

wts klient newsletter

WTS Klient.
The Bridge.

Dear Readers,

What do you think about the following statement? Highly effective tax procedures with the smallest possible liability risks while ensuring strong international compliance. Just a pipe dream? I'm afraid the answer is no, as I firmly believe that taxation can play a pioneering role in digitalising the finance sector.

WTS has been tracking automated tax procedures and digitisation strategies connected to taxation for years. We support our clients in the field of comprehensive risk management with reliable expertise and innovative taxation tools on transfer pricing, tax accounting, value added tax, personal income tax as well as local business tax.

The development does not end with automated procedures, however. Our forward-looking cooperation with the German Research Centre for Artificial Intelligence (Deutsches Forschungszentrum für Künstliche Intelligenz - DFKI) reinforces our leading role in intelligent tax solutions. The future is already here: let's shape the necessary framework together! For further information please visit: wts.de/de/content/digitalisierung_ki_steuer.php

Fritz Esterer
Chief Executive Officer of WTS

The European Unique Identifier (EUID)

The European Unique Identifier enables the identification of companies and their branches in other Member States in the BRIS.

» page 1

New law on tax procedures

The new law on tax procedures, which is expected to take effect on 1 January 2018, will bring both positive and negative changes for taxpayers.

» page 2

The European Unique Identifier (EUID)

In Hungary, European Unique Identifiers are issued for:

- limited liability companies,
- companies limited by shares,
- European companies (Societas Europaea), and
- branches and representation offices of companies registered in other European Union Member States.

Author: **Dr. Petra Eszter Deli**
petra.deli@wtsklient.hu

The European Unique Identifier (EUID) enables the identification of companies and their branches in other Member States in the Business Registers Interconnection System (hereinafter referred to as: BRIS).

What is the BRIS?

Based on Directive 2012/17/EU of the European Parliament and of the Council amending Council

Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers (hereinafter: BRIS directive), the BRIS is a **joint EU platform** through which it is possible for

- individual Member-State registers to exchange data with one another, so that the Member-State registers concerned can learn in good time about significant cross-border changes, and
- anyone to obtain information from the Member-State registers.

The BRIS connects the central, commercial and companies' registers of the European Union Member States, Iceland, Liechtenstein and Norway. However, the BRIS directive sets forth that **the objective is not to create a central registration database.**

Purpose of European Unique Identifier (EUID)

According to the BRIS directive the **European Unique Identifier** is designed to **facilitate communication** between the registers via the system of interconnection of registers. This is why the companies and branches cannot be obliged to indicate the EUID in their business correspondence and order forms. National registration numbers (company registration numbers for businesses in Hungary) must still be used for own communication purposes.

Structure of European Unique Identifier

The European Unique Identifier comprises a country code, the register identifier, the registration number, and possibly a verification digit. The European Unique Identifier of a Hungarian company consists of the following elements:

- abbreviated country code (HU),
- company register identifier (OCCSZ),
- company's registration number.

A change in a Hungarian company's registration number does not result in a change in the European Unique Identifier.

Hungarian companies affected by BRIS directive

In Hungary, the BRIS directive affects limited liability companies, companies limited by shares, European companies (Societas Europaea), as well as the branches and representation offices of companies registered in other European Union Member States.

For companies registered and for those with pending registration on the day the legislation transposing the BRIS directive in Hungary entered into force, the European Unique Identifier **was determined** electronically on the following day by the Court of Registration, i.e. on **9 June 2017, with an automatic decree**, and entered into the company register. The Court of Registration informs the Hungarian tax authority (NAV) and the Central Statistical Office about the registration of European Unique Identifiers of Hungarian companies in a summarised form.

Searching in the BRIS

The BRIS can be accessed via the **e-Justice website** (<https://e-justice.europa.eu>) under the "Registers – Business registers at European level" menu point, in all the official languages of the European Union. **Searches can be launched by company name and/or company registration number**. After searching, we can access the following information free of charge: company name, registered office, country of registration, registration number, type (legal form), business register ID and the European Unique Identifier. The legal form of the company is stated in the original language, while the brief description of the legal form is available in all the official languages of the European Union. The BRIS directive does not rule out Member States providing information on other company data or documents – free of charge or for a fee. When searching for companies it is currently not possible to purchase individual documents for a fee (e.g. articles of association, annual reports).

New law on tax procedures



Author: **Tamás Gyányi**
 tamas.gyanyi@wtsklient.hu

The Ministry for National Economy published the draft of the new law on tax procedures on 31 July, which **will take effect on 1 January 2018**. The new laws (new Act on Rules of Taxation and the completely new Act on Tax Administration Rules) bring changes to taxation in several respects. One of **the most important is related to the volume of potential penalties**, and includes both positive and negative changes for taxpayers.

Increase in late payment and self-revision interest

One painful amendment for taxpayers concerns **late payment interest** and **self-revision interest** (this is linked and generally amounts to 50% of the late payment interest). According to the new draft legislation, the rate of interest would increase from double (1.8%) the base interest rate of the central bank (0.9%) to

the base interest rate of the central bank plus 5 percentage points (5.9%). With this amendment, the legislator wants to do away with the situation that the cheapest creditor in Hungary is currently the tax authority, more precisely the Hungarian State.

The minimum amount of late payment interest is also to change in the future. According to the draft, the tax authority would not charge late payment interest that does not amount to at least HUF 5,000 (approx. EUR 16). Currently, this threshold is HUF 2,000 (approx. EUR 6). According to the draft, the administration and recovery of small interest debts ties up disproportionately large capacities, which justifies raising the threshold.

Tax penalties

At present, the penalty rate is set at 200 percent of the tax shortfall if this shortfall is derived from concealed income, or from falsifying or destroying receipts, books and records. **The draft would reduce the 200 percent rate to 100 percent** since experience shows that a penalty of an excessively high rate of 200 percent does not really motivate greater legal compliance, it only increases the amount of unpaid debts.

One new element is the **conditional tax penalty allowance**. If a taxpayer surrenders their right to appeal against a first-instance decision on the subsequent assessment of taxes, and pays the tax difference defined in the resolution by the due date, 50% of the levied penalty will be waived.

Default penalties

The draft would simplify the regulation on default penalties and **would eliminate a few situations currently penalised**, for instance, the failure to notify the tax authority about domestic employees, the mitigation of unlawful tax advances, the violation of the obligation to keep invoice records and the penalty imposed instead of closing a business' doors. Unfortunately, the default penalty on failing to comply with EKAER rules would remain in place, meaning a penalty of up to 40% of the value of the goods concerned. Furthermore, in the future many taxpayers will have to face default penalties for not meeting data reporting obligations as per value added tax summary reports, or if the data report is late, incomplete, incorrect, or contains false information. The ceiling on the default penalty levied in these cases is calculated by multiplying the number of affected invoices and documents qualifying as invoices with the maximum penalty rate otherwise generally applicable for the taxpayer. In practice, this means that if 3 invoices are reported with incomplete information in a given period, the tax authority might levy a default penalty as high as 3 x HUF 500,000 (approx. 3 x EUR 1,600) on the business entity (we dare not even think about higher figures).

Eliminating complicated legal institutions

For the sake of reducing bureaucracy, several complicated legal institutions might be eliminated. According to the draft, for example, **increased tax authority supervision** which lays an excessive burden on affected businesses due to its fixed formalities **will be stopped** in the future. Another important **amendment** is to take effect **regarding the suspension of tax numbers**. The legislator proposes terminating this practice, since it argues that this puts taxpayers in an extremely difficult position from a taxation point of view. Taxpayers with a suspended tax number have restricted rights, yet they are allowed to carry out their business activities and have to meet their tax payment obligations. The proposal would eliminate this incomprehensible and complicated duality. continued on page 4

wts

"Cross-border transformations represent a new element, during which a company merges into a foreign enterprise and thereby terminates its legal personality and economic activity in Hungary."

Szabolcs Szeles, WTS Klient Hungary
financial advisory director

Source: inforadio.hu



Turn on your radio!



Constant change in the business environment has a profound effect on Hungarian business organisations too, and there can be several underlying causes to the restructuring of companies. Tax aspects or compliance with laws and regulations can make this change inevitable. Details on this will be explained by Szabolcs Szeles, financial advisory director of WTS Klient Hungary on InfoRadio on the evening of 10 August.

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

Please note that the conversation is available only in Hungarian.

Tax authority as a service provider

Pursuant to the draft legislation, the NAV is to introduce several new services, one of which is "mentoring". Accordingly, the tax authority will provide information to start-up businesses in person or in writing about their tax obligations, and about where to find information helping them to meet these obligations. After establishing contact, the tax authority will provide tailored assistance for half a year.

The draft brings about a positive change with regard to tax inspections too. Pursuant to the new legislation, the period of tax inspections may not exceed 365 days. This change will obviously not affect private individuals, the sole proprietors and reliable taxpayers. In their cases, inspectors still have 180 days to complete their work.

Services of the WTS Klient Hungary:

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

You can request for our
online offer by one single click:

[Online offer >](#)

You can sign up for our
newsletter by one single click:

[Sign up >](#)

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

Any information contained herein shall thus not be considered exhaustive, and nor may it be relied upon instead of advisory services in individual cases. We accept no liability for the accuracy of the content.

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.

WTS Klient Hungary

1143 Budapest • Stefánia út 101-103. • Hungary
Telephone: +36 1 887 3700 • Fax: +36 1 887 3799
info@wtsklient.hu • www.wtsklient.hu

