

wts klient newsflash

WTS Klient.
The Bridge.**Reduction of local business tax for SMEs and changes to the Invoicing decree****Important amendments came into force**

In our last Newsflash published at the end of November we took a detailed look at the most important tax law amendments for decision-makers in 2021 including, among others, the abolition of the top-up obligation for local business tax and the new measures related to e-commerce or corporate tax allocations. Yet with tax laws continuously changing ever since, it is worth paying attention to the latest amendments, particularly the reduction of local business tax for small and medium-sized enterprises (SMEs) and the new rules on invoicing.

Local business tax cut in half if revenue does not exceed HUF 4 billion

The favourable change for SMEs was published on 22 December 2020 in the Hungarian Gazette and took effect that day. The Hungarian law sets the local business tax rate for the fiscal year ending in 2021 at 1% for micro-, small- and medium-sized businesses that would originally be subject to a tax rate higher than 1% pursuant to applicable local government regulations. So this relief essentially means the tax is halved compared to the local business tax rate otherwise defined (for most local governments) at a maximum of 2%. It is very important to note though that the regulation is only applicable to SMEs whose annual net sales revenues or total assets do not exceed HUF 4 billion (roughly EUR 11 million). It is because of this amendment that reviewing compliance with the definition of SMEs is strongly recommended.

In 2021 Hungarian businesses affected will have to pay 50% of their tax advance – declared and assessed with the tax rate specified in the local government tax decree. The amount of a company's local business tax obligation is reduced by the tax authority ex officio, without a resolution, by the part of the tax advance which is not to be paid.

Pursuant to the government decree, the favourable rate of local business tax qualifies as state aid, on which taxpayers must submit a statement with pre-defined content to the tax authority of the local government of their permanent establishment by 25 February 2021 (and are obliged to report the address of their permanent establishment too, if they have not done so before).

One important technical detail is that this statement can only be submitted electronically through the Hungarian National Tax and Customs Administration (NAV) on the relevant form.

Electronic invoicing through the NAV

Besides reducing local business tax, another amendment deserving special attention from the law amendments announced at the end of 2020 is the one modifying Decree 23/2014 of the Minister of National Economy on invoicing. The amendment was published on 30 December in the Hungarian Gazette and took effect on 4 January.

As we have reported several times, NAV's data reporting system for online invoicing moved to the next level in Hungary from 1 January, extending the online data reporting obligation for invoicing to invoices issued to non-taxpayers, invoices issued for the intra-Community tax-exempt supply of goods, or even to export invoices (in other words, all invoices issued pursuant to VAT rules effective in Hungary). The XSD 3.0 is ready for use from 4 January in the live Online Invoicing system, but its application will only be mandatory from 1 April 2021. continued on page 2

WOULD YOU LIKE ELECTRONIC INVOICING TO RUN SMOOTHLY AT YOUR COMPANY?

WTS Klient Business Automation can help your company develop and operate online data reporting for invoicing and related solutions (such as the full-scale implementation and maintenance of online invoicing with archiving).

Feel free to check out what we can offer!

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In accordance with the latest amendment to the Invoicing decree, taxpayers can transfer certain invoices subject to the online data reporting obligation to their customers via the NAV's specially designed infrastructure. If an issuer issues an invoice electronically (e.g. in PDF format) and submits the so-called HASH code of the invoice during the data reporting, they do not have to use a digital signature and time stamp; what is more, the electronic archiving of the invoice is simplified for both parties to backing up the PDF.

As a result of the amendment, new opportunities open up for taxpayers to introduce electronic invoicing with their partners, and to forward and [archive invoices](#). With this legislation the NAV took another step towards [automating](#) invoicing and reducing the taxpayers' administrative burden.

Registering / de-registering invoicing software

The latest amendment of the Invoicing decree also cancels the obligation to register the start and end date of using invoicing software with the NAV.

Non-cooperating states published

Legislation disclosing the list of non-cooperative tax jurisdictions was also published in the 30 December edition of the Hungarian Gazette. The list includes the following countries: American

Samoa, Anguilla, Barbados, Fiji, Guam, Palau, Panama, Samoa, the Seychelles, Trinidad and Tobago, the American Virgin Islands and Vanuatu.

This list is primarily relevant with regard to corporate tax, and for ratings as [controlled foreign companies](#).

TAX CONSULTING

This year, Hungarian businesses have to familiarise themselves with a number of new rules affecting taxation and invoicing, and they can expect legislators to continue making frequent, swift and drastic changes due to the ongoing coronavirus pandemic. The [tax experts at WTS Klient Hungary](#) are here to help, providing support with issues related to local business tax, invoicing, or any other tax-related matters.

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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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