, **the tax identification number of the children affected by the allowance should be specifically indicated on the tax advance declarations in addition to the annual tax returns (for the first time in 2015) filed after 1 January 2016**.

**Children born prior to 1 January 2006 did not automatically receive a tax identification number**. This triggered significant administrative burdens in certain cases when applying for family tax allowance. In such cases the guardian of the child was responsible for requesting a tax identification number for the given child.

**Based on the new Bill, the deadline for the mandatory application of a tax identification number has been extended by one year**. As a result of the amended legislation, the following consequences arise.

- As regards personal income tax returns for 2015, the **affected individuals should indicate the general personal data of children if they are not in possession of a valid tax identification number**.
- **Tax advance declarations made after 1 January 2016 are acceptable if the general personal data of the affected children lacking a tax identification number are indicated**. However, the tax identification number of these children must be indicated on the personal income tax return filed for 2016.
- **As of 2017, the tax identification number of these children must be indicated on the tax advance declarations as well**.

The Bill sets forth that in order to decrease the administrative burden of the taxpayers, **the tax authority automatically issues tax identification numbers to Hungarian citizens under 25 years of age** (prior to 31 December 2016). The tax identification numbers are issued by the tax authority by 1 July 2016. The tax authority collects

the data required for the issuance of tax identification numbers from the registry of citizen's personal data and address by 31 March 2016, within the scope of an information sharing procedure between the relevant authorities. As a result, **taxpayers are not obliged to specifically request the issuance of tax identification numbers**.

The tax authority will send a **notification letter** about the tax identification number to the affected children's guardians within 45 days from the date of issue. The notification letter will be sent to the address under which the child is registered in early 2016. Furthermore, the tax authority will **post the tax identification cards by 30 November 2016** to the same address. Therefore, the **guardians of the children in question should indicate if modifications occur as regards their address in 2016**.

**The Bill does not include specific amendments concerning the automatic issuance of tax identification numbers to children bearing foreign citizenship**. Consequently, in such cases the guardians remain liable for requesting tax identification numbers when applying for family tax allowance.

## Tax authority guidelines on EKAER liabilities

Multiple guidelines have recently been published with respect to reporting liabilities for the purposes of the Electronic Public Road Trade Control System ("EKAER"). These reporting liabilities are set forth by the Decree of the Ministry for National Economy. However, various regulations concerning the EKAER reporting liabilities remain ambiguous. Consequently, we recommend reviewing this issue in greater detail.

## The movement of goods to and from a tax warehouse

Based on Annex 4 of the Hungarian VAT Act, **goods may be placed in a tax warehouse in the case of intra-Community purchase and domestic supply of goods. In the case of a domestic entry of goods into a tax warehouse the supply of these goods should not qualify as**

**a transaction subject to Hungarian VAT.**

Accordingly, **no EKAER reporting liability** should be triggered by the given supply of goods. However (based on the respective assessments of the guidelines) **an intra-Community purchase of goods triggers EKAER reporting liability.** This is **irrespective of whether the purchased goods are entered into a tax warehouse and therefore the transaction qualifies as VAT exempt in Hungary.** In terms of the withdrawal of goods from a tax warehouse, the tax authority confirmed that **EKAER reporting liability may arise upon the domestic sale of the withdrawn goods.** This is subject to the condition that the domestic sale of withdrawn goods qualifies as the first taxable sale of these goods and is undertaken in favor of a non-end customer. In addition to the above, the tax authority confirmed that **the withdrawal from a tax warehouse followed by the export sale of the withdrawn goods should not trigger EKAER reporting liability in Hungary.**

#### **Movement of motor vehicles**

The guidelines confirmed that the movement of a motor vehicle **moved on its own wheels should not trigger EKAER reporting liability.** This is based on the fact that this situation does not qualify as transport.

#### **Intermodal transport**

**If goods are transported to Hungary by air from another EU member state and subsequently these goods are transported from the airport by means of a vehicle subject to a public road toll payment liability, then the purchaser of the goods is subject to EKAER reporting liability.** The EKAER reporting liability concerns transport on public road between the airport and the final delivery address.

#### **Import of goods**

Based on the guidelines, **EKAER reporting liability may occur depending on the place where the goods in question are put into free**

**circulation. If this occurs in Hungary, then the transaction qualifies as an import of goods as per the Hungarian VAT Act.** The import of goods **does not trigger EKAER reporting liability** in Hungary. However, **if the goods are put into circulation outside of Hungary in another EU country** (prior to their transport into Hungary), then the **transactions qualify as intra-Community purchases of goods.** Based on the general rules, **an intra-Community purchase of goods is subject to EKAER reporting liability.**

### **New grant for manufacturing companies**

New grant for **large companies with a budget of 3 Bn HUF for 2015** has been announced via the Ministry for National Economy and the main conditions set forth are as follows:

- only for **manufacturing companies aiming to increase employment and without access to EU funds;**
- **available across Hungary but in Central Hungary only certain locations and projects** aimed at carrying out new economic activity are eligible (**Budapest does not qualify as an eligible city**);
- **the minimum eligible cost should exceed HUF 100 million and minimum grant amount awarded will be HUF 50 million;**
- **job creation should be realized within 60 days from the physical completion of the project but there is no required minimum number of new hires;**
- **eligible expenses** include the **purchase costs of newly acquired assets, the costs of related infrastructure and intangible assets.**

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please contact one of our tax experts below:

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