

WTS Klient Newsletter

People you can rely on.

Dear Readers,

As the head of HR Services, our new business division, I was delighted to be asked to welcome you on the front page of our second newsletter this year.



In addition to the day-to-day tasks of our 280-strong company, which now serves nearly 800 clients, we also have to work constantly on creating and implementing our strategies over various horizons. This is the guarantee that our services will continue to be of a high quality and forward-facing in the future.

The last few weeks have been particularly busy in this respect. We finalised our new IT strategy, combining the advantages of the two systems currently operating in parallel after the merger of Finacont to create a more flexible and secure environment than ever before. The transition will take place in stages, and our colleagues and service providers will do their best to ensure that users only experience the increased functionality from this. The first step was the integration of the mailing systems, so you can now reach all our colleagues via their @wtsklient.hu addresses.

We had an even bigger presence than before at both the BGE and HVG job fairs to introduce ourselves and meet the professionals of the future. We have nearly 50 colleagues who have been with us for at least 15 years, and we continue to believe that from the young people joining us at the start of their careers we can build a professional and loyal team that understands our processes and our clients.

We will need professionals from the new generation not only because of our growing business, but also because exciting new areas – such as the use of AI and ESG – will become increasingly important, requiring a fresh approach alongside new opportunities and challenges.

You can also read about these interesting topics in our newsletter. Should you have any questions, please don't hesitate to get in touch with our experts.

Gábor Jankó
Partner



Contents

- 2 **Csaba Baldauf:** The Hungarian ESG law
- 4 **András Szadai:** Artificial intelligence in tax consultancy
- 6 **Viktória Kocsy:** Simplified administration in payroll
- 8 **György Pintér:** Practical applications of artificial intelligence and robotisation



Navigating the Future of Taxation

An exclusive interview with Pascal Saint-Amans

Pascal Saint-Amans, the former Director of the Centre for Tax Policy and Administration at the OECD; Wim Wuyts, CEO of WTS Global; and Jānis Taukačs, Partner at Sorainen, WTS Global in Latvia talked in an interview about the nuances of current and emerging global tax policies, spotlighting both the challenges and prospects that define the future of taxation.

[Click here to watch and listen to the conversation!](#)

The Hungarian ESG law

Sustainability reporting finally a legal obligation in Hungary

Author: Csaba Baldauf

csaba.baldauf@wtsklient.hu



ESG refers to an acronym for environmental, social and governance.

At the end of 2023, the Hungarian National Assembly adopted the legislation referred to in the industry as the ESG law, i.e. Act CVIII of 2023 on the rules of corporate social responsibility to promote sustainable financing and unified corporate responsibility with due consideration of environmental, societal and social aspects, and amending other related acts. Although the ESG law has been in force since 1 January 2024, its provisions will only gradually enter into force in Hungary.

What is ESG?

ESG refers to an acronym for **environmental, social and governance**. These are the three areas, the three pillars, where companies need to make their activities more transparent. They have to disclose the objectives they have set in these areas, the policies they have adopted, the related risks and opportunities, the results they have achieved, and for measurable items, the related indicators. It is important to note that while **ESG reports have to be audited**, they are far from being just another type of financial report. In fact, instead of a financial focus, answers need to be sought for socially relevant questions and challenges, and solutions found at the level of the company where appropriate.

Three pillars of ESG

The **environmental pillar** of ESG tackles and responds to complex issues such as sustainability, climate change and the transition to a circular economy.

For the **social pillar**, the focus should be on human rights, including the challenges posed by child labour or modern-day slavery.

For the corporate governance or **governance pillar**, there should be a strong focus on shareholder/owner rights, management commitment, as well as the challenges of, and responses to, anti-competitive and corrupt practices, along with any adopted measures.

The ESG pillars can have overlapping themes and mutually reinforcing effects. For example, the right of access to clean air and clean drinking water, as a fundamental social right, is difficult to ensure without the challenges identified in the environmental pillar and appropriate responses to them.

Who is affected by the ESG law?

Of course, the ESG law is not a single set of obligations to be fulfilled by all stakeholders in the same way. It is essential that individual businesses tailor their expectations under the ESG law to their own activities, corporate values and cultures. It is easy to see that a company in the mining industry will have to focus on different aspects of the three pillars than, for example, a software development company or an agricultural enterprise.

Preparations are well underway for the first group of companies covered by the ESG law in Hungary, and in some cases they are finished because they are already well into the first year of facing this new reporting obligation.

In practice, the phased rollout looks like this:

- > for **large businesses** considered to be **public-interest** entities: **2024**
- > for **large business** entities: **2025**

> and for **small and medium-sized enterprises** considered to be **public-interest entities: 2026**

is the year they first have to **prepare an ESG report on their activities.**

Considerations for compiling an ESG report

Environmental	Social	Governance
Renewable energy sources	Human rights	Ethical standards
Improving energy efficiency	"Child-friendly" workplaces	Ensuring gender equality (in business management)
Responsible water management, renewable soil management, biodiversity	Employment of people with reduced working capacity	Exclusion of anti-competition practices
Zero emissions	Ensuring gender equality	Preventing corruption

Standards still to come

On the one hand, it is important to note that in addition to preparing and auditing the ESG report, there are many other tasks and reporting obligations that companies need to prepare for. On the other hand, the ESG law is currently seen as a **framework** rather than a professional standard with clear requirements for compliance and deliverable data. So for the time being, businesses can therefore design their own reporting systems based on the requirements of other existing standards.

Compliance with the law will be monitored by the **Supervisory Authority for Regulatory Activities**, as the authority with the power to levy **sanctions and fines from January 2026** to enforce compliance with the legal obligation.

While a professional consensus is emerging in some areas, in the long term it is probably inevitable that ESG information will be standardised, or that ESG reports will be compiled according to certain standards, ensuring that those reading and using the reports can easily compare data from two or more companies.

Financial & accounting advisory

In the future, ESG considerations should increasingly become an integral part of overall corporate strategies both as a legal obligation and from an investor/company valuation perspective. Transparency and the comparability of data and results will play an increasingly important role, and this will certainly be no small challenge for companies as it is a very complex and complicated area. This is why it is worth involving an external expert in the preparation phase: [feel free to contact us!](#)



Our expert

Csaba Baldauf

Partner | Financial Management Services
Mobile: +36 30 995 3905

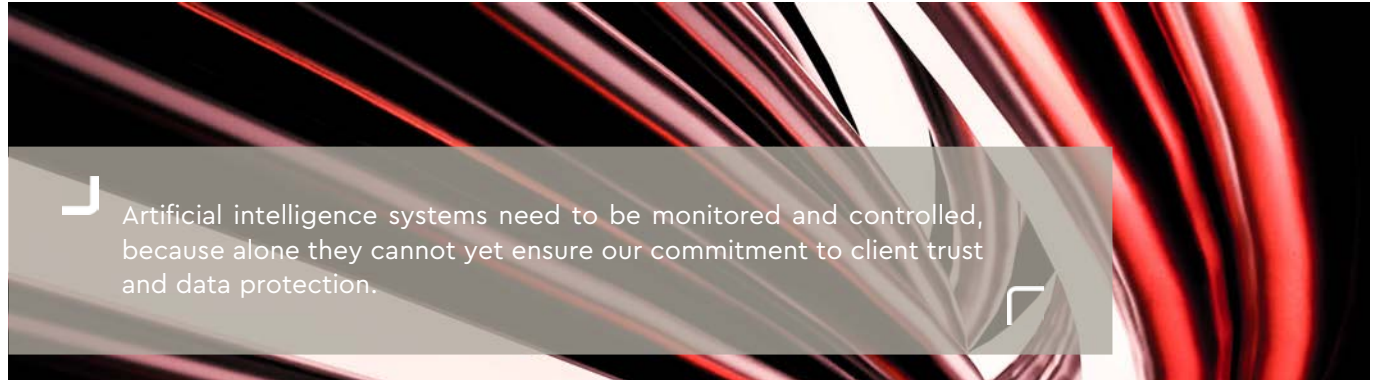
Areas of Expertise

- > due diligence
- > transformation of companies
- > consolidation
- > IFRS

Artificial intelligence in tax consultancy

Chatbot, monitoring of legislation, tax return automation: what can AI do?

Author: **András Szadai**
andras.szadai@wtsklient.hu



Artificial intelligence systems need to be monitored and controlled, because alone they cannot yet ensure our commitment to client trust and data protection.

"You snooze, you lose" is a warning commonly heard in discussions about artificial intelligence. The possibilities and areas where artificial intelligence in tax consultancy can be harnessed have long been addressed by WTS as one of the early adopters, particularly by its German headquarters. It was still 2018 when we published our first article on the topic. But six years have passed since then, and the above sentence clearly indicates that almost everyone, or at least every business that keeps up with the times, now **needs to address the issue**. But how, and what's the best way to get started? How can you start to transform your workflows and deploy AI? And how can you use artificial intelligence in tax consultancy now, in 2024?

Level 1

Today, even the life of a small business is shaped by a lot of processes. As an organisation grows, and processes become more complex, the need for clear, well-understandable systems and processes to define the day-to-day running of the business increases. To identify the workflows where AI has a place and a role to play, you need to have a clear view and understanding of what happens in the life of a business, and how. So the first task is to **map your processes** and think about what you are doing, why you are doing it, and where you can apply AI effectively.

Questions and risks

Once you have a good snapshot of your internal processes, you need to consider the benefits and risks of employing AI. Where you certainly need to be extra vigilant and **careful** is with **protecting confidential data, GDPR compliance**, and adhering to any other standards the business may have (e.g. ISO).

Human factor

All change goes hand-in-hand with stress, and it is natural that mistrust and resistance can arise when such technology goes live. It is crucial that staff get hands-on experience of the technology, test it and try it out. By asking questions to find a solution, you can train AI like a junior colleague, give it feedback, and you learn a lot about yourselves too: for example, the answers you get to the questions you ask often gives you feedback on the quality and wording of your questions. Ultimately, the answers provide feedback on your delegation skills, and it will also make it clear that one of the most effective learning methods is teaching itself. **Initial fears and resistance can be markedly reduced if staff can gain an insight into the world of algorithms during this testing phase**, and understand the potential and limitations of such a solution.

What role is there for artificial intelligence in tax consultancy?

In sectors such as tax consultancy that traditionally offer high added value, it is only natural to encounter human scepticism: many still doubt that artificial intelligence in tax consultancy is even viable. **The situation is somewhat easier in the field of compliance services**, since here (e.g. filling in certificates, preparing calculations) we have been using automation and software-driven solutions for several years. Some of these solutions are proprietary developments, and there are also excellent products available on the market.

Yet artificial intelligence in tax consultancy can also help in other areas: both for tax advisers and their clients. Examples include the automation of tax returns, monitoring of tax liabilities, the **development of tax optimisation strategies** and communication with tax authorities.

Chatbot, monitoring of legislation, tax return automation

Artificial intelligence can be employed for **client management and communication** too: AI-based chatbots and virtual assistants can help tax advisers to liaise with clients and seek quick answers to tax questions and problems.

Algorithms can also help tax advisers **keep track of updates to tax legislation**. Artificial intelligence systems can analyse laws and regulations and assess their impacts.

The Hungarian tax system is converting to digital solutions at an extraordinary pace: artificial intelligence can be used to automate the **process of completing and submitting tax returns**. The individual algorithms can analyse data quickly and accurately, apply tax rules and regulations, and prepare or even file tax returns.

Strengths and weaknesses

Overall, artificial intelligence in tax consultancy offers the potential to increase the efficiency of tax processes, improve the quality of services and reduce tax risks. However, it is important that these **systems need to be monitored and controlled**, because alone they cannot yet ensure our commitment to client trust and data protection.

Finally, perhaps the important question is what does artificial intelligence itself think about its role in tax consultancy? If we were to say that we listened to its opinion when preparing this article, and used it to write the article, that wouldn't be far from the truth.

IT-based tax solutions

An IT-based tax solution, thus the use of artificial intelligence in tax consultancy will achieve the most and be the most efficient if it is adapted to the company's individual situation. That is why we at WTS Klient Hungary place high value on tailored implementation. Feel free to contact us if you want to simplify the taxation of your company with automated and digitalised solutions!



Our expert

András Szadai

Partner | Tax Consulting
Mobile: +36 20 596 0017

Areas of Expertise

- > transfer pricing, preparation of transfer pricing documentation
- > 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
- > project management

Simplified administration in payroll

Changes to sick pay claims and benefit returns in Hungary

Author: **Viktória Kocsy**
viktoria.kocsy@wtsklient.hu



Claim forms sent from the ÁNYK will no longer be accepted by the health insurance fund.

The 2024 amendments to the legislation on business organisations have brought significant changes not only in taxation, but also in labour law, employment and health insurance. Some of the changes are designed to make administration in payroll simpler and more efficient, and to speed up the process of claiming health insurance cash benefits and sick pay after accidents.

Minimum wage

Although it will not reduce administration in payroll, the changes to the minimum wage in Hungary should be highlighted among the changes affecting payroll in 2024. As we [previously revealed](#), breaking with tradition the decision to raise the minimum wage and the guaranteed wage minimum was taken in November 2023, but there were **two stages to implementing the amendment**.

The new minimum wage and the guaranteed wage minimum were taken into account for the first time when **determining wages due for the month of December 2023**. The minimum wage increased to HUF 266,800 gross, while the guaranteed wage minimum is now HUF 326,000 gross.

In connection with the increase in the minimum wage and the guaranteed wage minimum, the **tax payable on simplified employment** changed, since this rate is based on the minimum wage, and the **minimum contribution threshold for employees** also changed. This is because the minimum contribution

threshold for employees is 30% of the minimum wage, so from 1 December 2023 the social security contribution and social contribution tax will be payable on HUF 80,040.

When assessing insurance in the case of **contract work**, the increased minimum wage in force from 1 December 2023 is also used to determine whether or not the individual becomes insured. If the income underlying the contributions for the given month reaches 30% of the minimum wage or, one-thirtieth of the minimum wage when broken down by calendar days, i.e. HUF 2,668, the contractor is obliged to register, declare, deduct and pay.

The second step affected **social security benefits, rehabilitation contributions, social contribution tax allowance, personal tax allowance or remote-working cost reimbursements** linked to the minimum wage, and for these the amendment was not applicable until January 2024.

Other fringe and non-wage benefits

One area where administration in payroll really has been reduced in Hungary from this year is payer returns. As we touched upon in the [summary of 2024 tax amendments](#), the **obligation to declare and pay certain other fringe and non-wage benefits** no longer has to be met on a monthly basis like in previous years, but on a **quarterly basis**. One **exception** here is among others the portion exceeding the **annual allowance of the fringe benefits granted to**

an employee who leaves during the year (SZÉP card recreational allowance). In practice, this means that if part or all of the fringe benefit given to the employee in the month of departure is no longer considered a non-wage benefit, the tax on the benefit must be declared and paid in the month of departure instead of as part the quarterly obligation.

Claiming health insurance benefits

The other area where administration in payroll is changing significantly – albeit not yet simplified – from 2024 is the administration of health insurance cash benefits. This is because from 1 January 2024, the procedure for claiming health insurance benefits in Hungary (sick pay, accident sick pay, infant care allowance, childcare allowance, etc.) for employers who are not social security paying agents has changed. Instead of the **general programme for completing forms (ÁNYK)**, claims must now be submitted through the Business Gate.

This means that forms sent from the ÁNYK, such as employer certificates, claim forms and forms on permanent incapacity to work will no longer be accepted by the health insurance fund. The claim form EB_IGBEJ_01 can be found in the Personalised Administration Interface (SZÜF), available from the Business Gateway (or Government Portal or Office Gateway), under the Health/Health Insurance Cash Benefits menu. If the claimant is applying on the grounds of a permanent incapacity to work, the EB_FOLYKK_01 form should be used.

Of course, it is still possible to submit the form by proxy, but for this the proxy must be registered in the E-Administration Register (RNY).

Payroll

In this article, we have highlighted only some of the changes to payroll accounting affecting employers and employees in 2024. [Our payroll experts](#) will be happy to provide you with more information on other benefits and legislation, and how they may be applied at your company. Please do not hesitate to contact us.



Our expert

Viktória Kocsy
Manager | Payroll
Mobile: +36 20 478 5125

- Areas of Expertise
- > payroll
 - > social security

The latest WTS Global Financial Services Newsletter has been released

Insights on financial services from all over the world

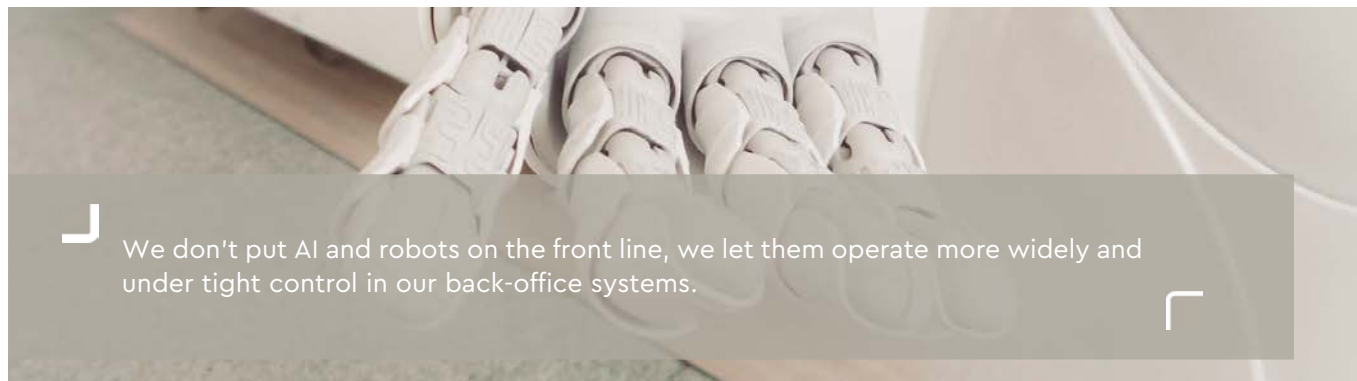
The second edition of WTS Global Financial Services Newsletter in 2024 presents taxation related news from six countries – China, Finland, Germany, Italy, Luxembourg and the United Kingdom – with focus on the international financial services industry.

You can download the newsletter in PDF format here: [WTS Global Financial Services Newsletter #2/2024](#)

Practical applications of artificial intelligence and robotisation

We talk about this a lot, but what financial areas can they be used in?

Author: **György Pintér**
gyorgy.pinter@wtsklient.hu



We don't put AI and robots on the front line, we let them operate more widely and under tight control in our back-office systems.

Artificial intelligence is possibly the most electrifying and most promising area of the business world today. The strategic focus of our financial advisory services company is also increasingly on technological development, automation and robotisation, and the use of solutions driven by artificial intelligence. In the following article, keeping with our promise made in the introduction to [February's WTS Klient Newsletter](#), and also referring to András Szadai's article on page 4, we present the practical applications of these areas through our own example: this time looking beyond tax advisory to the other services of WTS Klient Hungary as well.

Transformation in accounting

There is no denying that as one of the leading firms on the accounting services market, we (also) need to be at the forefront of digitalisation and robotisation, whilst being guided by **prudence, awareness and proportionality**. This is because it is not clear what is worth investing in with regard to technological development and robotisation. For example, it recently transpired that OCR technology (text recognition) has become almost obsolete in the accounting profession thanks to online developments by the Hungarian tax authority (NAV) for processing domestic invoices. So **global and local trends and paths need to be monitored**, but delaying decisions can also have serious consequences, with the risk of falling permanently behind.

Our profession is undoubtedly undergoing a major transformation. **The accountant of the future** (and almost of the present) **will no longer record data** since bank transactions and client invoices are entered automatically, the data content of supplier

invoices is downloaded from the NAV online database, and general ledger accounting items (salaries, depreciation, foreign currency revaluations, accruals and deferrals, taxes, etc.) can largely be entered and run in the accounting software.

At the same time, clients legitimately expect us **not to lose our focus on personalisation and personal attention**.

Robotisation in back-office systems

So how can we keep the personal touch, but also meet the demands of the times in using artificial intelligence, robotisation and the deployment of technology?

The answer is simple: **we don't put AI and robots on the front line, we let them operate more widely and under tight control in our back-office systems**.

Today, most of our business divisions are already using, or have the potential to use, some form of artificial intelligence.

What **specific development paths** are emerging for WTS Klient Hungary?

- › In addition to Excel macros, Power Pivot and Power Query, our **outsourcing, financial advisory and controlling** services have for years been backed by artificial intelligence-driven BI software (business intelligence), which can be integrated with both our in-house accounting systems and our clients' ERP (enterprise resource planning) systems. In up-to-date accounting, the accounting dimensions employed alongside

general ledger figures provide the basis – thanks to intelligent database use – for a dynamic dashboard interface that replaces the use of Excel-based controlling reports. Of course, in addition to financial information, structured information from other database-generating areas of the company, such as production or HR, can also be displayed on this interface to provide the client's management with the comprehensive information they need to make decisions.

- › One of the in-house software solutions used by our **accounting division** provides a complex document workflow and invoice approval system for complete, integrated and digital processing of supplier invoices. The solution, which also employs artificial intelligence, downloads our clients' domestic invoice data from the NAV's online system, and matches the data with the invoice or e-invoice data uploaded in scanned format to the client portal. The software automatically transfers the invoice image and data content to the invoice filing and authorisation system, from where it is sent to the accounting module in a pre-recorded format after digital client approval.
- › In our **tax advisory division**, we are also considering the potential of robotisation and artificial intelligence in an increasing number of areas. These solutions can help in the area of compliance services, pre-screening certain financial comparables, tracking changes in legislation or monitoring tax liabilities. (For more information on these solutions please read the article by András Szadai.)
- › In our own **recruitment activity**, artificial intelligence integrated into our HRM (human resource management) software supports our preboarding process by ranking candidates. The built-in

artificial intelligence is trained with keywords and uses parameters to process and evaluate the information in incoming CVs. This kind of robotisation is of huge assistance to our HR department when processing large amounts of data.

Internal or external developments

As mentioned in one of our [previous articles](#), today there are ready-made software solutions – so-called off-the-shelf solutions – for almost any need. But you can also choose to have your own solutions designed by external developers or by your own development team. There is no one-size-fits all solution, it is up to the company leaders and IT managers to figure out what best fits the means and objectives of the company. Mixed solutions are often viable too.

WTS Klient Hungary currently uses the above AI-enabled solutions not as part of in-house developments but by **purchasing or leasing off-the-shelf software**. That said, we are taking the necessary steps with technological improvements, efficiency gains and business automation through internally-driven RPA (robotic process automation, robotisation) and digitalisation year on year.

IT / Business Automation

WTS Klient Hungary has been supporting the accounting and taxation managers of international companies for more than 25 years. Our professionals experienced in the areas of taxation, process design and IT solutions and well-versed in the world of automation and robotisation can assist you with harmonising diverse needs and designing digital systems affording you an advantage over your competitors. Our [IT / Business Automation](#) staff look forward to hearing from you if you need IT solutions to optimise your company's processes.



Our expert

György Pintér

Senior Partner | Business & Product Development
Mobile: +36 30 569 7577

Areas of Expertise

- › business strategy
- › service and product development
- › business development and business planning
- › organisational developments

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 adviser or use any of the contact details below.

Services of WTS Klient Hungary:

- > Tax consulting
- > Financial & accounting advisory
- > Accounting
- > Payroll
- > IT / Business Automation
- > HR services

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 Business Advisory Ltd.

Registered seat: H-1143 Budapest | Stefánia út 101-103. | Hungary

Company registration number: Cg.01-09-730729

Telephone: +36 1 887 3700

info@wtsklient.hu | wtsklient.hu