

## wts klient newsflash

WTS Klient.  
The Bridge.**Tax law amendments for 2020 in Hungary**  
Summary of key changes for businesses

On 3 December 2019 the Hungarian National Assembly approved the [autumn tax law amendments](#) entitled "Bill for the amendment of certain laws designed to implement various tax measures under the Programme for a More Competitive Hungary". One week later on 11 December the new social security rules were also adopted, so together with the [summer tax law amendments](#) accepted on 12 July 2019, the list of tax law amendments for 2020 can be considered complete. In the first WTS Klient Newsflash of the year, we give you an overview of the most important points of the tax law amendments for 2020 for decision-makers at businesses. Some of the changes already took effect last year, and some will only be effective from a later date, but the majority enter into force as of 1 January 2020.

**Value added tax****Quick fixes for legal harmonisation**

On 4 December 2018 the Council of the European Union adopted a new directive on so-called quick fixes for value added tax, which is aimed at improving the harmonisation of VAT rules between Member States and preventing VAT fraud in Community transactions. To implement the directive in Hungary, the following changes took effect as of 1 January as part of the tax law amendments for 2020:

→ **Changes to call-off stock rules**

[The previous conditions](#) of the call-off stock simplification rule are now more stringent, so among other things, [from this year](#):

- » the seller must know who the potential customer is and what their tax number is at the time of the goods transfer;
- » the fact of the goods transfer must be indicated in the EC sales list, while both the entity transporting the goods and the potential buyer must have detailed records on the goods;
- » the customer has to call off the goods within 12 months of delivery.

→ **Changes to managing chain transactions**

In chain transactions the intra-Community movement of the goods may only be assigned to one of the supplies, and the tax exemption for the intra-Community supplies may only be related to said supply. The general rule is that these are deemed goods supplies to intermediate entities. What [is different from this year](#) is that the intermediate entity can decide to take part in the chain as a vendor, and all that is required here is to provide its tax number for the Member State of departure.

→ **Changes to the conditions of tax-exempt intra-Community goods supplies**

- » From this year onwards the existence of a VAT ID number will no longer just be a formal condition but also a material

condition for tax-exempt Community supplies. This means that a Community supply is tax exempt if the customer is a registered taxpayer obliged to pay tax in another Member State, and they have a tax number issued in another Member State which is disclosed to the vendor.

- » Furthermore, a new condition is that the vendor must submit an EC sales list. If the vendor submits the EC sales list incorrectly, then they must prove that this failure, error or shortcoming was made in good faith, and the correct data must be submitted to the tax authority as soon as possible.

→ **Verification of intra-community supplies**

From 2020 the European Union [introduced standard forms](#) to prove tax exemption.

**VAT rate for commercial accommodation services**

The VAT rate for commercial accommodation services has fallen from 18% to 5%.

**Irrecoverable debts**

From 1 January 2020 it is possible to reduce the tax base in self-revisions using irrecoverable debts if certain conditions are complied with.

**Tax-exempt services related to imports**

One of the tax law amendments for 2020 fills a gap by including the following in the VAT Act: for services directly related not only to exports but also to imports, one condition for the tax exemption is for such services to be provided directly to the person carrying out the tax-exempt transaction related to the import.

**Export**

It is now possible to have exports of goods to outside the Community verified for the taxpayer by the customs office of export, not by the customs office of exit.

## Special tax reimbursement

Starting from this year, the taxpayer may request the refund of the amount in question [directly from the tax authority](#), provided that the taxpayer verifies entitlement to the reimbursement based on the principle of tax neutrality, and that there was or is no other way of handling the reimbursement. A further condition is that the tax may only be reimbursed if it was paid to the budget.

## Online data reporting obligation, invoice issuing

- From 1 July 2020, data reporting at invoice level shall cover all invoices issued on transactions in Hungary for taxpayers registered in Hungary, which means the rule that data only has to be provided on charged tax in invoices above a certain threshold no longer applies. Consequently, all invoices subject to data reporting must include the first eight digits of the Hungarian-registered tax-paying partner.
- There is a transitional rule that states which invoices fall under the rules for the [old data reporting framework](#) (data reported for invoices with charged tax equal to or more than HUF 100,000 – roughly EUR 300).
- From 1 July 2020 also the invoicing obligation will be extended to certain tax-exempt transactions. Such categories affected by the obligation to issue invoices are found in other education, private health-care, dental services and property sales for example, alongside various other services. The deadline for issuing the invoices will be reduced from 15 days to 8 days.
- From 1 January 2021 the data reporting obligation shall cover invoices issued to non-taxpayers, as well as invoices issued on intra-Community tax-exempt goods supplies to taxpayers. However, data does not have to be provided on invoices issued to non-taxpayers regarding transactions having a place of performance in other Member States, and where the taxpayer satisfies its tax payment obligation within the “one-stop-shop” administration system. The data reporting on invoices issued to individuals not paying tax does not include the name and address of the customer or user.

## Personal income tax

From 1 January 2020 mothers raising or having raised at least four of their own children or adopted children in their own household are entitled to lifelong exemption from personal income tax on their working income.

Tamás Gyányi, partner of WTS Klient Hungary talked about this topic on InfoRadio.



Listen to the conversation at this link:

[wtsklient.hu/2019/12/17/2020-as-magyar-adovaltozasok/](https://wtsklient.hu/2019/12/17/2020-as-magyar-adovaltozasok/)  
Please note that the conversation is available only in Hungarian.

## Corporate tax

### Allocation threshold raised

As of 24 July 2019 the corporate tax advance top-up obligation was abolished; as a consequence, the allocation threshold in the case of monthly and quarterly tax advances [rose](#) from 50% to 80%.

### Specification of the rules on tax groups

From 1 January 2020 entities launching activities during the year can ask to start their corporate taxpayer status as a member of a corporate tax group. Moreover, the interest deduction limitation for members of corporate tax groups has been changed, and the legislator has clarified that transfer pricing rules do apply to the members of corporate tax groups for their transactions outside the group. The requirement for group members to use the same bookkeeping currency has been abolished.

### Transfer pricing

Transfer pricing rules are applicable in the event of non-cash contributions not just for existing controlling members, but also for members (shareholders) becoming controlling members (shareholders) with non-cash contributions.

## International taxation

### Exit taxation

The provisions related to exit taxation were supplemented, while provisions were introduced on tax evasion stemming from different legal classifications of the same situation (hybrid structures).

### Mandatory exchange of information on cross-border arrangements

Due to [implementation of the DAC 6 Directive](#), from 1 July 2020 a new reporting obligation on cross-border arrangements will come into force in Hungary. The reporting obligation does not apply to VAT, excise tax and contributions. A default penalty of up to HUF 500,000 (roughly EUR 1,560) can be imposed upon failure to comply with the reporting obligation, or in the case of delayed, incorrect, false or incomplete execution thereof. The penalty can total up to HUF 5 million (roughly EUR 15,600) if the obligation is not met, or not lawfully met, by the deadline given by the tax authority in Hungary for the reporting. The first reporting deadline is 31 August 2020 (for the period between 25 June 2018 and 1 July 2020).

### Social security contribution

- One of the most favourable elements of the tax law amendments for 2020 is that from 1 July 2020 the pension contribution, the in-kind and cash health insurance contribution and the labour market contribution will merge into the 18.5% social security contribution, thereby substantially reducing

administration. This will be paid by the insured person on all income subject to contribution payments that is earned from a legal relationship subject to the payment of social security, and will include former individual contributions.

- In some insurance categories, payment of the social security contribution will be imposed as a new obligation, for example in other legal relationships for work purposes, which provide eligibility for benefits.
- The income-generating activities of those [drawing a direct pension](#) are exempt from insurance and payment of contributions.
- The definition of income subject to contribution payments is to change too. According to the new rule, if Hungary does not have the right to impose taxes pursuant to international agreements, then the basic wage will be the income subject to contributions, which shall not be less than the average national gross wage published by the Hungarian Central Statistical Office for full-time employees in July of the previous year.

#### Social contribution tax

The social contribution tax fell from 19.5% to 17.5% from 1 July 2019.

#### Health service contribution

The amount of the contribution changed from 1 January 2020 from HUF 7,500 (EUR 23) a month (HUF 250 – EUR 0.77 – a day) to HUF 7,710 (EUR 24) a month (HUF 257 – EUR 0.80 – a day).

#### Local business tax

Since 1 January 2020, it is only possible to submit a return via the NAV in Hungary if the taxpayer's return is correct, i.e. if any errors indicated automatically by the system used to complete the return are corrected by the taxpayer. The top-up obligation for local business tax will remain in force.

#### Innovation contribution

Similarly to corporate tax advances, the top-up obligation for the innovation contribution is also abolished.

#### Advertising tax

Another change that took effect last year will remain unchanged, namely the one temporarily reducing the rate of advertising tax to 0%.

#### Accounting

By using accruals and deferrals the legislators aligned the accounting of sales revenue with the related costs and expenses in accordance with their actual performance, regardless of their invoicing or the invoicing method.

#### EVA

From 1 January 2020, the simplified entrepreneurial tax (EVA) is discontinued.

#### KIVA

The rate for small business tax (KIVA) and related tax advances has been reduced from 13% to 12% from 1 January 2020.

#### EKHO

From 1 January 2020 employees of international sports organisations can choose the simplified contribution to public revenues (EKHO). Allowances granted as part of sports diplomacy also became exempt from tax.

## TAX CONSULTING

The tax law amendments for 2020 affect most taxpayers in Hungary. If you have any questions regarding the amendments or their impact, then [our tax specialists](#) will gladly help with the answers.

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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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