

Information on the government measures introduced until 22 April 2020

Dear Partner,

We aim to keep you informed of any changes regarding the current emergency.

In this information leaflet, we present the measures of the Government published in the official gazette Magyar Közlöny on 22 April 2020:

Government Decree 140/2020 (21 April)

(effective from 22 April 2020, with the exception of certain provisions, as indicated)

1. Tax reliefs

With regard to corporate tax, the deadline for tax assessment, tax return and tax payment obligations between the effective date of the Decree (i.e. 22 April 2020) and 30 September 2020 — including the tax advance assessment obligation in the annual return — may be extended until 30 September 2020.

For all taxable persons of small business tax, it is anticipated that the deadline for the second quarter tax advance and the 2019 annual return may be deferred until 30 September.

Similarly, the Government Decree extended the deadline until 30 September for local business tax returns and tax advance payment obligations for the next tax advance payment period.

The taxpayer's assessment, return-filing and payment obligations of annual and extraordinary taxes and contributions due between 22 April 2020 and 30 September 2020, as well as the assessment and return-filing obligations of tax advances due simultaneously with the annual tax or contribution return can also be met until 30 September 2020 in the categories of innovation contribution the income tax of energy suppliers as well.

2. Facilitation of reporting obligations

The deadlines for reports under the Accounting Act — if due between 22 April 2020 and 30 September 2020 — **are extended until 30 September 2020**, provided that the deadline for additional accounting obligations based on such reports shall be calculated from that day.

3. Increase and exemption from the social contribution tax of the sum available as a fringe benefit, through the Széchenyi Recreation Card

The following sums available for the following sub-accounts (“pockets”) of the Széchenyi Recreation Card shall qualify as a **fringe benefit**:

- (a) up to HUF 400k per annum transferred to the “Accommodation” pocket;
- (b) up to HUF 265k per annum transferred to the “Hospitality” pocket;
- (c) up to HUF 135k per annum transferred to the “Leisure” pocket.

The annual recreational budget in the case of a budgetary body and other employers is up to HUF 400k and HUF 800k, respectively.

No social contribution tax is payable for the amount qualifying as fringe benefit transferred to the account of the Széchenyi Recreation Card. The social contribution tax exemption will be available in respect of benefits provided between 22 April 2020 and 30 June 2020.

4. Suspension of tourism tax and related provisions

The taxpayer **will be exempt from paying** tourism tax after overnight stay in the period from 26 April 2020 to 31 December 2020; the person liable to collect such tax will be exempt from collecting and paying it. However, any tax assessed but not collected shall be declared to the tax authority.

5. Tax administration rules

- **Reliable taxpayer** status will not be lost due to debts incurred or collections started during the state of danger;
- Certain conditions for debts will be disregarded during **taxpayer rating**;
- **It is also possible to reduce taxes of businesses.** A waiver of up to HUF 5 million can be applied for at the National Tax and Customs Administration of Hungary (“the NTCA”), but only once for a single tax category and up to 20% of the tax payable. The application shall be submitted to the NTCA in writing or — in the case of mandatory electronic communication — electronically by the 30th day after the end of the state of danger. In the case of a successful application, the tax authority may reduce the existing tax debt once, in a tax category specified in the application, by a maximum of twenty percent, up to five million forints. This is available where the payment of tax debt would make the applicant's business activity impossible for a reason attributable to the state of danger. The above tax reduction procedure is exempt from duty, and the administrative deadline is fifteen days. Please note that no surcharge-free preferential payment terms can be granted for the amount remaining after the reduction, i.e. for the remaining 80% of the tax debt included in the application. In the case of late payment, interest will be charged and enforceable.
- Under the new rules, all taxpayers can now apply for a **twelve-month instalment payment or a six-month surcharge-free payment deferral**, which can be requested for all tax categories and **available for a debt up to HUF 5 million**.
- What is new is that the relief is available for contribution and personal income tax (“PIT”) already deducted from the employee, thus enabling employers to recover the net wage only.
- **The reliefs are NOT sector-specific, they do NOT depend on the type of business or company size.** A change in the rules governing the **Electronic Trade and Transport Control System (“the EKAER”)** is that the taxpayer is exempted from providing a security deposit during the state of danger and by the 30th day from the end thereof.

6. Derogating provisions of entitlement to health care

During the state of danger, **employees on unpaid leave** due to such state of danger **are entitled to health care**.

In the above case — from 1 May 2020 by the 12th day of the month following the subject month — **the employer shall assess, declare and pay the health care contribution** for its employees on unpaid leave.

7. Changes in the social contribution

According to the provisions **effective from 1 July 2020, the rate of social contribution is 15.5%**, which has an impact on the rules of the PIT, the simplified contribution to public revenues (“EKHO”), and also on the basis of calculating social security benefits.

8. Changes in the small business tax (“KIVA”)

According to the provisions **effective from 1 January 2021, the rate of KIVA is 11% of the tax base.**

DETAILED RULES:

1. Tax reliefs

The taxpayer's obligation to assess, declare and pay annual and extraordinary corporate tax falling due between 22 April 2020 and 30 September 2020, as well as to assess and declare the tax advance falling due simultaneously with the annual tax return under Section 26(1) of the Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter: “the Act on Corporate Tax and Dividend Tax”) may be fulfilled by 30 September 2020.

The taxpayer's obligation to assess, declare and pay the annual and extraordinary small business tax falling due between 22 April 2020 and 30 September 2020, as well as to assess and declare the small business tax advance may be fulfilled by 30 September 2020.

The taxpayer's obligation to assess, declare and pay the annual and extraordinary income tax of energy suppliers falling due between 22 April 2020 and 30 September 2020, as well as to assess and declare the tax advance falling due simultaneously with the annual tax return may be fulfilled by 30 September 2020.

The taxpayer's obligation to declare and to concurrently pay the annual and extraordinary local business tax falling due between 22 April 2020 and 30 September 2020, as well as to declare the tax advance for the subsequent tax advance payment period may be fulfilled by 30 September 2020.

If the taxpayer failed to meet the obligation to submit a local business tax return and declare the tax advance by the due date of the first advance instalment of the tax advance payment period starting in 2020 as described above, the amount of the previous — already declared — business tax advance instalment shall be paid when the foregoing falls due. The taxpayer may request a reduction of this tax advance instalment before it falls due, if — based on his calculations — the tax for the tax year beginning in 2020 is less than the amount of the tax advance for the tax year.

A statement (required for tax exemption) under Section 3(3) of the Act C of 1990 on Local Taxes may be submitted to the tax authority by 30 September 2020 at the latest.

The taxpayer's obligation to assess, declare and pay the annual and extraordinary innovation contribution falling due between 22 April 2020 and 30 September 2020, as well as to assess and declare the innovation contribution advance falling due simultaneously with the annual tax return may be fulfilled by 30 September 2020.

The taxpayer shall assess the amount of the corporate tax advance, small business tax advance, energy supplier income tax advance, innovation contribution advance falling due between 22 April 2020 and 30 September 2020, for which a tax advance and contribution advance tax return

shall be submitted by 30 September 2020, on the basis of the last available tax advance or contribution advance tax return (or the corporate tax advance prescribed by a decision of the tax authority if the group corporate taxpayer does not have a tax advance return), on the same schedule and pay it by the applicable deadline.

For the purposes of disposing thereof, the corporate tax advance obligation thus assessed shall be regarded as that under Sections 26(2), 26(3), 26(7) and 26(8) of the Act on Corporate Tax and Dividend Tax. The taxpayer may request a reduction of such tax advance or contribution advance prior to the due date thereof if, according to the calculations, the amount of the tax or contribution for the tax year beginning in 2020 is less than the relevant advance.

2. Facilitation of reporting obligations

The deadlines for preparing, publishing, depositing and submitting (filing, sending) of reports under the Act C of 2000 on Accounting, including reports falling under the scope of Government Decrees on specific accounting rules issued pursuant to an authorisation granted by the same Act — if due between 22 April 2020 and 30 September 2020 — are extended until 30 September 2020, provided that the deadline for additional accounting obligations based on such reports shall be calculated from that day.

The foregoing does not apply to the reports of public interest entities under Section 2(19) of the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

3. Increase and exemption from the social contribution tax of the sum available as a fringe benefit, through the Széchenyi Recreation Card

In 2020, by way of derogation from Section 71(1) of the Act CXVII of 1995 on Personal Income Tax (hereinafter: “the PIT Act”), the following sums available for the following sub-accounts (“pockets”) of the Széchenyi Recreation Card shall qualify as a fringe benefit:

- (a) up to HUF 400k per annum transferred to the “Accommodation” pocket;
- (b) up to HUF 265k per annum transferred to the “Hospitality” pocket;
- (c) up to HUF 135k per annum transferred to the “Leisure” pocket.

In 2020, by way of derogation from Section 70(8) of the PIT Act, the annual recreational budget shall be:

(a) — in the case of a budgetary body —

- (aa) HUF 400k per annum, if the employment of the employee is for the entire year;
- (ab) the amount calculated *pro rata temporis* from HUF 400k based on the number of days spent by the employee with the employer in employment during the tax year serving as the basis of the benefit, if such employment is in effect for a certain part of the year;
- (ac) HUF 400k per annum, if the employment of the natural person is terminated due to his or her death;

(b) — in the case of any other employer —

- (ba) HUF 800k per annum, if the employment of the employee is for the entire year;
- (bb) the amount calculated *pro rata temporis* from HUF 800k based on the number of days spent by the employee with the employer in employment during the tax year serving as the basis of the benefit, if such employment is in effect for a certain part of the year;
- (bc) HUF 800k per annum, if the employment of the natural person is terminated due to his or her death;

By way of derogation from Section 1(4)(a) of the Act LII of 2018 on Social Contribution Tax (hereinafter: “the Social Contribution Tax Act”), **no social contribution tax is payable for the amount qualifying as fringe benefit transferred to the account of the Széchenyi Recreation Card.**

The above social contribution tax exemption is applicable to benefits provided from 22 April 2020 to 30 June 2020.

By way of derogation from Section 58(4) of the Act LXXI of 2019 on the Central Budget of Hungary for 2020 (hereinafter: “the Central Budget Act”), the framework of the annual cafeteria allowance for **employees of budgetary bodies** or, **in the case of budgetary bodies not providing cafeteria allowance**, unless otherwise provided for in an Act, the total net amount of allowances (specified in Section 71(1) of the PIT Act) granted to an employee on an annual basis shall not exceed HUF 400k in 2020.

4. Suspension of tourism tax and related provisions

These provisions are only effective from 26 April 2020.

The taxpayer will be exempt from paying tourism tax after overnight stay in the period from 26 April 2020 to 31 December 2020; the person liable to collect such tax will be exempt from collecting and paying it, provided that any tax assessed but not collected shall be declared to the tax authority. It is not necessary to declare the assessed tax if the amount is zero.

5. Tax administration rules

The provisions of the Act CL of 2017 on the Rules of Taxation (hereinafter: “the Act on the Rules of Taxation”) and Act CLI of 2017 on Tax Administration and the Regulation of Tax Administration shall apply save as otherwise provided for in this Section.

On the basis of the rating carried out during and after the state of danger, the **reliable taxpayer classification shall not be revoked during such state of danger or within thirty days thereafter on grounds of tax difference established in respect of the debtor due to breach of tax liability.**

On the basis of the quarterly rating of the taxpayer during the state of danger and including the thirtieth day after the end thereof, the **reliable taxpayer classification shall not be revoked during such state of danger or within thirty days thereafter on grounds of tax difference established in respect of the debtor due to breach of tax liability, furthermore, due to the lack of conditions specified in Sections 153(1)(e) and 153(1)(i) of the Act on the Rules of Taxation (i.e. net debt of HUF 500 thousand, positive tax performance in the current year).**

During the rating carried out under the state of danger, when examining the relevant examination of the conditions (for previous tax differences when classifying as a risky taxpayer) under Section 157(1)(f) of the Act on the Rules of Taxation, the tax and customs authority **shall disregard the tax difference established in respect of the taxpayer for the breach of the tax liability due during the state of danger or within thirty days thereafter.**

At the request of the taxpayer and the taxable person submitted by the thirtieth day after the end of the state of danger, the tax authority shall grant for a tax amount of up to 5 million

forints a one-time surcharge-free deferred payment for a maximum period of six months or a surcharge-free payment of up to twelve months of instalments, if, together with submitting the application, the applicant demonstrates or makes it probable that the payment difficulty is attributable to the state of danger.

The application may be submitted electronically or in writing by a taxpayer who is not required to communicate electronically.

The above payment facilitation procedure is exempt from duty, and the administrative deadline is fifteen days.

At the request submitted by the taxpayer who is not a natural person and the taxable person until the thirtieth day after the end of the state of danger, the tax authority shall reduce the tax debt of such taxpayer or taxable person once, by a maximum of twenty percent, but not exceeding HUF 5 million, if payment of the tax debt would make the applicant's business activity impossible for a reason attributable to the state of danger. Tax reduction is available for one tax category only. For the remaining amount, the above-detailed payment relief shall not be granted; if it has already been granted, no reduction will be available.

The above application may be submitted electronically or in writing by a taxpayer who is not required to communicate electronically.

The tax reduction procedure is exempt from duty, and the administrative deadline is fifteen days.

A taxpayer who is not required to communicate electronically may also apply for a payment relief in the electronic payment relief procedure via the all-purpose electronic application form.

When **disclosing the list of taxpayers with large tax deficits**, the tax and customs authority shall disregard the amount of tax deficit and legal consequences imposed on the taxpayer for the breach of the tax liability falling due during the state of danger and for a period of thirty days thereafter.

When carrying out its disclosing duties during the state of danger and following the quarter of the thirtieth day after the end of such state of danger, the state tax and customs authority shall disregard tax arrears falling due during the state of danger and within thirty days thereafter **in the case of taxpayers with large tax arrears.**

A change in the rules governing the EKAER is that the taxpayer is exempted from providing a security deposit during the state of danger and by the 30th day from the end thereof.

In connection with the operation of the Electronic Trade and Transport Control System (hereinafter: "the EKAER"), the tax and customs authority shall immediately and ex officio implement measures **to return to the taxpayer the amount of security deposit** paid to the separate escrow account prior to the entry into force of this Decree and **to forward to the financial institution its consent to terminate such deposit.**

In deviation from the rules on individual exemptions in the EKAER Decree, **the validity of a road section exemption permit will be valid throughout the state of danger, the conditions shall not be examined during such period.**

If the one-year deadline for the review under Section 48(2) of the Minister for National Economy Decree 48/2013 (XI. 15.) NGM on the technical requirements of cash registers, the marketing, use, and servicing of cash registers used for issuing receipts, and the reporting of data recorded by cash registers to the tax authority expires during the state of danger, the operator shall carry out the review within one hundred twenty days after the end thereof.

If, pursuant to Section 49 of the Minister for National Economy Decree 31/2016 (IX. 2.) NGM on the technical requirements, operation and maintenance of **automated machines selling food**

without operating staff and on reporting data recorded by the machines to the Hungarian tax and customs authorities, the review deadline expires during the state of danger, the operator shall carry out the review within one hundred twenty days after the end thereof.

6. Eligibility to health care

During the state of danger, employees on unpaid leave due to such state of danger are entitled to health care.

In the above case — from 1 May 2020 by the 12th day of the month following the subject month — the employer shall assess, declare and pay the health care contribution for its employees on unpaid leave.

At the request of the employer, the tax and customs authority allows that the amount of the health service contribution assessed and declared as above be paid by the employer until the 60th day after the end of the state of danger.

7. Reduction of the rate of social contribution tax and other related derogating provisions

Provisions effective as of 1 July 2020:

The rate for social contribution is 15.5% of the tax base, and in the cases set out in Section 1(4) of the Social Contribution Tax Act, 15.5% of the amount of benefits determined as the tax base.

In derogation from Section 29 of the PIT Act, the consolidated tax base shall be the income from all self-employment or non-self-employment activities and other income subject to tax in the tax year, and in the case of flat-rate taxation, the flat-rate income from sole trader and small farmer activities. **87% of the determined income shall be taken into account as income**, provided that the natural person is obligated to pay social contribution taxes on their income (unless it can be recognised as cost, or it has been refunded to them).

In deviation from Section 47(5) of the PIT Act, for the purposes of Section 47(2) of the same, **the income to be taken into account for the calculation of the tax advance base shall be 87% of the part of the income that is determined** in accordance with Section 47(2) of the PIT Act, if the natural person is obliged to pay social contribution tax for such income, unless it can be accounted for or was reimbursed.

By way of derogation from Section 4(3) of the Act CXX of 2005 on **Simplified Contribution to Public Revenues** (hereinafter: “the EKHO Act”), the payer **shall pay 15.5% EKHO** for the EKHO basis specified in Section 4(1) of the EKHO Act.

By way of derogation from Section 10(1) of the Act CXLVII of 2012 on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax (hereinafter: “the KATA Act”), a full-time small taxpayer shall be considered insured during the term of this legal status and may be entitled to all benefits specified in the Act LXXX of 1997 on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services; these benefits shall be calculated **on the basis of HUF 102,000 per month or HUF 170,000 if a higher fixed-rate tax is paid.** Based on the data of submissions pursuant to Sections 7 and 8(11) of the KATA Act, the tax authority transmits data to the health and pension insurance bodies on the duration of the insured status of full-time small taxpayers and the basis of benefits.

