



Dear Readers,

The growing attention towards tax compliance is caused by both developments in tax legislation and tax administration following a broad public discussion on fair taxation and aggressive tax planning.

Tax compliance and tax risk management have moved into the focus of management. Tax authorities have also recognised its importance and established new forms of cooperation with taxpayers, such as horizontal supervision, which aims to increase tax certainty and to reduce tax risks and litigation.

The objective of our [WTS Global report](#) is to provide information and guidance regarding recent developments in countries, which have recognised the importance of cooperative tax compliance and the relevance of tax control frameworks in this context. We hope you enjoy reading our study, as well as the latest edition of WTS Klient Newsletter.

Lothar Härteis
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Business gate registration with authorisation – in practice

Business gate registration is now possible by way of authorisation, if the representative is a person not included in the registry of Hungarian persons. » [page 1](#)

Quick assessment of investments – calculating profitability

Calculating profitability is a method suitable for comparing new, alternative projects, taking invested capital and development costs into account as well. » [page 2](#)

Business gate registration with authorisation – in practice

The authorisation should include:

- that it covers
 - the business gate registration,
 - creating the business gate access, and
 - reporting the official contact details of the business organisation to the E-Administration Register, as well as
- the particulars of the person authorised to use the business gate,
- and the email address to be registered.

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As we already covered in a previous [article](#), **business organisations must communicate electronically with the state from 1 January 2018** based on Act CCXXII of 2015 on the General Rules of Electronic Administration and Trust Services. The state enables documents to be sent and received via the business gate. A business organisation can register on the business gate via a duly authorised natural person, or their authorised

representative based on authorisation included in a public or private document with full probative force. We have summarised the most important practical issues that arise when registering for the business gate with authorisation.

Business gate registration – when the person representing the company is a foreigner

The form is now able to handle cases **when the person authorised to represent the business organisation is a foreign national** not included in the registry of Hungarian persons/residents, and an authorised representative proceeds on their behalf when registering for the business gate. So far this triggered an error during the business gate registration, preventing the sending of the form. In this case, the person making the registration must select that the authorised representative is a „*olyan külföldi személy, aki nem szerepel a magyar személy-nyilvántartásban*” (i.e. foreign individual not included in the registry of Hungarian persons). It is then impossible to enter the personal identification and contact details of the authorised representative, but a **copy of the document suitable for verifying personal identity** (e.g. passport) **must be attached** under point 3 of block VI on the form entitled „*Egyéb dokumentum(ok)*” (i.e. Other documents).

Proposed content requirements for the authorisation

It is recommended that the authorisation should cover the business gate registration, the creation of the business gate access and reporting the official contact details of the business organisation to the E-Administration Register. Moreover, it is also recommended to record the particulars of the person authorised to use the business gate as well as the email address which has been set as the general contact address for the business gate.

Which documents should be attached?

During the business gate registration, it is necessary to attach the document certifying that the business organisation is listed in the official company registry – **the certificate of incorporation** for business organisations – under point 1 of block VI on the form; this document may not be older than 30 days. The **signature sample or the specimen signature** of the person authorised to represent the business organisation must also be attached under point 2 of block VI on the form. The **authorisation** must be uploaded under point 3 of block VI on the form.

Based on the above we recommend that you carry out the business gate registration as soon as possible since if the business organisation fails to meet this obligation by 31 December 2017, the body in charge of electronic administration will initiate a regulatory supervision procedure or an official follow-up.

Quick assessment of investments – calculating profitability

Calculating profitability

**P
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- optimal asset demand and return
- clear ranking of investments
- comparison of expected and actual returns

**C
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- profit in project is the same for all periods
- useful life of invested asset not examined
- impact of capital allocation not considered

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In two of our previous articles we analysed how we can calculate [costs](#) and expected [profits](#) to gain a clearer picture for our investment decisions. Both of these factors **can be classed in the static investment calculation category**. In this category we now explore profitability forecasting.

Calculating profitability – the details

The main criterion here is the return on invested capital, i.e. profitability. The formula is relatively simple. **We divide the expected profit with the invested capital, and multiply by one hundred to get our profitability indicator.** We use this procedure if we want to compare several projects offering similar alternatives.

Let’s take an easy example to work out the sums of investment capital and development costs. In option “A”, the purchasing and ordering is handled with a new method, while in option “B”, we improve our existing system.

Option “A” New procurement system

	HUF million	TEUR (approx.)
Development costs (capital investment):	20	64.5
Annual return:	3	9.7
Annual expense:	2	6.5

Option “B” Improvement of previous procurement system

	HUF million	TEUR (approx.)
Development costs:	7	22.5
Annual return:	2.7	8.7
Annual expense:	2.2	7.1



Comparison:

	Option "A"		Option "B"	
	HUF million	TEUR (approx.)	HUF million	TEUR (approx.)
Profit:	1	3.2	0.5	1.6
Capital investment:	20	64.5	7	22.5
Profitability (%):	5		7.1	

When calculating profitability, the comparison shows that it is best to choose option "B" because the profitability indicator is 2.1 percentage points higher. Do not forget that this only applies if the same goal is reached with the same performance using both methods.

Pros and cons of calculating profitability

One of the drawbacks of calculating profitability is that the **profit** disclosed is **assumed to be the same** in all periods, the **useful lives of assets used are not examined**, and we **do not consider the other impacts of capital allocation** either.

One certain benefit, however, is that we can clearly focus on the **optimal use of assets** and achieving the most efficient return, we can clearly **rank** investments in line with their profitability, and afterwards we can compare the expected return with the actual result.

When do we apply the method for calculating profitability?

For investments where the **capital required** to buy the assets **bears average interest**, then calculating profitability is the best method to use. The other main category comprises development and rationalisation projects, where the **profit** on the various capital investments is **easy to predict**.



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"Hungarian subsidiaries also have to gear up for data reporting in connection with the new transfer pricing decree."

Tamás Gyányi, WTS Klient Hungary partner

Source: inforadio.hu

**Turn on your radio!**

On InfoRadio on the evening of Thursday 19 October, Tamás Gyányi, WTS Klient Hungary's tax partner, will be discussing the new transfer pricing decree expected from 2018 as well as the new rules related to transfer pricing documentation. "Hungarian companies have had to prepare transfer pricing documentation under certain circumstances since 2004. From 2018 an extended master file and local file will become mandatory" – emphasised the expert.

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

Please note that the conversation is available only in Hungarian.

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

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