

## wts klient newsletter

WTS Klient. The Bridge.

## Dear Readers,

We're right in the middle of a busy autumn. Although we haven't yet been able to return to our old office routine – difficult to call it normal anymore – because of the second wave of the COVID-19 pandemic, policymakers and fortunately our clients, i.e. you, are making sure that we do not get bored during our time working from home either.

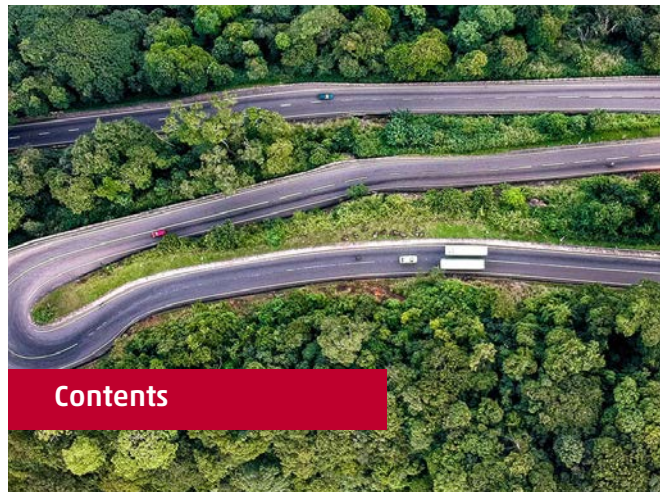


We recently submitted our quarterly VAT returns, whilst diligently studying the changes to the 2021 tax law amendments submitted on 13 October – and summarised in last week's [WTS Klient Newsflash](#) – to be able to apply the new rules in the most optimal way for our clients in compliance with the law. As you can see from the first article in our newsletter, next year there will be new rules in force for EKAER administration, and the fact that the regulations on cross-border postings have changed will be important for our clients employing foreigners. You can read more on this on page 5. The conditions for switching to the KIVA and the rate of the small business tax are changing too, so it is perhaps worth considering the calculations that our managing partner has put together in the article on page 6 concerning such transitions. On pages 3 and 4 we look in detail at what statements need to be prepared during a voluntary liquidation, while in our last article we present a recent judgment from the Court of Justice of the European Union, which might affect future cases in Hungary related to the VAT treatment of supplies free of charge for public purposes.

And finally, we cannot ignore the topic that probably preoccupies our clients – and so us as well – the most, which is data reporting for online invoicing. The moratorium for online invoice data submissions expired on 30 September, so the National Tax and Customs Administration can examine reported data based on the regulations now in force, and impose penalties for non-compliance. This is why it is particularly important for data to be reported continuously and for the data to be checked closely. As we reported in [September's WTS Klient Newsflash](#), more new changes are expected in data reporting from January 2021. Consequently, the NAV will have a full overview of the data on accounting documents issued to companies, so they are only one step away from preparing draft VAT returns (eVAT), which are likely to come by mid-2021.

Of course, just like before, we remain available to help you with any advice or practical guidance regarding online invoicing or any other topic in our newsletter. That is, after all, why we are here.

**Andrea Pásztor**  
partner



## Contents

- 2 **András Szadai:** Favourable EKAER amendments from 2021
- 3 **Szabolcs Szeles:** Accounting requirements of financial statements prepared during voluntary liquidation
- 5 **dr. Ildikó Szopkóné Horváth:** New rules of cross-border postings in the Hungarian Labour Code
- 6 **Zoltán Lambert:** A few thoughts on choosing the small business tax
- 8 **Gábor Németh:** VAT obligation for free of charge supplies

October 2020  
# 2.2020

wts global

## WTS Transfer Pricing Newsletter

**The latest edition of the WTS Global TP Newsletter has been released**

In the second edition of the WTS Global Transfer Pricing Newsletter in 2020 WTS-experts from 13 countries – including Hungary – provided an update on recently introduced legislations and cases. Additionally, developments in the field of transfer pricing, due to the economic and social impact of the ongoing COVID-19 pandemic are presented in the publication.

You can download WTS Global TP Newsletter #2/2020 in PDF format here: [WTS Global TP Newsletter #2/2020](#)

## Favourable EKAER amendments from 2021

Fewer entities subject to reporting, default penalty rules change

Author: **András Szadai**

andras.szadai@wtsklient.hu



With the approval of the bill laying down the grounds for Hungary's 2021 central budget, the administration burden caused by the Electronic Public Road Customs Transit Control System (EKAER) will be reduced for most business entities as of 1 January 2021. The detailed rules will be specified in a new ministerial decree, which we still have to wait for. The EKAER amendments accepted as part of the [2020 summer tax law amendments](#) clarify the provisions on default penalties related to reporting. As a result, the 40% default penalty, considered excessive by many, will only be an option in far fewer cases.

### Scope of transports subject to reporting according to EKAER amendments

Based on official information, the Hungarian EKAER amendments are necessary to comply with European Union law. Accordingly, the approved amendment took into consideration the concerns raised by the European Union regarding the principle of proportionality, on top of the audit experiences in Hungary since the introduction of the [EKAER](#) system as of 1 January 2015.

Although the detailed rules have not yet been formulated, it is already certain that **EKAER-related administration will be greatly simplified from 1 January 2021**. This is because only **risky goods** exceeding the value or weight threshold set by the ministerial decree **will be subject to the reporting obligation**. Consequently, for goods not deemed risky, the business entity may disregard the previous weight and value thresholds and is relieved from any reporting obligation.

### Default penalty

The **principle of proportionality will improve significantly with regard to default penalties** payable in relation to EKAER reporting. With regard to the penalty ceiling, the current regulation in Hungary does not differentiate between small and severe administrative errors in content or missing the reporting deadline. At present, the legislation provides grounds for a relatively hefty default penalty of up to 40% of the value of the goods if any of the failures above materialise. In line with the EKAER amendments, from 2021 a default penalty of 40% may only be applied for errors related to weight and value data and to the failure to report.

The approved bill **defines the unit of goods** and details the **cases where the higher default penalty may be levied** as follows.

- If the taxpayer **does not meet their EKAER reporting obligation** with regard to transported goods of a specific unit, a default penalty of up to 40% of the value of the goods not reported less tax can still be levied.
- If the **reported amount of a single transported unit differs from the actual amount of the transported goods**, then a default penalty of up to 40% of the value of the goods not reported, or reported but not actually transported less tax, can still be levied.
- If the **reported value of the transported goods** of a single unit **differs from the actual value less tax**, then a default penalty of up to 40% of the difference between the reported value and the actual value less tax may be levied.

Based on the new EKAER amendments and in contrast to the former regulation, however, in other cases **where the report contains errors not related to the amount and value data**, then the **general default penalties** as defined in the Hungarian Act on Rules of Taxation **shall be applied**. These can total up to HUF 200,000 (roughly EUR 566) for natural persons, and up to HUF 500,000 (roughly EUR 1,415) for entities.

Another possible benefit for taxpayers is that, based on the rules, no default penalty may be applied if the taxpayer proves that they acted with the due care expected in the given situation.

### Developing and supplying EKAER solutions

If you wish to learn more about the EKAER amendments, and you need help from experienced professionals regarding the registration and processing of data in the EKAER system, as well as in preparing system messages, and implementing and operating solutions to facilitate communication, [feel free to contact us](#).

## → Our expert



### András Szadai

senior manager

Telephone: +36 1 881 0624

andras.szadai@wtsklient.hu

### Education

- » economist
- » tax advisor

### Specialisations

- » transfer pricing
- » 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
- » due diligence

### Latest publications

- » [Reclaiming VAT on irrecoverable debts](#)
- » [Changes to call-off stock rules in Hungary](#)
- » [Most common questions about tax from foreign nationals](#)

### Languages

Hungarian, German, English



## Accounting requirements of financial statements prepared during voluntary liquidation

Provisions of the Act on Accounting and relevant government decree must be followed

Author: **Szabolcs Szeles**

szabolcs.szeles@wtsklient.hu

As written [in one of our earlier articles](#), according to Hungarian law several different financial statements must be prepared during voluntary liquidation. In this article we will highlight the specific requirements of these financial statements.

### What financial statements must be prepared during voluntary liquidation?

If owners have decided to initiate the voluntary liquidation of an entity, they must prepare **financial statements ending the company's activity** as of the previous day. One of the [liquidator's](#) main tasks after being appointed is to prepare an **adjusted opening balance sheet for voluntary liquidation** as of its start date of the proceedings. A voluntary liquidation must be completed within three years of its start date. During the voluntary liquidation period **annual financial statements** must be prepared and published for each 12-month period as a financial year, while **annual tax returns** must also be submitted. If there are subsequently no ob-

stacles to completing the voluntary liquidation, the liquidator must prepare **financial statements for the final period of the liquidation** too.

### What provisions apply for financial statements prepared in relation to voluntary liquidations?

All of the above-mentioned types of financial statements are subject to specific rules, which need to be adhered to during their preparation. Firstly, the provisions of Government Decree 72/2006 (IV.3) on the accounting tasks during voluntary liquidation need to be considered. For all matters not governed by the government decree, the Act on Accounting is applicable.

### Financial statements ending the company's activity

The financial statements ending the company's activity must be prepared at the start of the voluntary liquidation. Based on the owner's decision, the given financial year must be closed as of the day before the voluntary liquidation, as the reporting date. In this case it is important to note that the **deadline** is very tight: you



### Specific financial statements to be prepared during voluntary liquidation:

- financial statements ending the company's activity
- adjusted opening balance sheet for voluntary liquidation
- annual financial statements prepared during voluntary liquidation
- financial statements closing the voluntary liquidation, for the last period of the voluntary liquidation

only have **30 days** to prepare the financial statements and have them approved by the owners. In the case of a [compulsory audit](#), the approved financial statements and the auditor's report must be filed and published within 30 days. The good news, though, is that the entity preparing the annual financial statements does **not have to prepare a business report**.

### Adjusted opening balance sheet for voluntary liquidation

The liquidator prepares an adjusted opening balance sheet for the voluntary liquidation as of the start date of the voluntary liquidation. By taking into account reported creditor claims and the assessment of the company's financial position, the liquidator **may adjust the data of the opening balance sheet for voluntary liquidation**: in practice, this means that new items can be added and existing ones amended. The adjusted opening balance sheet for voluntary liquidation is prepared in a three-column format. The first column contains the opening balance sheet data as of the start of the voluntary liquidation, the middle column contains the adjustments, and the third column contains the consolidated figures. The **deadline** for preparing an adjusted opening balance sheet for voluntary liquidation is **75 days**.

### Annual financial statements to be prepared during voluntary liquidation

During voluntary liquidation, Hungarian business entities **must compile annual financial statements for each financial year**. Financial statements on the first financial year must be compiled within no later than 12 months from the start date of the voluntary liquidation. Besides the data of the previous period, this shall also present the impact on the balance sheet and the income statement caused by the differences in the adjusted opening balance sheet for voluntary liquidation. If the voluntary liquidation is not

completed within the first financial year it started in, then there is a reporting obligation for each financial year during the voluntary liquidation until the proceedings are completed. These financial statements must be prepared, filed and published **within 5 months** and are also governed by the provisions of the Hungarian Act on Accounting prescribing an audit.

### Financial statements closing the voluntary liquidation, for the last period of the voluntary liquidation

One special requirement of the financial statements prepared by the liquidator for the last period of the voluntary liquidation is that **all assets and liabilities other than liquid assets must be recognised at market value**, and the impact on profit/loss of the accounted differences must be recognised in the income statement as prescribed by the government decree. If the company's assets include items subject to VAT upon the distribution of assets, pursuant to the Hungarian Act on Value Added Tax, then the amount of VAT payable must be recognised as a liability against other expenses. The financial statements must be prepared, filed and published **within 60 days**.

### Financial & accounting advisory

As our article reveals, a number of different types of financial statements must be prepared by companies during voluntary liquidation proceedings. During these special reporting tasks, Hungarian entities must consider not only the Act on Accounting but also the guidelines of the relevant government decrees, and in certain cases they have to comply with rather tight deadlines. Therefore, it is always worth relying on the help of experienced professionals. Feel free to contact the [staff of WTS Klient Hungary](#) for help.

### → Our expert



#### Szabolcs Szeles

partner  
Telephone: +36 1 887 3723  
[szabolcs.szeles@wtsklient.hu](mailto:szabolcs.szeles@wtsklient.hu)

#### Education

- » international economist
- » member of Hungarian chamber of auditors
- » member of ACCA auditors
- » certified tax expert

#### Specialisations

- » compilation of international group reports (IFRS, HGB)
- » accounting and tax due diligence
- » accounting advisory
- » interim management

#### Latest publications

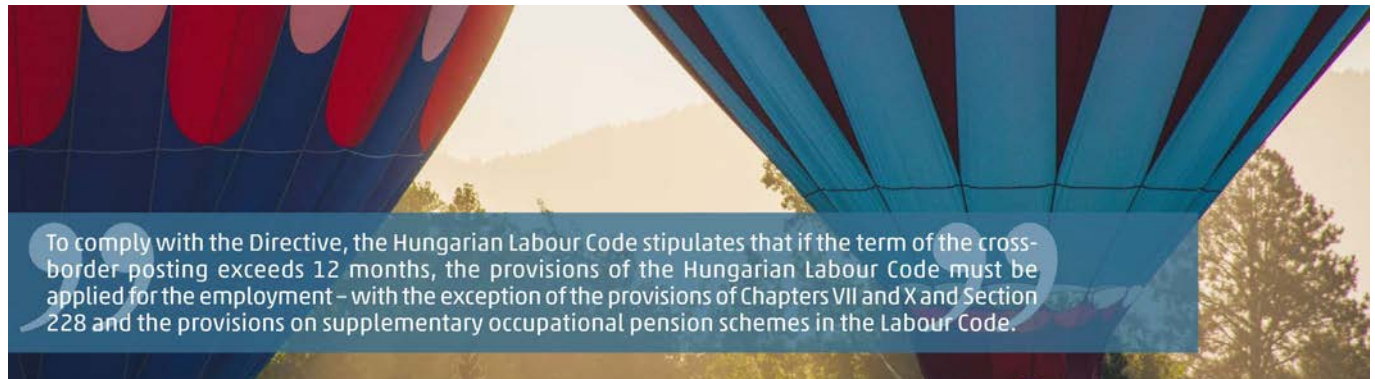
- » [Role and responsibilities of a liquidator](#)
- » [Voluntary liquidations](#)
- » [A comparison of business valuation methods](#)

#### Languages

Hungarian, German, English

## New rules of cross-border postings in the Hungarian Labour Code

Author: **dr. Ildikó Szopkóné Horváth**  
ildiko.horvath@wtsklient.hu



Member States had until 30 July 2020 to transpose the European Union directive that revised the concept of cross-border postings into their national legislation. The purpose of Directive (EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (herein-after: **Directive**) is to sustain the **balance between the freedom to provide services, equal competition conditions and the protection of the rights of posted employees**.

The **Directive reforming cross-border postings** has been implemented by Hungary too. In our article, we summarise the important modifications of Act I of 2012 on the Labour Code (herein-after: the Labour Code) supporting compliance with the Directive.

### Supplementing the minimum work requirements applied for cross-border postings

During cross-border postings employees posted to Hungary are subject to the rules of Hungarian labour law with regard to

- amount of longest working hours or shortest rest time,
- lowest amount of paid annual leave,
- conditions of temporary work defined in Sections 214-222 of the Labour Code,
- occupational health and safety conditions,
- employment and working conditions of pregnant women or mothers with small children, or young employees,
- the requirement of equal treatment,

and, as a result of implementing the Directive, with regard to

- the universally applicable remuneration in the country of work (instead of the lowest wage applicable prior to the transposition of the Directive),
- conditions of accommodation provided for the employee by the employer and
- the allowances or reimbursement of expenditure to cover travel, board and lodging expenses for employees temporarily

employed in Hungary on a posting, or during their stay in Hungary when posted to a place of work other than their regular place of work

### Introducing definition of long-term posting

The preamble of the Directive stipulates the **temporary nature of postings**. Employees posted under cross-border postings normally return to the sending country after their job is completed. However, there are long-term postings too, when the host Member State has to ensure the mandatory employment conditions pertaining to the employee are enforced.

To comply with the Directive, the Hungarian Labour Code stipulates that if **the term** of the cross-border posting **exceeds 12 months**, the provisions of the Hungarian Labour Code must be applied for the employment – with the exception of the provisions of Chapters VII and X and Section 228 and the provisions on supplementary occupational pension schemes in the Labour Code. An exception can be made from this rule if the foreign law or the parties' agreement governing the employment is more favourable than the Hungarian standard. The above period **can be extended by another six months** if a request, including reasoning, is submitted to the labour authority by the foreign employer.

### Introducing definition of replacement postings

If the foreign employer replaces the employee with another employee conducting the work in a given position in Hungary, then **the duration of the posting** – with regard to the above – equals the **aggregate** posting period of the employees affected by the replacement posting. Applying this rule ensures that the replacement is not implemented for the purpose of evading the otherwise applicable rules. The nature of the service to be provided, the tasks to be accomplished and the place of work must be taken into consideration to determine the job to be performed at the given workplace.

## Labour authority inspections

Hungarian Act LXXV of 1996 on Labour Inspections was also amended to implement the transposition of the Directive. On this basis, the **power of the labour authority** covers the **inspection and sanctioning** of compliance in accordance with the Labour Code pertaining to the employment of an employee posted to Hungary under the framework of cross-border postings.

## Complex labour law, social security law and tax law consultancy

On reading the above it is best to make plans for the labour law, social security law and tax law aspects of cross-border postings in order to set up legal arrangements which are compliant with the new legal environment. [Legal experts at WTS Klient Hungary](#) have significant experience in all these areas and are ready to assist you.

## → Our expert



### dr. Ildikó Szopkóné Horváth

partner, attorney-at-law  
Telephone: +36 1 887 3733  
ildiko.horvath@wtsklient.hu

### Education

- » university degree in law
- » postgraduate training: European integration and international economic relations

### Specialisations

- » corporate and economic law
- » M&A
- » property law
- » labour law
- » competition law

### Languages

Hungarian, German, English

### Latest publications

- » [Employers initiating a re-view of incapacity to work](#)
- » [Keeping records of personal data breaches](#)
- » [Maintaining records of processing activities](#)



## A few thoughts on choosing the small business tax

Before making your decision, it is worth making some thorough calculations for the years ahead

Author: **Zoltán Lambert**

[zoltan.lambert@wtsklient.hu](mailto:zoltan.lambert@wtsklient.hu)



Small business tax is much easier to calculate in terms of revenue flowing into the budget than corporate tax revenues, which fluctuate owing to the multitude of items reconciling tax bases as well as the tax allowances; what is more, this serves an important economic and political goal very well, namely, supporting parts of the SME sector which generate smaller profits but have high labour demands.

The Hungarian Minister of Finance recently announced an increase in the sales revenue limit for joining the small business tax (KIVA) system, from HUF 1 billion (roughly EUR 2.8 million) to HUF 3 billion (roughly EUR 8.4 million). This **size of the increase to-**

**gether with the simultaneous lowering of the small business tax rate to 11%** is already giving some of our Hungarian clients food for thought too. So it is worthwhile making some calculations before deciding whether to seriously consider making the switch.

## Grounds for refusal from small business tax

Firstly, it is worth clarifying what the grounds for refusal are that mean you shouldn't waste your invaluable time with further calculations. When making calculations for transitioning to KIVA, the main factors you must consider are the **headcount limit of 50 employees** and the figures of your **related companies**. If you manage to negotiate these and some other, less deal-breaking [conditions](#), you can start calculating the real tax-saving potential.

## Framework conditions for 2021

We can make relatively safe calculations **for the first half of 2021**. The small business tax rate will be 11%, while corporate tax will presumably remain at 9% during this period in Hungary. So during the calculations **you have to assess whether your gross wage cost or your corporate tax base will be significantly higher**. This is because by choosing the KIVA you will most certainly "get rid of" the 15.5% social contribution tax and the 1.5% vocational training contribution (a total contribution burden of 17%). This way, with a roughly identical gross wage cost and corporate tax base, the 11% small business tax will be more beneficial even if it must be paid not only instead of the contribution burden but also instead of the 9% corporate tax. Your tax savings will be reduced, but not entirely eliminated, by the fact that in this case the 17% contribution burden will not reduce your pre-tax profit, which also qualifies as the KIVA tax base (assuming in all these cases that a dividend payment resolution has been issued on the final profit).

"Unfortunately", **in the second half of the year** the social contribution tax rate may be reduced in Hungary, which is driven by the government's agreements with employers and employees if certain conditions are met. **If the social contribution tax is decreased by two percentage points, it will already eliminate some of the benefits of the small business tax**. Yet the savings of the first half year are secure, while the reduction of the social contribution tax has – albeit with a half-year delay – previously reduced the small business tax rate as well on two occasions. This way you do not have to be worried even after one year that you will be negatively impacted by changing to the small business tax.

## Items modifying corporate tax base and role of corporate tax allowances

This scenario, i.e. that making the switch will most probably be beneficial if gross wages are identical or higher than the corpo-

rate tax base, is turned completely **on its head by the distorting impact of the items reconciling the corporate tax base and possible corporate tax allowances**. It suffices to think about the double (sometimes triple) deductibility of the costs of research and development activities, or [the tax allowance for supporting spectator team sports](#), to see that it is not enough just to match the two amounts mentioned in last year's annual financial statements to reach a decision. You have to thoroughly examine how your pre-tax profit and the actual corporate tax base relate to each other, and to what extent this impacts on your otherwise seemingly simple calculations.

## Companies reinvesting profit – real tax benefit?

For our virtual calculations so far, we have taken into account the corporate tax base as one factor when determining the tax difference. It is also worth considering, though, what happens if your profit is not withdrawn from the company and disbursed in the form of a [dividend](#), but is transferred to retained earnings and left in the company for development purposes in the coming years.

Since the KIVA base only comprises the profit defined as the **dividend payment**, it is clear that **the small business tax represents a veritable tax saving if the dividend is not paid**, as your company only pays the 11% wage cost instead of the 15.5% social contribution tax, the 1.5% vocational training contribution and the 9% corporate tax. You should also note though that this saving is **not final**, since the profit held in the company and subsequently paid out as a dividend will also be part of the KIVA base, so here we are rather talking about an interest-free tax loan than a true tax benefit. On top of that, if the undistributed profit is used to finance investments, according to [current rules](#) it is possible as a corporate taxpayer to recognise the entire profit in the development reserve, which also results in an interest-free tax loan.

## Small business tax from the government's perspective

It is clear that **the Hungarian government's obvious intention is to increase the number of companies in the small business tax system**. The reason for this might be that this tax type is much easier to calculate in terms of revenue flowing into the [budget](#) than corporate tax revenues, which fluctuate owing to the multitude of items reconciling tax bases as well as the tax allowances; what is more, this serves an important economic and political goal very well, namely, supporting parts of the SME sector which generate smaller profits but have high labour demands.



Despite all this, we suggest that before reaching a decision to switch you should make some thorough calculations for several years to support the move. You should also note that if you later want to return to corporate taxation, different rules will apply for that transition, meaning it can easily happen that an acquired tax benefit will be reduced or eliminated by the tax difference payable upon moving back.

### Tax consulting

Our taxation experts are happy to provide you with information about the rules for changing to the small business tax and about returning to corporate taxation, as well as about any other aspects for consideration when making the decision. Feel free to contact us.

## → Our expert



### Zoltán Lambert

managing partner  
Telephone: +36 1 887 3711  
zoltan.lambert@wtsklient.hu

### Education

- » economist
- » certified tax advisor
- » certified international tax expert

### Specialisations

- » tax advisory in all tax types
- » tax optimization and tax planning
- » income tax audits and investigation
- » due diligences

### Languages

Hungarian, German, English

### Latest publications

- » [Tax and social security revenues of the 2020 Hungarian budget in the shadow of the coronavirus](#)
- » [How the abolition of the corporate tax advance top-up obligation affects the support of spectator team sports](#)
- » [Three wishes regarding rationalisation of the Hungarian tax regime](#)



## VAT obligation for free of charge supplies

Has the VAT trap finally been eliminated?

Author: **Gábor Németh**

gabor.nemeth@wtsklient.hu



The "free of charge" supply of a public purpose real estate investment not exceeding what is necessary for the business activities of a company does not entail a VAT payment obligation.

A recently published judgment of the Court of Justice of the European Union may end a VAT issue which has been causing headaches for many years. The interpretation of the court may bring new rules for the VAT treatment of free of charge supplies of public purpose real estate investments (which usually takes the form of additionally required construction work).

### What creates the trap in the case of free of charge supplies?

With real estate developments, the municipality in question often sets extra requirements for the investor. Such demands include the construction of roads and pavements leading to the building complex to be constructed, as well as nearby bus stops.



These investments, which among other things offer easier access or an improvement in existing public roads, must be handed over by the contractor to the municipality **free of charge**. In this context, the spotlight turns to the **deductibility of VAT of public investment costs** together with **the potential risk of a VAT payment liability as a result of delivering the development completed to the municipality free of charge**. The Hungarian legal practice so far was fundamentally disadvantageous for taxpayers (at least as regards the issue of the payable tax), i.e. the supply was considered subject to VAT.

### Background to the current case

In the case at hand, a **German company received a permit to redevelop and operate a limestone quarry on the condition** that access to the quarry is ensured by **extending the public road** belonging to the municipality.

The company obtaining the permit engaged a general contractor for the construction work, then deducted VAT related to the invoice of the contractor. **The VAT deduction was rejected by the competent German tax authority, which then assessed a tax shortfall**. Since the investment was supplied free of charge to the municipality, according to the German tax authority, the investor is not entitled to deduct the related input VAT.

### Findings on the right to deduct VAT

The case was transferred up to the Court of Justice of the European Union, which made several important and forward-looking comments **in connection with the right to deduct VAT on free of charge supplies**.

- As a general rule for the given purchase transaction, there must be a direct and immediate link with the sales transaction entitling to VAT deduction. This is because the right to deduct can be exercised with the proviso that the given costs form part of the price of the taxable activities entitling to the deduction of VAT. The **direct and immediate link** must be established on an objective basis.
- In the above case, the extension of the road leading to the quarry enabled the truck traffic to and from the quarry, and by extending the road, the authorised contractor met its obligation

towards the municipality with regard to the operation of the quarry. An additional argument in the court's decision for the direct link between investment costs and taxable activity was that **the cost of the investment is incorporated in the cost of output transactions performed by the company**.

- Furthermore, the court considered that in the current case **the road leading to the quarry was not handed over for public use** by the investor. In fact, the purpose of extending the road was primarily to provide access to the quarry for the company itself.
- Therefore, the court considered that if an investment made for "public" purposes (to be handed over to the municipality) **does not exceed what was necessary to allow the company to carry out its economic activity and the costs of this work are included in the price of output transactions**, then the investor is entitled to deduct input VAT.

### Findings on the VAT obligation for free of charge supplies

The court established the following **with regard to the VAT obligation for the investment supplied free of charge to the municipality**:

- According to the VAT Directive (as well as the Hungarian legislation), the application by a taxable person of goods forming part of his business assets **for his private use or that of his staff**, or the disposal thereof free of charge or more generally **their application for purposes other than those of his business** (where the related VAT was wholly or partly deductible), qualifies as **taxable supply of goods**.
- In the current case, the road was handed over to the municipality in a manner that ruled out not only its use for meeting the company's own or its staff's needs, but its application for purposes other than those of the business too. This is because the construction work served the (own) needs of the company operating the quarry (which the court elaborated on with regard to the VAT deduction right).
- Consequently, **the free of charge construction of a public road for the municipality does not result in a VAT payment obligation**.

continued on page 10

### WTS Klient Hungary again receives excellent ratings in World Tax 2021 and World TP 2021



For the third year in a row WTS Klient Hungary has again been ranked in the "Tier 2" category of the latest World Tax and World TP publications of Euromoney Institutional Investor PLC and the International Tax Review (ITR), signifying excellent ratings in both rankings.

For more information click [here](#).

## So what happens now?

One of the most important conclusions to be drawn based on the decision of the court is probably the fact that **input VAT is deductible on public purpose investments not exceeding what is necessary for a company to carry out its business activity**. The other conclusion is that the free of charge supply of an investment meeting this latter requirement does not result in a VAT payment obligation.

## Value added tax consulting and compliance work

Of course, all cases must be individually reviewed to decide what elements and what business background of an investment may comply with the system of conditions set by the Court of Justice of the European Union. Feel free to contact the [tax advisors of WTS Klient Hungary](#) if you need help from an expert.

## → Our expert



### Gábor Németh

supervisor

Telephone: +36 1 881 0606  
gabor.nemeth@wtsklient.hu

### Education

- » tax advisor
- » lawyer

### 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 data reporting deadlines may be extended by six months](#)
- » [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
- » Financial & accounting advisory
- » Legal consulting
- » Accounting
- » Payroll
- » IT / Business Automation

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