

Information on the changes adopted as of 1 July 2020 and those related to the termination of the state of danger

Dear Partner,

Our Office aims to keep you updated on the changes regarding taxation and business activities. This notice is primarily designed to once again draw attention to the information included in the previous detailed notices.

1. Changes affecting invoicing and data reporting:

1.1. For issuers:

– Each invoice and document regarded as invoice issued by a taxpayer to another domestic taxpayer concerning a transaction performed in this country will have to be reported after 01 July 2020.

Please note(!) – this obligation applies irrespective of the output VAT in the invoice, i.e. even if the invoice contains output VAT of less than HUF 100,000 or none.

Please note(!) – domestic reverse charge invoices, invoices documenting a tax-exempt transaction or, for instance, invoices for the sale of used goods taxed under a margin scheme will also have to be reported.

Please note(!) – the data reporting obligation will apply to electronic and paper-based documents alike.

Please note(!) – in the case of manual invoices, if the amount of output tax in the invoice equals or exceeds HUF 500,000, data must be reported within one calendar day of issuing the invoice, otherwise reporting must be completed within four calendar days of issuance.

Please note(!) – those invoice-issuing taxpayers who were previously not subject to online data reporting shall be exempted from the tax authority's sanctions until 30/09/2020 if they register in the tax authority's Online Invoice system by no later than the date of issuing their first invoice or document regarded as invoice subject to data reporting.

– The first 8 digits of the tax numbers of domestic taxpayers purchasing the goods or services must be stated in all invoices from 1 July 2020 on, regardless of the amount of the output tax.

– Please note(!) – remember to indicate the customer's tax number on the invoice.

– Effective as from 1 July 2020, the reasonable time period for issuing the invoice will be reduced from 15 to 8 days as calculated from the date of performance.

– Please note(!) – remember to issue the invoice within 8 days from performance.

1.2. For recipients

– As from 1 July 2020, the value threshold of HUF 100,000 is removed from the legislation also as regards summary reports to be submitted on received invoices.

Please note(!) – those receiving invoices continue to be obliged to provide data only on invoices subject to deductions.

Please note(!) – also in the case of those receiving the invoice, only invoices and documents regarded as invoices are subject to data reporting by such recipients.

2. Social security:

– A standard rate social security contribution of 18.5% is introduced as from 01/07/2020.

Please note(!) – the whole amount of this contribution is eligible for family allowance available for children (i.e. in addition to PIT, the whole amount of the social security contribution is now eligible for this allowance).

– Contribution exemption now applies to all working pensioners (not only those in an employment relationship).

Please note(!) – employed pensioners are now only subject to the payment of 15% PIT; employers do not have to pay social contribution tax.

– From 1 July 2020, the social security contribution has to be paid in a standard manner, on the amount of the minimum wage/guaranteed wage minimum.

Please note(!) – this way, the tax base of sole traders and company members decreases (in their case, contribution base adjustments are abolished).

– Sole traders and company members who are pensioners no longer have to pay health service contribution.

Please note(!) – this no longer has to be paid for personal cooperation or for acting as a managing director.

– A minimum contribution base has been introduced as a new element for those in employment.

Please note(!) – if the wage is less than 30% of the minimum wage, social security contribution still needs to be paid on the amount corresponding to 30% of the minimum wage.

– The amount of health service contribution increases to HUF 7,710 per month (HUF 257 per day).

Please note(!) – uninsured persons in arrears with six months' amount of contribution will no longer be eligible for healthcare free of charge.

– The social contribution tax rate decreases from 17.5 percent to 15.5 percent, effective as of 1 July 2020.

Please note(!) – as a result of such decrease:

- From 1 July 2020, the payer is required to pay social contribution tax in the rate of 15.5 percent on the value of fringe benefits, on 1.18 times the value of certain benefits as well as on 1.18 times the preferential interest.
- The rate of simplified public contribution to public revenues, payable by the payer, decreases effective as of 1 July 2020. The payer has to pay simplified public contribution to public revenues in the rate of 15.5 percent on the EKHO base.
- From 1 July 2020, 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 forming part of their consolidated tax base (unless it can be recognised as cost, or it has been refunded to them).

- The decrease of the social contribution tax rate affects full-time small taxpayers as well, by changing their benefit base (for full-time small taxpayers, this increases from HUF 98,100 to HUF 102,000 per month and, for small taxpayers paying an increased tax amount, the calculation base increases from HUF 164,000 to HUF 170,000 per month).

3. Measures related to the termination of the state of danger (18/06/2020):

- The new payment reliefs granted by the tax authority are available based on an application submitted by the thirtieth day following termination of the state of danger. **Please note(!) – the maximum 6-month payment deferral or, at the taxpayer's option, 12-month surcharge-free instalment payment available at a single occasion for taxes up to HUF 5 million or the one-time reduction of tax debt by 20 percent – but by no more than HUF 5 million – may be applied for until 20/07/2020 (if not yet applied for).**

- Taxpayers still have the opportunity to opt for fulfilling their following tax liabilities by 30 September 2020:

- assessment, return-filing and payment of corporate tax, including the assessment and return-filing of tax advance;
- assessment, return-filing and payment of the income tax of energy suppliers, including the assessment and return-filing of tax advance;
- assessment, return-filing and payment of the innovation contribution, including the assessment and return-filing of tax advance;
- return-filing and payment of the local business tax, including the liability to declare the tax advance for the subsequent tax advance payment period

provided that such liabilities fall due between 22 April 2020 and 30 September 2020.

Please note(!) – this is still not a mandatory deadline, only an opportunity. Please note(!) – even if you use this opportunity, the tax advances payable from July 2020 still have to be assessed based on the tax advance liability assessed in the last available tax advance and contribution advance return, respectively, according to the same schedule, and be paid by the relevant deadline; in the case of corporate tax, even a tax donation may be made for these in terms of the amounts payable for July, August and September 2020.

- Companies still have the opportunity to fulfil their obligation to prepare, disclose, deposit and publish, as well as to submit, file and send their reports under the Act C of 2000 on Accounting by 30 September 2020.

- The opportunity of reducing the profit before taxes by the amount of retained earnings transferred to reserves committed in the tax year and recognised as committed reserves as at the last day of the tax year, but by no more than the pre-tax profit of the tax year and by no more than HUF 10 billion per tax year (hereinafter: development reserves), is now set down as a statutory opportunity.

Please note(!) – this provision can already be applied to the tax return for the 2019 tax year, even by way of self-revision of the already filed no. 1929 return. As regards the already adopted financial report, if any, the committed reserves have to be created in accordance with the rules of audit and must be presented later, in the report for the

year 2020.

– The employers carrying out the activities under certain specific TEÁOR and TESZOR classification codes as their actual main activity are exempted from the obligation to pay social contribution tax for their employees for March, April, May and June 2020, while based on their obligation to pay social security contribution, they only have to pay the health contribution in kind amounting to 4 percent of the income constituting the contribution base but no more than HUF 7,710.

Small taxpayers (paying “KATA”) carrying out any activity of the specified scope, are exempted from the payment of the lump-sum tax for March, April, May and June 2020.

Please note(!) – these exemptions no longer apply from 1 July 2020.

– The preferential provisions applicable to the reliable taxpayer status have been adopted at statutory level.

Please note(!) – these provisions apply to tax differences accumulated or enforcement procedures commenced during the state of danger or within 30 days following the termination thereof.

– The annual revision of cash registers and automated machines selling food without operating staff may still be postponed.

Please note(!) – the affected taxpayer shall carry out such review by 16 October 2020 i.e. within one hundred twenty days after the end of the state of danger.

– The rules of suspension of the enforcement procedures pending before the tax authority as at 24 March 2020 have also been adopted in an act, and so such suspensions remain valid until the 15th day following the end of the state of danger i.e. 3 July 2020.

Please note(!) – the suspension of enforcement procedures due to the state of danger is lifted as from 4 July.

– According to the enacted rules, the 1-month minimum period of suspension of sole traders’ activities shall not apply until 31 December 2020.

Please note(!) – if the sole trader has notified the authority of the suspension of their activity, they can change their mind as soon as on the next day and resume their active status.

– Act XLV of 2020 on retail tax that entered into force on 10 June 2020 finalised this new form of public due.

Please note(!) – the provisions of the newly adopted act are practically the same as those of the previous government decree.

– The suspension of the tourism development contribution between 1 March 2020 and 30 June 2020 has been enacted and extended until 31 December 2020. The situation is similar in the case of tourism tax. This latter does not have to be collected from guests nor paid, nevertheless, the assessment obligation remains and the – uncollected and unpaid – tax still have to be declared (except if the tourism tax amounts to zero).

Please note (!) – the exemption for the payment of tourism development contribution and tourism tax is valid until 31/12/2020.

– According to the current regulation which only applies to 2020, fringe benefits may be provided up to HUF 800,000 instead of the earlier HUF 450,000. The exemption of SZÉP card from social contribution tax has been enacted and extended until 31 December 2020. The employer only has to pay PIT, at the rate of 15%, on the amount transferred to the SZÉP card.

Please note (!) – the higher annual cap and the social contribution tax exemption may only be applied to benefits provided between 22 April 2020 and 31 December 2020; in this respect, the “reliefs” cannot be enforced later, not even by way of self-audit.

– The rules of the wage subsidy related to reduced working hours shall be applied until 31 December 2020, and the application for subsidy may be submitted by 31 August 2020.

Please note (!) – the wage subsidy related to reduced working hours may no longer be applied for after 01/09/2020.

– According to the Phase-Out Act, the prohibition for companies on holding their members’ meetings personally no longer applies after the termination of the state of danger.

Please note (!) – in case of epidemiological restrictions, the members may use the flexible solutions for decision-making allowed by the rules during the state of danger even after the end of the state of danger, up until 31 December 2020.

4. Changes regarding duties:

Although this is not related to the state of danger, we would like to mention the latest amendment of the Act on Duties as well. According to that, as from 8 July 2020, the duty exemption is extended to gifts and inheritance between siblings as well. A person shall be considered a sibling if he/she shares at least one parent or adoptive parent with the testator or the gifter.

Please note (!) – gifts and inheritance between siblings is now exempted from duties.

Should you have any questions regarding the above, feel free to contact your account manager.

Yours sincerely,

The staff of Bergmann Iroda