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highlights

Deadline for submitting personal income tax returns: 20 May 2016 –
What to watch out for?

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There are only a few days left until 20 May 2016, i.e. the deadline for submitting 2015 personal income tax returns. Almost 60% of those submitting tax returns do not use paper anymore, but complete and upload their returns electronically (this is only possible if the person is registered at the "Ügyfélkapu" (Client Gate) on the Hungarian Government website, and is thus entitled to handle administration electronically). Roughly 1.3 million people submitted their personal income tax returns as early as the end of April. In 2015 approximately 4.5 million returns were received by the NAV, the Hungarian tax authority, and tax officials expect a similar amount this year too.



Based on information published on the NAV's Facebook page as well as WTS's experience, taxpayers tend to make the following mistakes:

- One of the most banal problems is when the main sheet is not signed by the taxpayers (this is a potential mistake with returns submitted on paper).
- In many cases, taxpayers do not indicate the bank account number to which reclaimable taxes should be transferred, if there are any.
- It can happen that private individuals do not include allowance-related information in their returns.
- In the case of Hungarian tax residency, taxpayers sometimes fail to declare their interest income realised through foreign banks (they presume the foreign bank deducted the tax abroad correctly).

The tax authority used to impose a default penalty (a maximum HUF 200,000) on administrative errors. A new paragraph was included in the Act on the Rules of Taxation from 2016, according to which if a person fails to fulfil their registration, **return** or data submission **obligations** or **fulfils them incorrectly**, the tax authority calls upon the taxpayer to fulfil the obligation or correct the error and sets a deadline. A penalty may only be imposed if this notification is unsuccessful.



As for foreign incomes, it should be noted that tax authorities may even exchange information automatically. It can easily happen that the Hungarian tax authority contacts a foreign tax authority to obtain information about certain incomes (e.g. interest income).

Through its global network, WTS can provide assistance in special cases when employees leave Hungary to work abroad, or when foreign employees come to join a company in Hungary. In such cases we examine the provisions of tax treaties, the tax differences between the tax systems of different countries, and establish the tax residency, while in the case of special incomes we also look at the exact location of taxation – because the tax residency of the individual matters in the case of interest income for example.

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