



FINACONT TAX NEWSLETTER

Changes in “taxpayer rating”



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„As a consequence, according to provisions in force from 1 January 2016, **the tax authority qualifies taxpayers on a quarterly basis**, with the result that taxpayers are classified into three categories: reliable, general, risky.”

One of the key objectives of the introduction of taxpayer rating was to establish tax-centric taxation and a “service providing” tax authority. As a consequence, according to provisions in force from 1 January 2016, **the tax authority qualifies taxpayers on a quarterly basis**, with the result that taxpayers are classified into three categories: reliable, general, risky.

Following the qualification of taxpayers as of January 1, 2016, some taxpayers have been qualified as reliable, while others have become risky taxpayers. However, a significant part of the companies did not fall into any category, so they are not entitled to a more positive judgment, but obviously there are no less favorable legal consequences for them either.

The risky taxpayer

The deadline for payment of VAT reclaimed by risky taxpayers is 75 days.

If the taxpayer is considered to be a risky taxpayer in the period of or in a

part of the period being examined by the state tax authorities or during the time of a tax authority examination, **the deadline of the examination is extended with 60 days.**

The **late payment surcharge** that tax authorities charges after the tax difference revealed during a subsequent tax assessment is the **365th part of five times the central bank base rate** applicable at the time of charging after each calendar day.

In the event of law violation, the tax authorities **should impose fines and default penalties. The amount of minimum imposable penalty is 50% of upper limit of the penalty that can be imposed as per general rules.**

Changes in force from 1 January 2017

The reliable taxpayer

As of 1 January 2017, it is possible only for taxpayers to become a reliable taxpayer against whom the State tax and customs



authorities **did not initiate enforcement proceedings** in the financial year and in the previous four years (earlier this was 5 years).

The tax authority classifies taxpayers registered in the trade register or VAT-registered taxpayers as reliable taxpayer onto whom **the amount of default fines** imposed by the tax authority in the two years prior to the current year **did not exceed 1 per cent of the tax payment of the taxpayer for the given year** - from 2017 excise penalty shall also be considered as default penalty.

A taxpayer is considered to be a reliable taxpayer if he has a **positive balance of tax payment** in the financial year, so receiving a positive rating is not possible for the so-called “dormant” companies from 2017.

The tax authorities **transfers VAT reclaimed** by the reliable taxpayer **within 45 days**, instead of the usual 75 days; **for public limited companies, this time limit is 30 days**.

For reliable taxpayers, the state tax authorities may **allow a maximum 12 months of surcharge-free installment payment** for the taxpayer’s registered tax liabilities at the electronic request of the taxpayer. The procedure is free of duties.

The value limit **rose from HUF 500,000 to HUF 1.5 million** on 1 January 2017.

The risky taxpayer

From January 1, 2017, the state tax and customs authorities qualifies a taxpayer as a risky taxpayer who is not under liquidation process and is not being wound up but **whose registered seat address is registered at a seat address provider and has been fined for forfeiting the tax administration procedure** in the financial year or previous three years.

Changes in force from 1 January 2018

It is very favorable for a public limited company if it is qualified as a reliable taxpayer as the deadline for payment of reclaimed VAT will be favorable for them: **it will be 20 days from 1 January 2018**. For all other enterprises considered as reliable taxpayer it will be 30 days from next year.

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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