

WTS Klient Newsletter

People you can rely on.

Dear Readers,

In our last newsletter we shared the great news with you that following the merger with Finacont, VGD Hungary will also be part of WTS Klient, and thus our firm, together with WTS Legal, now has 370 professionals at its disposal with a portfolio of services covering all areas of business advisory.



Although the ink has barely dried on the agreement to expand the group, the integration is well underway. The similar values and commitment to professionalism of both companies make it easier to find common ground between the corporate cultures. We have been working together with VGD Hungary for more than fifteen years, so we were practically old acquaintances and enthusiastic to start our joint team-building sessions, professional training courses and shared conferences in the autumn. These events have also reassured us that we can serve our clients even more effectively, that we are not only stronger after this expansion but also more powerful.

As a sign of our growth, you can now meet new experts in our newsletter: in this issue you can read the first articles by our bookkeeping director Hajnalka Dobai, and our payroll director Éva Puskás. In addition to the accounting and payroll topics, the newsletter cannot come to you without tax news of course: on page 4 we have summarised the VAT changes expected in Hungary as a result of the EU's VAT package, ViDA.

And finally, we also report on some of the awards and accolades we – our network, our tax experts and our HR-team – have won in recent months, and of which we are very proud. These awards are a strong signal that we are on the right track.

Stay tuned, there's more to come!

Szabolcs Szeles
Senior Partner

Contents

- 2 **Hajnalka Dobai:** Interim dividend: payable when, how and to whom?
- 4 **Tamás László:** ViDA package to bring radical changes to VAT
- 6 **Éva Puskás:** Funeral leave upon death of a relative
- 8 **Veronika Hilovszky:** Obligations and challenges of newly established businesses



Five tax experts of WTS Klient among ITR World Tax Leaders 2025



Tamás Gyányi, András Szadai, Réka Kiss, Tamás László and Zoltán Cseri were also included this year in the ITR World Tax Leaders 2025, a compilation of the world's best tax experts. [Click here and read our article about the details!](#)

Interim dividend: payable when, how and to whom?

All you need to know about the payment conditions and tax implications of interim dividends

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Interim dividends may only and exclusively be paid based on an interim balance sheet approved by the main decision-making body.

A for-profit company is basically set up with the aim of distributing profits to the owners in proportion to their shareholding in the company, i.e. dividends. Dividends can only be approved in Hungary upon the adoption of the year-end accounts, and during the year it is possible to declare and pay an interim dividend. We take a look at the conditions and tax implications below.

Conditions for paying an interim dividend

After closing the accounts for the financial year and adopting the financial statements, the main decision-making body of a company can decide to pay a dividend and the amount of the dividend. **The dividend decision can only be taken at that time, when the annual financial statements are adopted.** If you want to distribute profits after the adoption of the annual financial statements, i.e. **in the period between two sets of accounts**, the company can **assess and pay an interim dividend**.

Based on the provisions of the Hungarian Civil Code (Act V of 2013), the decision on paying an interim dividend is taken by the single member or the members' meeting in the case of a limited liability company, or by the founder or general meeting in the case of a joint stock company, or by the board of directors based on authorisation in the articles of association. If the company has a supervisory board too, its prior approval is also required for the decision on the interim dividend.

An interim dividend may be paid if

- > the interim balance sheet shows that the company has the necessary **funds** to pay dividends;

- > the payment **does not exceed the amount of unrestricted retained earnings** plus the after-tax profit or loss as shown in the interim balance sheet; and
- > the company's adjusted **equity capital** less the retained earnings and any positive valuation reserve **does not fall below** the amount of its **registered capital** as a result of the payment.

Interim dividends may only and exclusively be paid **based on an interim balance sheet** approved by the main decision-making body. This interim balance sheet must be prepared in accordance with the general rules of the Hungarian Accounting Act. If the company is subject to an audit, the interim balance sheet must be accompanied by an audit opinion.

As a general rule, any member/shareholder who was a member/shareholder of the company at the time decision to pay the interim dividend was made is entitled to receive the dividend. The members of the company may pay dividends / interim dividends at different rates if this is provided for in the articles of association.

Tax payment liability

If the company is **owned by another company** and the company pays dividends or interim dividends to that owning company, it is **not liable to pay tax**.

By contrast, **if the owner is a private individual**, the interim dividend is taxable. While dividends are subject to personal income tax and social contribution tax, an interim dividend is only **subject to personal income tax**. Social contribution tax is payable when the interim dividend becomes a dividend.

If, after payment of the interim dividend, it transpires from the annual financial statements that no dividend can be paid, or only a smaller dividend is approved – i.e. the interim dividend does not become a dividend, or only partly – then this amount is reclassified as a loan on which interest is payable. If the individual does not pay the interest, they will have earned income from interest relief under the Personal Income Tax Act. **Any amount that does not become a dividend must be repaid by the members / shareholders at the request of the company.**

In the case of a company liable to pay corporate tax, a paid interim dividend must be included in the information in the corporate tax return for the year –

regardless of whether it was converted into a dividend or not.

Accounting services

The rules for paying and accounting for dividends should be regularly reviewed and scrutinised in each reporting period, and even separately in the case of an interim dividend payable during the year. The staff at WTS Klient Hungary's accounting division with over 25 years of experience are ready to help clients with any questions they may have on this topic.



Our expert

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- Areas of Expertise
- > accounting
 - > accounting advisory
 - > IFRS



Recognition for the WTS Klient HR team

WTS Klient has won a bronze award in the candidate experience category of this year's HRkomm Award, the oldest and largest HR communication competition in Hungary. With this rating, the professional jury recognised the persistent and enthusiastic work of our HR team in our recruitment processes, which strive to provide candidates with the best and most memorable experience possible, from advertisement to interview and to the day of entry.

[Find out more on our website!](#)

WTS Global is Tax Technology Provider of the Year

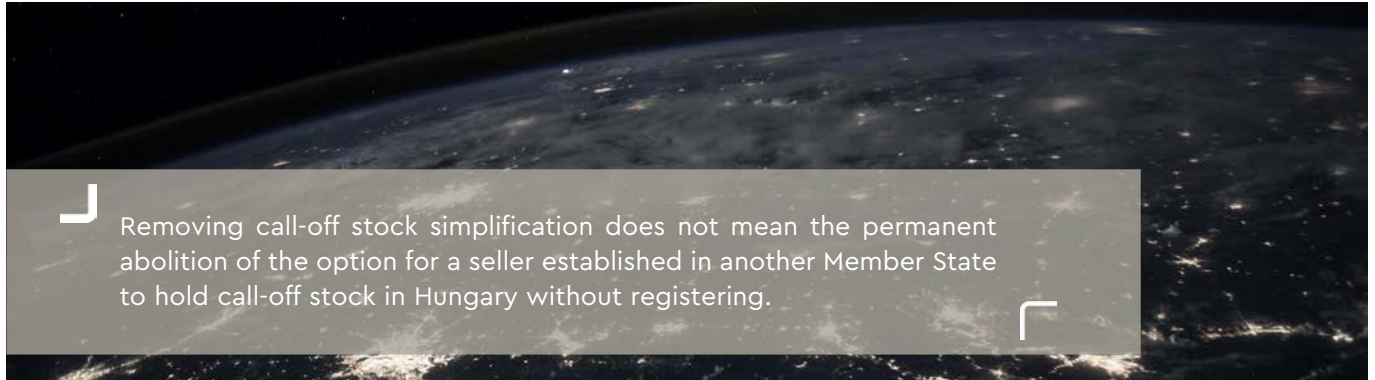
WTS Global received four accolades from International Tax Review at the EMEA Tax Awards Ceremony 2024. Apart from being awarded for the fourth time since 2017 as Indirect Tax Firm of the Year, this year WTS Global received also the Tax Technology Provider of the Year award, which is a strong and rewarding signal that the network is taking bold steps to establish itself as a pioneer in digital and AI-driven Tax Consulting on an international level.

[Click here for more information on the awards!](#)

ViDA package to bring radical changes to VAT

Measures affecting call-off stock could come into force in a few months

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The EU's VAT package, the ViDA package (VAT in the Digital Age) could come into force as early as the beginning of next year, for example changes abolishing the rules on call-off stock, if the package of proposals is adopted.

Where does the process stand now?

The ViDA package, aimed at modernising the EU's VAT system and cutting VAT fraud, was proposed almost two years ago and presented to the Parliament by the European Commission last November. **On 24 July 2024 the European Parliament published its legislative opinion, approving the Commission's proposals with a few amendments.** If the Commission agrees with the amendments and makes no further changes, it will forward its position to the European Council and the national parliaments.

The Parliament's proposals contain minor additions and clarifications to the ViDA package, mainly concerning data security and the handling of personal data. For example, under the proposed amendments, the data collected by the new systems can only be stored within the EU, and the data reporting requirements do not apply to defence and national security contracts. The processing of and access to data on private purchases would also be restricted to protect privacy.

Main objectives of ViDA package

In our [previous article](#) we covered the three main objectives of the ViDA package:

- > the introduction of digital reporting, mandatory e-invoicing for cross-border transactions;
- > updated VAT rules to meet the challenges of the platform economy;
- > the introduction of single VAT registration.

Below are some of the other new features expected in relation to the three objectives.

Digital data reporting

The recapitulative statement will be replaced by digital reporting, as this must be forwarded for each transaction carried out by the taxpayer no later than three working days from the posting date in their accounts or from the date on which the invoice should have been issued. So **there is now no need for the recapitulative statement.**

Member States may allow the issue of e-invoices in other formats in accordance with the Directive, but each Member State must also adopt the single European standard as well. They may require that electronic invoices be issued for domestic transactions too.

The provisions of the ViDA package for digital reporting are expected to apply from the beginning of 2028, and be implemented into national law by the end of 2027.

Single VAT registration

The single VAT registration aims to reduce administrative burdens and eliminate registration obligations between Member States. To this end, the ViDA package removes the call-off stock simplification, which until now allowed a seller established in another Member State to hold call-off stock in Hungary without registering. However, removing the simplification does not mean the permanent abolition of this option, since by extending and amending two existing regulations, the same scheme can still be set up, avoiding the registration obligation.

An existing option would be made compulsory by an amendment to the ViDA package, according to which if a taxpayer without a VAT identification number in the Member State where the VAT is payable supplies a taxable person who has a VAT identification number in that Member State, then it is compulsory to apply the reverse charge mechanism. In other words, for a reverse-charge purchase in Hungary, the buyer would pay the tax instead of the seller, so this system ensures that the supplier does not have to register in the Member State if they don't have a tax number there. Of course, the taxpayer can still choose to register in that Member State. Since this type of reverse-charge purchase had to be reported in the recapitulative statement so far, the purchaser will soon have to provide such information in the form of digital reporting.

One-stop shop system

The ViDA package expands the one-stop shop system to the transfer of own products to another state. Goods transferred in this way are considered to be tax-exempt acquisitions in the destination Member State. Taxpayers must register in the Member State where they are established, and report any changes to such activities, for instance the start and end of activities. The unique VAT identification numbers previously issued must be used, and VAT returns submitted electronically every month in the Member State that issued the number.

With the extension of the one-stop shop system and the application of reverse charging in Hungary, taxpayers who previously used call-off stock will still be able to avoid registration in the country of destination. The new system could also benefit products with a longer rotation period, as there is no 12-month deadline on sales.

The phasing out of call-off stock is expected to be one of the first steps, with Member States adopting and publishing the laws, regulations and administrative provisions necessary to abolish the call-off stock rules by 31 December 2024 at the latest.

Value added tax consulting and compliance work

The VAT experts at WTS Klient Hungary with their decades of professional experience can effectively support their clients not only with Hungarian but also international VAT regulation. Do not hesitate to contact us if your company is involved in international, intra-EU transactions, and you have questions about what changes you need to prepare for under the new rules.



Our expert

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Areas of Expertise

- > tax advisory in all tax types
- > value added tax planning
- > tax authority inspections
- > preparation and reviews of transfer pricing documentation
- > due diligence

Funeral leave upon death of a relative

Who can be exempted from their obligation to work, when, and for how long?

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The current provisions of the Hungarian Labour Code do not recognise the concept of special leave.

Loss of a loved one is an unexpected and painful event for anyone. It's understandable and natural that we need time to process the loss, and deal with the funeral arrangements. Employers also have a duty to relieve the burden on their bereaved employee. One way to do this is to grant special leave, so-called "funeral leave", in addition to basic leave. We've explored the details of this below.

Funeral leave is not really leave

What has become colloquially known as funeral leave is not really leave in the legal sense, but a kind of "absence", or more precisely "exemption from work". This is because the current provisions of the Hungarian Labour Code do not recognise the concept of special leave. Hence, it is not by accident that the legislators excluded absence requested because of the death of a relative from the scope of leave, as the rules on leave do not apply in this case.

What are the rules on leave that are not applicable in this case?

- › Employees must give notice of their request for leave at least 15 days before the start of the leave. Since death is an unexpected event, 15 working days is not meaningful in this case. Employees **can also request** exemption from their obligation to work **on the day of the death**.
- › When the employment relationship ends, if the employer has not granted the requisite proportional leave, this must be compensated for, except for paternity and parental leave. In the

case of funeral leave, unused days cannot be deemed because this would not be in line with the original purpose – to **provide time**.

Which legislation provides for the exemption from work?

Section 55 (1) of the Hungarian Labour Code provides for the various cases in which employers are obliged to exempt employees from their obligation to work. These include, but are not limited to, illness, compulsory medical examinations, donating blood or taking part in legal proceedings. **Point (f)** refers to the exemption in the event of the death of a family member:

Section 55 (1) An employee shall be exempted from their obligation to be available for and to work f) for two working days upon the death of a relative.

Who counts as a relative?

The closing provisions of the Hungarian Labour Code define what constitutes a relative:

- › spouse or partner,
- › immediate relative (e.g. grandchild, child, parent, grandparent),
- › adopted, step and foster children,
- › adoptive, step and foster parents,
- › sibling,
- › spouse of an immediate relative (e.g. son-in-law, daughter-in-law),

- > relative and sibling of spouse's immediate relative (e.g. mother-in-law, father-in-law, sister-in-law, brother-in-law)
- > and spouse of sibling (e.g. sister-in-law, brother-in-law).

This does not include aunts, uncles, cousins or godparents, which also means that in the event of their death, employees are not entitled to funeral leave.

How to request funeral leave?

The way to apply for funeral leave is to submit a request to the employer, stating the date of the absence, the reason, and the relationship to the deceased. The two days can be claimed in two instalments for days that are far apart in time (e.g. one day for a funeral and one day for a probate hearing).

The employer usually has a form for this purpose, which can be obtained from the HR department.

What documents need to be submitted or presented?

To get funeral leave, employers may ask for the death certificate or post-mortem report, subject to GDPR rules.

Until when can you take the two days off?

There is no deadline set in the Hungarian Labour Code, but in accordance with the principle of the

proper exercise of rights, the two days must be granted in the period following the death, at the time requested by the employee. It is important to note that there is no 60-day limit.

One small loophole is that in the case of a change of job, the number of days issued or not in this way is not shown on the exit papers. Since this is not very common, there is no best practice, and the Labour Code does not give clear guidance on how to proceed in such a case.

What remuneration is paid for the period of absence?

Employees are entitled to an absence allowance for the period of the funeral leave, at the same rate as if they were on holiday.

Payroll

Our article shows that absences for special reasons, such as funeral leave, can be treated differently from normal leave. [Our payroll experts](#) are happy to help our clients navigate their way among the many different types of leave and absence. Feel free to contact us.

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Areas of Expertise

- > payroll
- > social security
- > fringe benefit



The latest WTS Global Financial Services Newsletter has been released

Insights on financial services from all over the world

The third edition of WTS Global Financial Services Newsletter in 2024 presents taxation related news with focus on the international financial services industry from eight countries: Finland, Germany, Poland, Portugal, Serbia, South Korea, Sweden and the United Kingdom. You can download the newsletter in PDF format here: [WTS Global Financial Services Newsletter #3/2024](#)

Obligations and challenges of newly established businesses

Are tax returns the only issue?

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Before starting the accounts it is very important to deliberate on issues, such as the choice of financial year or bookkeeping currency.

The obligations of newly established businesses should be reviewed from time to time due to the constantly changing legal environment. Apart from filing the right returns, newly established businesses can face a number of other challenges. In this article, I focus only on the filing, reporting and other challenges related to bookkeeping activities.

Standard returns to be sent to the National Tax and Customs Administration

The first **standard return to be filed** by newly established businesses in Hungary is the **T201T** form, which generally includes the **registration** with the National Tax and Customs Administration (NAV), the chosen MNB or ECB exchange rate, and if applicable, the registered office service and the company's document archive for the tax authority. The filing deadline is 15 days from the date of the change.

From the moment the company has a valid tax number, it is also obliged to submit VAT returns. Newly established businesses have to file monthly returns in the year of registration and in the following year, so before starting to keep accounts, it is also necessary to check which periods require **monthly VAT returns**, possibly retrospectively. VAT returns can be submitted on form **65** by the 20th day of the month following the month in which the return is filed.

For **contributions**, the requisite return is **08**, the deadline for which is the 12th day of the month following the given month. In this case, it is also advisable to check whether any return has been missed and needs filing.

Moreover, at the end of the financial year, newly established businesses must submit the **01 return** for other contributions, the deadline for which is 25 February after the end of the financial year. Year-end closes in Hungary include the **corporate tax return (29)** and the **local business tax return (HIPAK)**, the deadline for which is the last day of the fifth month following the end of the financial year.

It is important to note that these returns must be submitted even if they don't contain any data (nil returns). In all cases, returns must be submitted electronically to the NAV, and if the company decides to submit the returns through a representative, it is also necessary to fill in the so-called **EGYKE** form.

In addition to what is listed above, all organisations in Hungary that conduct economic activities – businesses, civil society organisations, foundations, churches or religious organisations – are obliged to register on the **business gate**. Business gate registration allows companies to communicate electronically with the various authorities and institutions, thereby improving the efficiency of their relations with public authorities.

Other reporting obligations of newly established businesses

In addition to the commonly known returns for submission to the NAV, newly established businesses must also register with other institutions. To register with the **Central Statistical Office**, form **1032** must be sent to the CSO regional directorate with jurisdiction for the location of the company's head

office, within 15 days of the date of establishment. This form collects preliminary information on the company's activities, sales revenue and other data.

In addition, all companies have to register with the **Hungarian Chamber of Commerce and Industry**. Entities engaged in agricultural activities have to register with the Hungarian Chamber of Agriculture instead.

The registration for **local business tax** is done electronically to the local authority with jurisdiction for the location of the company's registered office or place of business, using the form designated by the local authority.

And you shouldn't forget that for companies incorporated in Hungary, the head of the company must open at least one domestic **bank account** within eight days of the company's establishment. In addition, if the company has a bank account abroad, this must be notified to the Hungarian Tax and Customs Administration. **And that's not all...**

Problems encountered when the bookkeeping starts

Bookkeeping currency: As an accountant, I often find that newly established businesses don't necessarily choose the right bookkeeping currency. Many companies have a significant part of their transactions in a currency other than the forint, such as the euro, and while the parent company's bookkeeping currency is also the euro, the firm chooses to keep its accounts in HUF in its articles of association. This can cause a number of difficulties with reconciliations and reporting, and the fact that changes in the forint exchange rate can have a significant impact on the operation and performance of companies should not be ignored.

Audit: One might rightly think with newly established businesses that there is no need for a statu-

tory audit, as they have not yet started their activities and have no sales revenue, only registered capital. However, if the company is a consolidated entity, an audit is always mandatory, regardless of the size of its activity.

Different legal environments: Another complication is that companies registered in Hungary must be accounted for in accordance with the Hungarian Accounting Act, and of course, Hungarian law applies to all other legislation. This means that a number of reconciliations are needed at the outset with the foreign parent company to deal with accounting and taxation issues.

Financial year: The financial years of companies incorporated in Hungary often don't align with the financial year of the foreign parent company, which makes information reporting, accounting, the preparation of reports and consolidation processes much trickier. When established in Hungary, companies can determine the end of their financial year, so choosing a different financial year from the conventional one can avoid difficulties that may arise later.

Accounting

As our article shows, newly established businesses face a number of reporting and filing obligations, whether they have actually started trading or not. Yet in addition to a thorough analysis of these, before starting the accounts it is also very important to deliberate on other issues, such as the choice of financial year or bookkeeping currency, in order to avoid the difficulties associated with making corrections afterwards. The staff at the accounting division of WTS Klient Hungary have over 25 years of experience in helping clients make these decisions.



Our expert

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Areas of Expertise

- > accounting
- > accounting advisory

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.

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- > Tax consulting
- > Accounting
- > Payroll
- > Financial management services
- > IT / Business Automation
- > HR services

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