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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.

VAT treatment of services related to the processing of debit and credit card payments ('card handling services')

The Court of Justice of the European Union (hereinafter: 'CJEU') delivered its judgement in case no. C-607/14. related to card handling services. A company carried out tasks related to the payments of movie tickets sold online and via telephone and **charged fees for this service to the purchasers of the tickets**. Based on the European law, **services related to deposit and current accounts, payments, transfers and debts are VAT exempt**. Thus, the issue is whether these services qualify as exempt services related to transfers. **In practice, the services of the company included ticket sales on behalf of and for the benefit of the cinema**. In addition, card handling services were provided to the purchasers of the tickets. The essential content of this service was to provide information related to the transfer between the banks of the seller and the purchaser respectively.

The CJEU qualified the transfer as a transaction where a specified amount of money is transferred from one bank account to another. The transfer changes the legal and financial status of the seller and the recipient. The fact that the service is essential for performing a VAT exempt transaction is not sufficient in this case to apply a VAT exemption. A general assessment of the services is required to determine the potential applicability of the VAT exemption. The CJEU highlighted that the service carried out by the company qualifies as a technical and administrative service, therefore it does not fulfil the functions of a transfer. Accordingly this transaction does not result in the legal and financial changes generally associated with transfers. **Based on the above, the service carried out by the company qualifies as a taxable transaction**.

Guidelines for imposing penalties

The HTCA updated its 3004/2016 guideline regarding its **practice applicable to penalties** („Guideline”). The scope of the Guideline has been extended to **include the newly introduced sanctions pertaining to certain tax liabilities**.

The extension of the applicable penalties and the increase in the amount and effectiveness of the audits performed by the HTCA **justifies the review of the companies' internal business monitoring processes**. We recommend the implementation of a reliable internal business monitoring process in order to decrease the related tax risks.

Modification of rules applicable to EU grants

Government Decree No 272/2014. (XI.5.) on the Rules of the Use of Funds from Certain European Union Funds in the 2014-2020 Programming Period has been modified. Please find below a summary.

As the refundable and non-refundable combined calls for proposals will be released soon, the concept of financial instrument combined with non-refundable grants, in addition to the some new rules have been announced:

- I. **Unified application form of the refundable and non-refundable grants has to be prepared and submitted through the monitoring and information system.**
- II. Applications for any form of grants will be rejected, should they fail to fulfil the eligibility criteria.
- III. **Grant contracts may solely be concluded with applicants who have been awarded both refundable and non-refundable grants.**

The Cabinet Office of the Prime Minister established an e-procurement interface in order to ensure the market price of assets and services

purchased from grant sources. Through the interface, beneficiaries may submit their plans not subject to public procurement. Therefore any company (any potential supplier) may submit a proposal. The managing authority may prescribe the use of the interface in the calls for proposals.

Financially relevant malpractice during previous projects will be taken into account during the assessment of grant applications.

The maintenance obligation rules applicable to grants awarded have also been modified. Further to the modifications, instead of the financial closure of the project, the completion of the implementation will mark the start of the maintenance period.

Changes in the project evaluation system

A new project evaluation system will be established concerning the 2014-2020 programming period. According to the current plans the substantive evaluation of grant applications will be carried out by expert evaluators from the public roster in the case of calls for proposals open to SMEs. **The evaluators will be comprised of government officials, public servants and private individuals with employment relationships with any public company.** The Cabinet Office of the Prime Minister will maintain the public roster. They will be responsible for **choosing the evaluators and allocating projects.** According to the plans **the evaluators should have a minimum of three years experience in their area of expertise** set out in the respective call for proposal.

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