



FINACONT TAX NEWSLETTER

Country by country report (CbCR)



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Under the Act XXXVII of 2013 on the Rules of International Administrative Cooperation in the Field of Taxation and Other Public Duties, **multinational company groups are required to report through the so-called country-by-country reporting (CbCR).**

The country-by-country report obligation applies to those Hungarian companies of company groups whose revenues according to the consolidated annual report amount to EUR 750 million, or HUF equivalent at the exchange rate of the NBH in the year preceding the financial year.

The relevant legislation contains two obligations:

- **country by country reporting obligations, and**
- **reporting and change-reporting obligations.**

Country by country reporting obligation

Under the law, the reporting is **primarily the responsibility of the ultimate parent company** in the case of multinational companies, so if a Hungarian company is acting as a Hungarian tax-resident parent company within the operating company group, it must submit the report to NAV by completing form 18CBC. The Hungarian group member may also act as the **designated parent company** or be considered as a **group member subject to self-reporting**, which also results in the reporting obligation on Form 18CBC.

Reporting and change-reporting obligations

A Hungarian taxpayer is subject to the reporting and change-reporting obligation if **it is not obliged to submit a country-by-country report** as described in the previous paragraph.

In this case, the notification shall include the name of the group member responsible for submitting the CbCR and the tax residence of the group member concerned. As of the tax year 2019, the name of the multinational company group and the reporting period of the multinational company group shall also be added to the report.

The Hungarian members of the multinational group will be able to comply with the reporting obligation this year on form 19T201T. Notifications can be made as a change notification on the B06 sheet "Reporting and Change Reporting" of the form. **The reporting deadline was 31 December 2019.**

This reporting obligation has been in effect since the tax year 2016, with the first deadline being December 31, 2017. However, it is important to know that, regardless of whether

there has been a change in the person making the country-by-country report, **taxpayers must submit this form each year by the last day of the tax year** or within 15 days after the change in case of change reporting.

If the Hungarian company group member **fails to comply with its data reporting, reporting or change reporting obligation or fulfills it incorrectly or incompletely**, the tax authority may impose a very high **default fine of up to HUF 20 million**. However, there is no reason to impose a default fine if the taxpayer excuses his omission, delay, defect, misrepresentation or defect in his reporting justifying that he has acted in the manner normally expected.

Please contact our colleagues if you wish to have a detailed interpretation of this legislation as this newsletter offers general understanding.

Should you have any questions, please do not hesitate to contact us.

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