

wts klient newsletter

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The Bridge.

Dear Readers,

The second stage of the expanded online invoice data reporting will start in Hungary as originally planned from 1 July. It is good to know that the penalty-free phase will last until the end of September according to information from the NAV, and will only apply to those who so far were not subject to reporting invoice data online, and who register in the NAV's Online Invoicing system by no later than the issue date of the first invoice or corrective invoice containing output tax of less than HUF 100,000 (roughly EUR 282). Companies already reporting data can avoid penalties, but only for invoices whose output VAT is less than HUF 100,000. In spite of all this, it is best to meet the data reporting obligation from 1 July in the manner expected by the legislator.

Our last article covers the anticipated change in the deadline for the DAC6 reporting obligation from 1 July. The extension of the deadline could provide a good opportunity to catch up if you haven't taken all the steps during the preparatory period and haven't examined all your transactions in detail.

We hope that the summer won't just pass by with you preparing for these topics. Our colleagues will be happy to help take the burden from your shoulders with these new administrative tasks.

Tamás Gyányi
partner

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Invoice data reporting still to be expanded from 1 July – no deferment!

Date for expanding this obligation will not change, despite the coronavirus pandemic

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As originally planned, online invoice data reporting will be expanded from 1 July: there will be no postponement of this even in spite of the coronavirus pandemic. It is vital to be prepared for this day, even if it **cannot be ruled out that the NAV will not issue any penalties until 30 September** with respect to the broader scope of data.

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The latest WTS Global Newsletters have been released



The first edition of the WTS Global TP Newsletter in 2020 provides you with an update on the recent news and cases in the field of transfer pricing in 14 countries as well as an OECD update on Pillar 1. You can download WTS Global TP Newsletter #1/2020 in PDF format here: [WTS Global TP Newsletter #1/2020](#)



The second edition of the WTS Global VAT Newsletter in 2020 wants to share with you insights on the latest developments in terms of VAT and GST in 11 countries across the globe. You can download WTS Global VAT Newsletter for Q2/2020 in PDF format here: [WTS Global VAT Newsletter Q2/2020](#)

So what are we talking about here exactly? As we previously [discussed](#) in detail, online invoice data reporting was introduced in Hungary in July 2018, which meant the automatic online reporting by invoicing software, without human intervention, of data on invoices issued by taxpayers to other taxpayers, and the recording of handwritten invoices in the same system. However, there are currently thresholds to the reporting obligation: the rule only applies to invoices that include VAT of at least HUF 100,000 (roughly EUR 282).

We have also [reported](#) in detail about the already implemented and planned changes regarding invoice data reporting, such as the XSD structure used by invoicing software programmes which changed from 1 April, and how the system will change from 1 July and from 1 January 2021. In this article we would like to remind you of the main changes taking effect from 1 July.

Invoice data reporting threshold

From 1 July the afore-mentioned **threshold will drop from HUF 100,000 to 0**, which essentially means that after 30 June, all invoices issued to domestic taxpayers (on products/services with Hungarian place of supply) must be reported to the National Tax and Customs Administration (NAV), **even if the transaction is subject to the reverse-charge mechanism in Hungary or is VAT exempt**.

While this only means setting the HUF 100,000 threshold to zero in the invoicing software for most companies, there will be many entities for whom the VAT on their issued invoices fell short of the threshold so far, or their activity meant that they did not have to issue VAT invoices. (For example, companies trading in agricultural goods, most of whom issue invoices under the reverse-charge mechanism.) These companies generally used handwritten invoices (printed block of invoices) if from time to time they had to issue their taxpaying customers with invoices that had VAT in excess of HUF 100,000. In their case, abolishing the threshold brings a significant change, and what is more, they have to register in the NAV's system for this and learn phrases such as replacement key, signature key or technical ID. They also have to check whether the invoicing software they use is capable of handling

the changes. **Companies that only invoice private individuals (not taxpayers)** are getting a little more time as they only have to **ensure compliance with the invoice data reporting obligation from 1 January 2021**.

Time for issuing invoices

The time earmarked for issuing invoices from the date of performance will fall **from 15 days to 8 days** from 1 July. However, this amendment will apply for the first time to invoices with a performance date of after 30 June 2020.

Inclusion of tax number

From 1 July, invoices must also include the tax number of the domestic taxpayer buying the product or service, more precisely: **the invoice must contain the first 8 digits of the taxpaying customer's tax number** – regardless of the amount of output VAT on the invoice. Consequently, the provision of the VAT Act that relates to the [mandatory content of invoices](#) has also changed.

Again, this amendment will only apply for invoices with a performance date of after 30 June 2020. If, after 1 July, you accept an invoice subject to the rules on ordinary taxation that does not include the first 8 digits of your tax number, then you can deduct the tax, but only if the performance date is prior to 1 July and the amount of output VAT does not exceed HUF 100,000.

It is important to note that **for reverse-charge invoices the entire tax number (11 digits) must be stated** on the invoice.

Expansion of invoice-issuing obligation

From 1 July the following tax-exempt activities **will no longer be exempt from issuing invoices**:

- other education,
- health-care services not performed as a public service,
- activities performed by dentists and dental technicians,
- services of cooperating groups,
- real estate sales.

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WTS Klient awarded title of Reliable Employer again

The German-Hungarian Chamber of Industry and Commerce has awarded WTS Klient Hungary in 2020 for the second time the title of "Reliable Employer" based on the company's HR management practices. This is awarded by the jury to companies that are exemplary in looking after their employees' working and living conditions. [Click](#) for more details!

New NAV development

Keeping with the times, or perhaps even getting ahead of the times, the NAV has **developed a mobile telephone application for invoice issuing**, which could complement the NAV Online Invoice system if invoices are not issued using own invoicing software. This application is already available for downloading, it is completely free and has various functions, such as issuing, modifying and invalidating invoices and prepayment invoices, the automatic performance of invoice data reporting, electronic invoicing, handling partner and product master data, as well as querying outgoing and incoming invoices. Hopefully this will do away with the need for handwritten invoices in many cases, along with the extra administration associated with this.

IT / Business Automation

For companies struggling with this topic we recommend the services of [WTS Business Automation Kft.](#) This business line of ours offers support for invoicing software that does not yet have the required data reporting function ensuring compliance with Hungarian laws and regulations, and for developing and operating other solutions related to invoice data reporting. Feel free to contact us.

→ Our expert



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Education

- » economist
- » certified tax advisor
- » certified value added tax expert

Specialisations

- » tax advisory
- » value added tax planning
- » tax authority inspections
- » reviews of transfer pricing documentation obligations
- » due diligence reviews

Languages

Hungarian, German, English

Latest publications

- » [Changes to VAT in Hungarian summer tax law amendments](#)
- » [Changes to tax-exempt status of export freight](#)
- » [VAT reclaim – Turkish and Serbian VAT will be reclaimable](#)



Document archiving and scrapping

Guide through the labyrinth of legislation

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It is worth transitioning step by step to electronic document management and digital archiving, which ensures smooth access to documents even beyond the limitation period.

How long do you have to keep certain documents and accounting documents? What do you have to archive on paper, and what electronically? What happens if different regulations prescribe different rules? In our article we have gathered together what is essential to know about document archiving for Hungarian entities.

These days, with the growing number of documents managed electronically, it is particularly vital how to handle original documents properly. Without doubt, the future of document archiving lies in **electronic archiving**, and with the spread of digitalisation Hungarian companies are looking for more and more efficient solutions to reduce the time and money spent on storing documents.

Document archiving in accordance with different legislation

Document archiving, storage and scrapping are detailed in various pieces of Hungarian legislation. **If these rules define different archiving periods for the same documents, then you must always take the longer period into consideration.**

Pursuant to Act CL of 2017 on the Rules of Taxation, accounting documents must be stored until the limitation period of the right to tax assessment expires. By default, the limitation period extends until **the last day of the fifth year** from the last day of the year the tax return or declaration is filed, or the tax payment is due. The limitation period, and thus the archiving period, may be extended in certain cases. A self-revision in favour of the taxpayer may even interrupt this period.

Pursuant to Act C of 2000 on Accounting, financial statements and business reports prepared on the financial year and their supporting documents must be kept for **eight years**.

In accordance with Act LXXXI of 1997 on Social Security Pension Benefits, document archiving in terms of employment documents is the duty of the employer until the **end of the fifth year** from the insured person reaching the applicable pension age. Document archiving for wages is highly important.

Document archiving on paper or electronically?

The Hungarian Act on VAT also defines rules for the period and method of archiving documents. In line with this law, documents issued on paper must be archived on paper, and the archiving obligation may be fulfilled by storing the document issued on paper in an electronic format. **Electronic documents may only be archived electronically.** Decree 1/2018 of the Hungarian Ministry of Innovation and Technology defines the rules for **digital archiving**. In accordance with the decree, protection against the deletion, destruction, subsequent modification, damaging of and unlawful

access to electronic documents must be ensured until the archiving obligation expires. Furthermore, the [electronic document](#) must remain understandable and readable. In all cases, compliance with these conditions is the entity's responsibility.

According to the Hungarian Act on Accounting, **electronic copies may be created of accounting documents not issued electronically** – in compliance with legal regulations – and the document-archiving obligation may be fulfilled in this way too, if all the data on them can be queried without delay, they are always readable and cannot be subsequently modified. Pursuant to the Act on Rules of Taxation, the archiving obligation pertains to the original documents or to their copies prepared pursuant to legal regulations. **If archiving the original copy of certain documents is not prescribed by law, it may not be requested in a tax authority procedure.**

Document archiving on paper is costly and time-consuming after reaching a certain quantity, so the documents must be scrapped in accordance with the limitation periods prescribed by law and with the company's scrapping policy. Furthermore, looking ahead **it is worth transitioning step by step to electronic document management and digital archiving**, which ensures smooth access to documents even beyond the limitation period.

Accounting services

During their work the [accountants of WTS Klient Hungary](#) also prefer to forward and store documents electronically, since bearing the requirements of digitalisation in mind we constantly strive to develop modern solutions to enhance the efficiency of work processes and provide data as quickly as possible. We look forward to hearing from you should you need a reliable team with expertise in electronic invoicing.

→ Our expert



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Education

- » economist specialising in finance, tax, duties and customs
- » chartered accountant
- » tax consultant

Specialisations

- » comprehensive accounting services
- » roll-out and support of bookkeeping systems
- » controlling reports
- » reporting (general and special cases)
- » support of tax inspections, liaising with tax authority

Latest publications

- » [Equity components in Hungary](#)
- » [Electronic communication in taxation](#)
- » [Tasks of business entities after a company registration in Hungary](#)

Languages

Hungarian, German, English

DAC6 data reporting deadlines may be extended by six months

Approval of Hungarian bill still expected in June

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On 3 June the permanent members of the European Council accepted the proposal of the European Commission that DAC6 data reporting deadlines pertaining to cross-border arrangements introduced by Council Directive (EU) 2018/822 would be extended by six months.

DAC6 data reporting deadlines at EU level

As we already [reported](#) earlier, the DAC6 regulation is designed to identify and map profit-shifting practices as well as aggressive and potentially aggressive tax planning arrangements associated with transactions and structures that span across more than one jurisdiction and are based on the differences between tax regulations in the affected states. Under this regulation, cross-border arrangements which display certain potentially aggressive tax planning “hallmarks” must be reported.

In accordance with the EU proposal accepted on 3 June, the DAC6 data reporting deadlines would be modified as follows:

- The **reporting deadline for “historical” transactions** realised between 25 June 2018 and 30 June 2020 would be shifted from 31 August 2020 to **28 February 2021**; while
- for arrangements made available **as of 1 July 2020** and for transactions where the first execution steps are taken after 1 July 2020, the (first) data reporting deadline would change from 31 July 2020 to **31 January 2021**.

For the new DAC6 data reporting deadlines above to take effect, the European Council must approve the modification of the DAC6 directive, which the European Parliament must express an opinion on.

All this is expected by the end of June; EU Member States may only transpose the appropriate modifications into their legislation thereafter.

Hungary has already submitted the bill

In Hungary the legislation transposing the DAC6 Directive into Hungarian law was approved in June 2019, with an effective date of 1 July 2020. Now, somewhat **ahead of EU legislative procedures**, Hungary has already submitted a proposal on the six-month extension of the DAC6 data reporting deadlines as part of the bill laying down the grounds for the 2021 Hungarian central budget on 2 June 2020, **the approval of which is still expected in June**.

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Tax consulting

Establishing and maintaining procedures in line with DAC6 has to be one of the main goals going forward for all companies that are part of a multinational group. In all cases, the relevant arrangements and transactions need to be comprehensively examined from both legal and taxation perspectives to identify transactions with a potential reporting obligation. Should you wish to entrust such a review to an expert, please do not hesitate to contact the [tax consultancy team at WTS Klient Hungary](#). We will be happy to assist you.

Despite the fact that businesses are expected to receive a six-month extension on the reporting of their DAC6 transactions due to the economic situation as a result of the [coronavirus pandemic](#), **it is crucial that transactions potentially subject to the reporting obligation are assessed as soon as possible and the necessary**

internal procedures are developed. This is especially true for companies operating as part of a multinational group where, among other things, intra-group financing transactions and services among group members may be affected from DAC6.

→ Our expert



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Education

- » tax advisor
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Specialisations

- » tax consulting in all types of taxes
- » tax due diligence and transactional tax structuring
- » value added tax planning (supply chain management)
- » compliance services in VAT and PIT matters
- » tax authority inspections, tax litigation

Latest publications

- » [DAC6 – you might be affected, even if you wouldn't think so](#)
- » [New interest deduction limitation rules in Hungarian corporate taxation](#)

Languages

Hungarian, German, English

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 WTS Klient Hungary:

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