

## wts klient newsflash

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## Another burden on retail chains

### Retail tax rises and compulsory food donations on the way

Foreign and Hungarian retail chains are also affected by the bill that the Hungarian government submitted to the National Assembly on 13 December and has since adopted. Bill no. 17882 amends two laws: Act XLVI of 2008 on food chain and its control and Act XLV of 2020 on retail tax.

#### Retail chains and the special retail tax

The retail tax was [introduced](#) by Government Decree 109/2020 (IV.14) in effect from 1 May until 9 June 2020, which [was enacted](#) by the promulgation of the Act on Retail Tax. According to the information issued by the National Tax and Customs Administration, **foreign legal entities not established in Hungary for economic purposes may also be subject to the retail tax** if they carry out retail activities and supply the goods to their customers in Hungary directly, i.e. not through a branch. This could include, for example, a retail activity involving parcel deliveries or internet commerce.

#### Tax base and tax rate

The retail tax must be calculated using the tax base of the net sales revenue from retail activities, with a **progressive rate based on brackets**.

The tax rate is 0% for the part of the tax base not exceeding HUF 500 million (roughly EUR 1.4 million), 0.1% for the part of the tax base exceeding HUF 500 million but not exceeding HUF 30 billion (roughly EUR 82 million), 0.4% for the part of the tax base exceeding HUF 30 billion but not exceeding HUF 100 billion (roughly EUR 274 million), and 2.5% for the part of the tax base exceeding HUF 100 billion.

#### Increasing the special retail tax

A provision **raising** the special retail tax rate **from 2.5% to 2.7%** for companies with annual sales revenue exceeding HUF 100 billion is to take effect on 1 February 2022.

Since the rise will take effect in the middle of the fiscal year for some taxpayers, the higher tax rate will only apply for the period after the date on which the increase comes into force. The adopted bill provides alternative ways for taxpayers to determine the two portions of the tax. One solution formulates a pro-rated tax assessment, which involves less administration and is simpler, while the other requires the calculation of the tax base on the day the amendment takes effect, which implies an accounting close.

#### New concept in legislation: food rescue

The aim of the amendment to the Food Chain Act is to **prevent food wastage and reduce food waste** by making it mandatory for food retailers to offer food with an imminent expiry date and a best-before date to those in need.

Accordingly, **from February 2022 retailers will be obliged to donate food** to the newly established, state-owned Food Rescue Centre **at least 48 hours before the expiry of the quality date**. The obligation applies to traders selling daily goods with an annual revenue of more than HUF 100 billion, so the targeted operators are mainly the foreign retail chains.

For entities with annual **revenue** from food chain inspection activities **not exceeding HUF 100 billion** and all other food business operators, **donations are voluntary**.

### TAX CONSULTING

It is not easy for businesses to keep up with the raft of tax law changes brought in at the end of the year. If you need expert advice on how your company will be affected by the introduction of the food rescue system and the increase in the retail tax in Hungary, and what obligations this will create for any existing food chain inspection fee already in place, [please contact us](#).

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