

wts klient newsletter

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Dear Readers,

The tax return season is upon us, personal income tax returns have to be submitted by midnight on 22 May, while corporate and local business tax returns are due at the end of May, not to mention the publication of annual reports. It was during this really challenging period for us that the bombshell news came last week: at the recommendation of the Ministry for National Economy, the Hungarian tax authority (NAV) may in future prepare tax returns for companies, similarly to the current system for private individuals.

Is this the right thing to do? What tax types is the government thinking about specifically? Will there be a need for accountants and tax consultants anymore?

My colleague Zoltán Lambert, along with other experts, gave what we believe are reassuring responses to these questions in the Portfolio.hu article "Unique innovation in taxation".

If you are interested in reading more about this topic, [click on this link](#) for the full article in Hungarian.

Eszter Balogh
partner

Use of the government portal

The Act on the Rules of Taxation defines the range of tax returns to be submitted electronically, along with registering for the government portal.

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Transformation process of companies

Transformations are easy to plan, but you have to watch out for the details. Here we show you step by step how the transformation process of companies goes.

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Use of the government portal

"If we are registered on the government portal it is important to know that the NAV can use it to deliver tax authority documents to us."

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Act XCII of 2003 on the Rules of Taxation includes the obligations of taxpayers in Hungary, and as such, it defines the range of **tax returns and data to be submitted and provided electronically**, whilst also regulating registrations for the government portal.

Government portal makes our lives as taxpayers easier

Based on the law, the Hungarian government portal is designed for **electronic identification and safe delivery** purposes. When registering through the government portal, and after a personal identification process, private individuals receive a user name and a password; once activated, they can access the portal through the www.magyarorszag.hu website.

Businesses have to initiate their government portal registration and report this to the NAV within 8 days of receiving their tax number. If they use an authorised representative to fulfil their tax return and data provision obligations, the representative must report the taxpayer's name and tax number within 8 days of receiving the tax number. The authorisation is created by completing the "EGYKE" form, which can be downloaded from the <http://www.nav.gov.hu/nav/letoltesek> website in Hungarian language.

The most important documents, which have to be filed electronically for certain taxpayers:

- VAT returns and summary reports and other **tax returns**,
- **employer, payer** registrations, **submissions of data**,
- **registrations**, reporting of changes,
- requests for **general tax certificates**, certificates of **no tax due**, income **certificates**.

Apart from the above declaration and data provision obligations, the Hungarian tax authority, the NAV and other legislative requirements either allow or require administration through the government portal for an increasingly broad spectrum of matters, which facilitates the life of taxpayers considerably.

Taxpayers can enquire about their **taxpayer rating** through the electronic system, and the NAV notifies taxpayers of any changes therein through this portal as well. Taxpayers can also be added to the **database of taxpayers with no public debt** based on an electronic request. If taxpayers need a **tax certificate**, this can be requested and delivered through the government portal, which significantly shortens the deadline for administration.

No undelivered documents

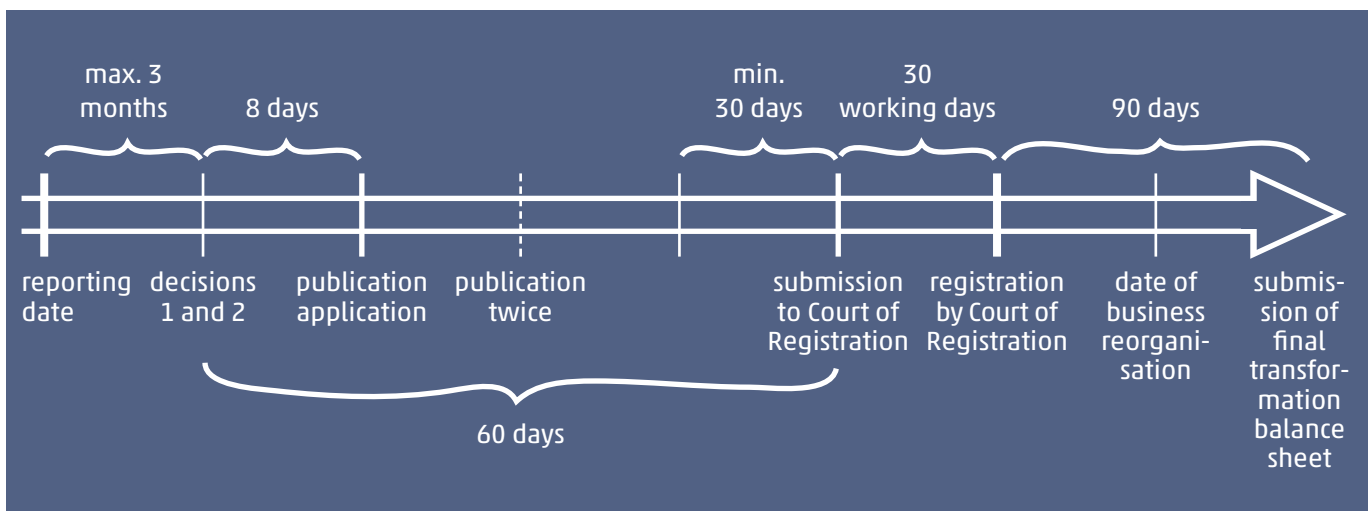
If we are registered on the government portal it is important to know that **the NAV can use it to deliver tax authority documents to us**. This can be just information, but it can also be an engagement letter on conducting an audit. Documents from the tax authority delivered electronically qualify as delivered on the date of receipt, if the central electronic system confirms receipt of the document. A document from the tax authority can also be delivered to a taxpayer who has an authorised representative. In practice, when there are several authorised representatives or proxies, tax authority documents are not delivered to all of the authorised parties, so downloading them is particularly important. In respect of documents delivered electronically by the tax authority, the presumption of service takes effect on the fifth working day following the second notification on the delivery of the document to the electronic storage.

A new feature this year is that the NAV can prepare **draft personal income tax returns** for certain taxpayers and make them accessible through the government portal from 15 March of the year following the fiscal year. One other change is that even **local business tax returns** can be submitted through this portal from 1 January 2017. However, the NAV emphasises, that in such cases it only forwards the return, it does not review the content; this means the local authorities are still responsible for processing, correcting and potentially checking the returns. With access to the government portal we can also arrange land registry procedures, check our insurance status and even request certificates.

The transformation process of companies in Hungary

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As previously mentioned in our [“Challenges during transformation of companies”](#) article, managing the transformation process of companies is a long and complex process. Given that transformations can take between six months and one year, and many deadlines have to be observed in the process, such tasks require very **thorough planning**. In this article we go into more detail about the process.



What are the most important milestones for a transformation?

- Ownership decision on the transformation
- Preparation of the draft transformation balance sheet and publication of transformation plan
- Application to the Court of Registration, and registration of transformation
- Preparation of the final transformation balance sheet

The transformation process of companies is governed by the Hungarian Civil Code (Act V of 2013), Act CLXXVI of 2013 on the Reorganisation, Merger and Demerger of Legal Persons, Act C of 2000 on Accounting, and Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings.

What is the first step of the transformation process?

The first and the most important step is deciding on the transformation, a decision that is contained in the **transformation plan**. The **transformation plan** includes the **draft transformation balance sheet** and the **draft inventory of asset and liabilities** as well as the **merger** or the **demerger agreement**.

The owners use the transformation plan to determine the transformation process. As part of the transformation plan, decisions are reached, among other things, on the transformation method, date, company form, the exiting and joining members, settling up with those leaving, the senior executives of the new company, the capital structure of the new and the surviving companies, the measurement of assets and liabilities (at carrying value or market value), and the auditor of the transformation.

Company transformations are triggered with one or two decisions by the owners. In the **first decision**, the owners decide based on a management proposal whether they agree with the intention of the transformation, and what form this transformation should take.

The audit of the transformation must be conducted by an **independent** auditor of the **audit firm appointed** by the company.

Publication of transformation, application to Court of Registration and draft transformation balance sheet

In the **second decision** the owners finally resolve to carry out the transformation based on the audited draft transformation balance sheet. If the audited draft transformation balance sheet is available at the time of the first decision, the **two decisions can be combined**. Action must be taken within 8 days to have the decision on the transformation published in the Company Gazette. The decision must **appear** in two consecutive gazettes.

The draft transformation balance sheet is designed to present how they wish to **distribute the assets and liabilities of the surviving company** after the transformation, while the draft inventory of asset and liabilities details the draft transformation balance sheet to support it.

The **transformation application** must be submitted to the Court of Registration within 60 days of the transformation plan being accepted. Thirty days from the second publication of the decision, **creditors may request security** for their outstanding claims that arose prior to the publication. In this respect it is worthwhile waiting until the 30-day deadline for creditors has elapsed before submitting to the Court of Registration.

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"Many companies have concerns with data security and competition law."

Zoltán Lambert, WTS Klient Hungary managing partner

Source: inforadio.hu



Have you heard?



According to the new proposal of the Ministry for National Economy, the tax authority could prepare tax returns for companies in the future. Zoltán Lambert elaborated his views regarding the proposal on InfoRadio. "The preparation of tax returns is not primarily where we should be looking to make savings, we should simplify the path leading to the preparation of tax returns instead" - emphasised the managing partner of WTS Klient.

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

Please note that the conversation is available only in Hungarian.

Registration by Court of Registration and final transformation balance sheet

The Court of Registration makes its decision on the transformation based on the submitted transformation plan and the draft transformation balance sheet, among other things. The Court of Registration has 30 working days to rule on the application. It is possible to **request that the transformation be registered on a given date**, which is advisable because it is better to prepare an accounting closure as of the end of a month. From 15 March 2014 one new feature in relation to the registration at the court is that the tax authority (NAV) has to notify the Court of Registration that there are no pending tax authority procedures.

After the registration by the Court of Registration, the transformation process of companies is completed upon preparing the audited **final transformation balance sheet** and the **final inventory of assets and liabilities** as of the date of the transformation, which must be filed within 90 days. Thereafter, the **final transformation balance sheet** and the **final inventory of assets and liabilities** are used to open the accounting records at the companies starting as of when the transformation is registered.

The company terminated during the transformation has to prepare, publish and file the financial statements with a reporting date that tallies with the date of registration at the Court of Registration.

Services of the WTS Klient Hungary:

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

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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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