



Dear Readers,

A few months ago we announced here in our newsletter the launch of our research survey for the 2018 financial year.

We surveyed more than 100 large, mainly international corporations that cooperate with our group: in person, on the phone and by email. We wanted to see what changes they were planning for 2018 in their tax, bookkeeping and payroll systems, and what obstacles they face in realising their goals. The results clearly show that the lack of an adequate **workforce** constitutes the gravest challenge for companies this year, but the **continuous changes to Hungarian taxation rules and legislation** are also a major hindrance in reaching their objectives. Most of the companies asked are focusing on tax planning and **tax optimisation** in 2018 to boost their profits by reducing expenses.

Thank you for answering our questions and thus helping our research. You can review the results in the radio interview on page 7, and we will soon share the detailed statistics with you in a more extensive study. Although we are still incapable of cloning employees, we can certainly help you navigate better around the maze of continuously changing taxation rules and legislation, and we will gladly assist you in optimising taxes and reducing expenses too. Feel free to contact us.

Tamás Dely  
business development director CEE

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## Appeals in tax cases

### What to look out for when submitting an appeal?

- failing to meet deadlines can result not only in losing the possibility to appeal to the tax authority, but also to bring the case to court
- from 2018 business entities and sole traders will only be allowed to submit appeals electronically
- the Act on Tax Administration Rules effective from 2018 significantly limits the possibility of bringing up new facts and evidence in an appeal, so it is worth submitting evidence in due time

Author: **dr. Tamás Felsmann**  
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In an [earlier article](#) we reviewed the rules of legal remedies, including appeals in general. The [Hungarian Act on Tax Administration Rules](#) effective from 2018 reformulated the rules of appeals to some extent. I will cover this below, as well as the fact that from 2018, business entities and sole traders are only allowed to submit appeals electronically.

### What purpose do appeals serve, and what are the deadlines?

Appeals are the most fundamental tool for seeking legal remedy within the tax administration system. An appeal and the supporting evidence can be filed within 15 days, or in the case of a retrospective tax assessment, within 30 days of notification of the written decision. The same deadlines apply for the electronic submission of appeals too. An appeal deadline shall be considered met even if the appeal was submitted on time but not to the competent authority.

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### WTS Klient Hungary is among the nominees of European Tax Awards 2018

WTS Klient Hungary has been shortlisted this year in two categories – Hungary Tax Firm of the Year and European Tax Compliance and Reporting Firm of the Year – in the European Tax Awards, the most relevant tax contest in Europe. The winners will be revealed and the awards will be presented on 17 May in London.

## How much do appeals cost?

In general, the duty on appeals is unchanged in 2018: HUF 400 (roughly EUR 1) for every HUF 10,000 (roughly EUR 32) of the disputed amount or part thereof, but no less than HUF 5,000 (roughly EUR 16) and no more than HUF 500,000 (roughly EUR 1,600). If the value of the appeal subject cannot be assessed in monetary terms, the duty on the appeal amounts to HUF 5,000 (roughly EUR 16).

## In what respect does the digital transition affect appeals?

From 2018, those obliged to handle administration electronically in Hungary (business entities, sole traders) must submit their appeals via [e-Papír](#) (available only in Hungarian) on the internet.

## Appeals, the gateway to court procedures

When considering possible legal remedies in the Hungarian tax system, it is worth taking into account that for decisions subject to appeal, a public administration lawsuit may only be launched if the appeal was submitted by the taxpayer and it was ruled on in a legally binding way by an appellate tax authority.

## Can a new fact or circumstance be referred to in an appeal?

Previous rules have essentially allowed new facts or circumstances to be brought up in an appeal. By contrast, pursuant to the Act on Tax Administration Rules effective from 2018, both in an appeal and in any procedure initiated based on appeals, it is not possible to bring up new facts, or refer to new [evidence](#) which the taxpayer was aware of before the first-instance decision, but refused to present or refer to, despite being called upon to do so by the tax authority.

## What are the dangers of appeals?

As a result of appeals the appellate tax authority may uphold, amend or repeal a decision. The appellate tax authority examines the appealed decision as well as the entire procedure conducted before the decision, ignoring who lodged the appeal and why. It is always advisable to be aware that the appellate tax authority may worsen the first-instance findings with regard to the taxpayer as a result of the review.

You can listen to the radio interview about this topic by clicking here:



[wtsklient.hu/2018/04/05/nem-fellebezhetnek-papiralapon-a-cegek/](https://wtsklient.hu/2018/04/05/nem-fellebezhetnek-papiralapon-a-cegek/)  
Please note that the conversation is available only in Hungarian.

## Unclear or contradictory appeals

If requests for appeals are unclear or their content is contradictory, the first-instance tax authority may call upon the taxpayer to submit an unambiguous appeal request within 8 days. If the taxpayer fails to make such a statement by the deadline, the first-instance tax authority will reject the appeal.

## Supplementing facts at the second instance

Compared to earlier regulations, the new Act on Tax Administration Rules sets forth more detailed rules for supplementing facts in appellate procedures in Hungary. It defines a specific deadline of 90 days for this, starting from receipt by the first-instance tax authority of the notification from the appellate tax authority, and this period does not count towards the deadline for the legal remedy procedure. The new provisions, including the ones limiting reference to new facts or evidence, will most probably reduce the number of repeated procedures.

## Client representation at the NAV

Our experts are familiar with and use the amended Hungarian rules of appeal on a daily basis. Therefore we recommend you turn to us as quickly as possible if your company is facing a **tax inspection**. We undertake the case-by-case preparation and administration of appeals and other submitted requests, and we can also [provide full-scale representation services](#) once we receive an engagement letter. For complex tax inspections in Hungary we really recommend you engage experts to monitor and help proceedings right from the beginning.

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### Education

- » tax consultant
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### Specialisations

- » representation at the tax authority
- » legal remedy procedures
- » NAV certificates
- » payment relief requests
- » advance tax ruling requests
- » consulting in tax procedural issues and in tax lawsuits
- » EKAER

### Latest publications

- » [New draft decree on live invoicing, or online data reporting](#)
- » [Changes to tax enforcement law](#)
- » [Providing evidence during tax inspections](#)

### Languages

Hungarian, German, English

## Hungarian-Turkish social security agreement takes effect

Author: **András Szadai**  
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After a long wait, the Hungarian-Turkish social security agreement took effect as of 1 April 2018. The parties agreed upon the terms of the agreement some 3 years ago, but the last notification needed for the agreement to enter into force was only received in 2018.

### Special points of Hungarian-Turkish agreement

#### BASIC PRINCIPLE:

the laws of the country where the employee is in gainful employment must be applied

#### EXCEPTIONS:

##### Posting (≤ 24 months)

- may be extended once, but entire posting ≤ 60 months
- posted individual may not arrive to take place of another posted employee

##### Special exemption

- based on joint request by employer and employee

### Why are social security agreements a good idea?

International conventions override national regulations. They can **provide exemption** from contribution payments in Hungary for certain employment constructions, while in other cases they can guarantee a longer exemption period, for foreigners working in Hungary for example. They **clarify the calculation of employment periods** that are important in connection with pensions for employees working in both states, and certain agreements cover the insurance not just for posted employees, but also for the family members accompanying them.

Thanks to the Regulation on the Coordination of Social Security Systems, the European Union has long since had standard rules on workers moving between Member States. Based on this **coordination regulation** it can be decided which Member State is responsible for the insurance of an employee working internationally, and so ultimately, [where they have to pay contributions](#). If you are insured in one Member State, you are able to use basic health services in another Member State – subject to the restrictions in the regulation of course.

As with all other [similar social security arrangements](#), the Hungarian-Turkish social security agreement applies similar rules for Hungary and the third country, in this case Turkey, as are applied in the “established” and efficient system between European Union Member States.

### Situation without international agreement

Foreigners working in Hungary can be exempt from paying contributions not just based on international agreements, but also on the strength of Hungarian rules. Under the Hungarian system, foreign employees are exempt, i.e. they do not become insured in Hungary, if:

- they are posted to work in Hungary for a period not exceeding 2 years,
- at least 3 years has elapsed since the end of their last posting,
- their employer is a foreign company,
- they are a citizen of a third country,
- they are considered a non-resident in Hungary from a social security perspective.

If any of the afore-mentioned conditions are not met, for example if the posted employee concludes a local employment contract too, or less than 3 years has passed since their last posting, then they become insured in Hungary.

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“If you don’t check whether a given client has an EU tax number then it may happen that you will invoice a product or service without VAT, leading to problems later on.”

**Zoltán Lambert, WTS Klient Hungary managing partner**

Source: inforadio.hu



### Have you heard?



In recent weeks several thousand Hungarian companies have received letters from a Hamburg-based firm asking for data and the not insignificant annual sum of EUR 771 for a so-called European Business Number (EBN). On InfoRadio on 29 March, Zoltán Lambert, managing partner at WTS Klient Hungary, issued a warning about these suspicious letters, explaining the cases where it is necessary to apply for an EU tax number, how to do so in practice, and how to run checks of EU tax numbers.

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

Please note that the conversation is available only in Hungarian.

## Key points of Hungarian-Turkish social security agreement

The basic principle underlying the Hungarian-Turkish social security agreement is that the **laws of the country where the employee is in gainful employment must be applied**. So as a general rule, a Hungarian working in Turkey for example is obliged to pay Turkish contributions.

### → Posting

Special rules apply to postings that **do not exceed 24 months**. In this case, the agreement "keeps" the posted employee in the social security system of the posting country. The 24-month **exemption** can be extended once, but the period of the whole posting may not exceed 5 years (60 months). Hence if a Turkish employee is sent to Hungary by a Turkish employer to work on its behalf for eighteen months, the person remains insured in Turkey. One key requirement for the exemption is that the posted individual cannot arrive to take the place of another posted employee.

### → Special exemption

Article 12 of the agreement provides an opportunity for the **employer and employee to submit a joint – exemption-related – request**, essentially in any case. This must be submitted to the authority whose regulations the parties want to be applied. Exemption is granted provided the person remains subject to the social security system of one of the countries, which must be proven with a certificate from the competent authority in that country.

To our understanding, this article enables exemption to be requested in the case of **special employment structures** too for example. During a posting it can happen that the host company signs a local employment agreement with the posted

You can listen to the radio interview about this topic by clicking here:



[wtsklient.hu/2018/04/12/szocialis-eqvezmeny/](https://wtsklient.hu/2018/04/12/szocialis-eqvezmeny/)  
Please note that the conversation is available only in Hungarian.

individual as well. In this case and based on the exemption provisions the posted employee can no longer be exempted; however, a request can be submitted based on Article 12 and the exemption will apply if approved by the authorities.

### → Insurance periods

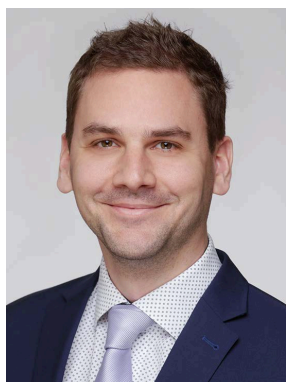
In accordance with the Hungarian-Turkish social security agreement the insurance periods spent while working in Hungary and in Turkey have to be added up.

## Expat taxation and social security liabilities consulting

For many years now, WTS Klient Hungary has kept abreast of the **legislative changes affecting the work of foreigners** as well as international developments, and applies these in its day-to-day work. If your company has expat workers, please contact us, we are happy to assist you.

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- » transfer pricing consulting
- » compliance preparation of tax returns in all taxes
- » VAT-registration of foreign companies and related tax consulting
- » international taxation of foreign workers
- » representation of companies during tax inspections

### Latest publications

- » [New transfer pricing documentation decree allows for self-revisions](#)
- » [New transfer pricing decree: administration to change](#)
- » [Relation between corporate tax rate and transfer pricing rules](#)

### Languages

Hungarian, German, English

## What does electronic communication mean from the perspective of local business tax returns?

Author: **Anita Marinov**

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In some previous articles [we revealed](#) that business entities will need to communicate electronically with the state in Hungary from 1 January 2018. In terms of tax affairs this electronic communication means electronic administration **not just at the NAV but also with local governments**.

Electronic communication happens by submitting forms provided by the tax authority, while for applications that do not use standardised wording, taxpayers can use the General Purpose Request Form, i.e. the e-Paper (e-Papír) service. On the Local Government website – the ELÜGY system – taxpayers can use various electronic administration services. Certain functions can be used freely, while other functions are subject to registration.

### Local business tax returns

- by law may only be submitted electronically for 2017 at all local governments
- from 2019 only via business gateway
- separate authorisation required

### Electronic returns compulsory from this year

Since companies that close their books at the end of the calendar year are moving ever closer to the deadline for filing their [local business tax returns](#), namely 31 May 2018, it is particularly topical and important to know that local governments in Hungary can now only accept tax returns on **2017** electronically. Electronic returns were introduced earlier at many local governments, but from 1 January 2018 **this will be mandatory at every local government**.

Until 31 December 2018, individuals (representative/authorised representative) acting on behalf of business entities may also handle their electronic communication through the government portal, but from **1 January 2019**, however, **only the business gateway can be used** for electronic communication. If an [authorised representative](#) wants to submit the annual local business tax return, separate authorisation is required that entitles them to this type of electronic administration. The form required for this can be downloaded from the local governments' website. Many local governments in Hungary send out information to taxpayers on changes via the business gateway.

Even if using the business gateway, it is possible for the local business tax return not to be submitted by the party otherwise authorised to use the gateway, but for another person to be appointed, a **case manager**. The settings for this can be found in the business gateway, where the given person can be registered as a new case manager.

### Electronic communication for Budapest taxpayers

Local business tax returns can also be submitted via the government portal / business gateway using the 17HIPA form prepared by the NAV; the NAV forwards these on to the competent local governments without conducting any checks. According to information from the Budapest City Council, however, experience from last year shows that these forms contain several errors. This is why the **Budapest City Council specifically asks taxpayers to use the form-completion programme of the City Council when filing for Budapest**. It is important to note here that local government authorisation is still required in this case. This is because the representation right for electronic administration reported on the EGYKE form submitted to the NAV does not cover the representation of entities at the local governments.

Since **practices** with regard to electronic local business tax returns are **not fully developed yet**, it is advisable to inquire in advance at the competent local governments about this authorisation, and to see which interface and which form should be used to meet your tax return obligations.

### Useful sources to electronic local business tax returns

The City Council information on electronic administration can be found [here](#), and on electronic tax returns [here](#).

The relevant legislative background is drawn from [Act CCXXII of 2005 on the General Rules for Electronic Administration and Trust Services](#) as well as [Government Decree 451/2016 \(XII.19\) on the detailed rules of electronic administration](#). (The links mentioned are only available in Hungarian.)

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## Review of HR activities and processes in Hungary based on GDPR

Author: **dr. Ildikó Szopkóné Horváth**

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As previously intimated on several occasions, 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. The **GDPR is to pose new challenges for companies** (employers), who have to review the legal framework to their data management practices in connection with their operations, and align them with the new data protection requirements. One key area of such reviews is HR activities and processes, and it is particularly important that these are legally compliant with GDPR (which primarily, but not exclusively, means avoiding the payment of penalties).

### Typical problems in connection with recruitment and selection:

- employers do not prepare data protection information for the management of applicants' personal data
- as a form of preliminary screening HR looks at the social media profiles of applicants during the selection process, but fails to inform the applicants of this
- employers fail to inform applicants that their applications were unsuccessful
- after completing the selection process, employers continue to manage the data of the unselected applicants without their consent

Reviewing HR activities and processes from a data protection perspective **affects all stages of work relationships**. Below we summarise the issues that constitute a legal risk in terms of data protection, and which typically arise upon examining employer procedures.

#### HR activities prior to employment

Even before recruitment you need to think about how to manage the data of job applicants. As we previously [wrote](#) it is important that data protection requirements are complied with when **drafting job adverts** too. The following problems tend to arise in connection with **recruitment and selection** in HR activities:

- employers do not prepare data protection information for the management of applicants' personal data,
- as a form of preliminary screening HR looks at the social media profiles of applicants during the selection process, but fails to inform the applicants of this,
- employers fail to inform applicants that their applications were unsuccessful,
- after completing the selection process, employers continue to manage the data of the unselected applicants without their consent.

#### HR activities when starting and during employment

A whole range of data protection requirements have to be adhered to in Hungary both when starting to employ someone and during their employment. Employees have to be given **appropriate information** about the management of their personal information. In preparing for the GDPR it has to be examined whether the **wording of the templates** used by HR for **employment contracts and employer information** comply with GDPR requirements as well as other data protection rules in force.

If the employer uses technical devices – such as cameras or GPS navigation systems – to check on employees, then the employees **have to be properly informed about this** in line with prevailing legislation and GDPR requirements. The **ways of checking use** of company telephones, [email addresses](#) and laptops given to employees **also have to be regulated**. In light of the principle of transparency, the GDPR means that employer policies are becoming much more significant, so it is crucial that these documents be worded in line with current legislation and GDPR requirements, and that the texts comply with the GDPR. continued on page 7

#### Data protection due diligence

If you are interested in checking whether your company's HR activities and processes comply with GDPR requirements, please contact us and we will review your current practices in a [data protection due diligence](#).

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### HR activities after employment ends / is terminated

Data management is not something that ends upon the termination of employment relationships either, so it is important to know which personal data **may, or has to be, managed and for how long, and on what legal grounds** (lawfulness) – yet another task for HR.

Mapping the HR activities affecting these areas from a data protection perspective, reviewing and preparing the templates used for employment contracts, employer information documents and policies, and laying down good data management practices are all crucial for ensuring legal compliance with GDPR requirements.

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- » labour law
- » competition law

#### Languages

Hungarian, German, English

#### Latest publications

- » [Checking email accounts used for work purposes](#)
- » [Service provider obligation to forward data in respect of beneficial owner information in Hungary](#)
- » [Breaching rules on working hours and rest time](#)



"The surveyed entities deem tax planning to be one of the major tasks for 2018 in order to become more competitive within the region by reducing costs."

**Tamás Dely, WTS Klient Hungary business development director CEE**

Source: inforadio.hu



### Have you heard?



At the beginning of 2018, WTS Klient Hungary asked more than 100 large, mainly international companies about their challenges for this year, their business plans and the obstacles lying ahead. Tamás Dely, regional business development director at WTS Klient Hungary, provided some insights into the results of the survey for listeners of InfoRadio on 19 April. "According to the people asked, the continuous changes to taxation rules and legislation constitute the primary obstacle to realising their goals. The second largest hindrance is the administration related to tax, accounting and payroll." - emphasised the research survey leader.

[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.

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:

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- » Accounting
- » Payroll

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