



Dear Readers,

As promised, in 2018 we will continue summarising our current articles in the usual newsletter format from time to time. In this way we would like to help our readers who prefer to browse through our materials in PDF or printed format, besides or instead of searching for them online. You will be able to get hold of our **monthly** issue on the last Friday of each month, which this time includes our January articles.

Professional challenges this year will undoubtedly be no less arduous than last year, but you can count on our continued assistance. For those open to new ventures we have prepared a short 10-minute **questionnaire** that can be accessed by [clicking here](#).

Please fill it in and send it to us so we can help you precisely with the most relevant issues you have to tackle in 2018.

We hope to continue our good working relationship.

Zoltán Lambert
managing partner

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The most important data reporting obligations to look out for at the start of the year



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As one of our first tasks at the beginning of the year, it is high time we considered the data reporting obligations that companies as taxpayers have to comply with in January. In this article we will present three reporting obligations to the tax authority that are relevant for companies with international relations and shortly have to be fulfilled. The legal

background for the data reporting obligations is included in [Act CL of 2017 \(the new "Act on Rules of Taxation"\)](#) and [Act CLI of 2017 \(the Act on Tax Administration Rules\)](#) which enter into force in 2018.

Data reporting obligations for foreign company bank accounts

One of the most important new elements of the revised Act on Rules of Taxation entering into force recently is that taxpayers who had a valid bank account as of 1 January 2018 at a foreign financial institution have to report **all of their existing bank account numbers as well as the name of the foreign banks holding these accounts to the NAV by no later than 31 January 2018**. Additionally, taxpayers have to report the changes affecting their foreign bank accounts to the Hungarian tax authority within 15 days.

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The latest edition of the WTS Global Transfer Pricing Newsletter has been released

December 2017
#3.2017

WTS Transfer Pricing
Newsletter

wts

The newsletter summarizes new developments in the field of transfer pricing for eight countries and has been prepared by local TP experts within the global network of WTS.

You can download WTS Global Transfer Pricing Newsletter for December 2017 in PDF format by clicking here:

[WTS Global Transfer Pricing Newsletter #3/2017](#)

One important stipulation is that the reporting obligation applies to business organisations whose business activity is subject to the prior submission of a company registration request. According to the original plans, the obligation would also have applied to taxpayers who are not obliged to have their companies registered. Based on our proposal sent to the Ministry for National Economy it was ultimately clarified that the reporting rule does not apply to taxpayers with special legal status who are not subject to registration at the Court of Registration in Hungary, such as [VAT-registered](#) taxpayers.

If only because of the sizes of the default penalties it is worth paying attention to the deadlines. Should an otherwise obliged taxpayer fail to comply with either the data reporting obligations or change reporting obligations, the NAV will call upon the taxpayer to fulfil its tax liability within 15 days, also drawing attention to the legal consequences of failing to do so. If the obligations remain unfulfilled even after a warning, the tax authority may first impose a default penalty of HUF 100,000 (approx. EUR 320) on the taxpayer, followed by up to HUF 500,000 (approx. EUR 1,600) if additional 15 days pass without any result.

Reporting obligations of related companies

Hungarian taxpayers **who have related companies** may also face an important reporting obligation in January **if they initiate new transactions with their related parties at the beginning of 2018:**

- taxpayer concludes a new contract with a related company and a business event of any kind takes place between them;
- the related-party relationship between the taxpayer and its related company ceases as of 1 January 2018;
- services are provided between the taxpayer and its related company in excess of HUF 1 million (approx. EUR 3,200) in cash.

The reporting to the Hungarian tax authority should take place within 15 calendar days of the event (otherwise you can expect a default penalty here as well). This rule is not new, but it is difficult to find the reference in the new Act on Rules of Taxation. According to the form used for reporting, data on the related company

has to be reported within 15 days of concluding the first contract, and changes connected to the related company within 15 days of such changes occurring, according to Section 44 and Section 7 (28) of the Act on Rules of Taxation. If the related company is a resident company in Hungary, they have to make these reports as well.

Béla Kovács, senior manager of WTS Klient Hungary talked about this topic on InfoRadio.



Listen to the conversation at this link:

wtsklient.hu/2018/01/11/adatbejelentések-január-31-ig/

Please note that the conversation is available only in Hungarian.

Posted foreign employees

Multinational companies often temporarily [post foreign staff](#) working in another country to the Hungarian member of the group for a set period. **The Hungarian host company may have data reporting obligations towards the tax authority in the case of these employees (expats) too.**

Based on Section 41 (3) of the new Act on Rules of Taxation, the reporting has to include the following data:

- personal identification data, address and citizenship of the foreign-resident natural person;
- start date of employment;
- name, registered office, permanent establishment and address of the foreign organisation or natural person ordering the work.

Companies have 30 days to report posted employees from the start date of their employment. We should not forget that the end date of the employment has to be reported too, and if relevant data is available regarding the employment then also the date when the employee leaves Hungary.

→ Our expert



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Education

- » tax advisor
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Specialisations

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- » indirect taxes
- » transfer pricing
- » international taxation and tax planning (direct and indirect taxes)
- » due diligences
- » tax litigations

Latest publications

- » [NAV: the good tax authority!?! Experience from the 2nd national tax consultation](#)
- » [EKAER number – the wound that never heals](#)
- » [New law on tax procedures](#)

Languages

Hungarian, German, English

Management of personal data prior to employment

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The General Data Protection Regulation (GDPR) of the EU shall be mandatory and directly applicable in all Member States, including Hungary, from 25 May 2018. In light of this it is crucial for data managers and processors to review the legal framework of their data management practices and adjust it to the new data protection requirements. The review should pay special attention to the management of personal data in connection with employment. However, an employer obtains personal data not only during employment, but even before the employment relationship is established. This article summarises the most important rules on **job advertisements and applications as well as data management in relation to the viewing of profiles created on social media**, paying particular attention to the practice of the National Authority for Data Protection and Freedom of Information (NAIH) in Hungary.

Data protection requirements related to the viewing of social media sites:

- Applicants must receive information in advance.
- Employers cannot view data whose access is limited for the public.
- Only data qualifying as material and relevant for the purposes of the given job application can be viewed.
- The applicant's public social media activity can be viewed and conclusions drawn based on it, but no further data management of any kind whatsoever is allowed.

Management of personal data – no anonymous job advertisements, and requirement to provide appropriate (preliminary) information

According to NAIH procedures, anonymous job advertisements should definitely be **avoided**, apart from a few exceptional cases justified based on the employer's economic (market) interests. A **job advertisement** is anonymous if it **does not indicate the company's name**. An applicant's right for informational self-determination includes receiving appropriate information regarding the management of personal data even prior to submitting the job application. This means knowing to whom and to which company they are providing their personal information. It is especially important for the job advertisement to have an email address and a phone number, enabling applicants to exercise their rights in relation to the management of personal data, e.g. they can request the deletion of their personal data.

Viewing a personal profile created on social media

According to NAIH procedures (and the recommendation of Data Protection Work Group No. 29), at least the following data protection requirements have to be complied with during a recruitment process when viewing social media profiles:

- Preliminary information must be provided for applicants (disclosing that during the recruitment process the employer will view the content of the applicant's social media profiles that is accessible to the public).
- The employer cannot see information whose access is limited for the public (e.g. acquisition of information disclosed in closed groups by another member of that group).
- Only data that qualifies as material and relevant for the purposes of the given job application can be viewed.
- The applicant's public social media activity can be viewed and conclusions can be drawn based on it, but no further data management of any kind is allowed (i.e. the applicant's profile cannot be saved and forwarded).

Unsuccessful application – employers must give notification

The **notification requirement regarding an unsuccessful application** is related to the applicant's right for informational self-determination. According to NAIH procedures in Hungary, it is not acceptable to indicate such a stipulation (or similar provision) in the job advertisement which says that "if the applicant does not receive any notification within 8 days of the expiry of the application deadline, the application should be considered rejected".

Keeping applications on record

Once the applicant has been selected and the position has been filled, the data management purpose ceases to exist and so **the personal data of the unselected applicants must be deleted**, or at the applicants' request, the application documents have to be sent back to them. It is important to emphasise that any conclusions drawn regarding the applicant based on this data also qualifies as personal data. This means that if the employer takes notes on the applicant, these qualify as personal data too, and also have to be deleted when the selection process is closed.

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GDPR Audit

As long as you are interested in whether your company's data management practices meet the **GDPR requirements**, get in contact with us, we revise your current situation!

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Applications can only be managed legitimately in the future in the event of the applicant's voluntary, specific and explicit consent based on receipt of appropriate information. For example, an employer stating that "if you do not respond to our letter within 8 days we will continue to manage your personal data" (or any similar statement) is not acceptable any more.

So given that the management of personal data already starts in these early phases, due care should be taken when posting job advertisements and managing applications, and the rules on data protection must be complied with.

→ Our expert



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Education

- » university degree in law
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- » postgraduate degree in employment law
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Specialisations

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- » corporate and economic law

Languages

Hungarian, German, English

Latest publications

- » [Business gate registration with authorisation – in practice](#)
- » [Labour law framework for an intercompany posting](#)
- » [The European Unique Identifier \(EUID\)](#)



Fringe benefit system in 2018 in Hungary: more on offer for employees

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Fringe benefit changes in 2018

- For other benefits the health care contribution has been reduced to 19.5 percent.
- The benefit paid to employees helping to repay student loans taken out on the basis of a student loan agreement has become tax-free (up to 20 percent of the minimum wage per month).
- Housing allowance to facilitate mobility is also now available to employees with a fixed-term labour contract.

Retaining or setting up a fringe benefit system could be a very important tool for motivating employees in 2018. Taxation rules pertaining to other benefits in the fringe benefit system have undergone favourable changes in Hungary, leaving more for employees. In this article we summarise the changes and rules regarding the fringe benefit system in 2018.

Fringe benefit system in 2018: what has not changed?

In 2018 the tax rules for **fringe benefits** within the fringe benefit system have not changed. As [in 2017](#), 15 percent personal income tax and a 14 percent health care contribution are payable in Hungary on the value of the benefits x 1.18. This brings the total rate of taxes and contributions to 34.22 percent, similar to last year. The range of fringe benefits that employers can provide remains the same, as does the maximum amount. The Széchenyi Recreation Card can be granted with the familiar sub-accounts and limits, while [cash can also be paid](#) up to HUF 100,000 (approx. EUR 320) with the same taxes and contributions.

Lower health care contribution

A 15 percent rate of personal income tax is payable on the value of **other benefits** x 1.18, but the rate of the health care contribution in this case has been reduced from 22 percent last year to 19.5 percent. Consequently, the total tax burden has fallen in Hungary from 49.98 percent in 2016 to 43.66 percent in 2017 and 40.71 percent this year. Fringe benefits may also be provided without limitation in 2018 in the form of other benefits. For example, in addition to providing Erzsébet vouchers, local public transport passes, workplace meals, back-to-school support and formal training, employers can contribute to voluntary pension funds or health funds without any limitation.

Range of tax-free benefits expanded

The range of **tax-free benefits** has been widened in Hungary: within the fringe benefit system in 2018 benefits paid to employees contributing to the repayment of student loans taken out on the basis of a student loan agreement are tax-free, up to 20 percent of the minimum wage per month.

Tickets to cultural events, sports events, housing loan support and the [funding of childcare services](#) are still available options in Hungary. Strict rules on housing allowance to facilitate mobility have been alleviated, which means this can also be paid to employees from 2018 who have fixed-term labour contracts. In the first two years of employment, housing allowance to facilitate mobility can be tax-free up to 60 percent of the minimum wage.

Fringe benefit system in 2018: summary

2018 is a year of positive change both in terms of the fringe benefit system and its taxation.

The successful implementation and maintenance of the fringe benefit system requires efficient planning, possibly even a re-design. It is important for the eligibility rules to be easily manageable, and for employees to receive easy-to-understand and adequate information from the employer. This is the only way they can select and effectively use their fringe benefits.

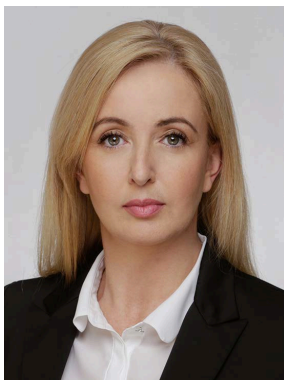
Fringe benefit rules

To provide accurate services to clients, WTS Klient's payroll specialists closely monitor legislative amendments, including the rules on the fringe benefit system. Aside from **outsourcing payroll** for entire companies, we also carry out specific payroll tasks where required.

Get in touch with us and let's discuss how we can help you!

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Education

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Specialisations

- » payroll
- » social security
- » fringe benefit

Languages

Hungarian, English

Latest publications

- » [Rules for deductions from wages](#)
- » [Granting holiday entitlements beyond the current year](#)
- » [Posting rules from the perspective of social security](#)

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

Any information contained herein shall thus not be considered exhaustive, and nor may it be relied upon instead of advisory services in individual cases. We accept no liability for the accuracy of the content.

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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