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## INFORMATION regarding the MOST IMPORTANT Tax Changes EFFECTIVE AS OF 2020

As a result of changes voted in over two phases – in the summer and autumn of 2019 – the restructuring of the tax system will continue during the 2020 tax year. Individual contributions will be merged, a penalty for speculative real estate sales will be introduced, and significant changes will be introduced in the data reporting obligations for online invoicing, including the removal of the HUF 100,000 threshold and a significantly broader range of transactions affected.

### The most important changes as of 1 January 2020, in brief:

- the **replenishment obligation** (for corporate taxes, innovation contributions and energy suppliers' income tax) has been **cancelled**
- **Simplified entrepreneurial tax (EVA)** has been cancelled
- the rate of **small business tax (KIVA)** has decreased from 13% to **12%**
- There is now an option for the **retroactive reduction of the VAT base** under the legal title of '**irrecoverable debt**', subject to strict conditions.
- **the rate of VAT on commercial accommodation services** is reduced to **5%**; however, the **4% tourism development contribution** will now apply not only to eateries, but to these types of services as well
- mothers raising four or more children are now **exempt from personal income tax obligations**<sup>1</sup>
- **private foundations** have emerged as a new category of legal institution
- the obligation to pay **advertising tax will be suspended** from 01.07.2019 until 31.12.2022

### Changes requiring preparation time, effective from 1 July 2020:

- **information** on the content of invoices issued to taxable entities **must be immediately provided online, regardless of threshold**<sup>2</sup>
- **the invoicing deadline** has been reduced to **8 days**

We advise you to read our publication carefully, and if you have any questions, contact the experts of our Office.

Budapest, ... January 2020

Staff of the Bergman Office

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<sup>1</sup> on their income from employment or similar non-self-employment activities

<sup>2</sup> As of 1 January 2021, all invoices must be reported online to the tax authority (e.g. invoices issued to private individuals or non-taxable entities as well)

## INFORMATION on the MOST IMPORTANT Tax Changes ADOPTED IN AUTUMN 2019

### I. CHANGES AFFECTING VALUE-ADDED TAX AND ONLINE INVOICING

**As of 1 July 2020**, data must be provided online with regard to **each invoice issued** for a resident **taxable entity's domestic transaction**, regardless of the amount of VAT! <sup>3</sup>

Furthermore, **from 1 January 2021**, the data reporting obligation will also apply to invoices **issued to non-taxable entities**, as well as to invoices issued to taxpayers **for intra-Community tax-free sale of goods**.<sup>4</sup>

*As a result, taxable entities not previously involved will now also be included in the online invoice system. This means that after 30.06.2020, all invoices for VAT-exempt transactions and domestic transactions subject to reverse tax must also be reported!*

As of 1 July 2020, **each invoice must include** the first eight digits of the **tax number of the partner taxable entity** listed in the domestic register.

Invoices with VAT content not exceeding HUF 100,000 that do not include the partner's tax number can also be considered fully compliant in terms of right to deduction under the law, as long as they are issued before 01.07.2020 and the transaction date is after 30.06.2020.

The previous data reporting system will continue to apply to:

- already accepted invoices for which the taxable entity exercises its right to deduction in its tax return, as long as they apply – fully or in part – to the period preceding 01.07.2020
- already issued invoices, if issued prior to 01.07.2020

An important change to the new VAT Act is that, as of 1 July 2020, **the time limit for issuing invoices**, i.e. the “the obligation of issuing the invoice within a reasonable period of time” will be **reduced from 15 days to 8 days**.

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<sup>3</sup> This includes domestic sales, intra-Community sales and export sales as well.

<sup>4</sup> thus, invoices issued to private individuals are also subject to the data reporting obligation, although the name of a natural-person buyer will not need to be specified.

## II. CHANGES IN TAX PROCEDURE RULES

### **Joining a corporate tax group during the year**

A **taxpayer starting their business activities during the year may also become a member** of a group corporate taxable entity, as long as they comply with the statutory requirements. In this case, the deadline stipulated under the current Taxation Act – the period between the first and the twentieth day of the last month of the tax year – only applies to the end of the first tax year, meaning that a group membership can only be established starting from the second tax year.

*Note: in order to be able to join the group on the start date of your business, you may submit your request for the group corporate taxpayer status at the time you register with the state tax and customs authority. In this case, however, you will not be entitled to submit a request for a tax certificate!*

### **Query interface for reclaiming VAT on irrecoverable debt**

As of 2020, it is possible to reduce the VAT base retroactively in the event of irrecoverable debt, subject to specific conditions. One of these conditions is that the partner of the taxpayer intending to reduce the tax base (the buyer) cannot be included on the **list of taxpayers with significant tax defaults or high tax debts on the date of the transaction in question**, or for a full year preceding said date.

*As of 1 January 2015, the tax authority has continuously ensured the availability of the aforementioned data via the query interface available on the NAV website.*

### **Notifying the tax authority with regards to tax evasion (Dutch letter)**

If the tax authority has made a legally binding determination that the provisions of the tax laws have been circumvented, NAV may bring the statutory violation to the attention of the parties involved in the transaction.

For example, the tax authority may, in the future, send letters of notification to natural persons informing them of the fact that their employer has failed to file tax and contribution returns, or to make the related payments with regards to their own employment.

*This change is intended to protect the employees' interests.*

## **Modifying the EKAER (Electronic Trade and Transport Control System) number after closure**

After 1 March 2020, there will be only one opportunity to modify an incorrect submission made in the EKAER, which must be done within 3 working days of the closure of the EKAER number, using the standard electronic interface.

## **Authority transfer**

From 1 January 2020, the institution of “**Authority transfer**” will be introduced, which is not to be construed as an act of foreclosure. In this context, the tax authority may, ex-officio, offset the balance of overpaid tax owed to the taxpayer against the taxpayer’s outstanding debts as recorded by the tax authority.

*This is advantageous in that it provides an option for debt management without initiating any foreclosure proceedings that would otherwise have adverse consequences, while at the same time giving taxpayers a right of appeal against any such offsetting.*

## **III. 90% DUTY ON SPECULATIVE PROPERTY SALES**

In order to skim any extra profit resulting from speculation, **from 1 February 2020**, the **transfer** of a **real estate property incorporated into an urban zone** or the deposits of a company having a real estate property incorporated into an urban zone will be liable to a **90% duty** on onerous transfer of property **on the Seller’s side**.

The new rules will only apply to the transfer of a real estate property incorporated into an urban zone or the deposits of a company having a real estate property incorporated into an urban zone, **if the property’s incorporation into the urban zone took place after 31 January 2020.**

The **duty base** will be the difference between the market value at the time of acquisition and the market value at the date of transfer (plus, in the case of a business share, the proportion of the deposits sold to total assets), i.e. **the increase in value**.

The **duty rate** will be **90%** of the duty base.

The duty is to be paid by the **transferor** party.

With the exception of cases involving the transferee's reorganisation, change of business share or transfer of assets, or a transfer between affiliated

companies, any **duty allowances and duty exemptions** referred to in the Act **will no longer be applicable** for the aforementioned sales transactions.

*In this context, if you are an owner of property situated outside the administrative boundaries – e.g. arable land or forest – and you intend to sell it after its incorporation into the urban zone, you must keep in mind that, if the property was incorporated into the urban zone after 31 January 2020, then you (and not the buyer!) will be liable to pay 90% duty.*

#### **IV. EXTENDED TAX EXEMPTION FOR TRUSTEES AND PRIVATE FUNDS**

The Hungarian legislator is approaching foreign **trust regulations** by significantly extending the scope of tax exemptions for private individual settlors and beneficiaries (or private individual founders, for foundations) in the areas of personal income tax, corporate taxation and duty rules.

According to the amendment in effect since summer of 2019, **returns on managed assets** (e.g. dividends, foreign exchange gains) are already **exempt from corporate tax**.

Furthermore, as of 2020, **trustees and private funds are also permitted to open long-term investment accounts (Hungarian abbreviation: TBSZ)** for pecuniary benefits provided to private individual beneficiaries, whereby no income is generated from the private individual's income from property release under the long-term investment contract (and which is therefore tax-exempt.)

Similarly to trustees, **asset management foundations are also granted duty exemption** by law for the acquisition of assets related to asset management, with the bill also containing the definition of an asset management foundation.

*This regulation is one more step taken by the legislator towards the tax-neutral treatment of institutions supporting the generational change of family businesses, i.e. private foundations and trusteeships.*

#### **V. CHANGES RELATED TO ACCOMMODATION ACTIVITIES**

Concepts related to accommodation activities have undergone significant changes. For instance, **'other accommodations'** can now only be provided by **non-private individuals**, and is limited to **no more than twenty-five rooms** and **one hundred beds**.

**The new concept of private accommodations has also been introduced:** they are defined as an apartment or resort utilised exclusively by a **private individual** or sole proprietor, limited to **no more than eight rooms** and **sixteen beds**.



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*As of 28 June 2019, the reduced flat-rate tax of HUF 38,400/room/year will only apply retroactively to private accommodations services, not to 'other accommodations'.*

## **VI. CHANGES CONCERNING SOCIAL SECURITY**

Through the consolidation of the Social Security Act and the related implementation decree, a new contributions act will enter into effect **from 1 July 2020**, introducing the following major changes.

### **Introduction of a single contribution**

A new, single-rate contribution will be introduced by merging the pension contribution, in-kind and cash health insurance contribution and labour market contribution. The general rate of the *social security contribution* payable by the insured person will remain 18.5%.

The 10% pension contribution is still indicated separately in the Act, as, there are certain special allowances (e.g. childcare allowance, childcare support allowance, child-raising allowance, nursing allowance, jobseeker's allowance, etc.) which will only remain subject to pension contributions in the future as well.

*One consequence of the single contribution rate is that the contribution payment obligation of agency workers, non-full-time corporate businesses and sole proprietors, as well as insured agricultural prime producers will increase by the rate of the merged labour market contribution, from 17% to 18.5%. After 1 July 2020, however, these persons will also be eligible for jobseeker's benefits.*

### **Introduction of a minimum contribution base**

Another new feature is the introduction of the **minimum contribution base** with respect to the remuneration of employed persons, i.e. the social security contribution shall be payable for at least 30% of the minimum wage every month (even if the employee's actual monthly income is below this threshold.)

For the purposes of calculating the minimum contribution base, there **is no need to take into account** calendar days in which the employee receives sickness or personal accident benefits, or days when their insurance is invalid for whatever reason (e.g. during periods of unpaid leave or unauthorised absence.)

This provision **will not apply** to the employment of certain individuals (e.g. students attending full-time training, as well as individuals receiving child care or nursing allowances.)



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The rules governing the lower limit for contribution payments will also apply for determining the base for social security contribution payment obligations.

*Note: The contribution base may differ from the personal income tax base, e.g. for part-time employees.*

### **Cancellation of contribution base adjustments**

For corporate businesses and sole proprietors, **the various adjustments applied to increase the contribution base will no longer be used.** Thus, in the future, social security contributions are to be paid based on the income constituting the contribution base, but no less than the applicable minimum wage / guaranteed wage minimum.

(The minimum amount of social security contribution payable for the individuals concerned will remain unchanged, and will continue to be based on 112.5% of the amount of the minimum wage / guaranteed wage minimum.)

### **General contribution exemption for pensioners**

Regular pensioners will be entitled to a general contribution exemption, regardless of their form of employment. Thus, the contribution exemption will apply not only to employed individuals, but also to those working under other legal arrangements (e.g. commissioned by an agency.)

*Consequently, payments to pensioners for self-employment or non-self-employment activities will, as a general rule, only be subject to a personal income tax rate of 15%. Accordingly, from now on, employers and payers employing regular pensioners will both be exempt from their obligation to pay social contribution tax, with respect to any payments made under the aforementioned legal relationship.*

There is a new advantageous regulation allowing for the **late fulfilment** of payment obligations related to pension contributions and pension funds (filing of returns and payment), or – if not subject to insurance obligations – the **recovery of paid contributions**, even **beyond the** regular five-year **limitation period** granted for tax purposes.

### **Impact on the family contribution allowance**

The maximum family allowance available for children will increase, as, due to the merged contributions, the family contribution allowance will, in the future, be exercisable against the full 18.5% social security contribution.



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*Addendum: Under the rules in force in 2019, the family contribution allowance could only be exercised against a 17% contribution, as it could not be exercised against the 1.5% labour market contribution.*

### **Health care contribution**

The health care contribution will be **HUF 7,710 (HUF 257 per day) per month**.

New procedural regulations now stipulate that **the tax authority shall notify** private individuals **within 8 days** of any newly incurred health care contribution payment obligations, due to the termination of their insurance status or health care entitlements.

*Note: if the private individual's health care contribution arrears exceed three months' aggregate amount, the private individual's Social Security (TAJ) card will become invalid, and they will no longer be eligible for free Social Security-supported health care as a result.*

### **Vocational training contribution**

Effective as of 1 January 2021, the new Vocational Training Act will repeal the previous Act, and will modify the provisions regarding vocational training contributions.

The new legislation will not bring any substantive changes regarding vocational training contribution payment obligations.



## INFORMATION REGARDING THE MOST IMPORTANT TAX CHANGES ADOPTED IN SUMMER 2019

### I. CORPORATE TAX CHANGES

#### Obligation of replenishment

**The obligation of replenishment under the TAO has been cancelled.**

**The obligation to supplement the tax advance with respect to the innovation contribution will likewise be cancelled.**

In the 2019 tax year, however, taxpayers may, at their own discretion, opt in favour of replenishment, by submitting a statement to that effect, provided that the 20<sup>th</sup> day of the last month of their 2019 tax year falls on a later date than the date of the Act's entry into force (24.07.2019.) The legislation thus provides an option for already supporting spectacle team sports this year.

An advantageous change is that, as of 2020, the value limit for donating a monthly or quarterly tax advance for a preferred purpose (to support spectacle team sports or a film production) will increase from 50 percent to 80 percent of the amount of the tax advance.

#### Group taxation

- Going forward, forming a group for tax purposes **will no longer be impossible** if the taxpayers in the group keep accounts in different currencies.
- Any legal entity **commencing their business operations during the year** may apply for membership within a corporate tax group.
- Group members shall individually **report** only to the group representative, and the group representative shall fulfil any data reporting obligations on behalf of the group members.

As a result of this legislative change, should one of the group members fail to meet the conditions for group taxation status, the tax authority will not terminate the group taxation status, but only revoke the group membership of the member in question.

*Note: more favorable conditions for taxpayers (entry, conditions, administration)*

## Development tax allowance

The amendment introduces some major simplifications with regards to development tax allowances.

Investment limit for SME development tax allowances					
small enterprise			medium enterprise		
2020	2021	2022	2020	2021	2022
300 million	200 million	50 million	400 million	300 million	100 million
previously, until 31.12.2019: HUF 500 million					

*amounts are in HUF*

The minimum investment value serving as the condition for the current development tax allowance provided to small and medium-sized enterprises will change from HUF 500 million to the following:

- from 2020, HUF 300 million for small enterprises and HUF 400 million for medium-sized enterprises,
- from 2021, HUF 200 million for small enterprises and HUF 300 million for medium-sized enterprises,
- from 2022, the threshold for tax allowances will be HUF 50 million for small enterprises and HUF 100 million for medium-sized enterprises.

For investments reported and initiated as of 1 January 2020, a constant headcount requirement will apply (instead of the previous headcount increase requirement.) This means that, in terms of headcount, there can be no reduction in the number of employees in the four tax years following the first use of the tax allowance, as compared to the headcounts of the three years preceding the start of the investment.

*Note: this change means that the investment threshold will gradually decrease over three years, that is, in the future allowances will be available for smaller investments as well.*

*Note: the obligation to supplement tax advances for corporate taxes will be cancelled, although **“replenishment” will remain a requirement for local business taxes** (until 20 December of the relevant year.)*

## II. CHANGES IN THE VALUE ADDED TAX

### Sales to customer inventories

As a result of EU harmonisation, as of 1 January 2020, the rules simplifying requirements for customer inventory sales have been further clarified. As a result, taxpayers will not be required to apply for a tax number in the receiving country when transferring goods to another Member State's warehouse or leased warehouse.

The most important conditions are the following:

- the customer having a tax number at the place of destination must already be known at the time of delivery,
- the customer's acquisition of ownership must be stipulated in the agreement,
- the seller may have no business site in the country of arrival,
- the product must be sold within 12 months.

With the transfer of the product, the Hungarian seller engages in intra-Community tax-free sale of goods, and the Community buyer engages in an intra-Community purchase of goods.

*Note: the advantage of a customer inventory is that the buyer acquires ownership at the time when it withdraws the product from the warehouse, meaning that the seller is not required to issue an invoice until that time.*

### Irrecoverable debt

From 2020, it will be possible to reduce the VAT base retroactively, under the legal title of irrecoverable debt (as long as it was generated after 31 December 2015.)

An irrecoverable debt is defined as a gross consideration meeting one of the following conditions:

- there are insufficient funds available for settlement during the collections process,
- the claim was annulled by the creditor (in the course of bankruptcy, liquidation or debt consolidation proceedings),

- there are insufficient funds available for settlement according to the liquidator's statement (if at least 2 years have elapsed since the start of liquidation),
- the asset(s) received based on the proposal for the distribution of assets upon conclusion of the liquidation or debt consolidation procedure are insufficient for settlement.

*Note: although this change is advantageous for taxpayers, they must comply with very strict legal requirements for it to be applicable.*

### **Commercial accommodations services**

For commercial accommodations, a **5% tax rate** will apply instead of the previous 18 percent.

### **Intra-Community sale of goods**

There is a new stated requirement for intra-Community sale of goods: the **purchaser must have a VAT number** in a Member State other than that of the dispatch of the product, and must communicate it to the seller.

The Act includes a new paragraph stipulating that the exemption shall not apply in the event that the obligor taxable entity fails to comply with its obligation to submit the recapitulative statement under Schedule 4/A, Section I, or if its submission is incorrect or incomplete. An exception to this rule is when it can be proved that the omission, defect or failure occurred despite acting in good faith, while simultaneously submitting to the tax and customs authority the data necessary for defining the correct and complete content of the recapitulative statement.

### **VAT exemption of import-related services**

The VAT exemption of import-related services will be applicable, as amended, from the 31<sup>st</sup> day following the announcement (23.07.2019), if:

- in addition to the **consideration being included in the tax base of the imported product**,
- the service in question is provided **directly to the importer**.

*Note: not all participants in the supply chain may be exempt for services related to export/import transactions!*

### **Special tax refund**

Based on the rulings of the EU Court of Justice, as of 01.01.2020, taxable entities may request their VAT refund from the tax authority if it could not otherwise be recovered due to reasons not attributable to them.

If the taxable entity has paid its partner a tax erroneously attributed to it, (i.e. direct VAT was applied instead of reverse VAT), but a refund of the erroneously paid tax was not possible due to the partner's dissolution.

*Note: The special tax refund is subject to the condition that the tax on which the refund is based has been paid into the budget.*

### III. CHANGES IN PERSONAL INCOME TAX

#### Personal income tax exemption

As of 1 January 2020, the law provides lifelong personal income tax exemption **for mothers who have given birth to or adopted four or more children**, if they **have raised or are currently raising them in their own household**, with respect to their income obtained from work.

To qualify for this allowance, a **declaration to that effect must be made in the tax return**.

*Note: The above allowance can only be applied for the first time to taxable income earned after 31 December 2019.*

#### Private foundation

The PIT Act includes 'private foundation' as a new concept. Private foundations can only manage the **assets made available by a private individual founder**, and the proceeds thereof.

Similarly to trusteeships, the value of the assets **transferred to the beneficiary** private individual from the assets of the private foundation (excluding the proceeds thereof) **will be tax-exempt**.

*Note: From 2020, the value of any assets transferred by a foundation that does not qualify as a non-profit foundation to a beneficiary private individual from the proceeds of the foundation's assets are to be recognised as dividends.*

#### Benefits provided for prominent sports events

Certain benefits associated with an event classified as an international sporting event (e.g. European Football Championship) will also be tax-exempt.



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In addition, **accommodations, transportation, hospitality or gifts provided** by an international sports association registered in Hungary **as part of sports diplomacy**, as well as the **daily stipends paid for the foreign trips** of a person employed by such a sports association, will likewise be tax-exempt.

### Transfer of arable land

In the future, the transfer of arable land in **undivided joint ownership** to a co-owner will be tax-exempt.

### Tax-exempt family benefits

As of 1 July 2019, the following are **tax-exempt** under the Government Decree on Baby Support:

- **interest rate subsidies, and**
- **childbirth allowances, and furthermore**
- **car purchase subsidies for large families** (the amount of the purchase subsidy is HUF 2,500,000, not to exceed 50 percent of the gross purchase price at the time of purchase.)

### Determination of a consolidated tax base

As a result of the two percentage point reduction in social contribution tax, after 1 July 2019, **85 percent of the determined income must be taken into account as income**, as opposed to the previous 84 percent, provided that the private individual is obligated to pay social contribution taxes on their income (unless it can be recognised as cost, or it has been refunded to them).

*Note: 85% of income is also the ratio to be taken into account when calculating the personal income tax base.*

## IV. CHANGES IN KATA (SMALL TAXPAYERS' ITEMISED LUMP SUM TAX), KIVA (SMALL BUSINESS TAX) AND EVA (SIMPLIFIED ENTREPRENEURIAL TAX)

### KATA and KIVA

In line with the reduction in social contribution taxes, the **benefit base for small taxpayers** has also changed, as this **increases the proportion of individual contributions**, meaning that after 1 July 2019, a higher amount shall be taken into account as the basis for benefits.

With their tax liabilities remaining unchanged, the base for pecuniary benefits for a full-time KATA taxpayer (e.g. childcare allowance a.k.a. GYED, sick pay) shall increase as follows:

- if paying itemised tax in the amount of HUF 50,000: increases to HUF 98,100 (HUF 94,400 until 30 June 2019)
- if paying itemised tax in the amount of HUF 75,000: increases to HUF 164,000 (HUF 158,400 until 30 June 2019)

*Note: due to the social contribution reduction, KATA benefits use a higher amount as the base for benefits, which is a favourable change for “KATA entrepreneurs”,*

**As of 1 January 2020, the small business tax rate will be further reduced from the current 13% to 12%.**

New regulations coming into force this year stipulate that **the small business tax option is not available in the following cases** (previously, the circumstances detailed below have only excluded KIVA status):

- if the taxpayer is in ownership of a controlled foreign company,<sup>5</sup> or
- if their financing costs exceed a specified<sup>6</sup> level.

As of 1 January 2020, any reduction in the tax base by income from dividends received (due) from abroad will also be subject to the condition that the company determining the amount of dividends (including managed assets) cannot recognise it as an expense against pre-tax profit.

*Note: In addition to reducing the social contribution, the legislative changes to the KIVA will also benefit the taxpayer. We strongly advise taxpayers to consider the KIVA entry conditions and taxation options, and prepare a KIVA taxation plan.*

## V. EVA

**As of 1 January 2020, the simplified entrepreneurial tax is no longer available.**

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<sup>5</sup> For foreign persons, unless they are Hungarian residents or foreign entrepreneurs; foreign business sites

<sup>6</sup> Specified level = If a taxpayer's financing costs exceed the sum total of its taxable revenues and interest revenues, and this sum is expected to exceed HUF 939,810,000 in the relevant tax year.

Due to the repeal of the EVA Act, the taxpayers involved were **reintroduced into the VAT scheme**, and had to choose between the KATA, KIVA and TAO tax types (TAO being the default option.)

The detailed rules for returning to a double-entry bookkeeping system are set out in the Accounting Act, while in all other aspects, the procedural rules governing the specific choice of tax scheme will apply.

## VI. CHANGES IN SOCIAL CONTRIBUTION TAX

One of the most important changes of the summer tax package is that **the social contribution tax rate has decreased** from the previous 19.5% to **17.5%** as of 01.07.2019 (naturally, the rate of the benefit available against the social contribution tax is also adjusted to this reduction in tax rate).

*Note: the two percentage point reduction in the social contribution tax results in a significant decrease in the employers' public-revenue burdens with regards to wage payments (with the ratio of net wages and total wage costs reduced to 1.789) as well as fringe benefits and miscellaneous personal benefits.*

*Personal income tax (15%) and social contribution tax (17.5%) are payable on the SZÉP card cafeteria elements available from 1 July 2019 (as long as the allowance does not exceed the annual cap.) Naturally, the reduction in social contribution tax will also result in a change in the tax burden with respect to all other cafeteria elements, as only a 17.5% social contribution will be payable in the future on specific benefits, even when using the 1.18-fold tax base supplement.*

## VII. SIMPLIFIED CONTRIBUTION TO PUBLIC REVENUES (EKHO)

In line with the reduction in the social contribution tax rate, **the rate of simplified public contribution to public revenues** has also **decreased** from 19.5 percent to **17.5 percent**, effective as of 1 July 2019.

## VIII. OTHER LEGISLATIVE CHANGES

### Duties

The amendment specifies that as of 1 January 2020, **the duty exemption for foundations will be extended to foreign foundations as well.**





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The duty exemption will apply to the acquisition of property by foreign foundations in Hungary, as well as to any administrative and judicial proceedings initiated in Hungary. However, the duty exemption will also be subject to the condition that the foreign foundation in question has no tax payment obligation corresponding to the Hungarian corporation tax in the preceding tax year.

### Financial transaction duty

Under the law, **postal check payments below HUF 20,000 are now free of charge**, effective immediately after the announcement.

For payments exceeding HUF 20,000, the duty is capped at HUF 6,000.

### Advertising tax

The **advertising tax** rate will be temporarily **reduced to 0 percent** from 1 July 2019.

In connection with **the temporary suspension of the advertising tax between 1 July 2019 and 31 December 2022**, it was stated that during the period of suspension, it will remain possible to recognise advertising costs for corporate tax purposes.

### Building tax and land tax

The **scheme of conditional tax exemption on building and land taxes** will be extended to **non-profit organisations** with trusteeship, usufruct and usage rights on the property.

## IX. PROCEDURAL RULE CHANGES

### Document-retention obligation

As a result of this amendment, any income and property covered by double taxation conventions will be subject to a longer-than-usual 10-year document retention obligation.

### Reporting obligation

From 2020, local business taxpayers will be able to report their business site addresses under the Local Tax Act not only to local governments, but also to the state tax authority. NAV will automatically forward the data included in the report to the relevant local government's tax authority.



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*Note: this option is intended to reduce the taxpayers' administrative burdens.*

As of 2020, taxpayers will also be able to report the representative they authorised to act before the relevant local government's tax authority to the state tax authority.

### **EKAER (Electronic Trade and Transport Control System)**

The rules for closed EKAER reports are changing. In contrast to the previous regulation, as of 2020 there will only be a single opportunity to correct an EKAER report containing incorrect or incomplete data.

In addition, any such modifications can only be made within 3 working days of the EKAER report's closure.