

# SME INFO

## TAX PACKAGE — SPRING AND SUMMER 2021 — HUNGARY



The tax package submitted in the spring of 2021 and adopted in June brought mostly minor changes and clarifications. Reviewing the changes in taxation we draw the attention to the reduction in the burden on employer taxes, such as the reduction in Social Contribution Tax and, in parallel, the withdrawal of the vocational training contribution, besides that the implementation of cryptocurrencies' taxation rules is also an interesting amendment. Several of the changes will

take effect already in 2021, some of them are implemented from January 2022 but an early adoption is possible in 2021, and there are changes that will only be introduced in July 2022 or even in 2024.

In addition, there have been some other changes during the summer that are also worth noting in this newsletter.

az SME Team

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.

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## I CHANGES IN THE ACT ON ACCOUNTING

Considering the changes effective from 2022, we would highlight two, also modifying the accounting rules, while other changes rather complement and clarify the existing rules.

### 1.1 Changes affecting accounting rules

#### Exception to the application of project accounting: series production <sup>(1)</sup>

Given that the rules on the unit of account of a contract effective from 1 January 2020 may also cover contracts for which its application is not justified or causes serious difficulties, a facilitation option is added to the existing rules.

According to the amendment, if the subject of the contract is for the serial production of a product with the same workflow, in large quantities, (i.e. in the case of series production), the application of project accounting rules is not mandatory.



Such decision of the company should be included in the accounting policy!

*Effective from 01.01.2022, but it can be applied to financial years starting in 2021*

#### New option: create accrual for the development subsidies related to intangible and tangible assets <sup>(2)</sup>

Given the increasing number of advance-based financing and ex-post – after several years – settlement of EU and domestic development subsidies, the possibility of accruing for the revenue from received subsidies has been expanded with a new case.

According to the amendment, similar to grants received to offset costs, the company may accrue the amount of expected subsidy when carrying out a development if it can prove that it will comply with the conditions attached to the subsidy and is likely to receive that.



(1) Act C. of 2000. 32.§ (9), 44.§ (8)

(2) Act C. of 2000. 33.§ (7)





Thus, in accordance with the principle of matching, the depreciation accounted for the assets and the related subsidy income can be recognized in the income statement in the same period.

⚠ Such decision of the company should be included in the accounting policy!

*Effective from 01.01.2022, but it can be applied to financial years starting in 2021*

## 1.2 Other amendments and clarifications

### Supplementing the audit report of companies listed on EU stock exchange <sup>(3)</sup>

According to the amendment, the independent auditor's report must include the auditor's opinion that the financial statements of the company whose securities are traded on a regulated market in any EEA State comply with the requirements of Commission Delegated Regulation 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format.

The Directive shall apply to annual financial statements containing financial statements for financial years beginning on or after 1 January 2020.

*Effective from 01.01.2022, but it can be applied to financial years starting in 2021*

💡 Regulation 2018/815 requires issuers to prepare their annual financial statements in Extensible HyperText Markup Language (XHTML). XHTML allows the use of "inline" XBRL (iXBRL), so that consolidated data in accordance with IFRS rules will also be available in machine-readable format.

### Provisions clarifying practical implementation <sup>(4)</sup>

- Within intellectual property, know-how has been reclassified from industrial property rights to intellectual assets without legal protection but monopolized through secrecy.

§ <sup>(3)</sup> Act C. of 2000. 156.§ (5) o <sup>(4)</sup> Act C. of 2000. 25.§ (7) a), c); 50.§ (6), 73.§ (1)-(2), 47.§ (9)

- It has been clarified in several places that it is not only the invoice that qualifies as an accounting document in case of a correction.
- The activation rule of the fee of purchasing an option has been clarified by stating that the option fee may not be fully activated in all cases.

*Effective from 01.01.2022, but it can be applied to financial years starting in 2021.*

### Repeals affecting the original cost of an asset <sup>(5)</sup>

The original cost of an asset may, in principle, consist of items that are individually attributable to the asset or some items listed by the Act on Accounting and are closely related to the acquisition of the asset, such as non-deductible VAT.

However, if VAT is to be divided between taxable and non-taxable activities, direct attributability is not ensured, so it is justified that the non-deductible part of VAT divided by any method according to the Act on VAT (e.g. in proportion to natural units) should not be part of the cost of an asset.

According to the previous regulations, only the non-deductible part of the VAT divided in proportion to the consideration could not be the part of the original cost, but by deleting the reference to division in "proportion of consideration" it became clear that even in case of division by other methods, the divided non-deductible portion of VAT may not be part of the original cost.

*Effective from 01.01.2022, but it can be applied to financial years starting in 2021*




§ <sup>(5)</sup> Act C. of 2000. 47.§ (2)

## II TAXATION

### 2.1 Corporate income tax

#### Hybrid entity <sup>(6)</sup>

In line with EU harmonisation regulations, corporate income tax law may classify a hybrid entity as a resident taxpayer. Accordingly, a hybrid entity registered or established in Hungary is considered a resident taxpayer if it is owned by a non-resident company subject to a tax jurisdiction that treats a hybrid entity registered or established in Hungary as subject to corporate tax or its equivalent (this is the so-called reverse hybrid structure). Investment funds and other collective investment vehicles subject to investor protection legislation in Hungary would be exempted from being treated as resident taxpayers.

 The income of hybrid entity that newly became taxpayer is taxed to the extent that such income is not taxed under the tax laws of Hungary or another country.

*Effective from 01.01.2022*

#### Public trust foundation performing public function <sup>(7)</sup>

*Tax base reduction options available for grants provided to these foundations:*

A public trust foundation performing public function is a new form of incorporation in which case the tax base reduction point of the corporate income tax law for a given grant can be applied. According to this point, the taxpayer may, with the appropriate certificate, reduce its profit before tax by 20% of the amount of the grant (this is 40% in the case if it provided under a long-term donation agreement), up to the amount of profit before tax. This rate is 300% of the grant in the case of a support given to a university maintained by a public trust foundation performing public function or to an ecclesiastical university or its maintainer under a higher education support agreement (also up to the amount of profit before tax)

 <sup>(6)</sup> Act LXXXI. of 1996. 2.§ (7) és 16/B.§ (7) <sup>(7)</sup> Act LXXXI. of 1996. 7.§ (1) z)

The tax base reduction item is first applicable to transactions performed after the date of promulgation of the law on public trust foundations performing public function.

*Effective from 10.06.2021*

*The tax rules for these foundations are as follows: <sup>(8)</sup>*

- This type of foundation determines its tax liability in accordance with the provisions applicable to assets managed under a fiduciary asset management contract
- Its corporate income tax base is exempt from taxation partially in the proportion of income generated through its activities in pursuit of its aims, public tasks or activities in the public interest compared to total income.

*Effective from 10.06.2021*

#### Corporate taxpayer group <sup>(9)</sup>

Nonprofit business associations, public interest pension cooperatives, social cooperatives, school cooperatives cannot be the part of a corporate taxpayer group. However, under the transitional rules, they can continue to be members of an existing group until the end of the current tax year.

*Effective from 10.07.2021*

#### Allowance for bicycles <sup>(10)</sup>

In line with the amendment of Act on Personal Income Tax, costs incurred in relation to the purchase, supply, use, maintenance and operation of bicycles propelled solely by human power or assisted by an electric motor of a power not exceeding 300 W are included as new elements in the costs and expenses incurred in the interests of business if it is provided to the private individual employed by the company, to its executive officer, to member who participates in person in their operation, to a retired person previously employed by the taxpayer according to Act on Social Contribution Tax 4.§ 17. or to a close relative of these mentioned individuals.

*Effective from 01.01.2022*

 <sup>(8)</sup> Act LXXXI. of 1996. 5.§ (7a) és 20.§ (1) f)

<sup>(9)</sup> Act LXXXI. of 1996. 2/A.§ (2) és 29§/A (100) <sup>(10)</sup> Act LXXXI. of 1996. Supplement 3, B) 9.

## 2.2 Value added tax

### Obligations on payment service providers <sup>(11)</sup>

The amendment imposes registration and reporting obligations on payment service providers (credit institutions, electronic money issuers, Postal Clearing House operators and payment institutions) in relation to cross-border payments for payment services they provide.



A cross-border payment is a payment where the payer is located in a Member State of the Community and the payee is located in another Member State of the Community, in a third country or in a territory treated as a third country.

The data in the register shall be reported electronically by the payment service provider to the Tax Authorities every calendar quarter if the number of cross-border payments in that calendar quarter reaches a certain threshold. As a main rule, the payee's payment service provider is obliged to provide the data.

If none of the payee's payment service providers is located in the Community, the payer's payment service provider is obliged to provide the information. The amendment also specifies the level of detail required for the record keeping, which must be done on an electronic form.

*Effective from 01.01.2024*

### Bad debts <sup>(12)</sup>

The previous legal conditions for the deduction of the tax base by the amount of bad debts are simplified, as the following restrictions for the purchaser are deleted:

- the purchaser was subject to insolvency proceedings at the time of the original transaction;
- the purchaser's tax number was cancelled at that time;
- the purchaser was listed in the database of persons with a large tax deficit or a large tax debt at the time of the original transaction or within the previous year and until the date of the original transaction the vendor had received a warning letter from the tax authorities.



<sup>(11)</sup> Act CXXVII. of 2007. 183/B-D.§

<sup>(12)</sup> Act CXXVII. of 2007. 77.§ (7) d-g; 349.§

Under the amended law, the amended provisions will also apply to transactions for which the settlement date falls before the entry into force of the amendment but after 31 December 2015.

New rules have been introduced for bad debts in the context of the special VAT refund scheme, which are described in detail in the special VAT refund section.

*Effective from 10.06.2021*

### Clarification on VAT treatment of import consignments <sup>(13)</sup>

Community rules on distance sales of goods enter into force on 1 July 2021. These rules have already been adopted, but the simplified procedure for paying VAT on import consignments of less than €150 (approx. HUF 54,000) has been clarified. The amendment clarifies that the taxable amount of the goods cleared through customs and the tax collected must be indicated in the tax return for the same month, as the clearance may take place in the month preceding the collection of the tax.

*Effective from 01.07.2021*

### Possibility of VAT refunds for taxable persons established in the UK <sup>(14)</sup>

Taxable persons established in the UK will be entitled to a refund of VAT charged domestically on a reciprocal basis for transactions carried out after 31 December 2020. Before that date, these taxable persons were entitled to a refund of VAT under EU law.



The possibility of VAT refunds will continue to exist as long as they are granted on a reciprocal basis by the two States.

*Effective from 10.06.2021*

### Special VAT refund rules <sup>(15)</sup>

Special refunds will also be available (for both input and output VAT) in cases where, under the pre-amended rules, it was not possible to submit a claim because the reason for the claim occurred at a point in time (less



<sup>(13)</sup> 2017/2455 Council Directive (EU) and Act CXXVII. of 2007. 253/ZA.§

<sup>(14)</sup> Act CXXVII. of 2007. 352.§

<sup>(15)</sup> Act CXXVII. of 2007. 257/J. § (2a), 257/K.§ (2a), 257§/L, 350-351.§

than 6 months of the limitation period remaining or the limitation period having already expired) which precluded the claim from being admissible. The amendment provides that a special refund application may be submitted within 1 year from the date on which the reason for the application occurred (i.e. the possibility to submit an application is not linked to the limitation period); this deadline shall apply with prejudice.

! If the reason for the claim occurs after the expiry of the limitation period for the right to a tax assessment, the taxable person may apply for a refund of the input VAT or the amount of tax due which he has established only in exceptional and reasonable circumstances. Exceptionally reasonable grounds in that regard shall be deemed to exist where the reason for making the application arises, by reason of the nature of the economic activity pursued by the taxable person, after the right to a tax assessment has become time-barred.

! Transitional rule: The amended rules may be taken into account where the reason for the claim occurred after the entry into force of the amendment.

Special rules are introduced for the settlement of bad debts by means of a special VAT refund. As a general rule, it is possible to settle a bad debt by means of a tax base reduction within the limitation period of the right to deduct tax on the supply of goods or services on which the tax is based,



by means of a self-assessment. If, however, the reason for the settlement of the bad debt occurs after the expiry of the limitation period, the taxpayer may claim a refund of the tax paid by submitting an application to the Tax Authorities. As in the other cases of special tax refunds, the one-year limitation period from the occurrence of the cause for the claim is relevant, and all the conditions for taking the bad debt into account as a tax base reduction (except for the notification of the purchaser) must be met. The tax office will decide on the application within 6 months.

! Transitional rule: It is possible for a taxpayer to submit an application even if the reason for the application occurred before the amendment came into force, but the limitation period has not yet expired at the time of entry into force (i.e. the reason occurred between 10 June 2020 and 10 June 2021) and the taxpayer submits the application within the 180-day limitation period from the date of entry into force (i.e. by 7 December 2021).

*Effective from 10.06.2021*

### Other changes

The amendment ensures VAT exemption for vocational examinations and qualifying examinations even after the amendment of the Vocational Training Act. <sup>(16)</sup>

The amendment provides for the possibility of electronic certification in addition to the paper-based procedure for the VAT refund of foreign travellers. <sup>(17)</sup>

The amendment contains provisions on the exemption of transactions for the armed forces or civilian staff accompanying them in the interests of the EU's common security and defence policy. <sup>(18)</sup>

The amendment also contains technical amendments, such as the extension of the purpose of the Tax Authorities' use of the data received from invoice data services and online cash registers in line with the extended tasks of the Tax Authorities in relation to the preparation of VAT returns. <sup>(19)</sup>

§ (16) Act CXXVII. of 2007. 85.§ (1) i)

(17) Act CXXVII. of 2007. 99.§ (1a) b)

(18) Act CXXVII. of 2007. 23.§

(19) Act CXXVII. of 2007. 257/G§



## 2.3 Personal income tax

### Allowance granted to mothers with four or more children <sup>(20)</sup>

With a view to claiming allowance granted to mothers with four or more children, private individuals do not have to make a tax advance statement for the payer in each year. If the private individuals have already provided a statement, the payer has to continue granting the tax allowance based on the previous tax advance statement.

*Effective from 01.01.2022*

### Income from cryptographic assets transaction <sup>(21)</sup>

In relation to cryptocurrencies, there will be added to the personal income tax system a new item called „Income from cryptographic assets transaction“.



A transaction executed with a cryptographic asset is a transaction in which a private individual obtains valuable consideration in the form of a non-cryptographic asset (e.g. cash) by transferring cryptographic assets in a transaction available to anyone.

#### *Calculation of tax base:*

The taxable income is the sum of income obtained throughout the year (considering the arm's length price of the cryptographic assets at the time of its transfer or at the time of starting date of exercising the right to them) reducing by the certified expenses of the current year spent on the acquisition of cryptographic assets and fees and commissions related to the transactions. (e.g. certified expenditure on purchases, assets mining, market price – at the time of transfer – of other assets transferred).



<sup>(20)</sup> Act CXVII. of 1995. 48.§ (3b)

<sup>(21)</sup> Act CXVII. of 1995. 67/C.§ and 102.§ (3)



If the income from a cryptographic asset transaction does not exceed 10% of the minimum wage, the private individual does not have to declare income from this transaction providing that there is no income from other similar transactions on the very same day and the sum of income earned during the year from such transactions does not exceed the minimum wage.

If the private individual in the current tax year or in the previous one or two tax years realised losses from the transaction executed with cryptographic assets and this is stated in his income statement in the relevant tax year(s), the current year(s)'s profit may be decreased with the previous year's losses.

#### *Tax returns:*

The draft tax return prepared by the Tax Authorities does not include the income from the transaction with cryptographic assets, therefore the private individual shall complement the draft tax return or may submit an income tax return prepared by himself.

#### *Payable tax:*

This new item is included under the incomes which are taxed separately, therefore no social contribution tax or other contribution are linked to, only the 15% personal income tax has to pay on it.

Noting that previously no such income was defined in the Law on Personal Income Tax, having no better choice it was mostly handled as other income and as such 15% personal income tax and 15,5% social security contribution were paid on that.



Although this change comes into force as of 1 January 2022, the regulation above may be applied also for the income earned in 2021. If before the tax year of 2021 the private individual did not declare income from cryptographic assets at all, he may choose to apply the new regulations for all his such income!

*Effective from 01.01.2022*

## Allowance for bicycles <sup>(22)</sup>

In line with the changes of the Corporate Tax Law the private usage of bicycles – propelled solely by human power or assisted by an electric motor of a power not exceeding 300 W – provided by the payer appears as a new element among the non-cash tax-exempt benefits.

*Effective from 01.01.2022*

## 2.4 Social contribution tax

### Rate <sup>(23)</sup>

From 1 July 2022 the rate of the social contribution tax will be reduced to 15% from the current 15,5%.

*Effective from 01.07.2022*

### Changes related to the allowances <sup>(24)</sup>

Because of abolishing the vocational training contribution, the allowances after students can be claimed from the social contribution tax.



If the allowance is higher than the amount of tax payable or the employer is not obliged to pay social security contribution, the allowance can be claimed as a tax refund.

*Effective from 01.07.2022*

### Effect of abolishing the vocational training contribution <sup>(25)</sup>

From 1 August 2022, the payment obligation regarding the vocational training contribution, in case of self-audit, shall be settled to the social contribution tax account. If payment is made to the vocational training contribution account, it will be transferred to the social contribution tax account.

*Effective from 01.07.2022*



<sup>(22)</sup> Act CXVII. of 1995. Supplement 1, 8.44

<sup>(23)</sup> Act LII. of 2018. 2.§ (1)

<sup>(24)</sup> Act LII. of 2018. 17/A.§

<sup>(25)</sup> Act LII. of 2018. 36/E.§

## 2.5 Special tax on financial institutions <sup>(26)</sup>

From 2022 venture capital fund management companies, exchange market operators and commodity dealers are exempted from the special tax liability of financial institutions. The special tax has to be paid only by credit institutions and other financial enterprises.

*Effective from 01.01.2022*

## 2.6 Income tax of energy suppliers

The Robin Hood tax will also allow loss carry forwards under the same rules as the Act on Corporate Income Tax: based on the taxpayer's decision the losses deferred may be deducted from the pre-tax profit up to 50% of the tax base in the next five tax years following its occurrence. <sup>(27)</sup>

For the first time, the loss adjustment can be applied to the negative tax base of the tax year 2020.

In line with the Act on Corporate Income Tax provisions of grants to public trust foundations performing public function will become eligible <sup>(28)</sup>, so transfer of assets at the time of incorporation or accession is not a tax base increasing item.

*Effective from 10.06.2021*

## 2.7 Excise duty

There will be technical amendments and modifications in line with changes in EU legislation in certain definitions. We cover only one of these topics:

### Retail sale via mail order <sup>(29)</sup>

For the pursuit of retail sale via mail order from other Member States to the domestic territory the obligation to appoint a tax representative ceases to exist, it is enough if the mail order vendor is registered by the Tax Authorities.

*Effective from 13.02.2023*



<sup>(26)</sup> Act LIX. of 2006. 4/A.§ (4) 2.(b-c)

<sup>(27)</sup> Act LXVII. of 2008. 6.§ (3) m) and 6.§ (18)-(19)

<sup>(28)</sup> Act LXVII. of 2008. 6.§ (2) b)

<sup>(29)</sup> Act LXVIII. of 2016. 35.§ (2)-(3)



## 2.8 Duties

We would highlight two points from the changes.

### The range of exempt recipients is expanding <sup>(30)</sup>

New to this category are public trust foundations performing public function.

*Effective from 10.06.2010*

### Company with domestic real estate holdings – The method of mid-year qualification changes



Company with domestic real estate holdings means: a company having at least 75% of its assets (excluding cash, receivables, prepayments and borrowings) calculated at book value – based on the last available balance sheet or opening balance sheet – in real estate placed in Hungary or have at least 75% shares in a company with such characteristics. <sup>(31)</sup>

According to the current tax law, the acquisition of shares in a company with domestic real estate holdings is subject to duties on transfer for consideration.

However as per the current legislation, if there is no or insignificant proportion of real estate on the assets side of the company's last available balance sheet (or opening balance sheet in the case of a start-up company) and that company acquires real estate between the two balance sheet dates, its value does not have to be taken into account in the ratio calculation mentioned in the definition above. Therefore, in case of an acquisition of shares during the year, no tax liability shall be established even if the proportion of domestic real estate within the value of the assets – in that company whose shares was acquired – together with the new real estates purchased during the year would exceed 75%.

The amendment stipulates that if the shares are sold between the two balance sheet dates, the data of the previous period's balance sheet must be adjusted with the book value of assets acquired or sold since then,



<sup>(30)</sup> Act XCIII. of 1990. 5.§ (1) f)

<sup>(31)</sup> Act XCIII. of 1990. 102.§ o)

provided that the combined effect of these adjustments affects the status of the company – whose shares were acquired – if it is considered to be a company with domestic real estate holdings or not. <sup>(32)</sup>

*Effective from 10.07.2021*

## 2.9 Custom duty <sup>(33)</sup>

Here, among the changes, we would like to draw your attention to the fact – although this is the effect of a previously adopted amendment, – that the VAT exemption for import consignments below the limit of EUR 22 will be abolished from 1 July 2021, so a customs declaration must be issued for these goods as well. To alleviate this increased administrative burden, the current change in the law has been approved by allowing the description of goods to be entered in English on a customs declaration for the release for free circulation of small consignments (consignments with an intrinsic value of less than EUR 150).

*Effective from 01.07.2021*

## 2.10 Measures to prevent money laundering and terrorist financing <sup>(34)</sup>

The Tax Authorities needs data about the registered office service providers in order to verify the registered offices declared by taxpayers. In view of this, according to the amendment to the law, the supervisory body – specified in the Anti-Money Laundering Act –, when it registers a new registered office service provider or refuses to register it, notifies the Tax Authorities within 15 days, besides that the supervisory body publishes the list of registered office service providers on its website.

*Effective from 10.06.2021*

## 2.11 Additional mining royalty <sup>(35)</sup>

An additional tax on mining activities (additional mining royalty) – stipulates not as part of the Tax Package, but in a separate government decree –, has been implemented.



<sup>(32)</sup> Act XCIII. of 1990. 102.§ of)

<sup>(33)</sup> Act CLII. of 2017. 13.§ (1a)

<sup>(34)</sup> Act LIII. of 2017. 76/E§ (1)

<sup>(35)</sup> 404/2021. (VII. 8.) Government Decree



For the time being, it will be introduced on a temporary basis for the duration of the state of danger.

It affects those companies that are obliged to pay mining royalty and carried out those activities specified in the law as their main activity in 2019, and their annual sales revenue in 2019 reached or exceeded the HUF 3 billion.

The payable additional mining royalty amount is: the 90% of the difference between the actual sales revenue and the quantity sold multiplied by the sales price (without VAT) pre-determined by the law if the sales price exceeds the pre-determined price. Applicable only in case of sales of raw materials named in the government decree. The additional mining royalty are payable on a monthly basis until the 15th of the following month to the account held by the Hungarian State Treasury.

*Effective from 09.07.2021*

## 2.12 Self-billing and online data submission <sup>(36)</sup>

Another a change – also outside of the Tax Package – is the modification that facilitates the situation of the self-billing customers by allowing them, in the case of invoices and similar documents issued by the billing program, to perform the online data submission from another IT system instead of the billing program provided that the data submission maybe performed on a machine-to-machine basis. If the self-billing customer uses this option, the deadline for data provision will be changed to 6 days after the document is issued (as opposed to the current immediate data provision, which must take place from the billing program).



The above option applies only to a customer who not established his business in Hungary and who is not registered in Hungary in connection with the transaction on which the invoicing is based.

*Effective from 26.06.2021*



<sup>(36)</sup> 23/2014. (VI. 30.) Decree of Minister of National Economy, 13/A (8-9).§

## III TAXATION REGIME

### 3.1 Rules of taxation

#### Changes affecting registered office services providers <sup>(37)</sup>

According to the Rules of Taxation only a service provider that has notified its activity to the supervisory body may carry out activities as a registered office service provider, and therefore the tax authority will only accept the use of a registered office service provider that fulfils this condition. If the person designated as the registered office service provider is not listed in the register of registered office service providers and has not notified its intention to carry out such an activity, the tax authority will set a deadline of fifteen days for the taxpayer to withdraw its notification of its intention to use the registered office service provider or to ensure that another suitable registered office service provider is notified.



If the taxpayer fails to comply with this obligation despite being requested to do so, the taxpayer's tax number will be cancelled.

*Effective from 10.06.2021*

#### Extending the content of the monthly tax and contribution declaration <sup>(38)</sup>

According to the amendment, the content of the monthly tax and contribution declaration is extended to include information on the yield of securities listed on a stock exchange operating in any EEA Member State and classified as a regulated market under the Capital Markets Act, which are deemed to be dividends or dividend advances under the law of that Member State.

According to the legislative justification, the Tax Authority will then have the information whether the amount of dividends declared by the paying agent is a dividend on a listed security in an EEA State, so that taxpayers with such income will not have to amend the income tax base for social contribution tax in the draft tax return.

*Effective from 01.01.2022*



<sup>(37)</sup> Act CL. of 2017. 7.§ 43.

<sup>(38)</sup> Act CL. of 2017. 50.§ (2) 22a

## Arm's length price

The procedures for establishing the Arm's length price will be transferred from the competence of the Tax Authority to the Minister responsible for tax policy<sup>(39)</sup> from 1 October 2021, and procedures pending before the Tax Authority on 30 September 2021 will be handled by the Minister responsible for tax policy from that date.

*Effective from 01.10.2021*

The amendment affects the scope of the decision establishing the arm's length price by stating<sup>(40)</sup> that the effective date of the decision in the application cannot be earlier – extending the previous rule –, than the first day of the tax year in which the application is filed, and cannot be later than the first day of the tax year following the date on which the decision becomes final.

*Effective from 10.06.2021*

## Rules on default interest and self-assessment penalty

The amendment clearly enshrines in law the long-standing rule, based on an interpretation of the law, that no late payment penalty may be charged on late payment interest.

The amendment also clarifies the rules on the calculation of the penalty, according to which the daily amount of the penalty for late payment and the self-assessment penalty must be determined by the tax authority and the taxpayer to three decimal places, with the additional decimal places being omitted.<sup>(41)</sup>

*Effective from 10.06.2021*

## 3.2 Tax administration regulations

### Further restriction of the right to access to documents

The amendment extends the restriction of access to documents to documents handed over by the investigating authority to the Tax Authorities<sup>(42)</sup>, as the reasoning states that the content of the docu-

ments, which may contain details of tax evasion based on criminal data, should not be disclosed before the interrogation of the person who committed the offence.

*Effective from 10.06.2021*



<sup>(39)</sup> Act CL. of 2017. 274/L.§ (3)

<sup>(40)</sup> Act CL. of 2017. CL 181.§ (1)

<sup>(41)</sup> Act CL. of 2017. 206.§ (6), 207.§ (3), 209.§, 212.§ (1b)

<sup>(42)</sup> Act CLI. of 2017. 43.§ (1) h)