

# wts klient newsflash

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## Tax amendments in 2018

On 2 May 2017 the government submitted its spring tax amendments for 2018 to Parliament. In an [earlier article](#) we revealed the most important amendment of the planned changes in Hungary, which is that the mandatory online data provision from invoicing software programmes will only be rolled out from July 2018 after a trial period. According to the other planned provisions of the tax package, certain notification rules are to change; the participation threshold for reported shares would be abolished, and the VAT for internet access services and fish lowered. Below we summarise the main components of the tax amendments in 2018 for Hungary.

### Act on Rules of Taxation

- **Notification rules.** Within 15 days of registering with the tax authority, business organisations could be obliged to notify the tax authority of the numbers of all their bank accounts held at foreign financial institutions, the names of the financial institutions as well as the dates the accounts are opened and closed. It is important to pay close attention to this additional obligation because failure to meet it means the tax authority could impose a default penalty of up to HUF 600,000 (approx. EUR 1,900) according to the bill.
- **Tax payment collateral.** Tax collateral is a new legal institution in Hungary, designed to ensure payment of taxpayers' tax debts. Tax payment collateral mainly becomes relevant if an executive in a company wound up with tax debts wants to take on a role in a new company.
- **Registered office service providers.** According to the bill, companies which used registered office services from their current provider prior to 1 January 2017 as well will have to submit notification to the tax authority by the end of September.
- **Exception to prohibition of aggravation.** After one year of the effective date of the final resolution or, where appropriate, of the end of the inspection it is not permitted to adopt a new decision that contains provisions which are more detrimental to the taxpayer. According to the wording of the bill, if an inspection (oversight inspection) precedes the new resolution and the report thereon is handed over or posted within one year, then a resolution containing more serious findings for the taxpayer can be adopted within 18 months.
- **Zero net debt for preferential procedures.** According to the bill, if the tax authority can allow the taxpayer to deviate from general rules with a view to fulfilling tax liabilities (aside from payment relief and tax reductions), then even if the statutory conditions are fulfilled it is still only possible to authorise the request if the taxpayer does not have a net tax debt on the day the request is submitted.
- **Late payment interest does not need to be rounded.** Under the bill (alongside a transitional provision), figures do not have to be rounded when determining the levels of late payment interest. Furthermore, late payment interest of less than HUF 2,000 (approx. EUR 6) would not be levied.

### Personal income tax

- **Increase in amount of housing allowance to facilitate mobility that can be provided tax-free.** Alongside modifying the detailed rules, the bill would significantly increase the amounts that can currently be provided tax free. The monthly allowance would increase from the current ratios to 60 percent in the first 24 months of employment, 40 percent in the next 24 months, and then to 20 percent over the following 12 months.
- **Hospitality activity (Airbnb).** Based on the proposed bill, those who let out their apartment or holiday home regularly in Hungary for short periods can also opt for the favourable, itemised flat-rate tax even if they offer such a service for three properties instead of the current one property.

## Corporate tax

- **Reported shares.** The 10 percent participation threshold would be removed from the law, which means regardless of the level of participation, holdings would have to be notified and the corporate tax base allowance related to reported shares would be applicable.
- **Building rental apartments for employees / Installing charging stations for electric cars.** Subject to certain conditions, tax bases can be reduced with the cost of rental apartments built for employees, in the fiscal year when the investment project was completed, and with the cost of the investment (or part thereof) when installing charging stations for electric cars, also subject to certain restrictions.
- **Start-up companies.** The provision that one employee of a start-up company (comprising at least two employees) must be a researcher/developer would be removed, a relief that could encourage the setting up of new companies.
- **Income from controlled foreign companies.** In terms of income derived from controlled foreign companies in periods prior to 18 January 2017, under certain conditions taxpayers may opt to apply the legislative provisions valid on 17 January 2017 (an option available for the last time in respect of fiscal years ending on 31 December 2018).

## Health care contribution

- **Income from letting property.** The health care contribution payment liability for income derived from letting property could be abolished, thus bringing some more relief for property letters.

## Value added tax

- **Preferential VAT on internet services, fish.** From 2018 the VAT on internet access services and the VAT on fish for human consumption could fall to 5 percent from 18 percent and 27 percent respectively in Hungary.

## Excise tax

- **Procedural rules more transparent.** The Act on Rules of Taxation could provide the background legislation for general procedural law for the Act on Excise Duties from 2018.
- **Collateral certificate.** Providing a collateral certificate as a form of financial collateral can create more favourable conditions for clients than a bank guarantee.

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