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Short News

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→ Changes in the corporate tax group taxation

Significant news based on legislative changes in summer 2019:

A taxpayer who starts his business during the year may opt for group taxation. The requirement for this is that this intention is already explained during the tax registration.

In the future, group members will no longer need to keep their books in the same currency.

If a member does not meet the legal requirements for group taxation, the tax authority prohibits only the group membership of this member, without affecting the taxation membership of the other members.

In the case of close relatives in accordance with the Hungarian Civil Code (Ptk.), direct and indirect voting rights must be added when determining the membership position.

→ Transfer Pricing – Is Segmentation required?

The current transfer pricing regulation (32/2017. (X.18.) NGM) underpins the taxpayer's obligation to demonstrate the market conformity of the transfer pricing used within the group. Consolidated presentation of controlled transactions is only possible if comparability is not jeopardized and its subject matter and terms are identical or closely related.

For a transaction-related presentation, it is necessary to allocate the content of the income statement to the individual transactions, a certain segmentation is required (e.g. using cost centers - cost object accounting, or project accounting). This follows e.g. Article 4 (3) (n) of the Regulation, which reads as follows: 'a presentation which focuses essentially on how the financial data used to prove marketability can be linked to taxpayers' financial accounts'.

→ Checking the VAT identification number of customers

From 1 January 2020, stricter conditions will apply to the documentation of tax-free EU intra-Community supplies and services. For a VAT-free intra-Community supply, the tax identification number of the customer must be known and verified at the time

of the transaction, which must also be indicated in the EU summary. Without this tax exemption will be lost. On the [website of the Tax office \(NAV\)](#) there is a guide how to check the validity of the tax number of business partners for correctness.

→ Declared sales tax on irrecoverable receivables will be refundable

From 1 January 2020, companies can, under certain conditions, correct the declared value added tax and receive it if their claim can be deemed to have defaulted.

These conditions include in particular:

- in the course of a liquidation/liquidation lasting at least two years, there were no indications that

the settlement of the invoice would be covered,

- the customer was not on the "black list" of the tax authorities at the time of the service,
- the customer must be informed about the VAT correction,
- the claim is not otherwise compensated.

→ Exit Tax

A new subsection on the subject of "Exit Taxation" has been added to the Corporate Income Tax Act under § 16 / A. The need for adoption stems from the EU Anti-Tax Avoidance Directive. The Exit Taxation should allow the Hungarian tax authorities charge tax to hidden reserves before they are withdrawn from Hungarian tax

jurisdiction, for example by transferring the registered office or transferring them to a foreign permanent establishment. It is calculated on a hypothetical capital gain by comparing the fair value and the book value of assets and liabilities, which are to be taxed, if there is no tax liability resulting from the displacement of circumstances.

→ Trade Tax Declaration through Cooperate Tax Office (NAV)

From 2020, the submission of a trade tax return via the NAV is only possible if the tax return has been correctly completed. If the errors indicated by the tax return program are not corrected, the NAV does not forward the tax return to the local tax authority. If the taxpayer informs the NAV of the seat of headquarters and permanent establishments at

the time of registration or modifications, the tax authority forwards the relevant information to the relevant tax authorities of the territorial authorities. Stating the sites to the NAV is not an obligation, just an option that reduces the taxpayer's administrative burden.

→ Retention period of business documents/ double taxation agreements

Documents to determine the tax debt on income or assets that fall under double taxation agreements must be kept by the taxpayer regardless of the

nature of the record from the last day of the calendar year in which the tax return, data submission, notification must be made ten years.

→ Modification of the Hungarian Labor Code from 26 April 2019

With the modification of the Hungarian Labor Code valid from 26 April 2019, the stricter requirements of the restriction of the personal rights of the employee will be ascertained: the restriction of these rights by the employer is subject to a prior written notice on condition that the information shall determine also the circumstances substantiating the necessity and proportionality of the restriction.

Compared to the previously valid provisions, it is a modification in connection with the IT-devices ensured by the employee that instead of the exclusion of the control of the private life, it is emphasized that the employee is entitled to use the IT device provided to him exclusively according to the interest of the fulfilment of the employment relationship.

→ Modification of the Companies Act from 1 October 2019

The modification of the Companies Act valid from 1 October 2019 reconsiders the free-of-charge company information ensured by the government and available to anyone the purpose of which is that the person requesting company information can ascertain that the company exists and that he can become acquainted with the most important data of the company. The free-of-charge company information will not mean the knowledge of the so

called stored company register extract but an online, real-time ensuring of the company information is carried out.

The modification guarantees as a new free service that the company may receive an electronic notice on the modification of the data of the company registered in the company register in a form of a company certificate and also an electronic excerpt from the Company Register once a month.

→ Current decision of the Curia in connection with the corporate law (BH2019.207.)

According to the current decision of the Curia, the request for a legal supervision procedure is to be rejected if the party requesting the procedure does not show credibly a legal interest. The Court has not considered the argumentation as accurate according to which everybody is entitled to submit an application for a legal supervision procedure in the interest of the deletion of the company register data stated as unlawful with regard to the general legal interest related to the company register as authentic public register. According to the judicial

practice a person shall be considered as legally interested party whose life- and legal relationship in connection with the operation of the company may be directly affected by the result of the legal dispute. The purpose of ensuring of the public authenticity of the company register without any direct legal interest of the petitioner does not justify a procedure of substantive examination. However, the court of registration may ex officio examine the necessity of the carry out of a procedure but the requesting party is not entitled to enforce it.

→ Modification of the public procurement legal provisions from 1 April 2019

According to the modification entering into force from 1 April 2019 related to the provisions of the electronic public procurement, it is a change affecting the procedural rules of the proof of the suitability and of the reasons for exclusion that in case of providing offer for certain parts, the submission of such declaration or certificate cannot be requested from the economic entities which have already been submitted by the economic entity regarding a part of the same public procurement procedure.

In this case, the legal entity shall declare which declaration or certification submitted regarding which part he requests to take into consideration in the course of the assessment.

Only those economic entities can be used as organization providing the capacities of the tenderer or the applicant for participation which has been registered in the electronic public procurement system or whose data has been registered during the call for tender or the application for participation in the electronic public procurement system in advance.

CONTACT FOR MORE INFORMATION



Dr. Roland Felkai
Partner
T +36 1 8149 800
roland.felkai@roedl.com

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Publisher:
Rödl & Partner Budapest
Andrássy út 121
1062 Budapest
T +36 1 8149 800
www.roedl.com/hu

Responsible for the content:
Dr. Roland Felkai – roland.felkai@roedl.com

Layout/Type:
Dr. Roland Felkai – roland.felkai@roedl.com

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