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highlights

Growing exemptions from innovation contribution: how does this affect you?

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What has not changed?

- » As a general rule all Hungarian-registered companies subject to Act C of 2000 on Accounting must pay innovation contribution – exemption is granted if they meet the thresholds to qualify as small enterprises.
- » The level and base of the contribution have not changed: the contribution must still be calculated and paid on the local business tax base at a rate of 0.3%.
- » The classification thresholds for small and micro-enterprises as provided for in Act XXXIV of 2004 on Small and Medium-Sized Enterprises and the Promotion of SME Development (hereinafter referred to as: SME Act) have not changed. Pursuant to the SME Act, the data of related and partner companies shall also be taken into account during the rating process, and the previous classification changes if the company exceeds the threshold values of the prior status in two consecutive years.

What is the essence of the change?

- » Innovation contribution rules were removed from the original act (Act XC of 2003 on the Research and Technology Innovation Fund), and transferred to Act LXXVIII of 2014 on Research, Development and Innovation.
- » Although the classification rules of the SME Act pertaining to small enterprises did not change, the new rules for innovation contribution do not refer to the whole SME Act but to a specific section (Section 3 (2)-(3)) of the classification rules. **This made other provisions of the SME Act irrelevant**, i.e. report data and data of **related and partner companies** do not have to be added up, neither is it necessary to look at whether the given threshold value is reached in two consecutive reporting periods resulting in a change in classification.
- » Therefore many companies that would previously have qualified as small enterprises based on their own company data but **did not comply with the SME Act definition due to the size of the group, may be exempt from paying innovation contribution from 2015**. This is subject to the company complying with the thresholds for small enterprises based on the data of the latest report effective on the first day of the financial year (i.e. 2013 if the financial year tallies with the calendar year).

What should you do?

- » It is worthwhile taking a look at whether your company is still obliged to pay innovation contributions in 2015 based on your own company data. If not, and contribution advances were prescribed for 2015 based on previous contribution returns, it may be recommended to **submit a cancellation request**.
- » The first deadline for paying advances (applicable to calendar-year taxpayers) is **20 April 2015**, the request to cancel advances must be submitted **prior to this**, otherwise the prescribed advances still have to be paid and can only be claimed back following the filing of the 2015 tax return.

The newsletter accurately reflects the statutory provisions as they stand at the time of its issue.
The authors of the news articles have endeavoured to provide general information that both reads well and is professional.
Given the general nature of the content and possible changes to legal regulations, please contact us if you require this information tailored to your personal circumstances.

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