

wts klient newsletter

WTS Klient.
The Bridge.

Dear Readers,

Is there anything more important than supplying good quality products and services for our customers?

What determines whether we achieve the required quality, deadline and customer satisfaction with our sold product?

Generally, it's the basic materials, information and services we acquire.

In short: our suppliers.

It is not by accident that vehicle manufacturers and pharmaceutical companies moving to Hungary spend years selecting, or even relocating, appropriate suppliers. This year and next, the Hungarian government is to spend HUF 14 billion (approx. EUR 45 million) on a supplier development programme.

We see the competition between the iPhone and Samsung in relation to sales only, while behind the scenes, the South Korean factory has been one of the largest suppliers of Apple phone for years. So an appropriate supplier audit is crucially important in the interests of our long-term business success. Csaba Baldauf will present the main pillars and most significant steps of such audits in his article on page 3.

Tamás Dely
Business Development Director CEE

Company representation at the NAV

Company representation at the NAV offers significant advantages for foreign VAT-registered taxpayers in Hungary, and is a help in continuously monitoring tax affairs. » [page 1](#)

Supplier audit

In addition to the product's technical parameters, the supplier's financial stability and legal compliance are also very important during a supplier audit. » [page 3](#)

Company representation at the NAV – the most important facts

Company representation
at the NAV with authorisation

Who can be authorised?	Purpose of authorisation
→ tax consultant, tax expert	→ submitting returns
→ certified tax expert	→ querying master data
→ lawyer, accountant, auditor	→ taxpayer rating
→ accounting and tax advisory companies	→ tax account
	→ NAV Contact Center

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In the previous parts of our series on financial representation we looked at the importance and the necessity of financial representation. In the [first article](#) we dealt with the notion of VAT-registered taxpayers in Hungary, while in the [second article](#) we examined who can be a financial representative. In this article we examine the possibility and advantages of **company representation at the NAV** more generally, and see how a representative can really help with managing tax affairs.

Company representation

Companies are generally represented by their senior executives in various procedures, and the same applies for tax matters at the NAV. The company representation method is always clearly stated in the certificate of incorporation: a person entitled to represent the company can act independently, but often the joint approval of more than one representative is necessary for any given decision.

In practice, this frequently means a very complicated authorisation procedure, particularly in the case of joint signature rights of several managing directors, so most of the time, companies (and this applies for foreign VAT-registered companies too) engage employees of legal age as well as lawyers, tax consultants, tax experts, certified tax experts, accountants, auditors or an employee of a business organisation authorised to perform accounting, bookkeeping or tax consultancy activities to manage their tax affairs. Generally this means permanently engaging or authorising an external firm performing bookkeeping and tax consultancy activities.

Permanent authorisation

First of all, when the **VAT-registered taxpayer** is registered, the persons authorised to represent the company must be reported on Hungarian [form No. T201](#). Subsequently, the representatives reported on form T201 submit an [EGYKE form](#) with the information about the person to be authorised, the legal grounds for the authorisation, and the issues that the authorisation applies to. Let us take a look at how **company representation at the NAV** looks like in this case, and how foreign companies can benefit from the permanent authorisation given this way.

Digital tax declaration

The registered, authorised and permanent representative can submit the company's tax returns and other forms for the NAV online, through the government portal; data on forwarded forms can subsequently be queried online as well.

Master data and tax account queries

Additionally, and at any time, the authorised representative can request the master data of the represented company, the detailed company data reported to the NAV, it can receive information on the frequency of tax returns to be submitted by the company and on whether the company qualifies as a reliable or risky taxpayer based on the automatic quarterly rating by the tax authority in Hungary.

One of the most important advantages of **company representation at the NAV** is the ability to query tax accounts at any time; the company's authorised representative can therefore continually monitor the status and receipt or booking of individual tax payments, and give prompt information on any potential tax shortfalls or payment obligations of the company, or on the amount of any default charges imposed by the NAV on the tax account.

Why is this good in practice?

As is clear from the example above, a tax consultant or accountant that can speak Hungarian or a service provider involved in such an activity can offer many specific advantages.

Authorisation for a given company simplifies life in terms of fulfilling domestic tax liabilities as well as in grasping and evaluating the company's tax situation.

If there is a problem, the authorised representative can contact the competent tax authority administrator directly through the **NAV's** call centre. This is particularly important for VAT-registered taxpayers, where the most "visible" sign of their economic presence in Hungary is a domestic tax number, and they have no employees of their own who can carry out these administrative tasks in Hungarian.



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"Only auditors that are members of the Chamber of Auditors and qualified for IFRS may issue an auditor's report verifying that a company is prepared for switching to IFRS."

dr. Ildikó Szopkóné Horváth,
WTS Klient Hungary
partner, lawyer

Source: inforadio.hu



Have you heard?



WTS Klient partner and lawyer dr. Ildikó Szopkóné Horváth was interviewed on InfoRadio about the legal requirements for switching to IFRS. "Newly-established companies can also opt for IFRS, they need to submit notification about this choice within 90 days of being registered", emphasised the expert.

[Listen to the conversation at this link!](#)

Please note that the conversation is available only in Hungarian.

Due diligence as part of supplier audit

During a **supplier audit** we should pay sufficient attention to the following areas:

- manufacturing processes
- financial stability
- harmony with tax laws
- compliance of accounting system
- internal rules of documentation
- internal audit

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In this article I would briefly like to present a different type of due diligence, which, in terms of methodology, is almost completely the same as [the article introducing the due diligence process](#).

Despite the similarity in methodology, there are also significant differences that are worth highlighting. In these cases, the goal is not to acquire a business organisation; instead, the company wants to find a reliable, stable supplier.

What is a supplier audit?

A supplier audit is the process during which a company evaluates its **supplier** or potential supplier along with the product or service to be supplied. During this process, not only the finished product

is examined but the **whole manufacturing process** too. Assurance is gained that the sample received is not just a specially produced piece, but the product of a procedure that is able to guarantee the given quality even when manufactured in large number. So it is almost always explicitly required that the supplier has a **quality management system**.

Generally speaking, those who would like to become suppliers spend sufficient time and energy on complying with the strict requirements of this area.

What else are they interested in?

If a product is good, the question is what else does the customer want to examine regarding its supplier?

The answer is actually quite simple: the customer is interested in whether the business partner will be capable of **supplying** the product according to the contractual parameters in **the long run** (at least over the term of the contract). To make sure of this, the customer can check areas that seemingly do not have much to do with the product itself.

This is when many receive an unpleasant surprise and are confronted with the fact that they have indeed neglected certain processes that are weighted similarly to the product itself during a supplier audit. But it has to be understood that a customer audit is not autotelic. These areas working and being regulated appropriately contribute largely to the **successful and efficient operation of the enterprise**.

What are these areas?

The areas in question clearly vary by business segment of course. In addition, although supplier audits are increasingly in vogue, they are typically characteristic of segments where manufacturers have to comply with very **strict requirements**, and so they essentially require the same from their suppliers. Such typically include vehicle manufacturing and the pharmaceutical industry.

During a supplier audit, it is important to question how **stable** a supplier is. An enterprise that can only serve its current customers whilst balancing on the verge of insolvency cannot hope for significant orders. Customers do not want to finance otherwise loss-making enterprises that do not operate efficiently.

Internal rules of documentation at a company is important too. Such as what type of controlling and approval processes external and internal documents go through, in what form these documents are kept and stored, whether they are retrievable, etc.

Additionally, it can be interesting whether the persons charged with governance have the **appropriate qualifications, experience and competence**. Together these can guarantee that the internal accounting system of the enterprise operates properly, and in line with tax laws, which is ultimately vital for the company's **long-term survival**.

It is easy to see that these are primary interests not only of the customer but also of the enterprise itself. Having recognised this, enterprises pay increasing attention to these areas, and they consider involving an external expert if needed, so they can **optimise** other **processes** in addition to having good production and good products, which may even offer a competitive edge for them in the case of a supplier audit.

Services of the WTS Klient Hungary:

- » Tax consulting
- » Financial advisory
- » Legal consulting
- » Accounting
- » Payroll

This WTS information does not constitute advice and it serves only to provide general information about selected topics.

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Should you have any questions regarding the above or any other professional issues, please do not hesitate to get in touch with your WTS advisor or use any of the contact details below.

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