



FINACONT TAX NEWSLETTER

Economic Protection Action Plan – Phase 2



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In order to prevent the effects of the coronavirus epidemic, on April 8, 2020, Minister Dr. László Palkovics announced the second phase of the economic protection action plan. The details of the action plan have not yet been published, so this newsletter is not comprehensive, but is based on information published in the press only, highlighting the major measures.

The action plan will run until the end of December 2022, with the primary aim of re-creating jobs lost due to the economic effects of the coronavirus epidemic and relaunching the economy.

The action plan highlighted 5 economic protection areas:

- Job protection
- Job creation
- strengthening priority sectors
- business financing
- protection of families and the elders

I. Preserving jobs (job protection)

In 2020, the Government would support the preservation of jobs with HUF 330 billion, of which HUF 220 billion would be spent to support employment costs, and HUF 110 billion would be used for tax reduction and administrative simplification. The main measures are:

- Job Protection Wage Allowance (70 percent of lost net wages would be paid by the state instead of the employer),
- Special Job Protection Wage Support Program (providing a 40 percent wage subsidy for those working in research and development),
- an extension of the maximum duration of the working time limit for a maximum of two years after the end of the emergency,



- creating a corporate information website where corporates receive up-to-date information and help to address their challenges,
- providing immediate online training in response to corporate downtime.

The announced planned **tax reductions** include:

- a reduction of 2 percentage points in the social contribution tax from 1 July 2020,
- the deadline for publishing the 2019 statements is postponed to 30 September,
- an exemption from the EKAER guarantee would be granted,
- VAT refunds would be speeded up (*the deadline would be reduced from 75 to 30 days for a normal taxpayer and from 30 to 20 days for a reliable taxpayer*),
- special payment facilitation (installment payment, payment deferral) and tax reduction opportunities would be created by simplifying procedures and forms,
- ensuring that the taxpayer is not disadvantaged in terms of taxpayer ratings (risky and reliable) due to possible omissions during the emergency period.

Administrative simplifications include:

- the possibility of submitting documents on sick leave (sick pay) electronically during the emergency,
- the insurance relationship of an employee on unpaid leave during the emergency does not end.

2. Job creation

The Government would support job creation with HUF 804 billion in the period 2020-2022

as follows:

- training and education grants (including exemptions for students who do not receive a diploma due to lack of a language exam),
- business and industrial development (support programs to help companies change their technology and improve their energy efficiency),
- investment support (support for certain domestic and foreign investments in order to create a large number of high-paying jobs),
- launching infrastructural developments,
- launching research and development and innovation programs

3. Strengthening priority sectors

The Government would spend HUF 2,564 billion in 2020-2022 to help the priority sectors. Key sectors include:

- Tourism
- Film and design industry
- Health industry
- Food industry and agriculture
- Building industry
- Transport and logistics

Planned support for tourism:

- a. Public burdens on tourism would be reduced:
 - social contribution tax of SZÉP card is reduced to 4%,
 - the itemized flat tax of private individuals engaged in paid-catering activities (HUF 19,200) will be waived for the first half of the year and deferred payment will be possible for the second half of the year,
 - Tax on tourism (ifa) is suspended until 31 December 2020

b. Accommodation renovation support

- rural accommodation renovation program
- spa renovation program
- National Castle Program

c. Targeted support programs

- Extending the expiration of SZÉP cards
- Increasing the card envelope amount of SZÉP card to HUF 800,000
- Domestic travel incentive programs

4. **Business financing**

The Government will allocate HUF 2,416 billion in preferential loan and capital resources to enterprises between 2020 and 2022. This can take the form of:

- state-guaranteed soft loans,
- new capital programs managed by equity funds.

5. **Protection of families and the elders**

The Government plans to spend HUF 235 billion on the protection of families and pensioners between 2020 and 2022. The related measures are:

- Gradual reversal of the 13th month pension
- family support facilities (eg GYOD benefits, extension of the period for entitlement to family benefits)
- support for nursery cares
- easing the rules for GYES, GYET and GYED entitlements expiring during the emergency
- baby waiting allowance, CSOK, mortgage loan reduction (deadline extensions)
- Traffic and language exam discounts

The legal framework of the described measures has not been created yet, we will also inform our Clients about the detailed rules when the relevant legislation appears.

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

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

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