FINACONT
SIMPLIFYING ADMINISTRATION

FINACONT TAX NEWSLETTER

Further favorable tax changes from 2016

Gábor Kis

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<u>Tax benefit on personal income tax (PIT) for persons returning to the state pension system</u>

Under current legislation from this January onwards private pension fund members can return to the state pension system at any time without any time limitation. According to the letter of amendment of the Budget Committee **from 2016 onwards for an indefinite period of time** returners **may receive the same personal income tax benefits** as earlier returning people recieved.

The Act on PIT considers the amount given to the returner as members' payment **to be an income which should not be taken into account when the income is assessed.** If the returner **transfers this amount to a voluntary pension fund**, **he/she may have a tax refund which equals to the 20 percent of the transferred amount but HUF 300,000 at most deducted from his/her tax to be paid on the income** of consolidated tax base.

<u>Tax credit for growth</u>

The letter of amendment of the Budget Committee **would turn the tax credit for growth into tax benefit in certain cases**. Namely, if the company, entitled to have tax credit for growth, **performs fixed assets investment and increases its headcount** in two tax years after its declaration, the taxpayer **may reduce the amount of not yet due corporate tax** payable for the tax credit for growth **with 19% of the eligible investment value** but **not more than 70% of the not yet due corporate tax** related to the tax credit for growth under the following conditions.

The **investment value eligible** for the tax benefit is the acquisition value of the fixed asset not put into operation earlier in the tax year but maximum the product of the increase in the average statistical headcount of employees and HUF 10 million. However, the tax benefit cannot be applied to assets which are not subject to planned depreciation.

The eligible investment value **should be considered a depreciation accounted for** in the corporate tax.

New jobs have to be maintained for at least 2 years, otherwise the prorated part of the benefit should be repaid. **The taxpayer is not allowed to have tax benefit** if he/she **receives tax benefit** specified in the Act on Corporate Tax **with regard to the investment** in the tax year of the declaration.

Please contact our colleagues if you wish to have an 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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