



FINACONT TAX NEWSLETTER

Changes in excise tax rules from 1 January 2017



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The Act LXVIII of 2016 on excise tax entering into force on 1 January 2017 brings significant changes to the contact-keeping between taxpayers and tax authorities, to the scope of excisable goods and to the excise licensing and excise security systems.

The new excise tax act makes the communication between companies and tax authorities entirely electronic, therefore, instead of earlier used paper-based system **records should be kept and data should be reported digitally from 1 January 2017**. Taxpayers holding tax warehouse permit are required to report data to the authorities on a daily basis, while taxpayers with excise permit and fueling stations have to do so on a monthly basis.

According to the new legislation, energy products, beer, still and sparkling wine, other still and sparkling fermented beverages, intermediate alcoholic products, alcoholic products and tobacco products **are considered to be excisable goods**. Under current legislation companies producing and storing electricity, natural gas and coal were required to pay energy tax - this tax type is going to be eliminated next year and these products will also be subject to excise tax.

This, among many other changes, also means that companies might get much higher penalties for non-compliance, penalty might be up to 200-500 percent for tax shortfall.

Excise licensing system shall be remodelled and simplified. One of the most significant changes is that while many different excise licenses had to be redeemed depending on the activity of the company, a single tax warehouse permit may be sufficient from 2017.

In order to ensure tax revenues, **excise security shall be provided in the future** for tax risks arising from the production, storage and transportation of excisable goods without paying tax and from delayed tax payment. However, the excise security payment system will change - different rules will apply to reliable and risky taxpayers. Besides, instead of the current system, stating that each company dealing with the same product must provide the same amount of excise security, in the new system the amount of security to be provided will depend on the turnover of the company.

Further change is that **tobacco products will receive tax stamps instead of tax seal**, thus tobacco product distributors should pay taxes on the basis of their tax returns.

In addition, the fill fluid of electronic cigarettes will be subject to excise tax from 2017.

Another new rule is that from 2017 retailers can purchase stocks from wholesalers only by credit

card or by bank transfer, cash payments will no longer be available.

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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