

wts newsletter

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The Bridge.

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highlights

Bookkeeping abroad – Hungarian legal regulations allow enterprises to keep their accounting records abroad in integrated intercompany systems, or to use a specialised global service centre in order to cut costs or maintain their financial competitiveness. But what are the potential pitfalls of bookkeeping abroad?

Bookkeeping abroad

Conditions for bookkeeping abroad:

- reporting **place for safekeeping documents**
- presentation of documents **within 3 working days**
- chartered accountant **registered (for IFRS) in Hungary**
- auditor **registered in Hungary**
- tax returns **in Hungarian**
- registered, certified **invoicing software**

Hungarian legal regulations allow enterprises to keep their accounting records abroad in integrated inter-company systems, or to use a specialised global service centre in order to cut costs or maintain their financial competitiveness. But what are the potential pitfalls of bookkeeping abroad?

Bookkeeping abroad

The software programmes of integrated systems and service centres are not always harmonised with Hungarian rules, so companies often use the services of Hungarian accountancy firms and tax advisory firms as well. Accountants and tax

advisors provide assistance in getting to know Hungarian laws, the tax and accounting treatment of various transactions, and in harmonising processes performed abroad in line with Hungarian legal regulations.

Before an enterprise decides to bookkeeping abroad, the following criteria have to be taken into account:

- » According to the Act on the Rules of Taxation, **the place where the taxpayer's documents, electronic accounting receipts and records are kept** has to be reported to the tax authority if this location is not the taxpayer's seat.
- » Documents can be forwarded to different places for the period of the bookkeeping and processing, but they have to be presented **within 3 working days** if so requested by the tax authority. It is important to note that keeping the records abroad based on the taxpayers' own decision does not exempt them from the obligation to present documents.
- » Only a **chartered accountant registered in Hungary** can prepare the company's accounts. If the company takes advantage of the opportunity (or, often, the obligation) as per the Act on Accounting, and prepares IFRS financial statements, only an **IFRS-certified chartered accountant registered in Hungary** can prepare these statements.
- » If there is an obligation to conduct an audit because the company's individual figures exceed the statutory limits, or because it is consolidated and thus automatically becomes obliged to be audited, the audit firm can also request the original documents be available for a certain period due to the need to review accounting records. It is important to mention that an audit of Hungarian companies can only be performed by audit firms or **auditors registered in Hungary**.

- » Tax returns, annual reports and all other reports have to be prepared and submitted to the various Hungarian authorities **in Hungarian**, therefore these tasks are often performed by the engaged Hungarian accountant or tax advisory firm based on the information provided to them from the integrated system abroad.

- » Strict rules apply to the **invoicing software** used by companies. The software has to be reported to the tax authority in the case of bookkeeping performed abroad as well. In order for the outgoing invoices of a company with its books kept abroad (including intercompany invoicing) to comply with all requirements, it is advisable to use certified Hungarian invoicing software, or to engage a Hungarian accountant or tax advisory firm to issue invoices – based on the invoices issued in the integrated system – that are in line with Hungarian rules and can be sent out to the customer.

The newsletter accurately reflects the statutory provisions as they stand at the time of its issue.
The authors of the news articles have endeavoured to provide general information that both reads well and is professional.
Given the general nature of the content and possible changes to legal regulations, please contact us if you require this information tailored to your personal circumstances.

Services of the WTS Klient:

- » Tax consulting
- » Consulting
- » Legal consulting
- » Accounting
- » Payroll

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