



FINACONT TAX NEWSLETTER

Changes in tax law from 2018



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Amendments to the Act on Personal Income Tax

The Act on personal income tax is supplemented with the definition of school-type education, which makes it clear that studies conducted abroad may also qualify as school-type education if they are continued in a student relationship (or in a corresponding legal relationship under foreign law).

Rules governing the utilization of common properties are also modified: the amending provision stipulates costs incurred can be offset against the revenue earned from the common property on the basis of an accounting document issued to any of the owners if the property is in joint ownership.

Among the amending provisions of the Personal Income Tax Act the abolition of the "tax harmonizing rule" is for simplification, that is to say, if the bill is adopted and an individual **spends his income from the sale of the property on buying accommodation in a nursing home**, the individual may either deduct or reclaim the tax of the income spent on this purpose without any further administration.

According to the bill **a vehicle owned by or leased for a closed-end period by a close relative should be treated the same way as an own vehicle** in terms of the expense report of a self-employed private individual. In the future, as stated in the bill, the ownership of a vehicle will not be certified by the document verifying the payment of compulsory motor vehicle liability insurance, but by a vehicle registration card issued by the transport authority (or if the registration card is withdrawn, a certification issued by the authority).

The tax-exempt part of mobility allowance significantly increases. An important change is that after the amendment comes into force **the tax exemption can be applied to fixed-term employment contracts as well.**

Amendments to the Act on Corporate Tax and Dividend Tax

According to the bill the amount recognized as purchase value or as an increase of the purchase value of **rented apartment** (building with a long-lasting structure) **built by the taxpayer to provide housing for his employees** can be accounted for as an item reducing profit before tax in the tax year when the investment or renewal ends. The tax base benefit shall be taken into consideration only for properties which serve the purposes of providing housing for an employee employed in at least 36 working hours a week and his close relative living with him who does not have permanent residence in the city where he works, provided that the worker's permanent residence is at least 60 km away from the place of work or the time of commuting between the place of work and the place of residence exceeds 3 hours a day with means of public transport. . The tax base benefit cannot be applied if the taxpayer provides housing to his employee and/or his relative who is considered to be his affiliated party.

Further proposal for amendment is that the taxpayer may reduce its profit before tax with **the sum of the purchase cost of electric filling stations.** Tax base benefit for electric filling stations can be applied to investments to be started after 30 June 2017.

Amendments to small taxpayers

Under current regulation taxpayers who are both full-time students and private entrepreneurs choosing small taxpayers'

itemized lump sum tax (hereinafter KATA) are currently regarded as full-time small taxpayers, meaning that a monthly tax liability HUF 50,000 should be paid. According to the amendment of the bill taxpayers who are both full-time students and subject to KATA would not qualify as full-time taxpayers in the future, so they would be subject to a lower HUF 25,000 monthly tax liability.

Under current regulation KATA subject status will be terminated if the net tax debt of the small taxpayer exceeds HUF 100,000 on the last day of the calendar year. The proposed amendment would allow the tax authority to revoke its decree on termination if the taxpayer pays his debt to the tax authority until the decree becomes legally binding and confirms it.

Among the income statement rules the amendment of the law also states that the **income statement of the small taxpayer is considered to be a tax return in terms of legal consequences.** This means that the income statement can be corrected as a tax return, the small taxpayer may be required to fulfill his obligation in line with the rules on tax returns if he fails to submit his income statement or files an incorrect statement or files it with delay, and he may be sanctioned as if he failed to submit his tax return.

Amendments to the Act on Value Added Tax

According to the bill **VAT on fish for consumption purposes reduces from 27% to 5%.** This 5% tax rate should be applied for the first time to cases in which the assessment date of payable tax is 1 January 2018 or after this date.

Furthermore, the bill reduces the **VAT rate on Internet access services from 18% to 5%.** The preferential 5% VAT rate should be applied for

the first time to internet access service whose settlement period begins after 31 December 2017 and for which the due date of payment and the issuing date of the invoice or receipt are both after 31 December 2017.

Amendments to the Act on Excise Taxes

The amendment to the Act on Excise Tax contains clarifications on state aid rules. The **range of small breweries entitled to receive it was increased** with breweries producing 200 thousand hectoliter beer at most instead of previous maximum limit of 20 thousand hectoliters. . In addition, the rules on excise duty are also amended, keeping in mind the interests of the domestic tax warehouses. At the joint request of the Ministry of Agriculture and the National Council of Mountain Villages the excise data of **wineries** due on August 15 2017 shall be fulfilled according to the old excise rules.

Amendments to the Act on Taxation

On the basis of the bill the **taxpayer is subject to reporting obligation in respect of his bank accounts held abroad**. If the taxpayer fails to comply with this reporting obligation, the tax authorities may impose default penalty on the taxpayer.

The bill **clarifies the definition of the seat address provider** and requires taxpayers who used this service before 1 January 2017 and have been using it since then to comply with the one-off reporting requirement.

Another new requirement is the liability of private entrepreneurs choosing tax exempt

status (by subjective right) to open a cash account.

According to the bill **data of taxpayers who do not meet their VAT return filing obligations over two return periods are published** on the website of Hungarian tax Authority.

Under current regulations a decree that includes less favorable provisions for the taxpayer may not be issued one year after the decree becomes legally binding if the audit was closed by a decree or one year after the audit is closed if the audit was closed without a decree. However, the amendment to the bill also specifies that a decree containing less favorable provisions for the taxpayer can be issued even after the expiration of the one year period but within 18 months at the latest if the new decree is preceded by an audit (review) and the minutes of the audit (review) is handed over or posted within a period of one year,.

The amendment introduces the legal institution of **tax payment security** for those individuals who are not subject fo any obstacles to tax registration but are in a decisive position in a company with tax debts or in a company which was deleted with remaining tax debt and wish to participate in a new company.

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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