

wts klient newsletter

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The Bridge.

Dear Readers,

It is impossible to find a company or business for whom a tax inspection is not an important event, especially for the finance staff. Even if you do not feel anxious at the sound of it, you definitely have to prepare thoroughly for an inspection, especially if a comprehensive audit is to be carried out, retrospectively inspecting tax returns. Representing taxpayers at a comprehensive tax inspection requires significant expertise. In our last video series for the year, we would like to help you prepare by sharing our expertise with you. As usual, we will first take a detailed look at the strategic aspects of the topic, then we will elaborate on the tax, legal and accounting aspects as well.

You can watch this week's first video about the strategic aspects at the following link: wtsklient.hu/en/2017/11/29/comprehensive-tax-inspection/

Please do not forget to switch on the English subtitle by clicking on „Beállítások” (settings) in the right-hand corner of the video.

I sincerely hope that our new video series will prove just as useful for you and your business as our newsletter articles focusing on the new data reporting obligation of service providers as well as an investment valuation method.

Andrea Potácssy
partner

Service provider obligation to forward data in respect of beneficial owner information

The service provider will be obliged to forward the beneficial owner data to the central register of beneficial ownership information.

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Quick evaluation of investments – calculating depreciation

When calculating depreciation we have to calculate the period over which our invested capital is recovered. Static but transparent method.

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Service provider obligation to forward data in respect of beneficial owner information

When identifying the beneficial owner of a legal entity or an organisation without legal personality, service providers must proceed as follows with the beneficial owner data defined by law:

- **not only record and check**
- **but also forward the data to the central register of beneficial ownership information.**

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When identifying the beneficial owner of an organisation that is a legal entity or an organisation without legal personality, **service providers** subject to [Act LIII of 2017](#) on the Prevention of Money Laundering and the Financing of Terrorism (hereinafter: “new Pmt.”) – including, in particular, credit institutions, financial service providers, lawyers, and

those performing audit, bookkeeping or tax consultancy activities – not only have to record and check the **beneficial owner data** defined by law, as has been the case so far. If the relevant law enters into force **they must also immediately forward such data to the central register of beneficial owner information**, provided that the beneficial owner data is not yet included therein.

The legal regulation creating the central register of beneficial ownership information has not yet been promulgated

The legal regulation creating the central register of beneficial owner information and setting out the detailed rules for data forwarding has not yet been promulgated, so service providers **cannot yet fulfil** their data forwarding obligation relating to beneficial owner data.

Compliance with EU law

The data forwarding obligation affecting beneficial owner data is designed **to comply with the provisions of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing** (hereinafter: the “Directive”). The Directive stipulates that “With a view to enhancing transparency in order to combat the misuse of legal entities, Member States should ensure that beneficial ownership information is stored in a central register located outside the

company, in full compliance with Union law. Member States can, for that purpose, use a central database which collects beneficial ownership information, or the business register, or another central register."

Which beneficial owner data is affected by the service providers' obligation to forward data?

The service providers' data forwarding obligation will affect the following beneficial owner data:

- surname, first name
- surname, first name at birth
- citizenship
- date and place of birth
- address, or for lack of this, habitual abode
- nature and extent of ownership interest

If the beneficial owner qualifies as a politically exposed person, the central register of beneficial ownership information to be created will also include this.

Those authorised to request data – principle of limited disclosure

The following will be authorised to request beneficial ownership information from the central register:

- without any limitations, financial intelligence units, investigating authorities, counter-terrorist agency, national security services, prosecutor's office and courts;
- the service provider's supervisory agency, in the interests of the tasks included in the new Pmt.;
- the service provider, for the purposes of performing the customer due diligence measures;
- to the extent absolutely required for use, third parties, where such third party shall verify the purpose of the data use with a document along with its justified interest in gaining access to the data in relation to the fight against money laundering and terrorist financing.

Good practice – transparency register in Germany

Germany transposed the provisions of the Directive into its national law in a manner where **it is not the service provider but the customer who is obliged to forward the data**. However, legal persons, senior executives of partnerships with legal capacity, asset managers and fiduciary asset managers only have to report the beneficial owner data to the so-called [transparency register](#) if the beneficial owner is not included in any other publicly available records (e.g. company register).

- ! If the service provider cannot perform the customer due diligence measures, it shall refuse to carry out a transaction through a payment account based on the customer's order, to establish a business relationship, to fulfil a transaction order, or it shall terminate the existing business relationship with the respective customer. In light of this, it is important that the customer meets
- its data reporting obligation accurately and in full, covering the beneficial owner data as well.



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"If companies and the government work together to make our tax system better and simpler, then we can genuinely achieve results."

Zoltán Lambert, WTS Klient Hungary managing partner

Source: inforadio.hu



Turn on your radio!



Representatives of the government and prominent tax decision-makers at large companies sat down together at WTS Klient Hungary's inaugural Tax Strategy Day on Tuesday at the Aquincum Hotel in Budapest. The presenters and participants of the panel discussions debated several recommendations that could make the Hungarian tax system even more competitive. On Thursday, 30 November Zoltán Lambert, managing partner at WTS Klient Hungary, will be discussing both these recommendations and the experiences of the conference on InfoRadio.

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

Please note that the conversation is available only in Hungarian.

Quick evaluation of investments – calculating depreciation

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Overview of static investment calculation methods

method	cost comparison	profit comparison	calculating profitability	calculating depreciation
content	we compare the costs of projects	not only the investment's costs are compared, but also its income-generating capacity	the interest on the required capital is decisive in financing the project	the quickest recovery of the invested capital is decisive in the project selection
reviewed variables	cost	cost, profit	cost, profit, capital	cost, profit, capital
application	we know what the required performance is and we can achieve it with several alternatives	limited, "profit" is often difficult to define	where the capital bears average interest or the profit can be calculated easily	limited, it treats profit as an unchanged amount
costs of implementation	relatively low	relatively low	low	low

In previous articles of our series on the quick evaluation of investments we analysed how to calculate [costs](#), expected [profits](#), and then [profitability](#) itself to gain a clearer picture for our investment decisions. Each of the three aforementioned methods can be listed in the **static investment calculation category**. There is only one tool left: calculating depreciation.

Advantages of calculating depreciation

In this case we have to calculate the period over which our invested capital will be recovered. We can apply a simple formula for this in which we should define time in terms of years.

$R=I/G$ where "R" indicates the recovery of the investment amount, "I" is for the one-off investment amount, and "G" stands for the annual profit.

Let's take an example. The value of our investment is HUF 10 million (approx. EUR 32,000) and we would like to achieve an annual profit of HUF 2 million (approx. EUR 6,400).

$R = \text{HUF } 10,000,000 / 2,000,000 \text{ (approx. EUR } 32,000 / 6,400) = 5 \text{ years}$

The method is simple, and is used very frequently for investments. We can compare the required recovery period easily and quickly. However this is also its disadvantage, since it means the evaluation aspects can only include liquidity and security. The remaining term of the investment after the recovery period and the profit that it can generate are ignored here. An additional risk is that the formula does not take into account the period of the depreciation itself.

Where should we use the method for calculating depreciation?

Applying this method is mostly justified in the case of venture capital investments using [external financing](#) and for investments where we know the time of the asset's replacement and its optimal useful life in advance.

It can be really useful if it is applied together with another investment evaluation method, for example, with the [profitability calculation](#) previously described, thus collectively they can form an appropriate basis for comparing the capital utilisation options.

Advantages and disadvantages of static investment calculation methods

Since calculating depreciation is the fourth and last static investment calculation method, it is worth evaluating the static procedure itself.

Its greatest advantage is manageability and transparency. We can obtain the necessary information relatively quickly. This is probably the most obvious method to assess traditional and smaller investments.

We can recommend static methods most easily for cases when you can fix the target figures and their components in your project in advance.

The disadvantage of static methods is that they cannot manage interdependencies between different areas of a company, they do not assess the relationships between the various investments, and do not assess temporal changes in profits or the useful life itself either.

To sum up, the static procedure is simple and easy to manage, but if the investment is supported with a more sophisticated IT and communication system then it can be mapped better with a more complex assessment method.

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Should you have any questions regarding the above or any other professional issues, please do not hesitate to get in touch with your WTS advisor or use any of the contact details below.

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