



FINACONT TAX NEWSLETTER

Significant changes to come in the summarizing report of invoices as per the Act on VAT



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From 1 January 2018 the system of **itemized data provision of invoices will be considerably modified** with regard to both issued and received invoices.

Under provisions of the Act CXXVII of 2007 on the Value Added Tax (VAT Act) in force, the taxable person subject to VAT is required to provide data on each invoice in which

- the amount of output VAT reaches or exceeds HUF 1,000,000 in the tax return of tax period in which the taxpayer deducts tax on the basis of the invoice proving the performance of the transaction or the payment of the advance **if product has been purchased or service has been used;**
- the amount of output VAT of the other taxpayer registered in Hungary reaches or exceeds HUF 1,000,000 in the tax return of the tax period in which the taxpayer has to assess the tax specified in the invoice proving the performance of the transaction or the payment of the advance **if product has been sold or service has been provided.**

However, **as from 1 July 2018** the above data provision liability applies to invoices issued on transactions between Hungarian taxpayers with an **output VAT of HUF 100,000 or more**. The system of itemized data provision changes at the same time.

For invoice receivers itemized data provision should be still completed in the VAT return and through exercising tax deduction rights. From 1 July 2018 the tax value threshold **is reduced to HUF 100,000**, but **the scope of data** to be provided **remains the same**. In order to perform the itemized data provision the taxpayer can retrieve data of invoices issued to him from the NAV system (on the basis of data forwarded to the tax authorities from a billing program via real-time data provision or uploaded to the web interface in the case of printed invoices).

For invoice issuers the tax value threshold of data providing liability is also **reduced to HUF 100,000 from HUF 1 million**, however, the scope of data to be provided is extended.

As of 1 July 2018 data providing liability applies to **all compulsory data** of invoices or documents deemed to be similar to invoices which are required by the Act on VAT. In addition, **data providing liability is separated from tax returns** and is to be performed as follows:

- if an invoice is issued with a **billing program**, invoice data will be transmitted from the program right after its issuing to the tax authority in XML format (online data provision), and
- if an invoice is issued in a **printed form** (i.e. manual invoicing), data providing liability should be performed within 5 calendar days by uploading the data of the invoice or a document deemed to be similar to invoice to a web interface. In case of manual invoices, time available for data provision is shortened if the invoice contains output tax of HUF 500,000 or more. In the latter case, data should be provided on the day after the invoice is issued.

Therefore, a taxpayer using **billing program** is required to submit the **invoice receiver's summarizing report**, but should not file the invoice issuer's summarizing report – it is replaced with online data provision.

The requirements of a billing program to complete online data provision **are specified in the draft modification of Decree 23/2014 (VI.30.) of the Ministry of National Economy on the tax identification of invoices and receipts, and on the supervision by the tax authority of electronically stored invoices (hereinafter: Decree).**

Accordingly, the billing program must ensure that compulsory data of an issued

invoice or a document deemed as invoice as provided in the VAT Act is electronically forwarded to the tax authority (**data providing function**) but additional information can also be forwarded if necessary.

The requirement for starting to provide data with billing program is that data necessary for using computer-computer interface should be registered based on the taxpayer's notification sent to the tax and customs authorities. Technical specifications and other technical descriptions necessary for setting up data providing function of billing software and helping developers are already available on the website of tax authority.

Regardless of tax value threshold taxpayer may also decide that he or she will **perform online data provision on all invoices** which were **issued to domestic taxpayers.**

The introduction of online data provision will bring **benefits to** both the tax authorities and taxpayers. It will allow tax authorities to receive real-time invoices, thus the large amount of data will be quickly available for effective risk analysis and supervision. This system **will make it possible for taxpayers to download their partners' issued invoices**, while the administration burden on billing program users may also be reduced, as the new system replaces the invoice issuers' summarizing report.

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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