



FINACONT TAX NEWSLETTER

Planned tax changes from 1 July 2019 and from 2020



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The government submitted the bill on the changes to Parliament on June 4.

Changes resulting in tax reductions

Personal Income Tax

The amendment **provides lifelong, full tax relief for mothers of four or more children** with regard to their income from non-self-employment and certain self-employed activities. According to the bill, a woman who has been or is no longer entitled to family allowances for a child raised by her as a blood or adoptive parent is considered to be raising four or more children but has been eligible for at least 12 years.

Social Contribution Tax

The earliest of the changes concerns the social contribution tax. **The tax rate will decrease from 19.5% to 17.5% as of 1 July 2019.** This means that the new tax rate is expected to be applied to the monthly tax return due by August 12th.

SME corporate tax

As a measure to help small businesses, **the SME corporate tax rate will be reduced from 13% to 12% from 1 January 2020.** As the small business tax replaces the social contribution tax, it is appropriate to reduce the small business tax rate in line with the reduction in the social contribution tax rate.

VAT – Reduction of accommodation VAT

As part of the economic protection action plan, the government is proposing to **reduce the VAT on accommodation services**

from 18% to 5% next year. In parallel, a 4% contribution to tourism development will have to be paid.

Corporate tax - clarifications

The rules on corporate **tax liability will be clarified based on the feedback from taxpayers on corporate taxpayer status**, with the main purpose of simplifying administration and clarifying the application of the law. The Trust Foundation appears as a new corporate taxpayer type.

Corporate tax – development tax credit extension

According to current regulations, **development tax credit for small and medium-sized enterprises** is generally available for investments over HUF 500 million. This threshold will be reduced in three steps between 2020 and 2022, and there will be a separate threshold for small and medium-sized enterprises. As a result of the changes, in 2020 medium-sized enterprises will be able to benefit from development tax credits for investments over HUF 400 million and for small enterprises over HUF 300 million. In 2021, these thresholds will be reduced to HUF 200 million and HUF 100 million, respectively, and from 2022 they are expected to further decrease to HUF 100 million and HUF 50 million, respectively.

Suspension of advertising tax

The **advertising tax rate will be reduced to 0% next year**, which in practice means that this tax will be suspended from 1 January 2020 to 31 December 2022.

changes in taxation administration

Termination of the obligation to complement tax advances

In order to reduce the administrative burden on the companies and to improve their liquidity position, **the government will abolish the obligation to complement the corporate tax advance for companies with annual sales exceeding HUF 100 million.**

Simplified corporate tax abolishment

The simplified business tax is expected to be abolished in 2020. According to the government's justification, the preferential tax forms (kata, kiva) introduced in recent years have been a more favorable solution for small businesses, so the need for simplified corporate tax has been significantly reduced.

Local taxes

The proposed changes to the Local Taxation Act are **primarily intended to reduce the administrative burden on taxpayers.** The proposal significantly reduces the tax burden for taxpayers on local business tax at several points.

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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