



FINACONT TAX NEWSLETTER

Changes in the Act on Advertising Tax



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In Resolution nr C (2016) 6929 final of 4 November 2016 the European Commission concluded that several provisions of the advertising tax breach EU state aid rules. Although the Government of Hungary disagrees with the content of the decision and has appealed against it, the dispute does not have delaying force on the implementation of the European Commission's decision. Therefore, the reason for submitting and adopting the bill amending the Act XXII of 2014 on Advertising Taxes is to implement the European Commission's decision.

The main points of the amendment are the following:

- **From 1 January 2017 till 31 May 2017** the tax on the net revenue from advertising activity **is zero percent, from 1 July 2017 onwards it is 7.5 percent.**

An amount of **HUF 100 million** of the taxable net sales revenue of the taxpayer engaged in taxable advertisement publication

activity is tax exempt. This exemption **constitutes a small-amount aid** which can be applied under the general rules of de minimis aids (maximum EUR 200 thousand / 3 financial years).

- The European Commission's decision would be implemented in the following way: **tax declared and paid** by advertising tax payers for tax years closed **until 30 June 2017** (years 2014-2016 and financial period started in 2017) is **considered to be an overpayment** under the Act on the Rules of Taxation, which can be reclaimed by parties eligible for it under the Act on the rules of taxation from the Hungarian Tax Authority. Eligible taxpayers will be notified by the tax authority. The bill also states that **tax declared but not paid for tax years closed until 30 June 2017 should not be paid.**

- Therefore, these new regulations should be applied to **tax liability from 1 July 2017** and **special transitional provisions** will be applicable to the calculation of the tax base of tax year including 1 July 2017. These provisions **specify the following two methods:**

- **proportioning:** the tax-base part in proportion to **the ratio of the number of calendar days of the tax period until 30 June 2017 and the number of calendar days of the full tax year** shall be taxed at 0%;
- **accounting closing:** **on the basis of accounting year-end closing prepared on 30 June 2017** the tax-base part of the tax period until 30 June 2017 shall be taxed at 1%.

On the basis of the above the new tax rate of 7.5% applies to the tax base **for the period from 1 July 2017 till the end of the tax year.**

The law **eliminates the tax liability of advertisements for own purposes** as it states that only the publication of advertisement for fee should be subject to taxation.

However, it is important to note that the amendment **regulates only the so-called publisher's tax** paid or to be paid by taxpayers in the future; **existing provisions** on other taxpayers covered by the Act on Advertising Tax, on payable **customer tax and on the exemption from the customer tax liability will not change.**

Please contact our colleagues if you wish to have a detailed interpretation of this legislation as this newsletter offers general understanding.

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

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