



FINACONT TAX NEWSLETTER

Taxation of emergency benefits



Kis Gábor

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The current epidemic affects not only our daily lives, but also our tax liabilities, as in an emergency, many people try to help each other. Special tax provisions apply to product transfers and services provided in view of the emergency.

In accordance with the government's intention to help individuals and economic actors, the National Tax and Customs Board (NAV) has also issued information on the **tax assessment of free product deliveries and free services related to the protection against the coronavirus epidemic**. The tax legislation does not contain a special provision for a similar case, the provisions of Act CXCV of 2011 on the Economic Stability of Hungary (hereinafter: Stab. Act), to which the NAV also refers, must be applied to assess the issue.

Pursuant to the Stab. Act,

- activities performed

for the purpose of eliminating and mitigating the consequences of a catastrophic danger and emergency situation (hereinafter together: disaster situation) in accordance with the Act on Disaster Prevention and

Amendments to Certain Related Acts or

- **services provided or products delivered to those affected by the disaster situation**

by a **legal entity** being subject to tax **engaged in business activities** in the event and during the duration of a disaster situation without compensation shall be deemed to be an activity performed by the legal entity in the scope of its business or economic activities.

The law stipulates that **no payment obligation arises**

- **after the performance of the activities described above**, provided that the legal entity being subject to tax² engaged in business activities **notifies the tax authority** competent in the matter related to the payment obligation within 60 days from the date of the activity, indicating the service and the transferred product,
- **after the property value received by those affected by the disaster situation in the scope of the activities described above.**

The fulfillment of the conditions set out in the Stab. Act **must be examined on a case-by-case basis, and the principle of proper exercise of rights must be taken into account.** Thus, it is necessary to examine whether the delivery of products and services actually took place during the emergency period to prevent and mitigate the consequences of the emergency situation, for those in an emergency situation and free of charge. The provision of services or product delivery provided to those in a catastrophic situation may be exempted from the otherwise existing tax payment obligation if the provider of the service or product also

fulfills the relevant documentation, registration and record keeping obligations.

The presented criteria will determine **whether the benefit can be considered tax-free for the individual receiving the benefit**, whether the company or other organization can account for the given cost as a cost incurred in the interest of the company in the corporate tax system. The issue of VAT payment obligation and VAT deduction are also based on these circumstances and facts.

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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