Rödl & Partner

NEWSLETTER HUNGARY

MUTUAL SUCCESS

Issue:
5/2018

Latest news on tax changes in Hungary 2019

www.roedl.de/ungarn | www.roedl.com/hungary | www.roedl.com/hu

NEWSLETTER HUNGARY

MUTUAL SUCCESS

Issue:
5/2018

Read in this issue:

→ Introduction

Dear Readers,

We wish a happy Christmas and a successful new year in 2019 to all of our readers.

This newsletter focuses on modifications in the tax regulations.

In the following, we would like to inform you about major tax modifications in Hungary. Some of the modifications were adopted in the summer of 2018, while in the autumn of 2018 other modifications were proposed and then passed into law on 13 November 2018.

Kind regards from Budapest

Dr. Roland Felkai

Dr. Roland Felkai
Managing Director and Partner

→ Corporate tax

GROUP TAXATION

A group taxation regime will be introduced in Hungary. It will be available for associated enterprises if majority influence of at least 75 per cent exists between them. Subject to certain conditions and limitations, such companies can use their accumulated losses and tax benefits jointly. If a group wants to take advantage of the group taxation regime, it will have to report this to the tax authority between 1 January and 15 January 2019. For more information, please see our 4/2018 Newsletter.

DEVELOPMENT RESERVE

The amount that can be posted to the development reserve will increase to HUF 10 billion from the current HUF 500 million.

LIMITATION ON INTEREST DEDUCTION

Under a newly introduced limitation on interest deduction, which will replace the thin capitalisation rule, net financing costs will only be deductible up to 30 per cent of earnings before interest, taxes, depreciation and amortisation (EBITDA) or HUF 939,810,000, whichever is greater.

SUPPORT FOR SPECTATOR TEAM SPORTS

Support for spectator team sports will now also apply to the costs of operating sports facilities.

SUPPORT FOR PERFORMANCE ARTS

The tax allowance applicable to support for performance art organisations will be discontinued in 2019.

WORKPLACE DAY-CARE

The costs of operating a workplace day-care centre will not have to be included in the tax base and will qualify as deductible costs.

TAX ALLOWANCE FOR R&D

The part of direct R&D costs that are not tax deductible in a given year because the tax base would be negative as result can be treated as carry-forward losses from 2019 even if the company has taken them into account as a tax allowance with respect to the welfare contribution tax.

CONTROLLED FOREIGN COMPANY

The definition of controlled foreign companies and the correction items that are used in the determination of their tax base have been significantly changed.

→ Personal income tax

CAFETERIA

Under the new rules, the only way to provide benefits to all employees at reduced tax rates will be through the SZÉP card or in the form of admission tickets to sports and cultural events, up to the value of the minimum wage. Other forms of benefit that enjoy preferential tax treatment, such as the reimbursement of kindergarten or pre-school fees and housing loans, are only available to certain groups of employees. We have discussed these changes in the cafeteria system in greater detail in a separate newsletter (please see our 4/2018 Newsletter).

FAMILY TAX ALLOWANCE

The tax base for the family tax allowance will be raised from HUF 116,670 to HUF 133,330 in the case of 2 eligible children.

→ Welfare contribution tax

R&D ACTIVITIES

Research institutes that operate in the form of business enterprises will only be required to pay half of the welfare contribution tax with respect to employees who work in R&D fields.

EMPLOYMENT OF RETIREES

Retirees will not be required to pay contributions if they continue to be employed after retirement. Employers will also not be subject to the welfare contribution tax on salaries paid to retirees.

→ Minimum wage

Until our editorial deadline (17 December 2018) there was no agreement on the adjustment of the current minimum wage (HUF 138,000) and the guaranteed minimum wage (HUF 180,500).

→ Value added tax

CAR RENT

The fees of a rental car can be deducted to the extent the car is used for the purposes of a taxable activity. The use of a car for business purposes must be supported with adequate documentary evidence. However, as with a similar rule applicable to services associated with the operation and maintenance of vehicles, a 50 per cent deductibility rate will be available in order toreduce administrative tasks if the car is used for business and private purposes. A company will not be required to apply the 50 per cent deductibility limit if a car is used for business purposes for more than 50 per cent of the time, and the company can prove this adequately.

HOME CONSTRUCTION

The 5 per cent reduced VAT rate will be applicable until 31 December 2023 to homes that had a final building permit on 1 November 2018.

VOUCHERS

The VAT Act makes a distinction between single-purpose and multi-purpose vouchers. The main differences between the two types of vouchers are as follows (for more information, please see our 3/2018 Newsletter:

- each transfer of a single-purpose voucher (including its issue, i.e. the first transfer, even if it is free of charge) is subject to VAT,
- a multi-purpose voucher is only subject to VAT when it is redeemed (however, services associated with the transfer of multi-purpose vouchers, such as distribution or promotion, qualify as taxable transactions, where the VAT is payable by the taxpayer selling the voucher).

DAIRY PRODUCTS

Extended shelf-life milk (UHT) is also subject to VAT at the reduced rate of 5 per cent.

REVERSE CHARGE

Grains and steel industry products continue to be subject to the reverse charge mechanism in 2019 (until 30 June 2022).

.

→ Innovation contribution

The list of companies that are subject to the innovation contribution has been modified, and therefore many currently exempt group companies will be required to pay the contribution (for more information, please see our 3/2018 Newsletter).

→ Rules of taxation, tax administration

DEFAULT FINE

The maximum rate of the default fine imposed for a violation of tax advance top-up rules will be reduced from 20 per cent to 10 per cent of the balance of the tax advance paid and 90 per cent of the tax liability.

CONSULTATIONS

The opportunity to consult the Tax Authority in connection with advance tax rulings will be discontinued in 2019.

LOSS-GENERATING COMPANIES

The Tax Authority will be required to audit taxpayers that have at least HUF 60 billion in sales revenues in two consecutive business years with an after-tax profit that is zero or negative in both years. The audit will have to be completed after the annual report for the second year is adopted. This rule will apply to the 2019 business year and subsequent years. Newly established companies will be subject to different rules, in that this provision will not apply to them in the first four years of operation.

LATE PAYMENT INTEREST

The calculation of late payment interest will be based on the base rate of the National Bank plus 5 percent rather than twice the base rate.

→ Accounting Act

TRANSFER OF BUSINESS LINES

The term business line and the accounting treatment of the transfer of a business line have been defined. Under the relevant rules, the profit realised in the transfer, and more specifically, the balance of the price paid and the book value of assets and liabilities must be treated as other income; if the result is a loss, it must be treated as other expenditure.

Imprint

Newsletter Hungary, Issue 5/2018

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