

wts newsletter

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highlights

Interim tax changes – 2013 – On 18 April 2013, Act XXXVII of 2013 on the rules of international public administration cooperation in connection with taxes and other levies was published in the Hungarian Gazette, which despite the name also contains interim tax law amendments for other types of tax in 2013. The majority of the amendments will take effect on the third day following the promulgation of the law, with certain exceptions.

Interim tax changes – 2013

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Personal income tax – fringe benefits

personal income tax The portion of the amount paid for a defined service by the employer in accordance with the provisions of the Act on Voluntary Mutual Insurance Funds, which each year does not exceed the product of the number of fund members and the minimum wage, shall qualify as a fringe benefit. The portion of the paid amount which exceeds the threshold shall qualify as other income. The fringe benefit amount for one private individual does not have to be taken into account when calculating the HUF 500,000 annual allowance. This favourable rule may be applied by employers, at their discretion, before the amending Act takes effect. In this case, the taxes and levies on the amount paid for the defined service must be assessed, declared and paid as part of the liability for May.

Looking at individual activities, student scholarships paid from European Union funds as part of the "Career Choice" programme to facilitate social inclusion and which target integration into vocational school education shall be tax free.

Corporate tax – tighter rules for sponsoring sports

corporate tax Supplementary sports development grants (at least 75% of the amount on the grant certificate calculated with a rate of 10 or 19%) must be reinvested into supporting the sport through the national association of the sponsored sport. The changed rules must be applied for the first time in connection with supporting new sports development programmes submitted for the 2013-2014 sponsorship period. Supplementary sports development grants are non-eligible costs/expenses for corporate tax purposes. Sport sponsorships and supplementary sports development grants must be reported to the national tax authority within 8 days of the transfer. No application for an extension shall be accepted upon failure to meet the above deadline.

Value added tax – sale of passenger cars

value added tax The amendment avoids the possible accumulation of tax if a passenger car is sold in a chain sale where the VAT may not be deducted on the purchase. To avoid tax accumulation the VAT Act has been amended so that tax-free product supplies are not only applicable if VAT cannot be deducted on the purchase of the car, but also in cases where, although there was no input VAT, if there had been the taxpayer could not have deducted it.

The definition of building lots has been revised, while the VAT Act now specifies the procedure for the acknowledgement of use in connection with the sale of developed properties.

Tax assessment and collection rules

tax assessment and collection rules The amendment places into a separate law the tax assessment and collection rules associated with European Union cooperation on tax and other levies, as contained in Chapter V of Act XCII of 2003 on the Rules of Taxation. The new law also contains the Code of Conduct rules related to the multilateral convention on the elimination of double taxation of associated enterprises between European Union Member States (so-called Arbitration Convention), and the provisions required for the efficient application of bilateral conventions on the avoidance of double taxation.

Company car tax – long-term leasing

company car tax According to effective legislation on company car tax – and to prevent double taxation – paid vehicle tax can be deducted from company car tax. However, this is not permitted if the taxpayer for the company car tax and the vehicle tax are not the same. This problem is resolved in the amendment with long-term leases, which make the long-term lessor of the passenger car the taxpayer for company car tax too (long-term leases are considered to be operating leases for more than one year). The amendment takes effect on 1 July 2013.

Duties

duties To promote advance savings contracts for housing purposes the amendment makes property acquired on the basis of such contracts exempt from inheritance and gift duties.

Furthermore, if a private individual exchanges, buys or sells real estate property within a year, the duty exemption can only be applied for one sale – immediately before or after the acquisition and on the same legal grounds – vis-à-vis each exchange or purchase.

Flat-rate tax for small taxpayers (KATA), small enterprise tax (KIVA)

KATA, KIVA Small enterprise taxpayer status takes effect on the first day of the month after the change is registered (previously it was only possible to register at the end of the year, for the following tax year).

According to the amendment, the flat-rate tax for small taxpayers can be applied by companies involved in insurance agency and brokerage activities too (previously, companies engaged in these activities were excluded from the flat-rate tax for small taxpayers).

Gambling tax – gambling

gambling tax To facilitate high-volume investments that are able to create significant numbers of jobs, legal on-shore casinos with annual profits solely from gambling amounting to HUF 10 billion shall be entitled to a 10% gambling tax rate for gambling profits in excess of HUF 10 billion.

No sales, organisation or intermediation activities can be pursued to solicit participation in gambling in Hungary or abroad or organised as part of an international cooperation framework if the state tax authority has not licensed the gambling activity.

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In addition to the above changes, further amendments were made to excise tax, social tax, the financial transaction tax, small enterprise tax, the flat-rate tax for small taxpayers and the income tax on energy suppliers.

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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