wts klient newsflash

WTS Klient.
The Bridge.

Changes in accounting rules from 2019

The draft bills proposed to the Hungarian National Assembly under No. T/625, primarily on taxation, also include changes to accounting rules. Among these changes in accounting rules we would like to draw your attention to the proposals expected from 2019 that we believe are likely to attract broad interest.

Changes in accounting rules for grant income

The bills entering into force as of 2019 and amending the Hungarian Accounting Act suggest that one of the anticipated changes in accounting rules will affect the accounting of grant income: based on the matching principle it will be possible to report grant income and accounted costs in the same period if the grant is demonstrably paid. This legal change would result in greater consistency both from an economic point of a view and also taking general accounting principles into consideration, compared to the current rules that require income to be accounted for either when financially settled, or when the grant is settled with the granting authority.

Having to supplement missing information that is mostly of an administrative nature very often means that the grant income and the relevant grant costs cannot be reported in the same period, which significantly distorts the comparability of financial years, primarily in the case of grants awarded to cover costs. Consequently, the above proposal is good news for companies receiving significant sums of grant income, particularly grants awarded to cover costs (expenditures), such as companies with R+D activities.

Accounting goodwill during conversion

The current Hungarian rules require that business shares, when purchased, should be reported **in the books** at their purchase price. If it is established when purchasing a business share – based on its future income-generating capacity – that the purchase price of the target company includes significant goodwill, the bill would allow the goodwill **to be recognised** in the case of a subsequent takeover or merger.

FINANCIAL CONSULTING

If you would like to receive more detailed information on either of these changes in accounting rules in 2019, or if you would like to know how the changes will affect your company, please feel free to contact the professionals at our financial consulting division.

Szabolcs Szeles
financial advisory director
+36 1 887 3723
szabolcs.szeles@wtsklient.hu

In addition to examining the future income-generating capacity, this recognition is also subject to the expectation that the goodwill will be recovered in the future, or that the company being acquired will avail of the opportunity to conduct an asset valuation.

Among all the changes in accounting rules in 2019, this proposal is commendable too since the change was justified as an effort to mitigate the high capital loss of shares derecognised during takeovers and mergers. It is widely known that under the current rules goodwill may only be reported when purchasing business divisions. We believe that goodwill which may be reported in relation to a takeover or a merger as above is identical, content-wise, to the goodwill reported in relation to acquiring a business division. This is because the acquisition of the purchased business share can be construed as integrating a business division. This change may already be applied to transformations initiated after the law takes effect.

Changes in accounting rules for in-kind contributions of rights and concessions

The value of assets contributed by the owner of a business organisation as reported in the books of the owner company may be different from the value of the in-kind contribution set in the articles of association. The owner company may report the difference between these two figures as other income or other expenditure. From 2019 onwards, this rule must be applied for in-kind contributions of rights and concessions, similarly to other contributed assets.

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.

Services of the WTS Klient Hungary:

» Tax consulting
» Financial advisory
» Legal consulting
» Accounting
» Payroll

You can request for our online offer by one single click:

Online offer >

You can sign up for our newsletter by one single click:

Sign up >

WTS Klient Hungary
1143 Budapest • Stefánia út 101-103. • Hungary
Telephone: +36 1 887 3700 • Fax: +36 1 887 3799
info@wtsklient.hu • www.wtsklient.hu

WTS Klient Ltd.
Registered seat:
H-1143 Budapest, Stefánia út 101-103.
Company registration number: Cg.01-09-930353

WTS Klient Tax Advisory Ltd.
Registered seat:
H-1143 Budapest, Stefánia út 101-103.
Company registration number: Cg.01-09-978231