

wts klient newsletter

WTS Klient. The Bridge.

Dear Readers,

If you're on a well-deserved holiday, sitting on a sun lounger by the water, reading a printed version of our early summer newsletter, you'll notice that you're holding a slightly longer and bulkier publication than usual. That's not a coincidence of course. The policymakers have made sure that you and your company are facing changes again, and we have undertaken to answer as many professional questions as possible that you might have about the new legislation and other changes affecting your company.



On 8 June, Hungary issued a government decree amending the list of non-cooperative jurisdictions for tax purposes (Barbados was removed from the list and the Dominican Republic was included). As we reported in last week's [WTS Klient Newsflash](#), the following day a decree was published, according to which, until the end of the year, no social contribution tax is payable on entertainment costs and business gifts, and no tourism development contribution needs to be paid either. The adopted [spring tax law amendments](#) were published on the same day. We previously summarised the most important elements of the tax law amendments; the taxation of crypto assets, a completely new provision in the Hungarian legal system, is now explained in detail on page 5.

The state of emergency declared due to the coronavirus pandemic, which is perhaps now coming to an end, has brought significant changes for companies too. The issues of tax debts and inclusion in the database of taxpayers with no public debts can be important for companies struggling with payment difficulties, and we provide guidance on these topics on page 10. Managers seeking to transform their companies in these difficult circumstances may find our article on voluntary liquidation (page 4), or our piece dealing with the accounting tasks of a merger (page 7), particularly useful. This summer is also characterised by major sporting events such as the Olympic Games and the European Football Championship, so perhaps company leaders are more interested in sponsoring sports than usual. The first article of our newsletter focuses on this topic, or at least its new tax aspect.

As usual we have tried to cover everything in depth. Yet if you still have unanswered questions, please do not hesitate to contact us. We are here to help.

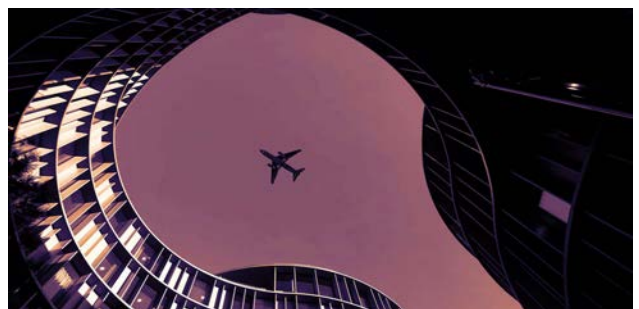
On behalf of all the staff at WTS Klient Hungary I wish you a pleasant and carefree summer:

Eszter Balogh
partner



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Assignments to Europe 2021 has been released



The WTS Global Assignments to Europe 2021 booklet offers you a brief overview of tax, social security and immigration-related matters in 22 countries (including Hungary) you might consider for your assignments to and within Europe.

You can download Assignments to Europe 2021 in PDF format here: [Assignments to Europe 2021](#)

Timing difficulties of corporate tax allocations in Hungary

What are companies and sports associations struggling with?

Author: **Zoltán Lambert**

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I propose that companies be given the chance to decide on the lump-sum allocation of 80% of their tax advances paid during the year either by the current deadline of 20 December or by an earlier date in the autumn, preferably ensuring a tax benefit that is identical to that available from the allocation from the monthly tax advances.

Over the past two years I have gained first-hand experience on the specificities of [support for spectator team sports through corporate tax](#) since, to realise my long-cherished dream, I took on a role at an association working with young sportspeople. In this article, I will look at the timing challenges the current legislation poses for the corporate sponsors and the associations that use the support, particularly in respect of the seemingly irresolvable difficulties that arose because of the deadline for Hungarian corporate tax returns and the lack of [corporate tax top-ups](#), which were cancelled last year. I also attempt to propose a solution to the problem.

Forms of corporate tax support in Hungary

Hungarian companies can basically choose from **two options** if, in order to obtain some tax benefit, they want to [support](#) an association operating a youth team in one of the **six spectator team sports** (football, handball, basketball, water polo, volleyball and ice hockey). The **direct support** which seems simpler and **can be given at any time of the year**, and which is capped at 70% of the corporate tax amount, results in a corporate tax saving totalling 2.25% of the support. The other form is the **corporate tax allocation** available up to 80% of the corporate tax, which is **transferred by the National Tax and Customs Administration from the company's monthly tax advance paid** according to the general rules, or from the annual tax specified in the annual tax return, and it results in a corporate tax saving of nearly 6.6% (in the case of monthly tax advances) or around 2.2% (in the case of an allocation made parallel to the annual tax return).

At first glance, the direct support seems a simpler solution with a **similar tax benefit**. Yet why do a significant number of companies still opt for the corporate tax allocation method in Hungary?

The answer is the **difference in the accounting** of the two methods. The direct support diminishes the company's profit before tax as an other expense, so it results in lower EBIT, EBITA and EBITDA figures in a given year and only "recovers" the amount of the support at the level of profit after tax, "recognising" the higher value achieved through the corporate tax allowance.

By contrast, the fact of the corporate tax allocation does not even appear in the financial statements for a given year. The allocated amount "remains hidden" in the corporate tax and the achieved tax benefit even increases the company's EBIT, EBITA and EBITDA figures in the following fiscal year. However, the aforementioned indices are used to measure profitability at most of the companies, they affect goodwill and senior staff are also rewarded on this basis. This is primarily why **corporate tax allocation became almost the only method applied by large multinational and Hungarian companies**.

Contradictions in deadlines for corporate tax and support for associations in Hungary

A significant proportion of companies close their accounts for a financial year that coincides with the calendar year, thus **the deadline for their corporate tax return falls at the end of May**. Although you can also make an allocation against your monthly tax advances, and indeed the tax benefit available is three times that of an allocation made at the same time as your annual tax return, the **majority of large companies** still only **award the support** once a year, **in time for the end of May deadline**, after the assessment of dozens of applications from associations. To this end, however, they ask associations to attach to their application the resolution of the relevant sports federation necessary for the disbursement of the support. But when are these resolutions issued, and for which period do the associations have to account for the permitted amount of support?

The resolutions of the sports federations are issued in April-May after the deadline for the submission of the support requests of the associations at the end of February, and the authorised costs can be accounted for in the season between 1 July of the given year and 30 June of the following year. Associations are therefore very unlikely to have a new resolution for the end of May tax allocation of the companies, and they can only submit applications for the amounts specified in the resolutions passed in the previous year. They only have a realistic chance of getting the support 9-10 months after receipt of the resolution. Additionally, they will only receive the money on the 15th day after the deadline for the end

of May tax returns, i.e. 15 June, which means they have only 15 days left until the end of the season, i.e. 30 June, to account for it. There is no alternative, they must apply for a one-year extension of the accounting period, so only 16 months later can they finally start implementing their sports program submitted in February of the previous year.

Proposal for solving the problem arising in respect of the corporate tax allocation

This problem arose when the deadline of 20 December for the oft-criticised corporate tax top-ups was cancelled in Hungary. As a tax expert I fought long and hard for the cancellation of this [pointless rule](#), and I am not about to take steps to reinstate it. I only propose that companies be given the chance to decide on the lump-sum allocation of 80% of their tax advances paid during the year either by the current deadline of 20 December or by an earlier date in the autumn, preferably ensuring a tax benefit that is identical to that available from the allocation from the monthly tax advances. Thus, companies could collect the applications of the associations, which are based on the resolutions already issued by the sports federations, until the end of summer/beginning of autumn, and with a year-end disbursement the associations would have enough time to spend the amount until

the end of the season, i.e. by June of the following year. At the same time, the deadline for the corporate tax allocation still unused and calculated based on year-end data, and the deadline for allocations from companies not paying tax advances but realising a high profit in the given fiscal year, and thus paying significant corporate tax, would remain the end of May, as in former years.

Tax consulting

[Our tax advisers](#) have been drafting proposals to streamline the Hungarian tax regime since our company was formed to facilitate and optimise the taxation of our clients. We have successfully pushed our proposals through the Hungarian tax administration systems and decision-makers several times. If, having seen our results, you think we could be of help for your company in tax matters, or if you have an opinion on taxation and would like to have your proposals regarding Hungarian taxation policy heard by the government, please do not hesitate to contact us.

→ Our expert



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Education

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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

- » [A few thoughts on choosing the small business tax](#)
- » [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](#)



The latest WTS Global VAT and Mobility Newsletters have been released



The second edition of the WTS Global VAT Newsletter in 2021 wants to share with you insights on the latest developments in terms of VAT and GST in eight countries: Denmark, Germany, Hungary, Poland, Portugal, Spain, Chile and the Kingdom of Saudi Arabia. You can download the newsletter in PDF format here:

[WTS Global VAT Newsletter #2/2021](#)



The latest WTS Global Mobility Newsletter deals with the question how to balance the benefits and risks of working from anywhere. You can download the newsletter in PDF format here:

[WTS Global Mobility Newsletter #2/2021](#)

Completing a voluntary liquidation procedure in Hungary

What are the conditions for completing the procedure, and what are the duties of a liquidator?

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Completing a voluntary liquidation procedure can happen if the liquidator has finished its duties and no legal proceedings or administrative investigations are pending.

In previous articles of our series we reviewed how to prepare for a voluntary liquidation, what the [voluntary liquidation procedure](#) is, what taxation issues can arise, what to look out for when [selecting a liquidator](#) and which [accounting reports](#) have to be prepared during this period. In this article we elaborate on the duties and issues arising when completing a voluntary liquidation procedure in Hungary.

How long can a voluntary liquidation last, and when can it be completed?

Voluntary liquidations **must be completed** by the liquidator **within three years** of the start date.

Completing a voluntary liquidation procedure can happen if **the liquidator has finished its duties and no legal proceedings or administrative investigations are pending**. In addition to these conditions, completing a voluntary liquidation procedure is possible in Hungary when:

- the company has terminated its activities,
- lender demands have been settled,
- collectible receivables have been recovered,
- employment contracts have been terminated,
- contracts with customers and suppliers have been terminated,
- assets intended for sale have been sold.

Once these have been done, and the relevant authorities have been notified of the voluntary liquidation, the liquidator's only task is to prepare the **financial statements closing the voluntary liquidation procedure** and to **divide the remaining assets** among the owners.

How to start completing a voluntary liquidation procedure in Hungary?

The owners make the decision on the date for completing a voluntary liquidation procedure. The liquidator prepares the finan-

cial statements closing the voluntary liquidation procedure for the last financial year of the voluntary liquidation, as well as the proposal for the distribution of assets, as of this date (reporting date). In Hungary, the closing tax returns must be submitted together with the financial statements closing the voluntary liquidation. The financial statements must be prepared, filed and published and the closing tax returns must be submitted **within 60 days**.

Features of financial statements for last period of voluntary liquidation

In the financial statements prepared for the last period of the voluntary liquidation, **all assets and liabilities other than liquid assets must be recognised at market value**. The impact on profit/loss of differences accounted for due to valuation at market value must be recognised in the income statement. If the company's assets include ones **subject to value-added tax upon the distribution of assets**, pursuant to the Hungarian VAT Act, then the amount of value added tax payable must be recognised as a liability against other expenses.

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Financial & accounting advisory

Based on our article it is obvious that there are tasks when completing a voluntary liquidation procedure that may require the involvement of experienced professionals. Feel free to contact the professionals at the [financial & accounting advisory division](#) of WTS Klient Hungary, who, as consultants, will be happy to support you with the special taxation and accounting issues that may arise during a voluntary liquidation.

Final report, proposal for distribution of assets, and deregistration request

Having prepared the financial statements for the last period of the voluntary liquidation, the liquidator has to **summarise** the significant **economic events** that took place during the period of the voluntary liquidation **in a final report**. Additionally, he/she has to prepare a **proposal for the distribution of the remaining**

assets. If the owners have accepted the financial statements closing the voluntary liquidation along with the proposal for the distribution of assets, the liquidator's final report and the closing tax returns, a **request** has to be submitted to the Court of Registration **to deregister the company** at the same time as filing and publishing the financial statements closing the voluntary liquidation and submitting the closing tax return.

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

Latest publications

- » [Accounting requirements of financial statements prepare during voluntary liquidation](#)
- » [Role and responsibilities of a liquidator](#)
- » [Voluntary liquidations](#)

Languages

Hungarian, German, English



Taxation of crypto asset transactions in Hungary

Overall tax burden to fall from 26.5% to 15%

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When preparing annual personal income tax returns in Hungary, every year both taxpayers and tax consultants face the problem that **it is very difficult to classify certain types of income under the (capital) gains specified by the Personal Income Tax Act**. For example, investment opportunities available through financial service providers change every year, and based on a certificate issued by a foreign investment consultant it is difficult to decide when [tax should be paid](#), on what grounds, and on how much income.

In the same way, Hungarian taxpayers found it difficult to pay their **taxes on income from crypto assets**. However, from 2022, these difficulties seem to be resolved. The [bill submitted in May](#) by the Hungarian Ministry of Finance strives to clarify the taxation of income from crypto asset transactions.

What are crypto assets and crypto asset transactions?

The European Parliament and the European Council jointly developed the so-called draft MiCA (Markets in Crypto Assets) regulation that defines crypto assets as **digital representations of value**

or rights which may be transferred and stored electronically, using distributed ledger technology (DLT) or similar technology.

Based on the bill, the Hungarian Personal Income Tax Act will also use this definition. Crypto asset **transactions** are ones **in which the private individual "acquires financial assets other than crypto assets through the transfer of crypto assets"** in a transaction available to anybody.

Taxation of crypto assets so far in Hungary

Given that the Hungarian Personal Income Tax Act **currently** does not include special requirements in connection with crypto assets, the income realised through these has to be **taxed as other income**. Other income forms part of the aggregate tax base and, accordingly, it is also subject to a 15.5% social contribution tax besides the 15% personal income tax.

If private individuals are obliged to pay the social contribution tax themselves, e.g. if the crypto asset is not acquired from a Hungarian



financial enterprise, the base of the personal income tax and the social contribution tax is 87% of the income obtained with the crypto asset. **So the overall tax burden in Hungary is 26.5%.**

Let's see how this will change.

The new legislation

The income realised through crypto asset transactions will qualify as **separately taxed income**. The taxation will be similar to that of controlled capital market transactions.

Generation of revenue

As mentioned above, taxation may arise if the crypto asset is exchanged for a non-crypto asset. So the cases when **a crypto asset is exchanged for another crypto asset** will not qualify as crypto asset transactions for personal income tax purposes, thus in these cases, **no taxable income is generated**. In the same way, no revenue is generated upon the **production (mining) of the crypto asset**.

Additionally, no tax has to be paid (no income assessed) **if the revenue from the transaction does not exceed 10% of the minimum wage** in Hungary. One additional condition is that no revenue should be generated from other identical transactions on the given date, and that the sum of these smaller revenues should not exceed the minimum wage in the fiscal year.

Defining income

When defining income, **the revenue** achieved from the transaction **must be reduced by the amount used to acquire the asset**.

What can qualify as an amount used for acquisition? When participating in mining a crypto asset or in the operation of a related system, the expense that arose in connection with such activity (e.g. IT devices, electricity) can be considered an amount used to acquire the asset. However, it is more common to acquire crypto assets through purchasing than mining. In this case, the amount spent to acquire the asset can be deducted from the revenue.

The **transactional profits and losses** established this way and realised in the fiscal year **should be treated in aggregate**. Taxable income is generated if the realised transactional profits exceed the sum of transactional losses as well as the fees and commissions related to the holding of the crypto assets, but not directly connected to the transactions of the fiscal year and the given transaction.

Tax equalisation in Hungary

We can apply the loss carryforwards known from controlled capital market transactions in the case of crypto asset transactions as well. If we incur losses in the given fiscal year during the transactions, in the next two years **we can reduce the tax payable by the amount of tax pertaining to the loss** within the framework of tax equalisation.

Let's look at this with a specific example:

	thousand HUF	roughly EUR
Revenue	10,000	28,740
Amount used for acquisition	5,000	14,370
Expenses in reporting year	500	1,440
Transactional profit	4,500	12,930
Personal income tax	675	1,940
Loss of previous year	1,500	4,310
Tax on loss	225	645
Personal income tax payable	450	1,295

Social contribution tax

Considering that the income achieved with the crypto assets will not be part of the aggregate tax base, it will **not be subject to social contribution tax**. This means the previous overall tax burden of 26.5% will fall to 15% in Hungary.

Transitional rules

For those who previously did not declare their income from crypto assets, the bill has a very favourable option in store. Previously unreported income can be declared as a transactional result of 2022, at a more preferential tax rate.

Expat taxation consulting and compliance work, tax returns

The tax advisory team of WTS Klient Hungary has significant expertise in personal income tax, and has supported its clients regarding the taxes of their foreign employees for decades. Should you have any questions regarding the revenues of a foreign employee from crypto assets and the related taxation, you can certainly count on our colleagues! Please feel free to contact us.

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Education

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- » tax advisory and tax planning in all tax types
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- » tax authority inspections
- » preparation and reviews of transfer pricing documentation
- » international taxation of foreign workers

Latest publication

- » [Expat employees working from home](#)
- » [Special tax reimbursement in Hungary](#)
- » [Loss carry forwards](#)

Languages

Hungarian, English, German



Accounting tasks during a merger in Hungary

Everything you need to know from the transformation balance sheet to the audit

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A merger is a very special event in the life of business entities. In this context, one or more companies are taken over by another based on an owner decision. In practice it means that the companies taken over (legal predecessors) cease to exist, while the

acquiring company becomes their legal successor, continuing the operations as a going concern. This is a form of [mergers](#) in which the participating companies have **specific reporting obligations** along with several special accounting tasks.

When is a merger not possible?

As with all other [types of transformation](#), companies in liquidation, bankruptcy or under [voluntary liquidation](#) cannot opt for a merger. This is also the case if the company is subject to criminal proceedings.

General rules for transformation balance sheets and inventories of assets and liabilities in Hungary

To be able to determine the assets (equity) of the business entities participating in the transformation, a **transformation balance sheet has to be prepared**. The rows of the transformation balance sheet must be **supported by an inventory of assets and liabilities** which contains an itemised list of the assets and liabilities of the legal predecessors and the legal successor business entity. The Hungarian Act on Accounting details the requirements regarding the preparation of these documents in a separate chapter.

In the case of business entities that **prepare IFRS financial statements**, the necessary documents have to be compiled along the lines of the [IFRS](#) valuation principles. However, if the business entities participating in the merger include companies that prepare their annual accounts in accordance with the Hungarian Act on Accounting, along with companies that prepare their annual accounts in accordance with IFRS, these requirements need to be harmonised. In the case of a merger, the reporting rules applied by the acquiring business entity apply since it will continue as the going concern. When compiling their transformation balance sheet, the business entities being discontinued and taken over, and applying different rules, must switch to these rules.

In Hungary, the above documents have to be prepared twice during the merger. First, for the decision on the transformation and for the registration procedure as of the balance sheet date specified by the company's supreme body (transformation balance sheet and draft inventory of assets and liabilities). Secondly, as of the date of the merger (final transformation balance sheet, final inventory of assets and liabilities).

When preparing the **draft transformation balance sheet and draft inventory of assets and liabilities**, the rules applicable for the preparation of interim balance sheets apply, thus the accounting close is only a technical issue for the business entities participating in the transformation. This means the sub-ledger and general ledger records do not have to be closed, they are kept on a continuous basis. If the legal entity does not apply revaluation, the latest financial statements may be taken into account to support equity for six months after the balance sheet date. Thus, no separate close is needed.

When preparing the **final transformation balance sheet and final inventory of assets and liabilities**, the entities being discontinued (taken over) prepare financial statements as of the

date of the merger as the reporting date, and they close their sub-ledgers and general ledgers (termination with a legal successor). The financial statements are published and must be filed (within 90 days of the merger date). In their case, the financial year commences on the day following the balance sheet date of the previous financial year, and ends on the date of the merger – as the balance sheet date. For the business entity carrying on as a going concern this close is only a technical issue, its financial year and reporting date will not change due to the transformation. The final transformation balance sheet is prepared based on the data of the ongoing bookkeeping, and the assets and liabilities taken over from the legal predecessors will be added to the books as of the day after the merger (including provisions and accruals and deferrals).

Form of transformation balance sheet for the business entities taken over

The transformation balance sheet shall be prepared with three columns, which contain the following:

- **book value of the assets, liabilities and equity** of the business entities taken over,
- **revaluation difference** (if applied), and
- **value as per asset valuation**, as the sum of the two.

Rules for preparing transformation balance sheets for business entities taken over in Hungary

The business entity undergoing the transformation may revalue the assets and liabilities (including provisions and accruals and deferrals) recorded in its books, while those not recorded by value and the business entity's liabilities may be entered into the transformation balance sheet. This is the **asset revaluation** (market valuation), whose impact is shown in the revaluation difference column.

If the company opts for revaluations, the equity must be adjusted with the **aggregate value of the revaluation differences**. For **upwards differences** the capital reserve is adjusted, while for **downwards differences** first the capital reserve is adjusted (up to the positive amount), then retained earnings.

Rules for equity

An additional important rule is that under [equity](#) in the third column of the transformation balance sheet of a business entity being transformed (taken over) **only registered capital, the capital reserve, retained earnings** (latter also may be negative) and the **allocated reserve may be included**. To this end, **several adjustments and technical transfers have to be performed**. The profit after tax has to be transferred to the retained earnings, the valuation reserve has to be eliminated, while the allocated reserve may also have some adjustments.

Form of transformation balance sheet for the acquiring business association

The transformation balance sheet of the acquiring business entity includes the following:

- assets of the legal predecessor business entities at the value specified by the asset valuation,
- differences,
- settlements,
- the assets of the legal successor business entity as the sum of the above.

Content of the "differences" column

- settlements due to new owner
- settlements due to capital increase of existing owners
- settlements due to exiting owner
- derecognition of mutual shares
- waiver by owner of a claim arising from a supplementary payment made to a legal predecessor
- derecognition of mutual receivables, liabilities, accruals and deferrals
- other items not specified by law, etc.

One important rule in Hungary is that in the case of a merger, the **acquiring business entity** may not revalue the assets and liabilities, so a **revaluation of assets may not take place**.

Date of share derecognition for transformations

When determining the equity of the legal successor business entity, the value of the shares held in the business entities taken over must be eliminated, and recognised as a decrease in assets and equity. The registered capital within equity is reduced by the nominal value of the shares, while the portion in excess of the nominal value is eliminated through retained earnings.

The share terminated in the legal predecessor must be derecognised at the acquiring company as of the day following the date of merger.

Content of "settlement" column

- allocated reserve in the transformation balance sheet due to an expected loss
- allocated reserve for a tax liability arising directly in connection with the transformation (if the tax liability is payable by the legal successor and no other reserve was allocated for it)
- any adjustment of allocated reserve
- settlement of negative retained earnings, etc.

The "settlement" column contains the rearranged elements of equity if specified by the owners in the deed of foundation or required by law. During the rearrangement, the requirements for the maximum amount of registered capital must be taken into consideration.

Only (positive amounts of) registered capital, the capital reserve, retained earnings and the allocated reserve may be shown under **equity** in the column showing the assets of the legal successor business entity in the draft transformation balance sheet of a business entity established by way of transformation.

Accounting for goodwill

Subject to certain conditions, **goodwill can already be recognised** in the transformation balance sheet of the acquiring business entity **during the merger** if the book value of its shares in the company/companies taken over exceeds the amount of equity in the draft transformation balance sheet of the company/companies taken over.

Audit of a merger in Hungary

If any of the transformed companies (legal predecessors and legal successor) is subject to an audit under the Hungarian Act on Accounting, this obligation shall prevail for all draft transformation balance sheets and draft inventories of assets and liabilities. However, an audit of the final transformation balance sheet and final inventory of assets and liabilities shall always be mandatory.

The permanent auditor of the companies participating in the transformation or the auditor performing either an audit or a contribution-in-kind review in the two financial years preceding the date of the draft transformation balance sheet **may not audit the transformation**. The auditor of the transformation may not be appointed as the auditor of the legal successor within three financial years of the registration of the company in Hungary.

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Legal, financial & accounting and tax advisory from one source

In this article we only detailed the accounting tasks related to a merger, but tax implications may also arise during a transformation, in the case of corporate tax or property acquisition duty for example. It is worth examining the advantages of a preferential transformation too. Additionally, there are a number of legal tasks and deadlines to meet, which must be strictly complied with to make the transformation a success. Therefore, a merger definitely requires preliminary planning, consultations and the [involvement of experts](#) to enable the owners to make the best decisions possible. Please do not hesitate to contact us if you need the advice of experienced professionals.

Failed merger

Should the Court of Registration reject the registration of the merger or cancel the registration procedure due to the application for registration being withdrawn, from an accounting point of view it shall be deemed as if nothing happened. The business

entities seeking transformation will continue to operate as going concerns and keep their books without the need to prepare a final transformation balance sheet and a final inventory of assets and liabilities.

→ Our expert



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Education

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Specialisations

- » accounting
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Languages

Hungarian, German

Latest publications

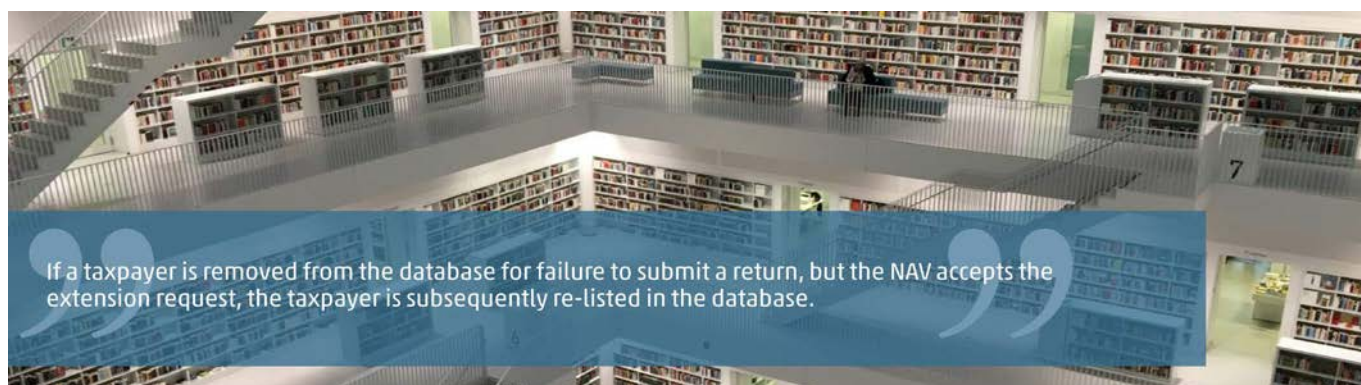
- » [Publication date for 2019 financial statements approaching!](#)
- » [Repurchasing own shares or partnership shares](#)
- » [Employment deviating from employment contracts](#)



Database of companies with no public debts

It is advisable to check the conditions for inclusion in the database every month

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In Hungary, various procedures used to require a no-debt certificate, which generally had to be presented in the original paper format. As part of the recent process to reduce administrative burdens there have been developments in this area too. The **up-to-date KOMA database of the Hungarian National Tax and Customs Administration**, i.e. the database of companies with no public debts, generally **substitutes for the no-debt certificate**, making administration much easier.

Advantages of database of companies with no public debts

Inclusion in the database has many benefits. **Participating in certain tenders or public procurement procedures** may be subject

to the tenderer being included in the database of companies with no public debts. In some cases, there is also a legal provision related to inclusion in the database. For example, according to the [EKAER regulation](#) in Hungary, companies included in the database are exempt from risk collateral.

Conditions of the database of companies with no public debts

Companies must apply separately for inclusion in the database of companies with no public debts using the KOMA form. This **application** is free of charge, and can be submitted at any time during the month. As a general rule, the NAV examines the debts and makes decisions about including or deleting the companies concerned

on the last day of each month. The KOMA database is updated on the 10th day of each month.

The following **conditions** related to the taxpayer are examined by the NAV based on the application submitted:

- no net tax debts or public debts registered with the NAV,
- tax return and payment obligations fulfilled or being fulfilled,
- not subject to bankruptcy, [voluntary liquidation](#), involuntary de-registration or liquidation proceedings,
- as a taxpayer group it has no VAT or corporate tax debts,
- as a taxpayer it has no overdue tax debts.

If the taxpayer meets the above conditions, it will be included and will continue to be included in the database; no separate notification is sent. The NAV may also send a **rectification order** regarding the above application to the company's online document storage facility. Generally, a deadline of 10 days is set to rectify any shortcomings. If these are not rectified, the NAV adopts a decision rejecting the admission to the database.

If the taxpayer is already in the database but does not meet any of the conditions at the end of the month, it will be deleted from the database. The NAV sends notification about this via the [business gate](#). In this case, once the rectification ensues, the taxpayer can apply to be re-listed in the database.

Relief in event of emergency

Currently, the relief introduced in relation to the coronavirus pandemic in Hungary may also affect the inclusion of companies in or

their removal from the database. According to the relief, if companies submit an [extension request](#) they are allowed to submit their returns and pay the corporate tax, small business tax and the innovation contribution until 30 June 2021, without any legal consequences for their default. **If a taxpayer is removed from the database for failure to submit a return, but the NAV accepts the extension request, the taxpayer is subsequently re-listed in the database.**

In some cases, companies not included in the database can be subject to sanctions so it is important to pay particular attention to ongoing compliance with the conditions of the KOMA database. **It is recommended to check the tax account on a regular basis** to make sure that tax payments and returns are in order. In addition to the benefits for your own business, the database of companies with no public debts can provide information about the reliability of a new business partner, so it is also worth using the database to obtain information about prospective partners.

Accounting advisory

Feel free to contact us if you have any questions about the Hungarian KOMA database, the conditions for inclusion in the database, or about checking your tax account, we're here to help!

→ Our expert



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Education

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

Specialisations

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

Latest publications

- » [Document archiving and scrapping](#)
- » [Equity components in Hungary](#)
- » [Electronic communication in taxation](#)

Languages

Hungarian, German, English



Spring tax law amendments in the WTS Klient Newsflash

On 8 June 2021, the Hungarian Parliament adopted the spring tax package including the 2022 tax amendments in Hungary. The tax package clarifies, among others, the taxation of income from the sale of crypto assets, cancels the vocational training contribution and amends the rules on reclaiming VAT on irrecoverable debts. Our publication summarising the most important elements of the tax package can be downloaded in PDF format from here: [WTS Klient Newsflash – Spring tax law amendments](#)

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.

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