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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.

The European Commission standardized the food chain supervision fee.

We would like to take this opportunity to inform our clients about the proposed amendments to the Act XLVI of 2008 on the Food Supply Chain and on the Control and Supervision of the Food Supply Chain. This proposal was submitted to the Hungarian Parliament on 27 October 2015. This proposal is currently awaiting signature by the President of the Hungarian Parliament.

As of 1 January 2015 the Act XLVI of 2008 on the Food Supply Chain and its Supervision has been amended by a new regulation prescribing progressive tax rates applicable to traders of fast-moving consumer goods (FMCG). In this respect the European Commission expressed its point of view that the application of progressive tax rates may give rise to distortions in competition by providing restricted state aids and benefits to traders of low revenue. This was due to a regulation which set forth a 0% tax rate applicable up to net turnovers under the amount of HUF 500 million.

As a consequence, the European Commission imposed an obligation on Hungary to suspend the application of the progressive tax rates. Simultaneously, the European Commission ordered a detailed examination. During the examination the National Food Chain Safety Office suspended the application of the progressive tax rates accordingly.

As a result of the examination, an amendment regarding the Act on the Food Supply Chain was proposed on 27 October 2015. According to the amendment the progressive tax rates of the food chain supervision fee applied to the trade with FMCG should be abolished. Thus the standard rate of 0.1% should be applicable to taxpayers operating on the food chain supply market.

Pursuant to the amendment:

- The 0% rate previously applicable (under a net revenue of HUF 500 million) to FMCG taxpayers operating on the food chain supply market would be abolished. Therefore these clients would be obligated to pay the food chain supervision fee at the standard rate of 0.1% (flat rates of HUF 20,000 and HUF 700,000 would be still applicable to micro and small enterprises).

- The standard rate of 0.1% would also be applicable to the taxpayers operating on the FMCG market, that would have previously been obligated to apply higher rate(s) to the food chain supervision fee.
- Taxable persons who have not fulfilled their payment obligation by 31 July 2015 (due to the suspension of the application of the 0% tax rate or progressive tax rates) would be obliged to submit a tax return or self-revision based on the standard rate of 0.1% by 30 December 2015. The taxable persons would not be subject to the payment of any late payment interest.

Positive changes for applicants in the GINOP 2.1.1.-15 call for application (Support for R&D&I activities of companies)

Several applicant-friendly changes were introduced in the call for grant application. The most important changes are the following:

- In case the applicant has a certification issued by the Hungarian Intellectual Property Office (HIPO) about the R&D activities covered by grant application, the R&D activities will be adopted automatically during the assessment of the submitted application documentation. The certification of HIPO could verify the nature and the classification of R&D activities (fundamental research, industrial research, experimental development).
- In case industrial research activities are involved in the project, the obligation of the applicant concerning the number of employees was eased. If the requested grant amount is below 250 million HUF, 1 instead of 3 employees is enough to be eligible for the grant. Between 250 and 500 million HUF 2 persons and above 500 million HUF 3 persons are needed.
- As a result of the modification the value of the intangible assets purchased in frame of the R&D project can exceed 10% of the total eligible cost of the project.
- Applications may be submitted from 2 November 2015 until 2 November 2017. First assessment deadline is 7 December 2015.

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