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# 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.**

## Main aspects of tax audits in 2016

On 19 February 2016 the **Hungarian Tax and Customs Authority** (the HTCA) **published a guideline** (no. 4001/2016) **which sets forth the aspects to be focused on during tax audits in FY2016**. The focus should reflect the current economic trends and business practices of the taxpayers that may result in tax risks in Hungary.

The HTCA intends to **pay particular attention to the on-site audits of taxpayers registered at seat providers, and of the sellers of loss-making companies and/or companies with significant debt to specialized buyers. Taxpayers relocating their seat** (typically to Budapest or to Pest county) **in order to receive more beneficial tax treatment while effectively operating from their original seat** may also be subject to similar scrutiny.

The verification of the fulfilment of reporting obligations in **the Electronic Public Road Trade Control System** ('EKÁER') is a priority. Specific products will be subject to an in-depth investigation.

Monitoring the **lawful use of online cash registers** is a key objective. Additionally, the HTCA aims to utilize the data collected by such cash registers for tax audit purposes. **The examination of the distribution channels and the pricing of products sold conspicuously below market value may become a focus of the audits.**

The HTCA will also focus on **e-commerce, online services** (such as online storage) and **shared economy services** (such as community accommodation, transportation, catering). The increased application of IT solutions allows the HTCA to receive a more in-depth and accurate view of the actual (even the possibly undeclared) business activities of the taxpayers.

**Related parties may expect the HTCA to focus on their internal transfer pricing policies.**

The accurate **accounting of state aids and investments** (with significant volumes) **connected to R&D**, including the application of tax base deductible items and other related tax benefits will continue to be of relevance to the HTCA.

The HTCA plans to initiate related audits of individuals and corporate entities, placing a greater emphasis on owners of multiple or high risk companies and/or the representatives of such companies.

Furthermore, **companies applying staff loaning solutions** may also come under increased review.

**The unlawful manufacturing, possession, trading and commerce of goods subject to excise duty**, such as cigarettes, alcohol and fuel (especially mineral oils subject to a specific reporting procedure) will receive priority in terms of audits.

The focal points of the HTCA's excise duties audits will be compliance with the specific requirements applicable to goods with a non-Community status, the tariff classification of goods, the declared origin of the goods, and the determination of the customs value.

**An overview of the implementation of the International Financial Reporting Standards (IFRS) will also become a priority.**

The main activities the HTCA will focus on are the following:

- Meat processing and trade, livestock trade;
- Trade of food, alcoholic beverages, and tobacco;
- Construction industry planning and implementation;
- Public road freight transport and passenger transport;

- Staff loaning;
- Trading IT and communication technology products;
- Trading of metal;
- Waste management;
- Management consulting.

In-depth investigation of distribution chains based on the billing routes and other control data available to the HTCA will be focused on.

**Regardless of status (reliable and unreliable) the HTCA intends to frequently audit taxpayers with the largest amount of tax liabilities, due to their significant impact on the national economy.**

The most common type of audit will remain the inspections carried out prior to refunding taxes.

Increased preparation prior to audits is necessary. Such preparation includes due care with specific regard to verification of the taxpayers' business partners. **The development and implementation of internal audits in addition to accurate documentation is required.**

## Serbia joins Transit Convention

**Serbia joined the 1987 EC-EFTA Convention on a common transit procedure and the simplification of formalities in trade in goods** (hereinafter: the Transit Convention). As a **consequence, certain documents (TC31, TC32, TC33) were modified.**

Within the scope of the guarantee documents and the certificates, the applicable area and the "left addresses" were supplemented by Serbia.

**Consequently, modified guarantee documents and certificates should be obtained and submitted to the customs authority.**

Economic operators that intend to deliver goods under transit procedure to Serbia may do so by submitting the modified guarantee forms and certificates to the customs office after the accession of Serbia.

**Economic operators that do not intend to deliver goods to Serbia under transit procedure may use the current guarantee forms and certificates until 1 May 2016.**

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