



# NATIONAL TAX AND CUSTOMS ADMINISTRATION, 2019

BUDAPEST, 2020



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”  
It seems to be a success  
we took the hurdle

”

## Preface

László Sors Dr.  
Commissioner of the NTCA



In our publication presenting the results of the National Tax and Customs Administration in 2019, we have tried to give a picture of our place and role in the public administration system of Hungary, the significance of our work for the state budget. We present the impact of our performance on the competitiveness of the economy and the operation of individual market sectors. We also report on the necessary, but at the same time by far marketable innovation that underlies all this.

Although the results of twelve months are summarized on the following pages, it cannot be ignored that each year is a continuation of previous years and a precedent for the subsequent ones. When this publication is released, we will already be in the spring of 2020. Thus, I cannot leave without saying that the coronavirus epidemic also meant a change in the normal operation of the National Tax and Customs Administration, we had to temporarily reorganize our lines in order to fulfil our mission even in the changed circumstances and avoid the risks in the emergency situation. We seem to have

successfully taken the hurdle. A big role to play in this has the fact that vital innovations in the online services were introduced in 2019, that digitalisation has been extended as much as possible not only in our external administrative relations but also in our internal work processes, and last but not least, that we have encouraged and supported flexible and adaptable management and employee attitudes,

If we had not achieved all this in the last year and met our strategic goals in the face of the challenges, we would be in big trouble now. For example, we would not be able to offer our customers an alternative to replacing personal administration, we would not be able to manage with the help of our IT system that we had to introduce a new work schedule for our employees.

Looking back to 2019, I can even say that a successful year has provided enough ammunition for the National Tax and Customs Administration to remain operational even in a period with such severe economic and social consequences. In the spirit of this, I recommend our publication to your attention!

## Law enforcement organization

The National Tax and Customs Administration (NTCA) is under the control of the Minister of Finance, and its basic tasks are state administration and armed law enforcement tasks, a central administrative institution performing a total of about 1,200 tasks groups. It operates and performs its tasks on the basis of about 40 pieces of legislation.

### 40 PIECES OF LEGISLATION

- on the NTCA
- on the rules of taxation
- on the tax administration regulation
- on the enforcement procedures to be taken by the tax authority
- on value added tax
- on personal income tax, etc.

### 1200 TASKS

In addition to its basic tax and customs administration tasks, NTCA also performs several other tasks. These include, for instance, the control of waste pre-treatment, disposal and recovery.

### 10 MILLION CLIENTS

In addition to operating taxpayers, there are also tasks with non-operating taxpayers, for example, the tax returns and arrears of those under liquidation and bankruptcy proceedings must be also managed, and the related procedures must be followed.

### 24.5 MILLION TAX RETURNS AND DATA TRANSMISSIONS

NTCA's data assets are made up of data from taxpayers and economic actors. The data in this is the basis of the work of important state and administrative organizations.

### 15,525 BILLION FORINTS OF REVENUES

In 2019, NTCA provided the state with a total of more than HUF 15,500 billion in revenues from taxes and contributions.

### A BUDGET OF 287 BILLION FORINTS

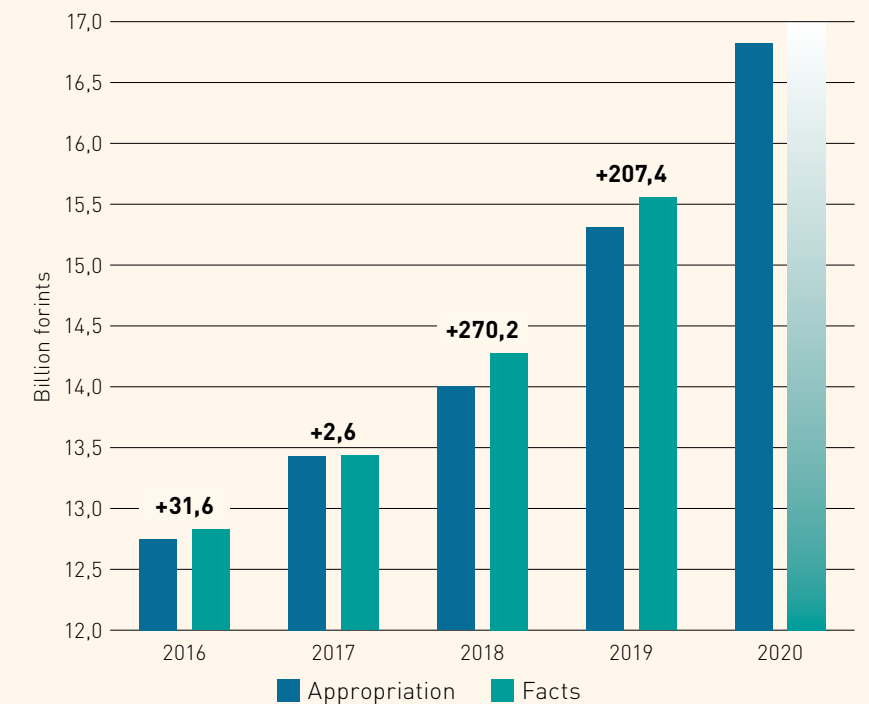
In 2019, NTCA covered its performance and its tasks from a budget of HUF 287 billion.

### 18 THOUSAND JOB POSITIONS

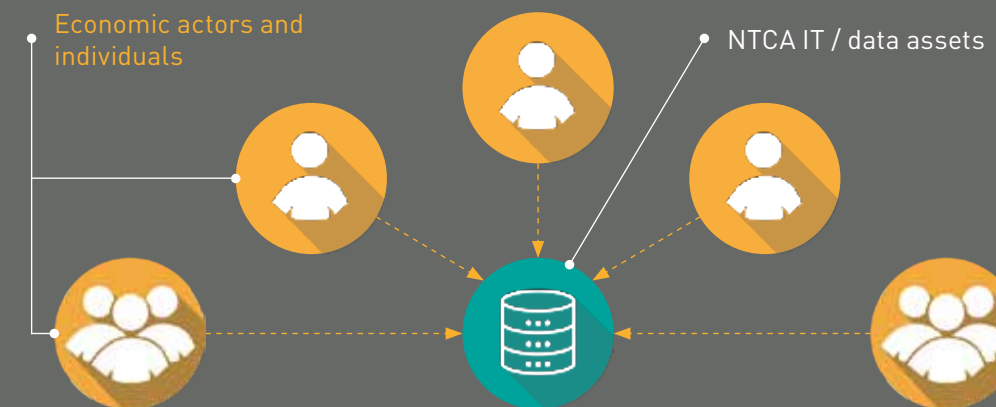
In December 2019, NTCA employed less than 18,000 employees, financial guards, government officials and employees.

### Appropriations and revenues (2018, 2019)

2019: 15 317,7 Mrd (+207,4 Mrd) 2020: 16 802,8 Mrd



### Provision of data to public administration and state administration



2800 data transmissions, half a thousand different content

Central Statistical Office, statistical bodies, for government decisions

(public finances, employment, tax policy, demographic objectives, sectoral data)

public administration

(pensions, health care, subsidies, local governments, public administration)

Data quality is improved and administration is reduced

# Results in headlines

## “DATABANK” OF THE PUBLIC ADMINISTRATION



## STABLE REVENUES



## REDUCTION IN ADMINISTRATION



## MARKET CLEANING



## VAT GAP REDUCTION



### “DATABANK” OF THE PUBLIC ADMINISTRATION

NTCA is the most important database for the data needs of the state and public administration.

### STABLE REVENUES

Year by year, tax revenues are met with a surplus. This provides more than 90% of the state budget resources.

### REDUCTION IN ADMINISTRATION

Today, electronic and digital solutions are replacing a significant part of the previously time-consuming and complicated administration of taxation.

### MARKET CLEANING

As a result of NTCA’s work, the proportion of tax evaders has decreased in most economic sectors that pose a high risk to tax revenues.

### VAT GAP REDUCTION

With the decline in tax evasion, VAT revenues have increased in recent years, which is also supported by data from the European Commission.

# Tax audits of the tax authority



Recently the audit philosophy of NTCA has changed significantly. In the new approach, the most common type of tax audit is compliance audit. NTCA uses several types of tax inspections: real-time with risk analysis, ex-post based on tax returns, on-site with turnover counting and most

recently digitally, without the need for the taxpayer and tax auditor to meet in a paperless and traceable way. As a new concept, we have introduced supportive audits, through which HUF 29 billion of voluntarily declared "new" tax forints "arrived" in the state budget.

## Audit objectives

- protection of budget revenues
- curbing the hidden economy
- encouraging voluntary compliance

## E-audit (24 thousand)

- machine to machine communications
- no cost, time and administration

In 2019, we performed more than 24 thousand electronic audits.

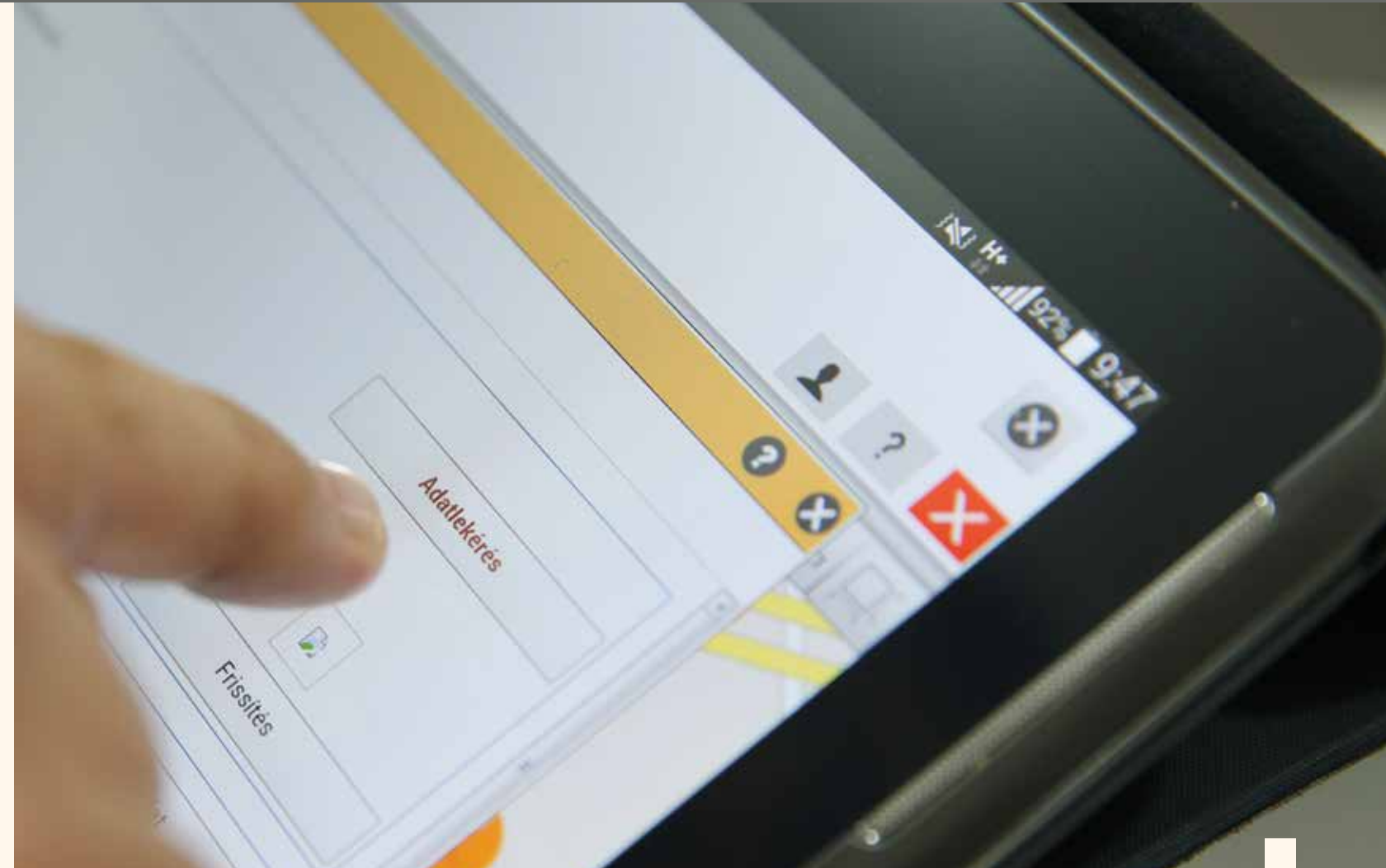
## Risk profiles

The identification of taxpayers and economic events that pose a risk to tax revenues is

facilitated by so-called risk profiles. These are based on the data assets of NTCA and allow for automatic and immediate intervention. In 2019, the 765 risk profiles resulted in 140 thousand hits in filtering out illegal processes.

## Priority sectors

- building industry
- wholesale of fruit and vegetables
- catering industry
- e-commerce
- trade in motor vehicles and parts
- trade in excisable products



**184**  
THOUSAND  
AUDITS

**232.5**  
BILLION FORINTS  
OF NET TAX GAP

**269**  
BILLION FORINTS  
FROM SANCTIONS

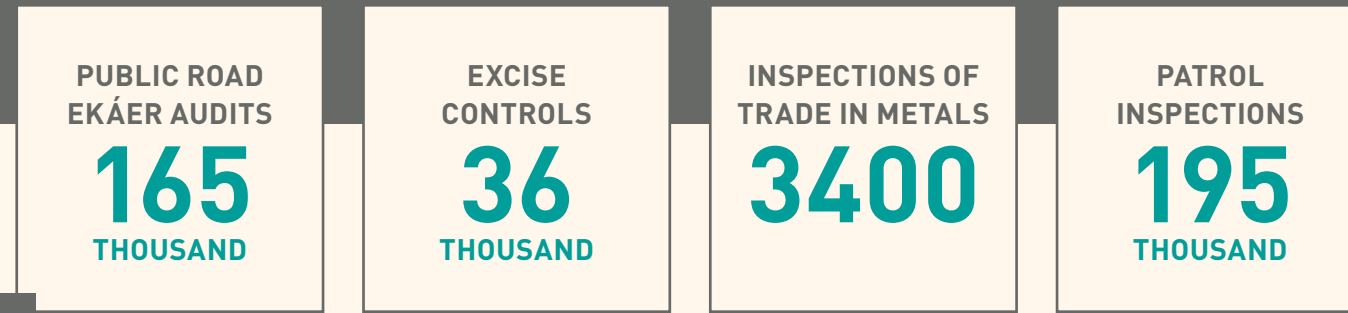
**93%**  
TAX  
COMPLIANCE AUDIT

### DATA FROM DIGITALIZED SYSTEMS ARE ALSO USED BY NTCA FOR INSPECTIONS

1.5 thousand inspections were started from the data of the Online Invoice System that resulted in the assessment of HUF 20 billion as tax gap; the data of the Electronic Trade and Transport Control System (EKÁER) revealed an unpaid public burden of HUF 15 billion by launching 12.5 thousand inspections.

### EMPLOYEE ALARM

In 2019, the insurance status of 180 thousand employees was settled, and following the indications of the employment monitoring system, the state treasury received HUF 6.6 billion in revenue from employers who had previously violated the rules.



### CUSTOMS PROCEDURES

Items customs cleared and their value in 2019

	Export	Import
Number of items	3 million	2.2 million
Value	74,000 billion	11,000 billion

A total of 5.2 million items were cleared through customs, and the statistical value of customs-cleared goods totalled HUF 18,400 billion.

### NATURAL BORDER CONTROLS

On the strictly controlled border sections, only smaller quantities of cigarettes that are easy and fast to carry can be transported to Hungary illegally; these are tried to be transported across the border by various new methods (drone, kite plane, small plane and diving suit).



# Enforcement actions

In addition to the collection of tax and customs debts, NTCA, as a general administrative enforcement authority, has been taking enforcement actions since 2018, and from 2019 onward, it has also been taking judicial enforcement tasks. Enforcement of the claim of the state for criminal punishment and the collection of money from payment obligations related to criminal proceedings are also the task of our administration.

## ENFORCEMENT OF MONETARY CLAIMS

- tax and customs debts
- public debts to be recovered as taxes, such as, for instance, student loan debts
- money claims in court cases
- obligations imposed by public authorities, such as debts from fines for speeding

## OTHER ENFORCEMENT TASKS

- specific actions, such as mandatory vaccination, demolition, cleaning (see right)
- judicial enforcement, such as confiscation of property, seizure

In 2019, our administration collected HUF 280 billion in NTCA receivables, of which HUF 5.4 billion from liquidation and bankruptcy proceedings. Enforcement of 868 thousand claims was initiated at the request of external bodies. NTCA has initiated about 427 thousand enforcement proceedings under its own jurisdiction. Last year, 20,542 auctions were completed. The estimated value of movable and immovable property sold was HUF 1.7 billion and its purchase price was HUF 1.2 billion.

BEFORE



AFTER



# Anti-fraud strategy

The investigation of a significant part of financial and economic crimes, especially crimes damaging the budgets of Hungary and the European Union, falls within the competence of NTCA. The greatest damage is caused by offenders specializing in VAT fraud.

10% of all ongoing crimes can be attributed to organized crime, while 70-80% of all financial damages related to crime can be attributed to these crimes. Since 2016, NTCA has been monitoring these organizations with special tracking and records to ensure that their liquidation is target-oriented, effective, and timely and is based on as much relevant information as possible.

## DATA OF DYNAMIC CASELOAD IN 2019

**5300**  
NEW  
CRIMINAL  
PROCEEDINGS

**96.4**  
BILLION FORINTS  
OF COMMITTING  
VALUE

**48**  
CASES  
OF ORGANIZED  
CRIME

**89.2**  
BILLION FORINTS  
OF ASSET  
INSURANCE AMOUNT



The financial investigators of NTCA work with open and secret tools provided for by law. With the elimination of organized criminal groups, the room for market operators acting lawfully on the market is expanding and by confiscating the proceeds of crime, NTCA provides for

the lost budget revenues. As a result of the work of the investigative body of NTCA and the areas of expertise that cooperate with it, the cleansing of markets can be observed in several risky economic sectors.

## CLEANSING OF RISKY PRODUCT MARKETS



MOTOR OIL



SOYBEAN



SUGAR



COOKING OIL



VEGETABLES  
AND FRUITS



EMPLOYMENT



TARGET AREAS OF ORGANIZED CRIMINAL GROUPS

FERTILIZER 

PETROLEUM 

FEED, SOYBEAN 

VEHICLE 

ILLEGAL TOBACCO PRODUCTS 

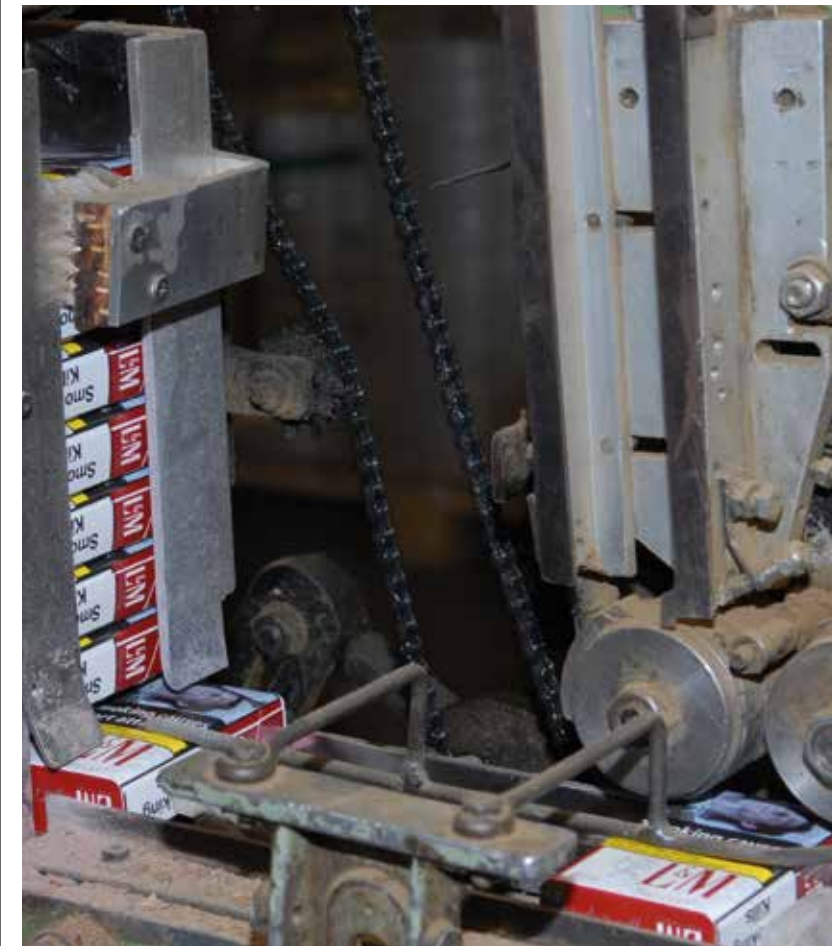
COMPUTERS AND TECHNICAL ARTICLES 

LABOUR HIRE 

PERSONAL AND PROPERTY PROTECTION 

INVOICE PRODUCTION ("INVOICE FACTORY") 

FOODSTUFF 



# Services



## DIGITAL SOLUTIONS

**ePIT** – 5.5 million pre-filled tax returns (drafts), from 2019 for sole proprietors, primary producers and private individuals with a VAT number as well.

**eAEO** – Special status. The authorised economic operator receives a number of benefits from the customs authorities when handling his/her customs affairs. Electronic application, resolving discrepancies and issuing permits.

**eEXCISE** – Monthly pre-filled draft tax returns..

**ONYA** - Electronic handling of 6 types of cases, tax returns and basic cases can be handled “from home”: registration, change notification, tax number, tax identification, request for customs identification number, mailing address, certain tax returns.

**Online Invoicing Tool** – It has 18 thousand users and simplifies the provision of data for small and medium-sized enterprises with the “NTCA-safe” software, also from a mobile phone.

**HIPA tax return** – electronically via NTCA. In 2019, NTCA received 700 thousand local business tax returns.

**KATA statement** – E-statement of 356 thousand entrepreneurs.

**MOSS (Mini One Stop Shop)** – It is for querying account balances, administrative interfaces for taxpayers who provide telecommunications, radio and television broadcasting and electronic services to non-VAT registered persons in the EU.

## Online invoicing mobile APP



HELP FOR TAXPAYERS

## ACCOUNT OPERATIONS



FORA



MENTOR PROGRAMME



CONSULTATIONS



TAX AUDIT METER



GITHUB



READABILITY

**EGYKE** – It is for e-notification of proxies – authorised representatives. The economic operator can enter the agent acting in his/her case into the system in a matter of seconds.

**Online Invoice** – 370 thousand registered businesses, 38 million successful data transmissions.

**e-income statements** – To reduce the administration of loan applications.

#### **CUSTOMER SERVICE**

- customer/client turnover: 2.3 million personal administration
- 850 thousand telephone calls (successful call on TCC)
- 29 thousand e-mails, ÜCC: 370 thousand active customers, 180 thousand cases to arrange for

#### **ASSISTANCE TO TAXATION**

**Mentor Programme** – For start-ups, NTCA provides assistance to manage the tax processes for half a year. In 2019, 130 thousand letters of greeting

were sent out by the tax directorates, and 1,800 businesses (undertakings) were in the program at the end of the year.

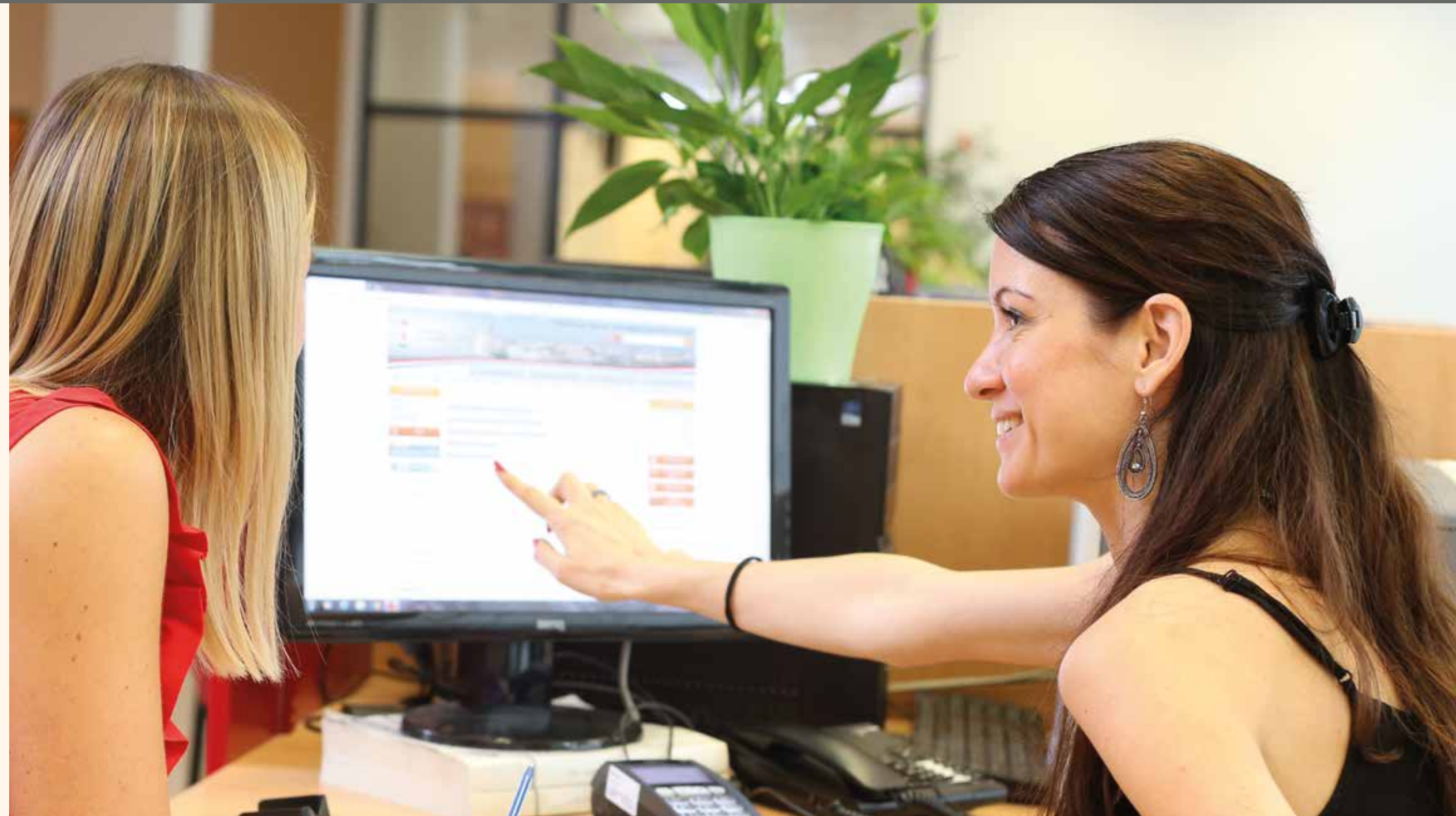
**Tax Audit Meter** – Audit forecast on the website of NTCA.

**Readability Programme** – Instead of the logic of the office, the logic of the taxpayer is the organizing principle in editing texts. In 2019, we already applied this approach in about 3 million written contacts.

**GITHUB** – An international platform for commenting on IT projects can be used to contribute to NTCA's developments.

#### **NATIONAL INTEGRATED BORDER MANAGEMENT STRATEGY**

The control of passenger traffic entering the external customs border of the European Union takes place at one stop. In parallel with the passport control of the Police, the customs control of NTCA also begins.



# Information Technology

The basic conditions for the performance, results and day-to-day operation of NTCA are a reliable, regularly maintained and developed IT background and an innovative team of professionals operating and developing the systems. The fulfilment of all this depends on the budget provided to NTCA and the position available in the labour market competition.

## Data asset management

**293** BUSINESS ESTABLISHMENTS

**2700** SERVERS (PHYSICAL AND VIRTUAL)

**21 thousand** WORKSTATIONS

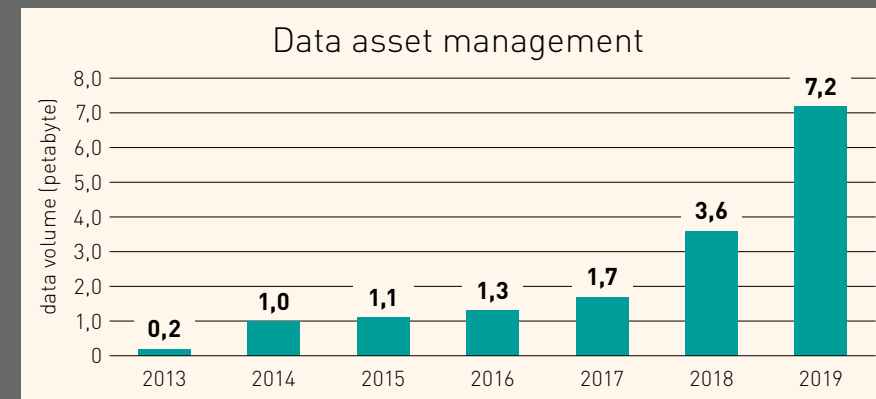
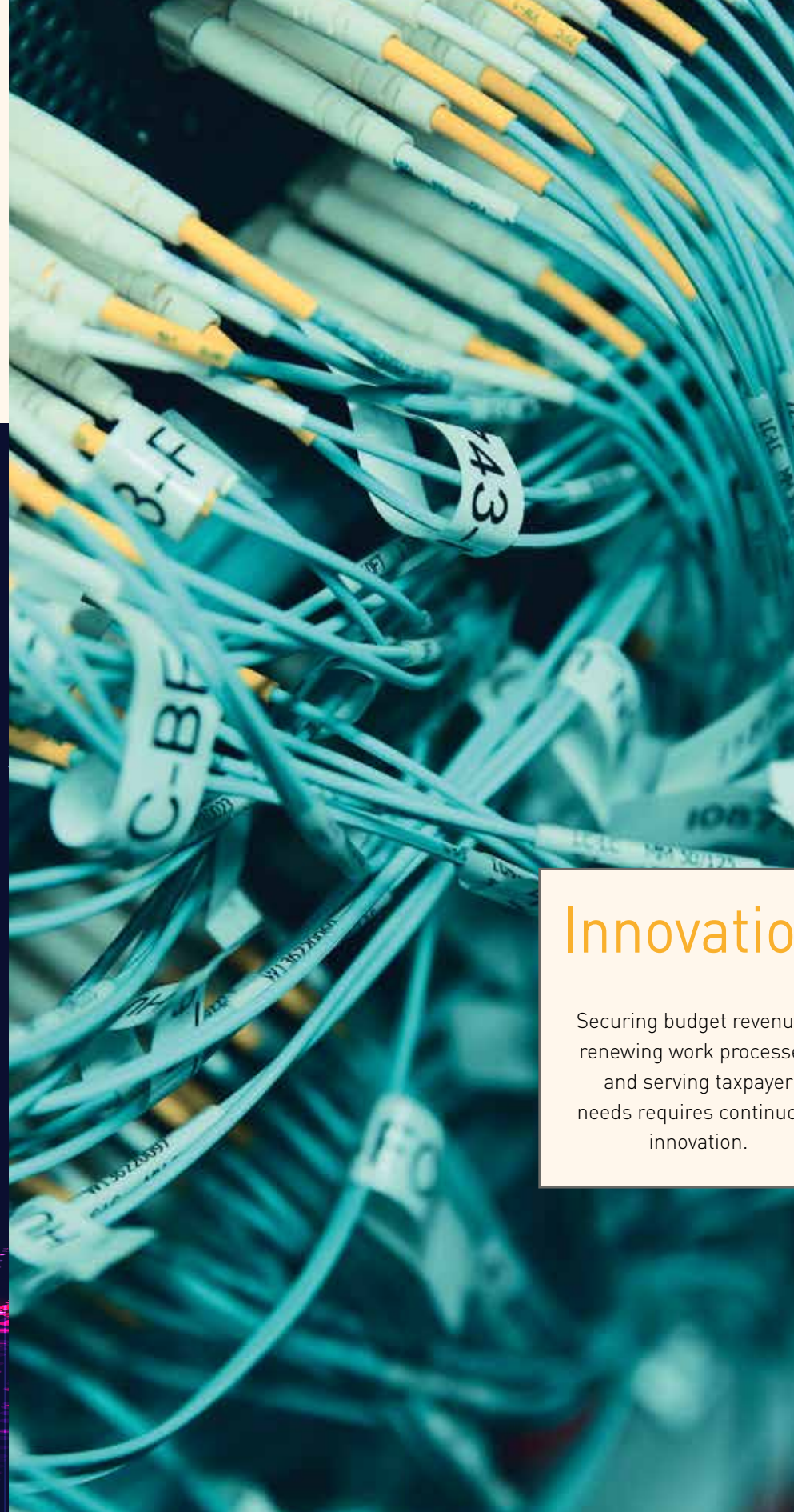
**12 thousand** PRINTERS

**1.10 thousand** IT ENDPOINTS

**4 thousand** NETWORK TOOL

MORE THAN **600** APPLICATIONS

**570 thousand** E-MAIL PER DAY



## IT EXPENSES IN 2019

**SERVICES:** 24.24 MRD HUF (56% OF MATERIAL EXPENSES)

**INVESTMENTS:** HUF 3.44 MRD (61% OF INVESTMENT EXPENSES)

## TECHNOLOGY MIX

## MULTITUDE OF EXTERNAL RELATIONS

## DATA ASSET PROTECTION

## Main directions

- EXTENDING ONLINE ADMINISTRATION
- WHITENING OF THE ECONOMY
- SIMPLIFICATION OF INTERNAL WORK PROCESSES

## Specific developments

- APPLICATION OF TAXPAYER COURSE
- INTEGRATED DATA WAREHOUSE
- NETWORK RESEARCH
- NEW NAV.GOV.HU
- SINGLE CONTACT CENTER
- NEW EBEV PORTAL DEVELOPMENT
- DEVELOPMENT OF A RISK ANALYSIS FRAMEWORK

## Innovation

Securing budget revenues, renewing work processes, and serving taxpayer needs requires continuous innovation.

# International relations



In July 2019, after a gap of seven years, **Hungary again became** a member of IOTA's operational management body, the **Executive Council**.

There is also a great deal of international interest in the modern anti-avoidance tools of NTCA – i.e. EKÁER, online cash register and Online Invoice System. In 2019, the **Greek, Serbian, Zambian, Korean, Turkish** and **Saudi** delegations also studied these systems.

## IMPORTANT EVENTS

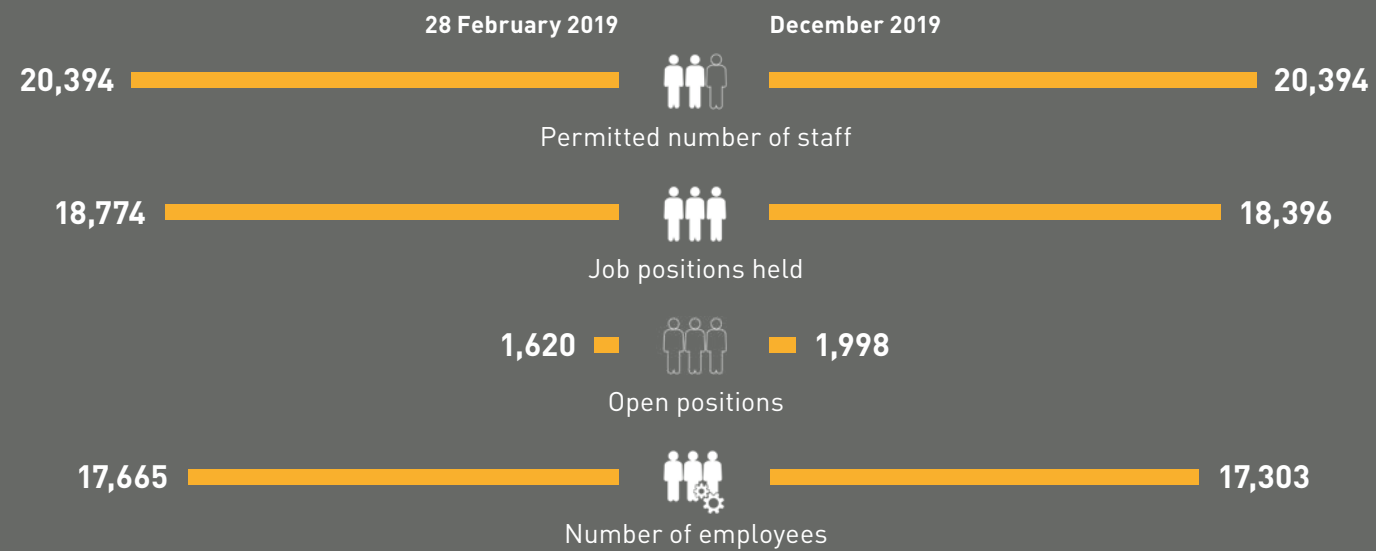
- Cooperation between OLAF, Europol and foreign partner authorities (Belgium, the Czech Republic, Greece, Italy, Romania, Spain, Slovakia) in eradicating the illegal cigarette factory.
- In the EU Member States, even up to 16 thousand trucks, 470 million litres of so-called “designer” fuel can be released for free circulation every year without paying taxes. The results achieved in the eradication of organized crime are based on the Hungarian-initiated working group formed by the customs leaders of the V4 countries (i.e. Visegrád Group).
- The mass inflow of some undervalued import products into the EU market is a worrying phenomenon affecting many of the European Union's customs administrations. Regarding the actions against undervaluation, NTCA also expressed its opinion in several EU forums in 2019, thus representing Hungarian interests: undervaluation must be tackled jointly at EU level, because the Member States cannot solve this problem on their own.



## Our colleagues

The vast majority of approximately 18 thousand NTCA employees have specialized knowledge that is also attractive to employers available in the labour market.

Although human resources are a serious challenge, colleagues "on-board" with a strong work ethic and innovative spirit perform the day-to-day tasks.



# Traditions





National Tax and  
Customs Administration