



FINACONT TAX NEWSLETTER

Abolishing tax advance supplement liability regarding corporate tax



Kis Gábor

„ As part of the summer tax package, The obligation to supplement corporate tax (the so called “top-up obligation”) has been abolished. According to the provision of the Corporate Tax Act in effect from 24 July 2019, due to the transitional rules, **it is now possible for the last time to supplement the tax advance and to make tax donations (allocations) from it.**”

As part of the summer tax package, The obligation to supplement corporate tax (the so called “top-up obligation”) has been abolished. According to the provision of the Corporate Tax Act in effect from 24 July 2019, due to the transitional rules, **it is now possible for the last time to supplement the tax advance and to make tax donations (allocations) from it.**

In the tax year beginning in 2019, the taxpayer will not be liable for top-up if the 20th day of the last month of the taxpayer’s tax year 2019 falls after July 24, 2019, which means that they do not have to complete a tax advance top-up in 2019. However, it is possible for a taxpayer to voluntarily choose to comply with this obligation by the 20th day of the last month of his tax year 2019 by declaring it to the state tax authorities, in which case he will act in accordance with the rules of the Corporate Tax Act in force on 23 July 2019 and may make a tax donation at the expense of tax advance supplement.

By opting for tax advance top-up, 50% donations made from tax advances may be supplemented up to 80% of the tax payable and could result in a higher tax advantage than by making donations in the yearly tax return. Therefore, it is worthwhile to use the option of tax top-up if the company is making a corporate tax offer. The opt-in declaration may not be modified or revoked after the 20th of the last month of the tax year 2019. If the taxpayer fails to meet this deadline, he will not be able to file in an application for extension [*Corporate Tax Act 29/A § 81-82. effective from 24.07.2019*].

The voluntary supplement described above is therefore subject to the provisions of the pre-change legislation, including the 90% top-up obligation and the penalty for failure to comply with it. [*Act on the Rules of Taxation 23I. §*].

The Corporate Tax Act does not contain any provision for voluntary tax advance supplement following the tax year 2019, therefore from tax year 2020 it is not possible to make tax donations at the expense of tax advance supplement (top-up).

Local business tax

The law modification did not remove the top-up obligation regarding the local business tax.

The text of the Local Tax Act has been modified only to the effect that corporate tax top-up obligation is no longer a condition for local business tax top-up: being a corporate taxpayer in itself entails the obligation to top-up local business tax.

That is, a **corporate taxpayer** who maintains double-entry bookkeeping and **whose annual**

revenue in the tax year prior to the tax year exceeded HUF 100 million (including the Hungarian branch of the foreign-based company and other foreign-registered companies applying double-entry bookkeeping) **has to supplement the business tax advance paid for the tax year to the amount of tax payable for the tax year** [*Local Business Tax Act. 41. § (9).*].

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.

Gábor Kis



FINACONT Szolgáltató és Tanácsadó Kft.
H - 1062 Budapest, Aradi utca 16, II. em. 2.
T. +36 1 345 0092
F. +36 1 345 0093
M. +36 20 945 5040
E-mail: gabor.kis@finacont.com
Web: www.finacont.com