



SME INFO

TAX CHANGES IN HUNGARY – 2021



The purpose of SME INFO is to provide general information and to draw the attention to the current changes in law which we believe to be important for the business operation of our clients. It is not a replacement for careful review of the acts and rules and the consultation with your tax advisor.

© Process Solutions, 2020
– All rights reserved!

The 2020 Autumn Tax Package implemented several smaller and bigger amendments, clarifications in respect of various taxes. The two most important changes were made in VAT – such as distance selling and e-VAT return –, but these changes will take

effect from 1 July 2021 and not from the beginning of the year. This brochure summarizes the changes we consider important.

PS' SME Team

ps subject matter
expert team

www.ps-bpo.com

Content

I Act on Accounting

- 1.1 Accounting for changes in capital reserves
- 1.2 Accounting for dividend claim waived
- 1.3 Extending the range of economic events to be accounted for on a net basis
- 1.4 Tied-up reserve requirement during transformation
- 1.5 Deadline for publication of the annual report for listed companies
- 1.6 Clarification of the concept of headcount

II Taxation

- 2.1 Corporate tax
- 2.2 Local Taxes
- 2.3 Vehicle tax
- 2.4 Value Added Tax
- 2.5 KATA (Fixed-Rate Tax of Low Tax-Bracket Enterprises) and KIVA (Small Business Tax)
- 2.6 Personal income tax
- 2.7 Special tax on financial institutions
- 2.8 Excise duty
- 2.9 Tourism development contribution
- 2.10 Duties

III Taxation regime

- 3.1 Rules of Taxation
- 3.2 The tax administration regulations



I. ACT ON ACCOUNTING ⁽¹⁾

The changes effective from 2021 do not fundamentally affect the previous accounting rules, but rather supplement and clarify them.

1.1 Accounting for changes in capital reserves ⁽²⁾

Pursuant to the provisions of the Companies Act, the company may specify in the change registration application – with the exception of reduction in capital – the date of the change in the company data, which determines the date of the accounting. With this, the accounting requirements for subscribed capital have already been harmonized. Under the current change, the increase or decrease in the capital reserve should be accounted for on the date of the court registration with the date of change, if the date of the registration and the date of change differs. An exception to this if the increase in the capital reserve is the result of a capital increase by asset transfer. In such case, if the asset is not transferred by the time of court registration or the date of the change, the increase must be recorded at the same time as the transfer of the asset.

1.2 Accounting for dividend claim waived ⁽³⁾

If the owner of the company waives its dividend claim before the payment is transferred, the amount should be accounted for by the company against retained earnings instead of other income.

1.3 Extending the range of economic events to be accounted for on a net basis ⁽⁴⁾

According to the change, the range of economic events that need to be accounted for on a net basis extends.

The result shall be shown as other income or expense, depending on whether the income exceeds the book value valid at the time of transfer or sale,

- in case of intangible and tangible assets, when they are

§ (1) Act C of 2000

§ (2) 36.§ (3) – 27 Nov 2020

§ (3) 37.§ (1) h) – 27 Nov 2020

§ (4) 77.§ (3) d)-e) and 81.§ (3) c, f) – 1 Jan 2021

- sold,
- transferred in order fulfilling obligations under an exchange contract,
- transferred in compensation for shares, participating interests and/or other partnership shares withdrawn from a business association to decrease subscribed capital through capital withdrawal;
- in the case of claims at their assignment.

This rule shall first apply to financial statements for the financial year beginning in 2021, but may also apply to financial statements for the financial year beginning in 2020.

1.4 Tied-up reserve requirement during transformation ⁽⁵⁾

To protect the interests of creditors, coverage should be created for tax obligations directly in connection with the transformation which are borne by the successor and have not been covered in any other way.



If, during a non-beneficiary separation, the company established by the separation revalues its assets, it incurs corporate tax payment liability, which must be covered in the equity section of the balance sheet, by forming a tied-up reserve

1.5 Deadline for publication of the annual report for listed companies ⁽⁶⁾

A company whose securities are traded on a regulated market of any State of the European Economic Area, shall fulfil its obligation to deposit the annual and the consolidated financial statements till the last day of the fourth month following the balance sheet date, in accordance with the deadlines required by the capital market law.

§ (5) 140.§ (6) – 27 Nov 2020

§ (6) 153.§ (3) – 1 Jan 2021

It shall first apply to financial statements for the financial year beginning in 2021, but may also apply to financial statements for the financial year beginning in 2020.

1.6 Clarification of the concept of headcount ⁽⁷⁾

For the sake of clear legal interpretation and application, the Act on Accounting will use the term “average headcount” uniformly regarding the headcount data to be presented in the supplementary notes of the annual, simplified, consolidated and exempted parent company financial statements, instead of using different headcount concepts (average statistical headcount, average headcount).



The law does not define the concept of average headcount. With regard to headcount concepts, “3/2010. (IV. 2) KSH publication about the major labor statistics concepts and their definitions” gives guidance ([here in Hungarian](#))

The publication distinguishes between a stock (in the sense of labor law) and a narrower, statistical headcount concept (the latter does not include e.g. employees on maternity leave).

Given that the standardized concept is not defined, we recommend a consistent continuation of the method and data content used so far.



§ (7) 91.§ a); 96.§ (4) 133.§ (4) c) – 1 Jan 2021

II. TAXATION

2.1 Corporate tax ⁽⁸⁾

Among the changes in 2021 there are several points that are merely clarification and some amendments actually affect the tax base. Overall, there will be no significant change.

2.1.1 Concept of controlled foreign company ⁽⁹⁾

The concept of controlled foreign company implements the concept of non-cooperating states, a list of which is published in a ministerial decree. The identification of controlled foreign companies plays an important role for corporate tax purposes. The taxpayer has a strict documentation obligation for the controlled foreign company, in addition to which it also bears the burden of proof in order for the costs incurred in connection with the controlled foreign company to be deductible. The taxpayers in respect of controlled foreign companies have special tax base modification items, including, but not limited to, tax base reduction related to the fair market price cannot be applied and certain discounts (e.g. related to notified shares) cannot be applied either or can be applied only with an additional burden of proof (eg. preferential exchange).

2.1.2 Changes affecting the concept of place of business ⁽¹⁰⁾

From taxation point of view, the place of business is of paramount importance, since it determines where the tax liability of the company arises. The place of business is separately defined by the Corporate Tax Act, VAT Act, the local tax regulations and by the double taxation treaties as well.

If we look at the definitions, they are similar but minimally different, so it is possible that a company does not qualify as having a place of business under one law while it does under another. A common feature in the general wording is that a place of business is primarily a geographically definable place.

§ (8) Act LXXXI. of 1996

§ (9) 4.§ (11) i) – 1 Jan 2021

§ (10) 4.§ (33) i and j) – 1 Jan 2021

According to the amendment to the law, even in the absence of a geographically definable place, a place of business is created if a foreign person provides services for more than 183 days through its own employee or another natural person in a legal relationship.



This may be the case, for example, when a foreign parent company assigns its employee to its Hungarian subsidiary.



The amendment confirms that a foreign person is to be considered as having a place of business in all cases if it carries out an activity which creates a place of business under the double taxation treaty, and consequently the double taxation treaty will take precedence over the Corporate Tax Act even if according to the Corporate Tax Act no place of business is created.

2.1.3 Change in tax base modification items and tax credits

Tax base modification items related to a controlled foreign company ⁽¹¹⁾

Based on the amendment, the corporate tax base modification item for dividends and capital withdrawals related to the controlled foreign company will be modified in order to make genuine arrangements (if any) related to dividend, capital gain exempted from taxation. As a result tax payers in respect of controlled foreign companies having both genuine and non-genuine arrangements will only have tax liabilities considering the non-genuine arrangements.

The profit generated by the non-genuine arrangements and their series of the controlled foreign company allocated to the taxpayer increases the tax base.

§ (11) 7.§ (1) g and gy) – 27 Nov 2020; 8.§ (1) f) – 1 Jan 2021

Under this amendment, the exception rules for a controlled foreign company cannot be applied if the foreign person or establishment is resident in a non-cooperating country.

Bad debts to affiliated companies ⁽¹²⁾

With the part of an outstanding intercompany receivable that is considered as bad debts, the company can continue to decrease its tax base to the extent of the recorded impairment. However, from now on, it is not necessary to report the affiliated company or the real economic reasons underlying the transaction in the corporate tax return, but it is sufficient for the taxpayer to keep a separate record of these.

Interest deduction limit for corporate tax groups ⁽¹³⁾

The financing cost in excess of the amount of interest deduction limit – which increases the tax base – has to be taken into account in the individual tax bases of the group members in proportion to the net financing costs rather than to EBITDA. This amendment can already be applied to the tax year starting in 2020.

Regulation on capital withdrawals ⁽¹⁴⁾

The amendment is a legal clarification that clarifies that the option to pay exit tax in instalments is applicable not only to the transfer of the place of management but also to the transfer of the assets or the transfer of business carried on by the domestic permanent establishment.

Sponsorship of popular team sports supplemented with the defense against coronavirus ⁽¹⁵⁾

For all organizations to whom sponsorship of popular team sports can be granted (except for the Hungarian Olympic Committee), support may be granted related to the state of danger, health crisis, specific security measures to cover their certified cost up to 100 per-cent. This can be first applied to the tax year started in 2020.



§ (12) 7.§ (4) – 1 Jan 2021

§ (13) 8.§ (5e) – 27 Nov 2020

§ (14) 16/A.§ (4) – 1 Jan 2021

§ (15) 22/C.§ (1a) and (4d) – 27 Nov 2020



Provision for developments ⁽¹⁶⁾

The provision for developments is a tax base decreasing item applied by a wide range of companies, which, unlike the investment reduction, can be used regardless of the number of employees and their size classification. The provision for developments is generated on the basis of the company's decision, which reflects the investment and development intention to be realized at a later date, its enforcement in corporate tax is practically an advanced depreciation. The amount shown as provision for developments shall be shown under tied-up reserves. Based on the previous regulations the provision for developments decreased the tax base up to 50% of the profit before tax but not more than HUF 10 billion in value. The 50% limit was abolished during the spring state of danger and according to the current change the HUF 10 billion limit is no longer applicable, so the provision for developments entirely decrease the tax base up to the amount of profit before tax.

Changes related to transfer pricing ⁽¹⁷⁾

In case of transactions between domestic taxpayers and its foreign establishment – if the tax base cannot be reduced with transfer pricing adjustment due to the lack of the statement of the other party about its tax base increase – domestic taxpayer can reduce its tax base with – instead of transfer pricing adjustment – the part of the expenses attributable to the foreign establishment. This can be first applied to the tax year starts in 2021.

Handling of dividend claim waived ⁽¹⁸⁾

In accordance with the change of Act on Accounting tax base modification items related to the released dividend are abolished.

§ (16) 7.§ (1f) – 1 Jan 2021

§ (17) 28.§ (6a)-(6c) and (7) – 1 Jan 2021

§ (18) 29/Q.§ (3) – 1 Jan 2021

Tax credit for investments to comply with energy efficiency targets ⁽¹⁹⁾

Under the Corporate Tax Act, a tax credit is available for the implementation and operation of investments complying with energy efficiency targets.



An investment complying with energy efficiency targets is an investment that results in energy savings resulting in a reduction in final energy consumption.

Under the amendment, tax allowance in connection with an investment, renovation to comply with energy efficiency targets cannot be applied for passenger cars and passenger e-cars, except as defined by law of passenger cars with oversized cargo space. This shall apply for the first time to investments and renovations complying with energy efficiency targets started after the entry into force of this provision.

2.2 Local Taxes ⁽²⁰⁾

In local taxation, as in previous years, the reduction of the tax administration and the closure of tax loopholes will continue in accordance with the amendments to the law.

2.2.1 Local business tax

Transfer Pricing Adjustment ⁽²¹⁾

Like in the corporate tax, the rules for the transfer price adjustment were included in the Local Taxes Act.

According to the amendment, a legal entity who is obliged to apply the fair market price measures under the corporate tax act must also apply the similar measures during the local business tax calculation from 2021. The entity must determine its net sales revenue or its net sales reduction costs and expenses from the transaction concluded

§ (19) 22/E.§ (8) f) – 2020. 12. 27-től

§ (20) Act C of 1990

§ (21) 39.§ (11)-(12) – 1 Jan 2021

with its affiliated company on the basis of the fair market price. (Just like the entity did the same under the corporate tax Act.)

Also, like in the case of the corporate income tax, the tax base decrease has a condition. The entrepreneur must have the statement of the other party that it increased its net revenues in the same amount or reduced the amount of the net sales reducing expenses in the same amount when determining its local business tax base.

If the contracting party is not subject to local business tax (eg. it is a foreign entity), the declaration must state that it adjusted its corresponding tax base accordingly. If it does not have similar tax to the local business tax then it has to prove that it adjusted its corporate income tax or its tax that corresponds to corporate income tax.



The transfer pricing corrections above can also be carried out in a way when the entrepreneur increase or decrease its local business tax base in one lump sum.

Significant or insignificant error ⁽²²⁾

In connection with the calculation of the local business tax, the law also specifies what has to be done in case of an error. If, due to an error, regardless whether significant or insignificant (according to the Accounting Act), the tax base of the tax year in which the error was discovered shall be determined by taken into account the modification of tax base or tax of the tax year affected by the error and changed by the tax authority or through self-revision.



The wording of the law still does not preclude the taxpayer from deciding to take into account the effect of the error in the tax year when it was discovered. So, it will not deviate from the amount of tax base elements in the general ledger. In this case, there is still no need for self-revision.

§ (22) 41.§ (9) – 1 Jan 2021

Temporary business activity ⁽²³⁾

The tax liability for temporary business activities will be abolished, and several sections of the law have been amended accordingly. In practice, this mainly affects construction companies.



Importantly, construction activity lasting less than 180 days is subject to the “normal” business tax liability in the same way as any other activity. Under the old rule, construction activity not exceeding 180 days was subject to a temporary business tax, which could be deducted from the company’s total business tax. The temporary business tax will be abolished, but the sales revenue from construction activities not exceeding 180 days will continue to be the company’s sales revenue, thus it also constitutes its tax base, which will be subject to the „normal” business tax.

Tax base splitting ⁽²⁴⁾

The “asset value proportional” splitting method included in the law has been modified. In the future, the asset value of vehicles leased and rented on a long-term basis must be taken into account in the proportion of personnel expenses per registered seat or site.

Tax return obligation ⁽²⁵⁾

In the future, the local business tax return can only be made on an electronic form provided by the state tax authority. (Exceptions are individuals who are not self-employed, who may also file a paper return with the municipal tax authority.) This unified return form that contains information on the registered office and all establishments and what has to be submitted to the state tax authority can lead to significant administrative burden reductions for taxpayers.

§ (23) 52.§ 31. e) – 1 Jan 2021

§ (24) Act on Local taxes Annex 1.2 – 1 Jan 2021

§ (25) 42/D.§ (1) and (4) – 1 Jan 2021

Data notification, change notification ⁽²⁶⁾

Data notification, declaration, registration (change notification) forms for taxes within the competence of the municipal tax authority will become standardised. These will be available on the website of the ministry headed by the Minister responsible for tax policy. These forms should still be submitted to municipalities with the exception of the local business tax return.

The municipal tax authority may only supplement the data notification and tourist tax return forms, only in order to implement the exemption and discount provisions regulated in the local government tax decree and to determine the tax to be paid.



A taxable person who is not affected by these exceptions or does not benefit from them (eg. an exemption) may also use the forms available on the website of the Minister responsible for tax policy to submit electronically. (Exceptions are non-self-employed individuals who can also submit the form on paper.)

2.3 Vehicle tax ⁽²⁷⁾

From 2021, the tax revenue from the vehicle tax will go entirely to the central budget. In line with this, the powers and responsibilities of the tax authority related to the vehicle tax will also be transferred from the municipalities to the state tax authority. The state tax authority may exercise this power only in relation to the vehicle tax liability for the period after 31 December 2020. For the period before that, local municipalities are entitled to revenues and they are in charge of tax authority related tasks.

§ (26) 42/I.§ – 1 Jan 2021

§ (27) Act LXXXII of 1991 – 1 Jan 2021

2.4 Value Added Tax ⁽²⁸⁾

There have been some minor amendments to the VAT Act, and two major ones which will take effect on 1 July 2021. The smaller ones and the e-VAT return related amendments are included in this booklet, while changes on distance selling will be published by us in a separate brochure later.

2.4.1 Group taxation arrangement ⁽²⁹⁾

The new rules will allow in the following cases for the taxpayers to indicate in the application when to request the change, making its impact more predictable:

- creation of a VAT group taxation arrangement,
- a non-member joining or a member withdrawing from the VAT group taxation arrangement,
- abolishing the VAT group taxation arrangement.

The change shall take place on the date specified in the application, but not earlier than the date on which the permit of the state tax authority becomes final or the permit is revoked. If the state tax authority initiates the termination it will take place at the license revocation date.

Businesses that are members of different VAT group taxation arrangements may become affiliated companies at a later point in time. Which of VAT group taxation arrangements will remain (the remaining group taxation arrangement) and which will cease to exist, and how members can switch to the remaining group taxation arrangement, will be determined by introducing a transitional period so that members can continuously being part of a VAT Group taxation arrangement without interruption.

2.4.2 Irrecoverable claim ⁽³⁰⁾

From 1 January 2020, the taxpayer may subsequently reduce the tax base by the net of tax amount of consideration (full or partially) recognized as an uncollectible receivable if all the conditions specified in the law are met.

§ (28) Act CXXVII of 2007

§ (29) 8.§ (3a); (8a), (10a), (11a) and 8/B.§ – 27 Nov 2020

§ (30) 77.§ (7) b) h); 77.§ (9)-(11) and 259.§ 3/A e), 342.§ – 1 Jan 2021

The above was only possible in the case of sales provided to taxable persons in 2020 and the conditions included also that one year had to elapse since the consideration was due in order for the tax base to be reduced by the amount of the claim.

The 2021 changes allow also in the case of a natural person debtor that the taxpayer seller takes into account in its tax base the value of bad debts, and, if the bad debt arising from such selling of goods and provision of services on which the governing limitation period is less than one year, it is not a requirement that one year to be elapsed from the due date.



In case of natural persons bad debt is defined as: debt of natural persons for which the debt settlement procedure is closed by the court by a debt relief decision in respect of the remaining debt.

If the debtor is a non-taxable person, it is not necessary to be notified in advance about the subsequent tax base reduction (the taxpayer debtor must be notified in advance just as before).



A transitional provision stipulates that the rules for reducing the tax base in respect of an uncollectible receivable from non-taxable customer may also be applied to transactions carried out before 1 January 2021 but after 31 December 2015.

2.4.3 Tax-free sale of cars ⁽³¹⁾

Clarification is states that if the car purchase was originally made on the purpose of selling, then the exemption during the sales transaction does not apply, because in this case the deduction prohibition was also not valid at the time of purchase.

§ (31) 87.§ c) – 1 Jan 2021

2.4.4 Tax number – reopening and right to deduct ⁽³²⁾

It is possible that, if, after the cancellation of the taxable person's tax number, it is re-established by the tax authority at the taxpayer's request, the taxable person may exercise its right to deduct in respect of input tax incurred before the cancellation.

2.4.5 Reverse taxation of temporary agency work ⁽³³⁾

It was planned as of 1 January 2021 to terminate the reverse taxation of the temporary agency work except for construction work labour lending, which remains in all cases under the reverse charge mechanism (including also such work where the construction permit is not required).



The amendment connects the effective date of the new regulation to an EU decision which decision if occurs after 30th day following its publication in the Official Gazette the new regulation comes into force. Because of this provision the effective date of the new rule is still uncertain.

2.4.6 Changes in invoicing obligations ⁽³⁴⁾

The current legislation which allows the exemption from invoicing for a transaction carried out to a non-taxable person partly depending on the manner in which the payment was made. From July, however, the invoice does not have to be issued if the non-legal person customer – regardless of the payment method –

- settles the invoice including VAT on or until the fulfilment date, and
- does not ask for an invoice.

§ (32) 137.§ – 27 Nov 2020

§ (33) 142.§ (1 c) – later

§ (34) 165.§ (1) b) and (6) – 1 Jul 2020



Notwithstanding the above, in case of distance selling the invoice is not mandatory to be issued if a one-stop-shop (OSS) system is used by the seller. However, even in a one-stop shop system, the seller is not exempted from issuing an invoice if the customer requests it.

2.4.7 Changes in obligations to issue receipts ⁽³⁵⁾

Starting from 2022 there will be no obligation for the seller to issue receipt, if the amount was settled by a vending machine defined by the Rules of Taxation.

2.4.8 E-VAT ⁽³⁶⁾

From 1 July 2021, the state tax authority prepares the VAT return instead of the taxable person, upon acceptance of which the return obligation is deemed to have been fulfilled. The first e-VAT declaration will be prepared for the tax assessment period including 1 July 2021.



Performing the declaration obligation in this way is not mandatory, this is only optional.

The draft return includes the output tax base, the output tax, as well as the input tax and the input tax base. The prepared draft can also be used as a return in a way that the taxable person completes, amends and, after acceptance, submits it on the electronic interface provided for this purpose. As the tax authority does not have information on the fulfilment of the material conditions for exercising the right to deduct, in the case of exercising the right to deduct, additions and amendments are absolutely necessary, which also qualifies as fulfilment of the summary document obligation.

§ (35) 167.§ c) – 1 Jan 2022

§ (36) 184.§ and 346.§ – 1 Jul 2021



The tax authority will make the draft declaration available starting from the 12th day after the last day of the tax period.



If both the “traditional” declaration form is submitted and the e-VAT draft is accepted, the document previously submitted is considered a declaration.

The e-VAT can be self revised on the electronic interface or on the form provided for this purpose.

The taxpayer, as well as its permanent representative can access the e-VAT electronic interface, or they may indicate another individual as a secondary user whose given the right to amend, supplement, adopt the data included in the draft declaration. The right of the secondary user does not extend to the submission of the declaration.



The tax return will be prepared by the tax authority for the first time for ordinary taxpayers for the tax assessment period including 1 July 2021. In some special cases – such as the succession, change in reporting frequency, or if the taxpayer is under liquidation – this new facility will only be opened from 1 January 2022 and from 1 July 2022.

2.4.9 Termination by succession – recoverable VAT ⁽³⁷⁾

In the event that the taxable person ceases with succession and at the time of termination there is a negative VAT in his final return which he cannot reclaim, the successor is entitled to dispose of it by increasing his deductible tax.

However, there may be a termination where the successor is not a domestically registered taxable person. According to the amendment,

§ (37) 186.§ (7) – 27 Nov 2020

in this case, at the time of termination, the predecessor taxpayer must be considered as terminating without a legal successor, ie he can apply for a refund of the negative tax indicated in his final return.

2.4.10 VAT refund ⁽³⁸⁾

From January the law clarifies the input tax that can be refunded to the not domestically established taxable persons in a specific period:

- the input tax included in the invoice issued during the tax refund period, provided that the input tax incurred before the invoice was issued or at the time when the invoice was issued;
- input tax incurred during the tax refund period, provided that the invoice was issued before the tax event;
- input tax incurred during the refund period on imports of products.

2.4.11 Special VAT refund ⁽³⁹⁾

The special VAT refund procedure was introduced from 1 January 2020, and its scope was extended from 1 January 2021. In accordance with the amendment from January the taxpayer can turn to the tax authority and demand a refund also if the taxpayer had an output VAT – contrary to the principle of fiscal neutrality –, which he could not recover as part of the consideration from the customer and there is no possibility of recovering otherwise. An important condition is that the customer should have had a right to deduct the tax, which he did not exercise, and he no longer has the option to do so.

The taxpayer shall submit a refund request to the tax authority in writing at the latest six months before expiry of the right of tax assessment. The deadline shall apply with prejudice.

2.4.12 Changes in online data submission obligations ⁽⁴⁰⁾

- From January 4, the scope of data provision will be expanded, data must be provided for all invoices and documents treated as invoice, to which the Hungarian invoicing rules apply. Exceptions to this area:

§ (38) 251/A.§ (1) – 1 Jan 2021

§ (39) 257/K.§ – 1 Jan 2021

§ (40) Annex 10 – 4 Jan 2021 and 1 Jul 2021

- Until 2021 June 30 remote services (telecommunications, broadcasting and electronic (TBE) services): data need not be provided on service provision, which place of fulfilment is in another Member States of the EU and in respect of which the taxpayer fulfils its tax obligations according to the special regulations of Rules of Taxation defined for the remote service providers by using the mini one stop shop system (MOSS).
- From 1 July 2021, supplies of goods and services belong in the framework of distance selling: data need not be provided for supplies of goods or services which place of fulfilment is in another Member States of the EU and for which the taxable person fulfils its tax obligations under the one-stop shop (OSS, IOSS) systems.
- In case of invoices and documents treated as invoice issued to non-taxable natural persons data provision does not cover the customers' name and address.
- Data must be provided on the currency used to determine the tax base and, in the case of foreign currencies, on the exchange rate used for conversion into HUF.



The exchange rate data has been requested by the online data service so far, despite that this data is not a mandatory element of the invoice. The amendment to the legislation practically now creates the legal basis for the provision of data requested by the tax authority earlier.

- If the taxable person makes a taxable supply of goods or services free of charge to a person other than him, he will be required to provide information on whether the transaction is taxable and whether the VAT will be reimbursed by the customer of the product or service.
- If the taxable person makes a supply of goods or services outside the country, he is obliged to provide information that the transaction is outside the territorial scope of the VAT Act.

- If an advance invoice was issued, during the data provision on the final invoice both the seller and the customer have to provide information also on the difference arising due to the application of advance invoice.

2.4.13 New residential properties – VAT rate of 5% ⁽⁴¹⁾

The modification declares that 5% VAT rate applicable to the sale of new residential properties.

The 5% VAT rate shall first be applied in cases where the tax liability falls on 1 January 2021 or thereafter. The provision remains in force until 31 December 2022, additionally the law allows the application until 31 December 2026 if the building permit has become final by 31 December 2022 or, in the case of a construction activity subject to simple notification, the notification was submitted until 31 December 2022.

2.5 KATA (fixed-rate tax of low tax-bracket enterprises) and KIVA (small business tax)

There are changes in KATA and KIVA regulations but the really significant changes (KATA: introduction of a special tax; KIVA: tax rate reduction) has been included in the summer tax law package.

2.5.1 Amendments to KIVA

Opting and ceasing of KIVA scheme ⁽⁴²⁾

Opting KIVA from 1 December 2020:

KIVA taxation may be opted if the preceding tax year's revenues and total assets are not expected to exceed HUF 3 billion (in case of less than 12 months fiscal year, the sales revenue of HUF 3 billion shall be calculated proportionally). So far, these limits were set at HUF 1 billion.

§ (41) 347 and 348.§ – 1 Jan 2021 and 1 Jan 2023

§ (42) Act CXLVII. of 2012. 16.§ (2) b) and e), and 19.§ (5) a) and g)

The KIVA – scheme shall be ceased from 1 January 2021:

- If the revenue threshold of HUF 6 billion is exceeded on the first day of the quarter, effective as of the day preceding that day (currently the limit is HUF 3 billion).
- Currently the scheme also ceases if the taxpayer has enforceable net tax debt on the last day of the calendar year and it exceeds HUF 1 million. This has been facilitated by the fact that the tax authority revokes its decision to terminate the taxpayer if the taxpayer pays his tax debt until the decision becomes final.

Transition from KIVA to corporate tax ⁽⁴³⁾

When transferring to corporate tax the taxpayer must pay tax on the amount previously created under the KIVA scheme but not charged with the small business tax. The law will more deeply clarify the details of this transition from January.

Tax rate change ⁽⁴⁴⁾

As a result of changes in the Summer Tax Package the tax rate of 12% will be reduced to 11% from 1 January 2021.

2.5.2 Amendments to KATA

Change in special tax ⁽⁴⁵⁾

A special tax of 40% has been set as part of the 2020 Summer Tax Package, which will take effect on 1 January 2021. More details on this and other changes affecting KATA can be found in [SME INFO 2020-16](#). Connecting to the special tax some easement has been adopted as part of the Autumn Tax Package: In case of any revenue from a foreign payer qualified as affiliated company of KATA enterprise and revenue from a foreign non-affiliated company payer exceeding HUF 3 million per year – overall in cases when KATA enterprise is obliged to pay tax (and not the payer) – the base of the special tax is not the total revenue but only the 71.42% of it.

§ (43) 28.§ (4a).(4e) – 1 Jan 2021

§ (44) 21.§ – 1 Jan 2021

§ (45) Act CXLVII. of 2012. 8.§ (6) b) and d) – 1 Jan 2021



2.6 Personal income tax ⁽⁴⁶⁾

2.6.1 Changes affecting the Széchenyi Holiday Card (SZÉP card) ⁽⁴⁷⁾

Due to the epidemic situation, the amendment was extended until 30 June 2021, according to which the recreational amount limit is HUF 400 thousand per year at budgetary authorities and HUF 800 thousand per year for all other employers. In addition, no social security tax will be payable on the amount transferred to the SZÉP card as a non-wage benefit until the above date.

From 1 July 2021 the recreational amount provided as non-wage benefits by budgetary authorities and other employers will be unified, recreational amount limit above HUF 450 thousand will be considered as “specific defined benefit” for all employers.

§ (46) Act. CXVII. of 1995

§ (47) Act LVIII. of 2020, 40.§ and Act. CXVII. of 1995. § 70 (8)

2.6.2 Modification of personal allowances ⁽⁴⁸⁾

The personal allowance is currently a tax credit available to severely disabled individuals with physician-certified diseases listed under 335/2009. Government Decree. From 2021, this will be enforceable as an item reducing the consolidated tax base. The amount is one-third of the minimum wage per eligible month, rounded to the nearest HUF 100, so the amount of the discount does not change:

2020: The tax credit – 5% of minimum wage:

$$161\,000 \times 5\% = \text{HUF } 8\,050$$

2021: Tax base reducing – 1/3 of the minimum wage:

$$(161,000/3) \times 15\% \text{ PIT} = \text{HUF } 8,050$$

In the order of the consolidated tax base reduction items, it will be valid after the discount for mothers with four or more children and before the first marriage and the family tax allowance.

2.6.3 Tax exempt income – epidemiological screening ⁽⁴⁸⁾

Regardless of the grant date, the epidemiological screening will be tax-free, and will not be taxable income either if the epidemic screening financed by the payer has been carried out during the first wave of the new type of coronavirus. The provision will enter into force in 2020 and can be enforced retroactively.

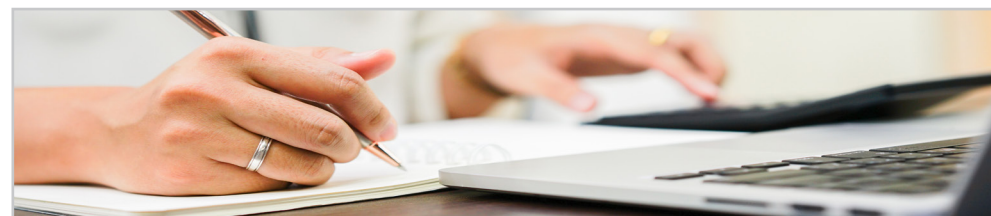


As a result of the amendment, the amount of the personal allowance will not change, but it can also be enforced by those who raise more children with a lower income, so the net income of these families will increase as they can take advantage of more contribution allowances.



§ (48) 29/E.§ – 1 Jan 2021

§ (49) Act CXVII of 1995, Annex 1, point 8.39 – 27 Nov 2020



2.7 Special tax on financial institutions ⁽⁵⁰⁾

For the 2020 tax year, a special tax on credit institutions related to the epidemiological situation was introduced in accordance with Government Decree 108/2020. It was specified in the Autumn Tax Package that the financial institutions special tax amount can be reduced in the next 5 years by the emergency special tax amount paid in 2020. This reduction can be used in equal instalments.

2.8 Excise duty ⁽⁵¹⁾

In two steps, from 1 January and from 1 April 2021, excise duty on tobacco products will increase in accordance with the Directive 2011/61/EU on tobacco products.

From 1 January 2021, brandy distillation is tax-free for private distillation up to 86 liters per year, whereas in case of contract distillation the tax amount is zero forint up to 50 liters per contract distillation customer.

In addition, several administrative, procedural rules change also enter into force on 1 January on the following areas: commercial diesel tax refund, new type of tobaccos, fines, excise retail trade etc.

2.9 Tourism development contribution ⁽⁵²⁾

From 1 January 2021, the provision of food and locally prepared non-alcoholic beverages, as well as commercial accommodation services in its own name but for the benefit of others, will no longer be subject to tourism development contribution.

§ (50) Act LIX. of 2006, 4/A.§ (20) and (21) – from 1 Jan 2021

§ (51) Act LXVIII. of 2016 – 1 Jan 2021 and 1 Apr 2021

§ (52) Act LXVI of 2016, 261.§ (1a) – 1 Jan 2021

2.10 Duties ⁽⁵³⁾

The scope of proceedings subject to a fee is changing: the new amendment to the law narrows the scope of first-instance administrative authority proceedings that are subject to an administrative authority procedural fee.

After 1 January, with the exception of certain documents set out in Annex 1, such as travel documents, driving and registration licenses, registration certificates and tax and value certificates, the procedural fee for initiating administrative proceedings at first instance shall cease to apply.

The scope of the duty-free processes and services are listed in Annex 2 of the Act (eg. issuing tax authority certificates, automatic authorization of payment facilities to the reliable taxpayers etc.).

Taxation regime

3.1 Rules of Taxation ⁽⁵⁴⁾

There have been changes in the Rules of Taxation mainly in connection to other tax legislative changes as well as some minor adjustments, additionally we can see favourable changes in relation to reliable taxpayer status and payment facilitations. Here, too, we have highlighted the amendments that we consider important.

3.1.1 Amendment of the Rules of Taxation in line with the changes related to distance selling in the VAT Act ⁽⁵⁵⁾

From July 2021 the scope of the Rules of Taxation is extended to the VAT liability due to another EU Member State, provided that the taxpayer has registered to the one-stop shop system through the Hungarian tax authority.

In addition, the taxable person himself is covered by the law if he is not established in the EU, neither his place of residence, usual residence are in the EU and imports supplies and services to a non-

§ (53) Act XCIII of 1990, 28.§ (1) – 1 Jan 2021

§ (54) 2017. CL. Act

§ (55) 6.§ (6) and (8); 38.§ (1) i); 274/J.§ – 1 Jul 2021



VAT taxable person established in the EU, provided that the taxable person registers with the Hungarian state tax authority electronically. In line with the above the tax authority deletes the VAT registered taxpayers who declare that they fulfil their VAT obligation through the tax authority of another EU Member State, provided that they do not incur any other tax liability in Hungary.

3.1.2 Electronic Public Road Trade Control System (EKAER) ⁽⁵⁶⁾

The summer tax law package modified EKAER, which was discussed in the [SME INFO 2020-16](#).

3.1.3 Vehicle tax ⁽⁵⁷⁾

It was included in the Rules of Taxation in accordance with the change in the Vehicle Tax Act that this will be the state tax authority who prescribes the vehicle tax starting from January and the tax authority tasks are also performed by the state tax authority in connection with the vehicle tax liability for the period starting from 1 January 2021



The deadline for the vehicle tax liability for the first half of 2021 is exceptionally 15 April 2021. (Annex 3. Deadlines)

3.1.4 Reliable taxpayer status – group taxation arrangements ⁽⁵⁸⁾

Until now, only such tax group where all members of the group were reliable taxpayers could be considered as a reliable taxpayer. From

§ (56) 113.§ – 1 Jan 2021

§ (57) 141.§ (1) d) and 274/I.§ (5) – 1 Jan 2021

§ (58) 153.§ (5) – 1 Jan 2021

January, the group will not lose its status as a reliable taxpayer if it is joined by a member who does not yet have three years of continuous operation or three years of VAT-registered status and therefore could not yet be qualified as a reliable taxpayer solely for this purpose.

3.1.5 Reliable taxpayer status – After the Spring, 2020 emergency situation ⁽⁵⁹⁾

For ratings following a quarter that includes 18 July 2020, the taxpayer's reliable tax status may not be revoked by reference to the enforcement proceedings initiated between 11 March 2020 and 18 July 2020.

3.1.6 Changes in payment facilitations

Automatic payment facilitation for a reliable taxpayer ⁽⁶⁰⁾

The usage of automatic payment facilities for reliable tax payers shall only be permitted if the tax payer's calculated net tax debts do not exceed – at the time of the assessment – the three million forint (the threshold of HUF 1.5 million at present).

Payment facilitation for group taxation arrangements ⁽⁶¹⁾

So far, only the VAT group taxation arrangements could not apply for payment facilities, from January this prohibition extends to corporate tax groups.

Automatic instalment payment allowance ⁽⁶²⁾

- The natural person taxpayers – including natural persons engaged in entrepreneurial activities and obliged to pay value added tax – are entitled to instalment payment for up to twelve months without extra charges, once a year, for a maximum tax debt of HUF 1 million (currently this threshold is HUF 500 thousands)
- The natural person not engaged in entrepreneurial activities and not required to pay value added tax are entitled to instalment payment for up to twelve months without extra charges, once a year, for a maximum tax debt of HUF 500 thousands (currently their limits are HUF 200 thousands and 6 months)

§ (59) 153.§ (6) – 1 Jan 2021

§ (60) 156.§ (3) – 1 Jan 2021

§ (61) 198.§ (3) d) – 1 Jan 2021

§ (62) 199.§ (1)–(2) – 1 Jan 2021

3.1.7 Clarification of tax deficit interpretation ⁽⁶³⁾

When classifying the tax payer's tax difference arising from a tax audit as a tax deficit the amount of overpayment, which already existed on the date of commencement of the audit, cannot be taken into consideration if the taxpayer has already asked its refund or transfer.

3.1.8 Permanent and contingent tax assessment ⁽⁶⁴⁾

This option will be retired from January, so the relevant section will be removed from the Rules of Taxation.

3.2 The tax administration regulations ⁽⁶⁵⁾

Amendments are made to the compulsory professional representation, the taxpayer's rights in relation to the time of the audit, supervisory measures, prohibition of aggravation and delivery rules.

We provide more detailed information on these on request.

§ (63) 217.§ (1) – 1 Jan 2021

§ (64) 171.§ – 1 Jan 2021

§ (65) Act CLI of 2017.

