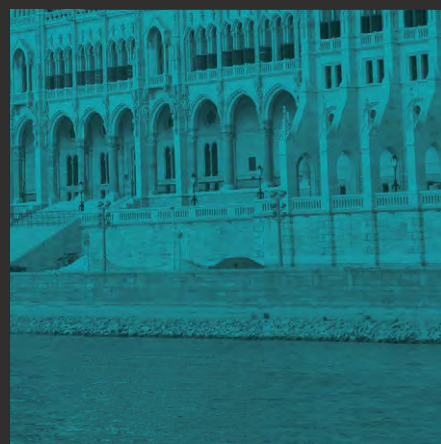
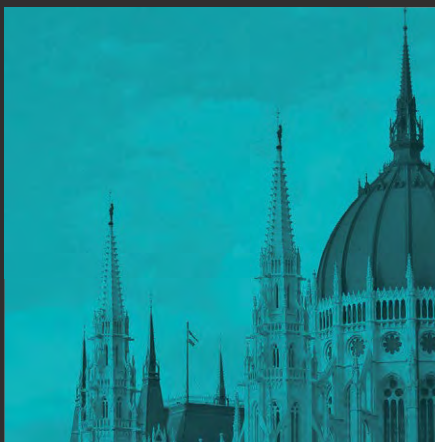




NTCA

**NATIONAL TAX AND CUSTOMS
ADMINISTRATION**

2020





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HISTORIC YEAR TO COME

In 2020 when the successful adaptation to the pandemic situation was at stake worldwide, the National Tax and Customs Administration stood its ground by operating stably. The details are shared on the next pages.

It is difficult to forecast now what the next year will bring to us but one thing is sure in 2021 we celebrate the tenth anniversary of the establishment of the NTCA. Ten years ago, by the decision of the Hungarian Parliament the National Tax and Customs Administration (NTCA), the successor of the Tax and Financial Control Administration and the Customs of Finance Guard was formed. At that time the focus was set on the integration of two organizations with different IT culture and maturity, the implementation of necessary IT solutions, technology modernizations. The building of data warehouse, the utilization of the possibilities of the data assets, the elimination of duplications, plans for digitalization of the taxpayer services were on the drawing board already at the very early stage of the introduction of new uniform technologies. The time was ripe to change the mind set in the work of the tax and customs administration.

Many things changed since then: the tax legislation environment, as the level of tax compliance

broke the deadlock. Today's NTCA has a completely different image from the one that it has at its foundation: through its digitally analysable data asset, innovations and discretion provided by legislative acts our administration can follow up almost every economic transaction. At the same time the NTCA encourages the taxpayers to comply with the legal acts on the public burdens not only through official tools but also by solutions supporting taxation. Today the NTCA is present as an open and transparent organization, economic actor operating in a new style instead of a faceless authority in the everyday life of the enterprises and citizens.

As the experiences of the previous years proved, today the cooperating partnership approach in taxpayer relations and contacts is justified. It itself contains the taxpayer-oriented process design, the follow up of taxpayer path and the differentiation based on the information obtained from it. The encouragement needs to be dominating in more fields: in mentoring the beginner enterprises, supporting the taxpayers making mistakes unintentionally, minimizing the administrative burdens, intensive and comprehensible communication. The change of mind set had a significant impact on the taxpayer's compliance

and also on the collection of budgetary revenues. The partnership approach has been integrated in the system of the NTCA being founded by new procedural tools. However, the investigative authority function remains to be a strong pillar in the future and the reform had good results also in this field.

The digital trends of the changing world, the change of taxation philosophy haven't left the internal procedures of the organization unaffected either. No step forward could have been made by our administration without the internal digitalization. The continuous developments of the systems supporting the work enable a significant savings of working time and paper.

2021 is a historic year for the NTCA in many aspects. Not only because of the digitalization, the full content of real time data disclosures, the new milestone in the modernization of organizational procedures but also because of the fact that the integration that was started ten years ago will definitely be completed by entering into force of the act on uniform legal status of the employees of the NTCA. This new legal act brings clarity into the job and grading system, makes the real evaluation of the performance possible, establishes lifelike relationships for HR policies and management. Appreciation of the loyal and dedicated colleagues that the present and future of this organization is built on will be possible.



László Dr. Sors

WE ARE THE **NTCA**



**SPECIAL ADMINIS-
TRATIVE ORGANI-
ZATION**



**KNOWLEDGE,
INNOVATION**



**VARIOUS AND
DIVERSIFIED SCOPE
OF ACTIVITIES**



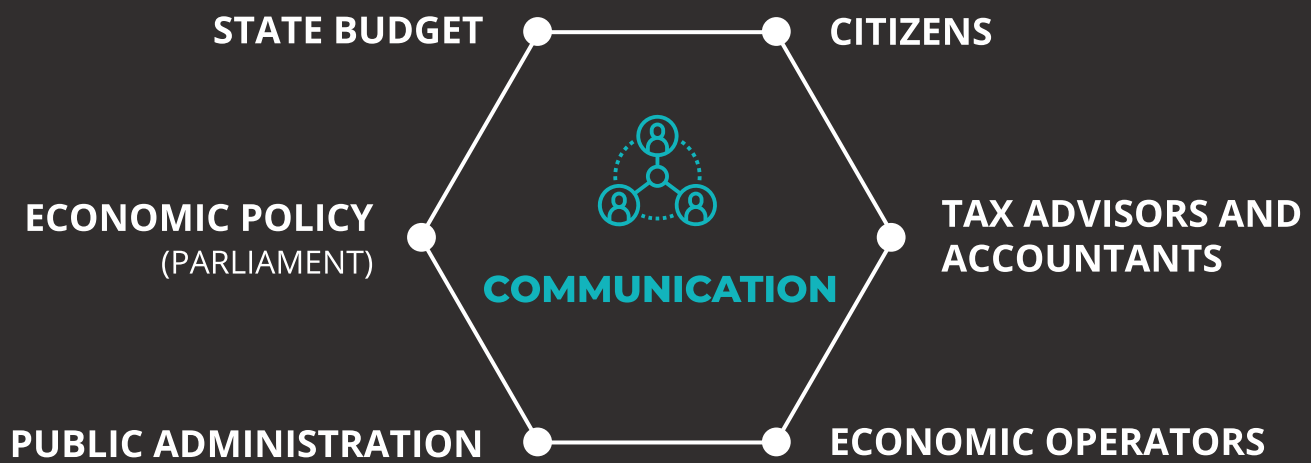
**ALL OVER
HUNGARY**

The National Tax and Customs Administration (NTCA) is an organization being in an unique situation since it is linked to the government budget, economic policy, the Parliament, the system of public administration, the private sector's economic operators, tax advisors and accountants and last but not least citizens. According to its specific function it can be considered one of the key players of the market competition.

Different professions, knowledge and innovation is needed for our work. We have 18 thousand colleagues. The employees with tax and customs administration, law enforcement, investigative, IT, analytical, legal, enforcement and communication expertise employed in tax and customs legal relationship perform almost 1200 different tasks of the NTCA all over Hungary.



**National Tax and
Customs Administration**





INCREASED
the willingness to pay taxes



DECREASED the VAT gap
2010: 20% | 2019: 6,6%
(EC data)



WHITENED
the Hungarian economy



SIMPLIFIED
the tax system



2014-2018
HUF 1,400 billion
EXTRA REVENUE
(OPG, EKÁER, OSZ)



SHRANK
the tax administration



2007-2019
DOUBLE
VAT REVENUE



IMPROVED
the effectiveness
of tax audits

STATE OF PLAY IN 20 20

The latest report of the State Audit Office of Hungary published in the beginning of 2021 illustrates the results of the NTCA through the changes of the tax system.

Services facilitating the taxation, procedures enabling the correction of the errors was put in focus by the NTCA. The rate of voluntarily paid taxes increased. The economic sectors were cleaned up, electronic solutions and the innovations of the NTCA, and also the performance of the economic operators led to additional revenues. Based on the report of the European Commission the gap between the VAT collectable and collected is barely 7% in Hungary. Digitalized solutions – together with the simplifi-

cation of the tax system – facilitate the submission of approximately 25 million of tax returns and data disclosures annually.

The NTCA now can know from its digital information systems what procedure to assign to a particular taxpayer so the supportive-like audits and the classical tax audits will hit the target.

REVENUES

The revenues having a share of 94% collected by the NTCA play an important role in the state budget of Hungary.

SHARES IN STATE BUDGET

(TAX REVENUE)

Central budget (NTCA)	61,5%	HUF 10 423 billion	NTCA 94%
SC funds (NTCA)	29,3%	HUF 4 950 billion	
Separated state funds (NTCA)	2,6%	HUF 440 billion	
Central budget (other body)	0,7%	HUF 116 billion	
Local tax	5,9%	HUF 1 000 billion	

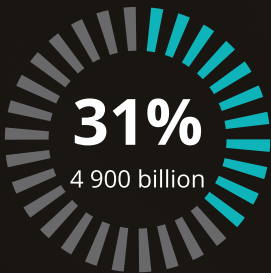
The annual revenue plan of the NTCA determined in the beginning of 2020 before the pandemic equalled to 16 894 billion forints. Due to the revenue shortfalls of the enterprises being in a difficult situation and the decrease of the tax and contribution revenues because of the tax facilitations introduced, only 96% of this planned amount (equalling to 15 813 billion forints) was collected exceeding the peaking amount of 2019 by 2 %.

THE REVENUES OF NTCA IN THE STATE BUDGET

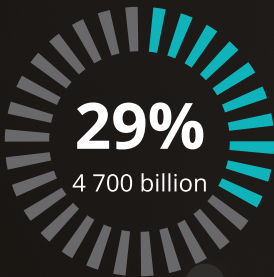
HUF 15 THOUSAND 813 BILLION

PLANNED: HUF 16 894 BILLION

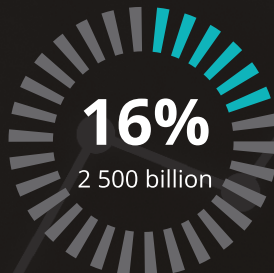
COMPARED TO 2019 + 2%



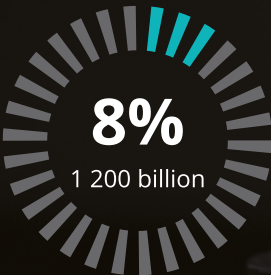
CONTRIBUTION, SCT
(Social Security Contribution, Social Contribution Tax)



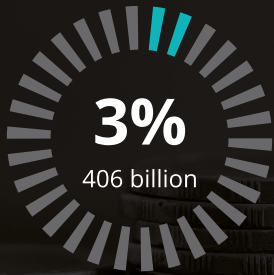
VAT



PIT
(Personal Income Tax)



EXCISE TAX DUTIES



CIT
(Corporate Income Tax)



OTHER

SHORTFALL DUE TO PANDEMIC:

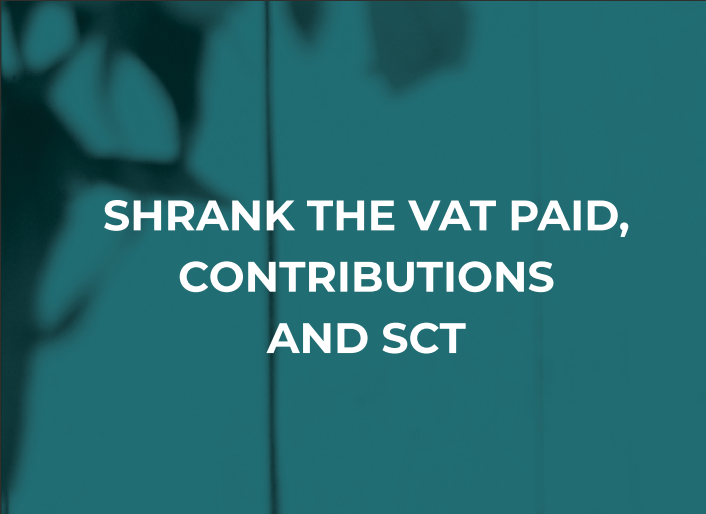
VAT | CONTRIBUTIONS | SCT

REACTION OF THE ECONOMIC OPERATORS ON THE PANDEMIC

Compared to the plans for 2020 the VAT, social security contribution and social contribution tax payments shrank partially due to the revenue shortfall different by sectors. The dominance of electronic taxpayer communication channels increased: the personal administration dropped by 33% and the number of phone calls increased by 80% compared to the previous year.

The amount claimed in applications for payment facilities was higher by 66%, i.e. by almost 70 billion forints than in 2019. The taxpayers submitted claims for instalments or deferred payment in a value of altogether 262 billion forints.





**SHRANK THE VAT PAID,
CONTRIBUTIONS
AND SCT**



**DIFFERENT REVENUE
SHORTFALL BY SECTORS**



**DOMINANCE OF ELECTRONIC TAXPAYER
COMMUNICATION CHANNELS**

(33% LESS PERSONAL ADMINISTRATION, 80% MORE PHONE CALLS)



APPLICATIONS FOR PAYMENT FACILITIES FOR 66%
(+ HUF 70 BILLION)

LARGER AMOUNT THAN LAST YEAR:
TOTAL HUF 262 BILLION



**BENEFIT OF
DIGITALIZATION**



**IMPLEMENTATION
OF TAX RELIEFS
BY LAW ENFORCEMENT**



INFORMATION



**STRENGTHENING
ELECTRONIC
AND TELEPHONE
CUSTOMER SERVICE**



**SHORTER
VAT REFUND TIME**

(70 THOUSAND DESK AUDITS)



**REPORTS
TO ECONOMIC
POLICY**



IN THE CUSTOMS PROCEDURES:
TURNOVER OF VENTILATORS, EXPORT PROHIBITION
OF MEDICINE AND PROTECTIVE GEARS

NTCA'S REACTION ON THE PANDEMIC

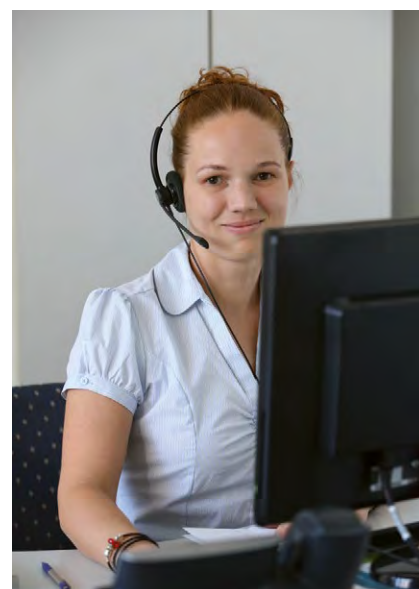
The NTCA was not caught unprepared by the limitations of personal contacts due to pandemic since the taxation can also be administered via electronic means and the taxpayers do not necessarily have to meet the tax auditors for post audits. Nevertheless, it was crucial to strengthen the call centre and electronic taxpayer services. Some of the official procedures were changed due to the new legal acts supporting the economic actors, new elements were implemented in the legislation, and quick reaction also in the provision of information was a must.

The government's provision to refund the VAT in a shorter deadline was also aimed to support the economic operators. But it could not result in uncontrolled refunds. The enterprises

requesting refunds were thoroughly controlled by a greater number of staff using our information systems during 70 thousand desk audits at a higher speed.

The customs procedures were characterised by the increased turnover of ventilators, and the prohibitions on exports of medicine and protective gears have to be met.

In addition the NTCA provided daily reports on the situation of the economy that facilitated to establish the government's economic policy decisions.



2020

YEAR OF CHANGE

Without aiming to give an exhaustive list let's have a look at the most important achievements of 2020!

1. DEVELOPMENT OF ONLINE INVOICE 3.0

2. AUDITS

- 130 thousand tax audits
- HUF 435 billion of tax difference and sanctions

3. ENFORCEMENTS

- HUF 272 billion
- company managers sued for HUF 363 million

4. NEW ACT ON SOCIAL SECURITY

The Online Invoice system and other digital solutions boost the digitalization of the procedures of the enterprises relating to taxation. The electronic data disclosure system is complemented by a mobile application, and the online invoicing feature offers a tool that is free-of-charge and easy to use for the users to issue their invoices. By 130 thousand tax audits performed in 2020, the NTCA revealed a tax difference in the value of 435 billion forints resulting in sanctions. The digitalization played a significant role also in the audits involving 52 thousand taxpayers, meaning that the procedure is taking place in virtual environment in a traceable manner.

Our enforcement field arranged for the enforcement of 272 billion forints. It has to be mentioned that the company managers irresponsibly and intentionally bankrupting their enterprises were sued successfully by the NTCA for 363 million forints.

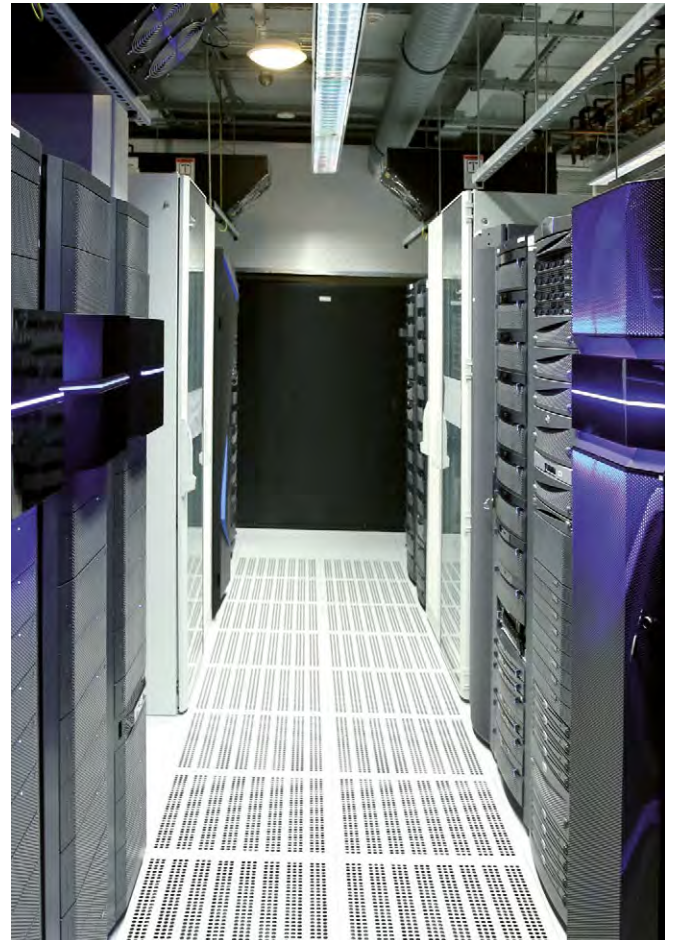
In compliance with the new legal act on the social security benefits and on funding of these services we sent almost one million letters to the persons that have social security contribution debts according to the registries of the National Health Insurance Fund of Hungary. Our goal is to ensure to avoid that somebody is under-served by the free-of-charge state benefit due to their omission.

Among our digital novelties we established the Central Evidence Management System that is an exciting development for the NTCA because the operation of four agencies (National Judicial

Office, Hungarian Police, Prosecution Service of Hungary and the National Tax and Customs Administration) having completely different infrastructure, tasks, IT and organizational culture in the field of evidence management had to be transferred on a single electronic platform. The next step of the development will be the standardisation of criminal asset management.

In 2020, we developed 22 types of forms used in our programme of Online Completing the Form (Online Nyomtatványkitöltő Alkalmazás) helping the taxpayers also by providing the data available for us so it will not be necessary for the taxpayer to fill the forms in.

51 thousand confirmations on salaries were requested online by the banks from the NTCA in 2020, and as of the same year the NTCA keeps the registry of private entrepreneurs and small-scale agricultural producers.



2020

5. MORE NEW DIGITAL SOLUTIONS

- Central Evidence Management System
- Online forms
- Instant Payment System
- e-income statement

6. REGISTRATION OF PRIVATE ENTREPRENEURS AND PRIMARY PRODUCERS

Thanks to our law enforcement technology we are able to track down or eliminate the criminal organizations. Our criminal staff revealed perpetrations in the value of 83 billion forints in 2020, 57 billion forints of which was attempted to be withdrawn from the budget. In similar cases the damage recovery often exceeds 100%. Of course we had significant achievements in the market clearance of some determining segments like the trade of sugar, cooking oil, soy bean meal, fruits and vegetables.

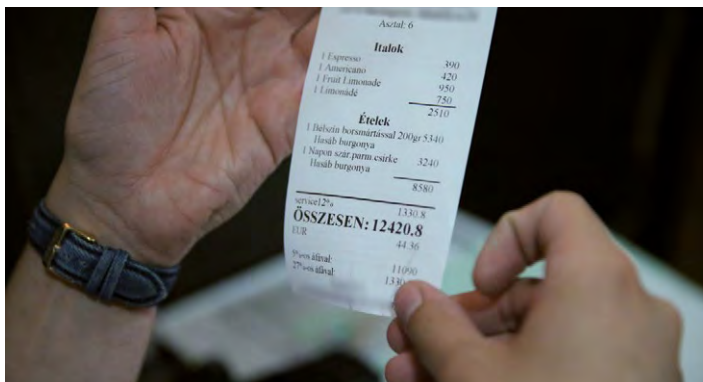
As a result of our fight against money laundering we could freeze or suspend more than six billion forints. We managed to cut the route of the money in several cases and transactions involving money laundering before it got to the beneficial owners.





Our customs branch managed the exportation and importation of goods worth more than twenty thousand billion forints.

The results of digitization, the IT developments themselves are challenging. Maintaining the existing system and parallel to this, developing new services are also challenging. At the same time we managed to fight back the cyberattacks successfully in cooperation with the IT experts of partner authorities during last year.



More details, data can be found in NAV 2020 Annual available at the homepage nav.gov.hu

2020

CRIMINAL RESULTS

7.

- 3600 crimes revealed
- HUF 83 billion perpetrations value (organized crime HUF 57 billion)
- HUF 101 billion in damages (transaction data)
- MARKET CLEARANCE
trade of sugar, cooking oil, coffee, cheese, soy bean meal, fruits and vegetables, industrial raw materials, IT products

FIGHT AGAINST MONEY LAUNDERING

8.

- HUF 6.6 billion suspended

CUSTOMS: GOODS WORTH HUF 20 THOUSAND BILLION (export, import)

9.

IT CHALLENGES

10.

- Maintaining
- Developing
- Fighting back the cyberattacks

2021

10TH YEAR



The NTCA celebrates its tenth anniversary. Ten years ago the integration of two organizations of different IT culture and maturity, the quick implementation of IT solutions necessary for the integration, technology developments were in focus. The building of data warehouse, utilization of the possibilities of the data assets, elimination of duplications, plans for digitalization of the taxpayer services were on the drawing board already at the very early stage of the introduction of new uniform technologies. The situation was ripe to change the mind set in the work of the tax and customs administration.

A lot changed since then: the state budget foreseen tax revenues of nine and a half thousand billion forints for 2011. Today it is 17 thousand

billion forints. The staff number of the NTCA decreased by approximately five thousand persons, and the number of the taxpayers increased by 25%. Today the NTCA manages eleven and a half million tax accounts with more than two billion entries. Our tasks also increased: ten years ago the list of competences contained barely 900 tasks, today it contains almost 1200 ones. The environment of tax legislation was also changed as the tax compliance broke the deadlock. The new act on the status of the employees was formulated and entered into force on the tenth anniversary of the NTCA with the aim to strengthen the organizational integration, providing a more significant organizational modernization than the previous ones, and enabling the change of the mind set relating to it.



10TH BIRTHDAY

NEW LEGAL STATUS



**INTEGRATION
OF TWO AUTHORITIES**



**CHANGE OF
TECHNOLOGY
DIRECTION**



**CHANGE OF
THE MIND SET**

2011

HUF 9 500 billion

900 tasks

23 thousand colleagues

100 virtual servers

20% of the audits
are classic tax audits

2021

HUF 17 000 billion

1200 tasks

18 thousand colleagues

2000 virtual servers

7% of the audits
are classic tax audits

2021

Milestones set for 2021

1. ONLINE INVOICE

- 2 million data disclosures per day

2. eVAT

3. eFIP

- Offering known data in the employer reports
- New mobile application for the employee's query
- Simpler data disclosure

Online Invoice 3.0: 2 million invoice data per day. The invoice data to be disclosed doubled since the NTCA receives the data of almost every invoice. Since the beginning of 2021, more than one million enterprises registered in the system.

eVAT: the proper data contained in the invoices enable to offer a successful VAT declaration. The system will be able to provide queries, modification, approval of VAT analytics, to submit the pre-populated VAT return to the NTCA prepared on the basis of the data available at the disposal of the tax authority. The system is ready for the tests.

eFIP: the data known in the employer reports are offered by the system. New mobile application for the employee's query, real time communication in the employment system, monitoring, administering of legal relationships. Simpler data disclosure.



The audits are focused on: the utilization of the information exchange data in the audits of cross-border trade. Audit of electronic trade. More effective reveal of invoicing chains through the analysis of online invoice data. Turnover of food, agricultural goods, construction commodities, vehicles trade, vehicle repair, realtor services, trade of IT products, tourism, catering, accommodation services, vegetable and fruit wholesale.

SAF-T is the standard audit file for tax elaborated by the OECD showing the taxpayer's whole management for a particular closed period. The SAF-T also enables total computer audit.

THE FOCUS OF AUDITS

4.

- Data of international exchange of information
- E-commerce
- Turnover of food industry, agricultural goods
- Construction commodities, vehicles trade, vehicle repair
- Realtor services
- Trade of IT products
- Tourism, catering
- Accommodation services

STANDARD AUDIT FILE

5.

- Total computer audit
(SAF-T - OECD standard)

2021

6. NEW NAV.GOV.HU

22 million visitors in 2020

7. 100% ELECTRONIC CUSTOMS PROCEDURES

Consequences of BREXIT

8. E-COMMERCE

Implementing new rules

9. VEHICLE TAXATION

Modernized version of www.nav.gov.hu: the NTCA's homepage being the most visited one with 22 million visitors a year will be renewed in its content, structure and appearance.

Electronic customs procedures, Brexit: already in January, the NTCA completed 18 thousand customs procedures necessary for the commodity turnover arriving from the Great Britain, as the consequence of Brexit.

e-commerce: new rules. As of 1 July 2021 VAT exemption of goods of a value of up to EUR 22 will be abolished, that will cause the increase of the customs declarations. A new specialized subpage will assist the taxpayers to get the necessary information. The first half of 2021 will be dedicated to the preparation, the dialogue will be maintained with the economic operators concerned and the Hungarian Post.

Vehicle tax: the tasks in connection with the taxation of vehicles will be managed by the NTCA from 2021.

PLANNED REVENUE FOR 2021:

HUF 17 THOUSAND BILLION

In 2021, the goal is to collect about HUF 17,000 billion. It will not be easy to meet the expectations, but NTCA has repeatedly proven its ability to stand up to a difficult track. This, of course, requires the performance of the economic operators. NTCA continues to help in this with its services and partnership attitude.

Streamlined enforcement work: the restructuring involving the whole country on the basis of a uniform strategic plan will result in a complex and modern enforcement activity that will support the better performance of our administration and the whitening of the economy through coordinated operation according to professional goals.

Creating eNAV: creating eNAV (the “New e-BEV”), the new NTCA taxpayer portal. The eNAV is a taxpayer platform similar to the algorithm of „online banking” adaptable to the taxpayer.

Government Data Center: the technical hand-over (of a 2.5 billion forints investment) made possible that the NTCA data center became the georedundant storage of the government data center operated by NISZ Zrt. (National Infocommunications Service Company Ltd.)

Real Ownership Registry: it is a top obligation for the NTCA to establish a central registry for the real ownership data (TTNY), bank accounts and safe deposit services.

Our objective is to collect approximately 17 thousand billion forints. It will not be easy to fulfill the expectations but the NTCA proved several times that it is able to hold its ground even in difficult circumstances. Of course it cannot be done without the contribution of the businesses but the NTCA will keep assisting them by its services and partner approach.

2021

**STREAMLINED
ENFORCEMENT WORK**

10.

CREATING eNTCA

11.

**GOVERNMENT DATA
CENTER**

12.

**REAL OWNERSHIP
REGISTER**

13.



NTCA

IN THE WORLD





Mr. Kunio Mikuriya

Secretary General of the World Customs Organisation (WCO):



„Congratulations on the 10th Anniversary of the National Tax and Customs Administration.

(...)You have been active in several Committees' and Working Groups Meeting as well as operations.

This positive involvement shows Hungary's commitment to sharing experience and best practices with their Members and with their partners.

Moreover the Hungarian Customs has been contributing the WCO Capacity Building activities. Hungary established the 1st Regional Training Centre in Budapest in 2001, and organized many regional seminars and trainings in a wide range of areas. This initiative paved the way for the setting up of the current 30 Regional Training Centres around the world.

(...) Furthermore the Regional Dog Training Centre was opened in 2018. The RDTC Budapest has developed close tight with other Customs Administrations in the region. It not only sends delegates to share best practices and experiences, but also provides professional assistance and otherwise to other Administrations, when they purchase and train dogs.

In conclusion I'm very pleased with excellent working relationships that the WCO has developed the management of the NTCA's Customs and international field on a personal and professional basis. I wish you all the best for the future development of the NTCA and enhance to cooperation with the WCO."



Mr. Georgios Pitsilis

President-in-Office of the Intra-European Organisation
of Tax Administrations

„I speak both for myself as well as for my predecessors when I say that the NTCA has played a significant role in the life of IOTA. As we look back in time, we see a number of milestones that our two organisations celebrated together. In 1996, Hungary was one of the seven founding members of IOTA and Budapest has served as the headquarters of our Secretariat ever since. Since then, Hungary has also acted as an Executive Council member of our organisation 4 times during the past 10 years. So, over time, Budapest has become a home not only to our organisation but also a home or second home to our staff and colleagues.

Another important element of our cooperation is knowledge-sharing: NTCA tax experts are always open to presenting their best practices at IOTA events, or in our publications. NTCA has also given several times the opportunity to members of the IOTA Secretariat, to visit and present at the University of Public Service, Ludovika.

This year marks not only the 10th anniversary of the NTCA but also the 25th anniversary of establishment of IOTA. Reaching these defining milestones together, makes the bond between our two organisations even stronger. I look forward to seeing the growth of this cooperation in the coming decades.”





Mrs. Catherine De Bolle

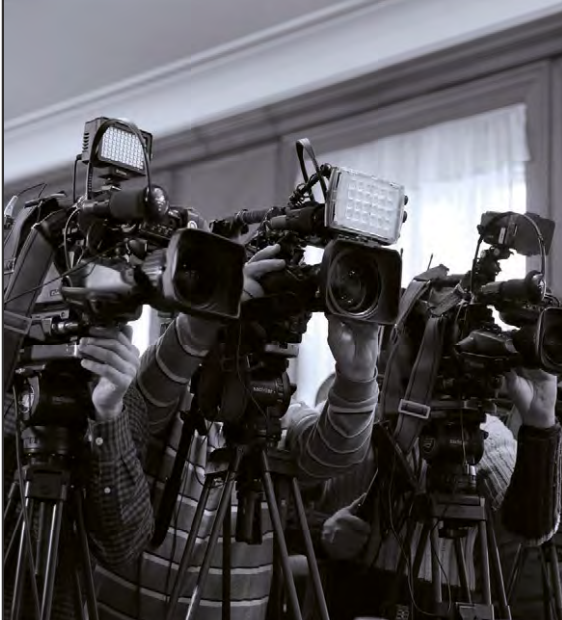
Executive Director of EUROPOL



„ On behalf of EUROPOL I would like to congratulate to the Hungarian NTCA for all your work over these past 10 successful years. The combined action of EU Member State police forces and customs authorities brings essential added value to the fight against serious and organized crime. NTCA is a key partner for EUROPOL at operational and strategic level. At operational level we have a strong cooperation in the field of excise fraud, fire arms trafficking, drugs trafficking, money laundering, among others. Thanks to the Hungarian Liaison Office at EUROPOLs headquarters and to the NTCA's valuable contributions we are regularly carrying out successful joint operations. In November 2019 the NTCA uncovered an illegal tobacco factory and identified the members of the criminal group. 6 million cigarettes and enough

tobacco to produce 21 million cigarettes were found in an operation together with EUROPOL. Moreover in February last year EUROPOL supported a cross border investigation lead by the NTCA and the Slovak Financial Administration that resulted in the dismantling of an organised crime group trafficking in fuel fraud. EUROPOL is also grateful for your contribution to the SOCTA 2021. Your perspective is important to better identify the future threats. I am honoured to congratulate you on your 10th anniversary.”







National Tax and
Customs Administration

BUDAPEST 2021