



## FINACONT TAX NEWSLETTER

### Changes in small taxpayers' itemized lump sum tax in 2020



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Kata is currently the most popular and favourable type of tax in Hungary, and the government intends to keep its benefits in the future.

The government introduced small taxpayers' itemized lump sum tax in 2013 to help smaller businesses. **According to sector actors, some larger companies are circumventing the rules and abusing kata by forcing their employees into subcontractor status.** This is detrimental to workers as they are entitled to lower benefits, while a company employing them illegally as kata taxpayers distorts competition in the market and is detrimental to the interests of fair operators.

As industry stakeholders and control experiences have brought the government's attention to the issue of kata, the National Tax and Customs Board will be stepping up controls in the future to protect honest kata taxpayers.

This review is expected to cover the distinction between kata business relationships and employment relationships, meaning that the NAV will investigate **whether a kata relationship does not constitute a hidden employment relationship.**

Aspects of the demarcation of the kata legal relationship and the employment relationship are governed by CXLVII of 2012 on Small Business Taxation and Small Business Tax.

It is advisable for the businesses concerned to prepare for the expected controls and **to review whether their existing service contract relationships are in line with the legal requirements in view of the actual concluded written contracts.** Please contact our colleagues if you need assistance or help regarding this topic.

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

## Gábor Kis



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