



FIRST YEAR OF NATIONAL TAX AND CUSTOMS ADMINISTRATION

2011





ARCHÍVUM

INTRODUCTION

Dear Reader,

2011, the first year of the operation of Nemzeti Adó- és Vámhivatal (National Tax and Customs Administration), was a determinant milestone in the history of Hungarian taxation. Our publication presents the tax assessment activity of the government agency being the most significant one in terms of budget revenue, the results achieved and the tasks accomplished. Summing up the first twelve months was an exciting job for us and we do hope that the next pages will provide you, too, with interesting and useful information.

On 1 January 2011 National Tax and Customs Administration was established by the merger of Adó- és Pénzügyi Ellenőrzési Hivatal (Hungarian Tax and Financial Control Administration) and Vám- és Pénzügyőrség (Hungarian Customs and Finance Guard), these two institutes being respectable even in themselves, and through this merger the activities of the national tax, customs and financial investigation became concentrated in one organisation. With the integration, an organisation of nearly 23,000 persons being new in terms of quality in the national public administration and operating at a professionally higher standard, was created. Meeting the governmental expectations, National Tax and Customs Administration (NAV) can, already under uniform management, perform the handling of the tax and tax-like revenue of the state and its protection with higher efficiency than that of its legal predecessor agencies having operated separately. NAV, complying with the social, national, legal and, last but not least, European Union expectations, considers its special duty of all times to successfully and efficiently collect taxes, levies and customs duties, ensuring this way some 92 percent of the tax-like revenues of the state budget.

Keeping the advantages and values of the two legal predecessor organisations, such an organisation operating in a modern and transparent way could be established as is able to develop and, in addition to performing its current

duties expertly and at a high standard, also meets the future challenges.

Resulting from our designation, we have to achieve that the unified organisation performs its legally specified official tax and customs duties more effectively, transparently and, last but not least, more cost-efficiently than the previous ones and a most ever efficient and successful criminal organisation operates within the system of NAV in discovering financial crimes.

In the spirit of the thoughts above I wish you pleasant and useful reading.

Dr. Ildikó Vida
President



HUNGARY

Hungary - a small and yet non-negligible part of world economy and a country owning one of the richest natural, architectural and spiritual heritage. It is situated in the center of Europe in the Carpathian Basin in a territory of 93 thousand square meters with a population of ten million. Its reputation has been raised by groundbreaking inventors, respectable Nobel Prize laureates and elite sportsmen. Anyone who steps on Hungarian soil will encounter a multitude of experiences.

Hungarian scenes and relics of the past enhance the stock of World Heritage Sites. The old village of Hollókó and its scenic surroundings, the Millenary Benedictine Abbey of Pannonhalma, the caves of Aggtelek Karst – just to name a few of qualified spectacles – are admired by travellers from distant lands.

Another World Heritage Site is the historic Tokaj Wine Region, an authentic vine-growing and viticulture region which is just one piece of a mosaic of wine districts spread across the country. Although Hungary may not claim an especially large quantity of wine production on an international scale – Hungarian wine is the kind of treasure that only a handful other countries can boast of. There are a number of other Hungarian specialties – for instance those who have tasted pálinka made of any of various

fruits is not likely to ever forget it. Geographic features of Hungary also attract visitors. Lake Balaton – the largest lake of Central Europe – and the uplands over it running east and westbound or Hortobágy, the largest continuous natural grassland of Europe are both matchless treats for lovers of nature.

Budapest the meeting point of hilly Buda and flat Pest on the banks of River Danube is the capital of Hungary which presents a unique experience with its rarities of architecture, relics of history and spas stemming from exceptional mineral water sources. However, Budapest is also a university city throbbing with youngsters the atmosphere of which is palpable in the so-called ruinpubs hidden in the urban whirl.

The economic processes ongoing in this tiny country and its environment make leaders of the state and designers of its budget face more and more challenges every year. Since 2011 a new governmental office takes care of the basic revenues of the central budget and the realization of tax income targets. By the setting up of the National Tax and Customs Administration public functions of taxes and duties came to be administered by a single authority. The following pages will give you details about the functioning of that authority – the largest state organization in Hungary.





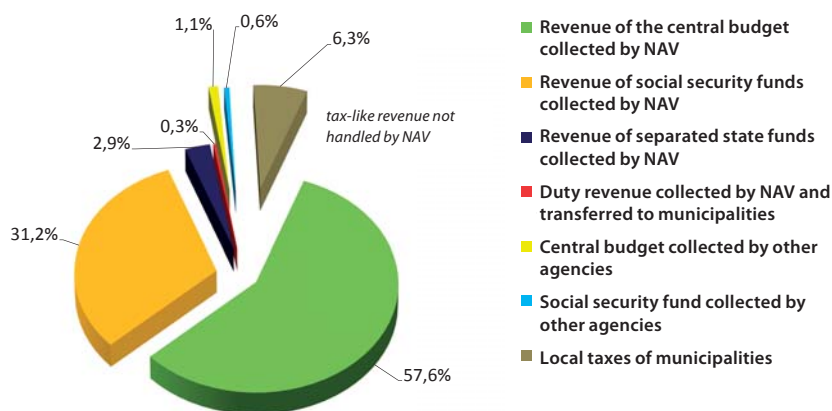
REVENUE

In the interest of covering the community expenses, the National Tax and Customs Administration considers its primary duty to collect the tax, contribution and customs duty revenues set forth in the budget act legally and successfully. As a determinant revenue agency, NAV is responsible for the performance of 92 percent of the tax-like revenue of the state budget.

The development of the amount that came in the course of the past year was considerably influenced by the legislative changes affecting the individual tax categories, e.g. the introduction in the personal income tax of the family tax benefit aimed at acknowledging the costs of undertaking to raise children or the extension of the preferential company taxation ensured for small businesses.

The economic situation having developed due to the international debt crisis affected the amount of potentially collectable taxes disadvantageously. In reply to this fallback, NAV took successful and efficient actions to ensure the expected incomes, as a result of which the amount collected by the Administration amounted to HUF 9,323.8 billion. In this integration played a role as a result of which an organisation more efficient than the previous ones has been established.

Distribution of the tax and tax-like revenues of the state budget in 2011



Tax-like revenue make up collected by the agencies of NAV, 92 % of the tax-like revenue of the state budget.

Net incomes of the highlighted tax categories and contributions of 2011 handled by NAV

| Definition | Cash balance (billion HUF) | | Index (%) |
|--|----------------------------|-----------|-----------|
| | Year 2010 | Year 2011 | |
| Personal income tax | 1767,9 | 1382,8 | 78,2 |
| Value added tax | 2313,6 | 2219,5 | 95,9 |
| Company tax | 323,4 | 316,6 | 97,9 |
| Social security contribution revenue | 2841,4 | 3231,2 | 113,7 |
| Health contribution | 41,2 | 54,3 | 131,8 |
| Excise tax | 856,5 | 875,1 | 102,2 |
| Registration tax | 30 | 34,5 | 115,0 |
| Labour market contributions | 186,3 | 185,6 | 99,6 |
| Duty revenue | 83,5 | 75,6 | 90,5 |
| Simplified entrepreneurial tax | 181,9 | 172,3 | 94,7 |
| Total tax and contribution revenue | 8 625,7 | 8 547,5 | 99,1 |
| Total revenue handled by NAV and its legal predecessor | 9 322,2 | 9 323,8 | 100,0 |



SERVICE AGENCY

We take efforts to improve the clients' voluntary compliance with the legal regulations and their inclination for taxpaying by developing the services promoting the performance of their obligations, making administration simpler and more convenient and using targeted communication. We have used the entire range of modern means of communication for strengthening the tax-consciousness of the society, presenting the necessity of taxpaying, acknowledging the conduct the basis of which is compliance with the legal regulations and condemning the violations of law. We have made the process of submitting tax returns and the payment of taxes easier and simpler by providing more exhaustive and extensive information than usual for our clients performing their tax paying obligations voluntarily.

Out of the numerous advantages of the gradually implemented integration of the professional fields of taxation, customs and criminal matters, it is important to highlight the well-trying common customer service work, with which taxpayers are undoubtedly more and more satisfied.

For further increasing the efficiency of administration and strengthening our service provider nature, we operate a monitoring system,

which gradually decreases the waiting time of our clients becoming this way plannable. Moreover, in the more organised system our clients can manage their transactions in the shortest possible time by better utilising the busiest business hours.

The largest task of the customer service activity is issuing the tax, income and residency certificates. It is remarkable that our clients

Most important data of our service activity

- The total number of taxpayer clients amounts to nearly 5 million.
- The number of current accounts handled by the Administration is almost 9.2 million.
- Some 2.5 million clients visited our customer services personally.
- The ICC system received some 1 million calls.
- Almost 70,000 taxpayers used the services of the CIAS system.
- The Administration received and processed 24.1 million tax returns and data supplies.
- Our website was visited over 26 million times.



apply for one quarter of the tax and collective tax certificates already electronically. At the time of the issuance of the tax and collective tax certificates, settling debts and effecting other payments one can already pay by bankcard, as well, through the so-called POS terminals.

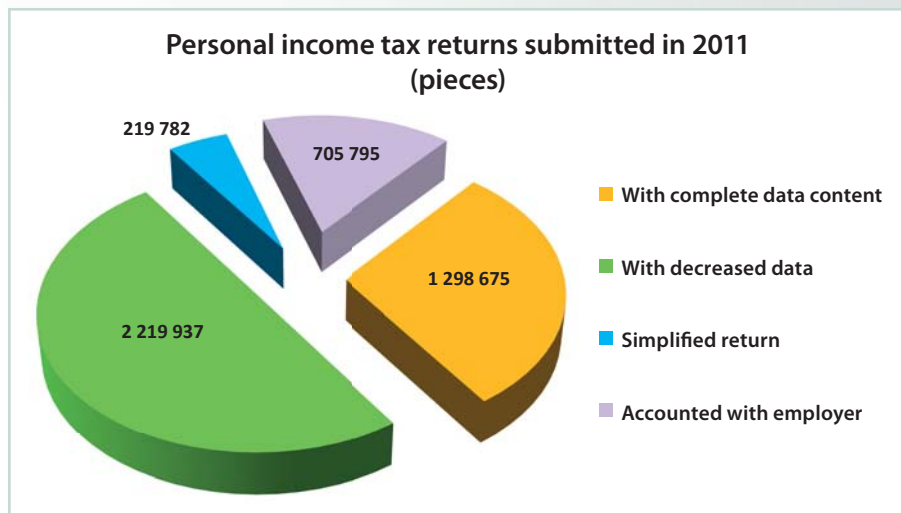
The telephone system serving general information purposes (ICC) is very popular with taxpayers; the system operates reliably, with the maximum possible efficiency.

Managing tax matters on the phone is more and more preferred amongst taxpayers. This is assisted by the Client information and administration system (CIAS) of the tax authority. Having experienced the high efficiency of the system, we have helped the easier access by several means; among others, today we are already able to send a PIN code, too, electronically for using the CIAS.

In respect of fiscal year 2011, the obligation of submitting personal income tax returns affecting the largest sphere of taxpayers can already be met also by submitting a tax declaration, provided that the legal conditions are satisfied.

The success of the tax returns with decreased data content introduced in the previous years is demonstrated well by the fact that already this type of returns comprises 60 percent of the total tax returns submitted.

We have started to develop the new integrated website of the Administration, keeping in view the continuous and smooth serving of clients. The aim of developing the new platform is to be able to inform as many taxpayers as possible according to special demands, too. In the spirit of this, we have published on the website over a hundred information booklets about the changing of the tax-related legal regulations. With the integration, the publication of modernised returns with uniform tax and customs authority image has been developed. Clients can prepare their personal tax calendar, too, on our website also visited by several foreigners, mainly from Germany, England, Slovakia, USA, France, Holland, Canada and Japan.





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CONTROLLING ACTIVITY

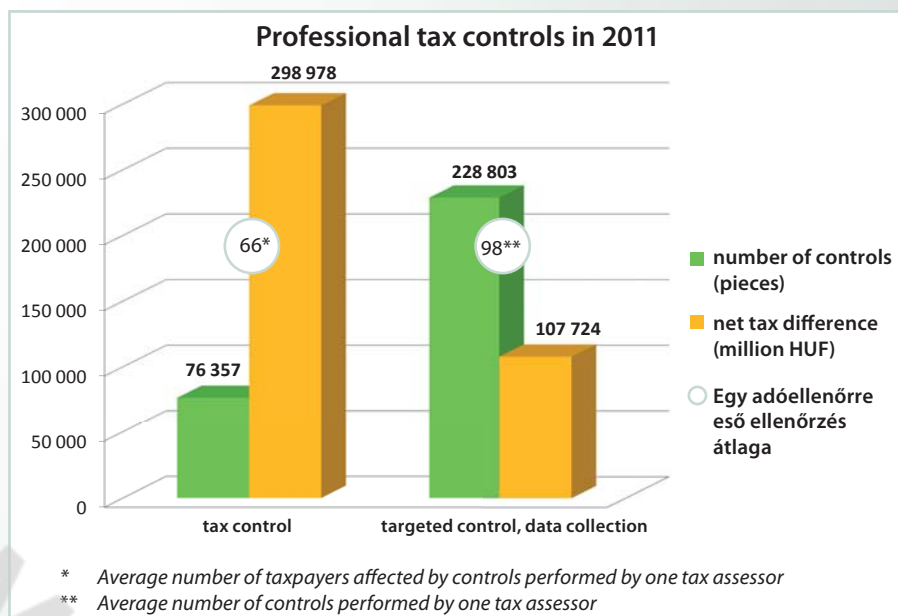
Following the integration, the flow of information has considerably accelerated in the course of the professional customs and tax cooperation and planning, making preparations for and conducting joint controls have become more flexible in every professional field. Thanks to the integration, the similar types of controls (e.g. test purchases) performed by several authorities at the same location simultaneously have become terminated. We had identified the joint control directions and this way controls could be conducted more successfully.

In 2011 the most important duty of the controlling activity of NAV was to decrease the avoidance of taxpaying and the damage caused to the budget, efficient action against the different forms of abuses and crimes and their repelling. Discovering and tracking the economic processes or forms of behaviour posing particular risk for the revenue was based on the continuously developing risk management work of the Administration. Risk management pervades all the activities of the authority, parts of which are the assessment of risk factors, elaboration of the strategy of the management and, finally, evaluation and feedback to the revision work. Methodologically, the process consists of developing central analyses of strategic and tactical nature and files of different arrangements based on them and risk assessments carried out both at regional level and at the tax directorates (in the latter case in respect of individual tax-

payers). Appropriate risk management is a fundamental means of successful selection. Efficient selection is supported by different, centrally and regionally developed, decision assistance (information technological) systems and regularly updated file lists created by them.

Most important data of the controlling activity

- 305,000 taxation related audits were closed and the discovered net tax difference amounted nearly to HUF 407 billion.
- In the course of subsequent customs audits NAV inflicted fines in the amount of some HUF 608 million.
- Subsequent control was performed in respect of 19,000 customs declarations.
- In the special field of excise we conducted approximately 7.6 millions of controls and the amount of fines inflicted due to the violation of law exceeded HUF 24 billion.
- The metal and environmental protection product fee was officially controlled 5,300 times.
- In the course of road controls we discovered over 6,000 violations of law.
- The law enforcement agencies discovered more than 20,000 offences.





In accordance with the expectation of the "Control Directions" for 2011, we increased the sphere of taxpayers subjected to taxation audit. We managed to achieve the strengthening of the presence of the authority primarily by increasing the number of the so-called "operative controls" and targeted selection. The cooperation of the revisors of the two predecessor organisations was the most intensive in this field, through which the benefits presented themselves also here the earliest.

As a result of the European Union's and the national efforts serving the simplification and quickening of the customs procedures the emphasis is more and more laid on subsequent controls.

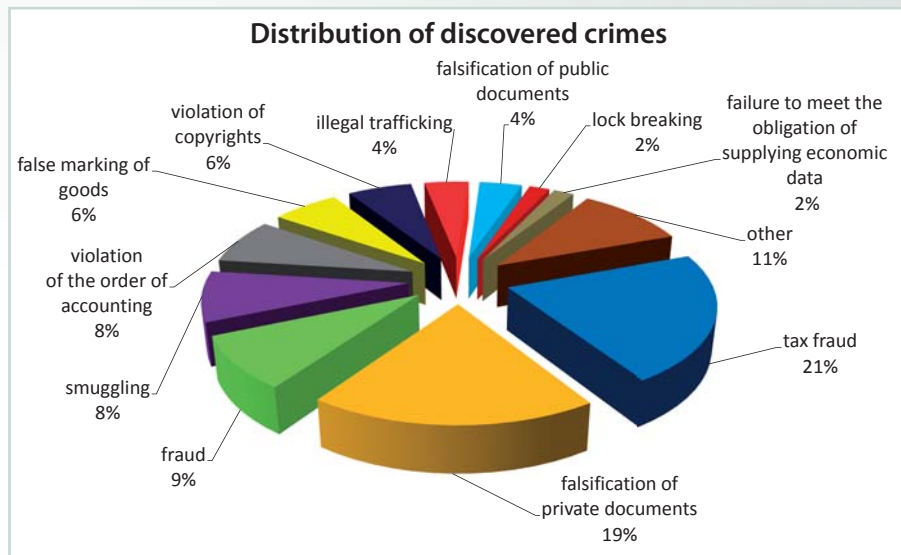
The performance of the duties of the excise authority and the enforcement of the legal regulations necessitated the cooperation with other professional fields and fellow-authorities, as well. Out of these the most significant one is the regular reconciliation and keeping contact on a continuous basis with the professional field of criminal matters. As a result of this, at the end of 2011 a series of controls related to mineral oil products was organised by the two professional fields, in the course of which a total of 56,000 litres of mineral oil products and other devices were confiscated.

The lower-level agencies performed the official control of metal and environmental protection product fees using the methods of targeted and random selection for ensuring the budget revenue. We paid particular attention to environmental protection tax controls as well. NAV performed the collection of road fines specified in the budget act of 2011. The law enforcement agencies of the office discovered significant offences. In most cases the subjects of the perpetration were excise articles, primarily tobacco products. The number of passenger cars and trucks crossing the external border sections exceeded six million, while the number of passenger travelling by airplanes increased to almost nine million persons.

As a result of the correct cooperation established among the directorates of the tax, customs, finance guard and criminal authorities, the planning, preparation and conduct of common controls (e.g. trade of cereals and metals, liquidation of "invoice factories", etc.) have become more flexible and the uniform NAV-level action has brought about better results. The success of the cooperation fundamentally originated from organising the entitlements with varied scopes of authority of the different professional fields into an efficient unity, which was founded by an institutionalised flow of information.

Most of the crimes discovered in 2011 by the tax, customs and finance guard professional agencies of NAV were the suspicions of tax fraud, falsification of private documents, fraud and smuggling.

Szakértői Intézet (Expert Institute) having national scope of authority and competence has contributed both indirectly and directly to the successful provision of the revenue by the on-site controls performed with vehicles functioning as mobile laboratories, analytical examinations conducted in the Institute and expert opinions issued.



NAV pays increased attention to performing excise controls in respect of alcohol products in order to discover the illegal distribution of distillates as broadly as possible. The European Mandatory Information on Tariffs/Origin performed in an of-

ficial scope of authority and the Mandatory Customs Tariff rating issued for excise articles also belong to the duties of the Institute. The Institute lays greater and greater emphasis on performing the tasks of a delegated judicial expert.



ACTIVITY RELATED TO COLLECTING ARREARS

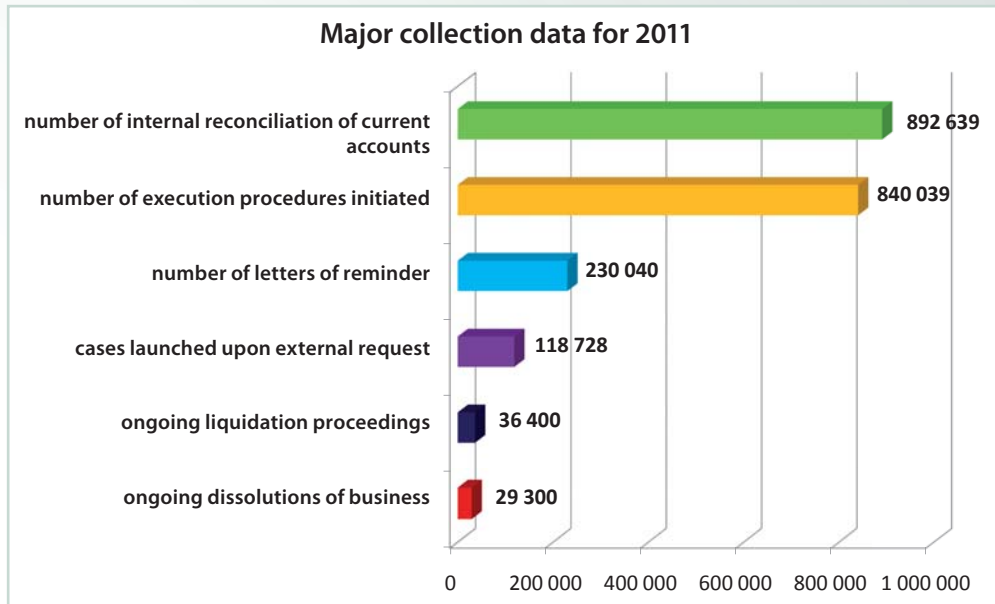
Against those not performing their payment obligations voluntarily and accumulate arrears, NAV acts consistently by applying a broad range of legal and fair means.

It is NAV's duty, inter alia, to enforce payment by business entities and private persons accumulating arrears and to handle the paying issues of taxpayers fairly. The activity includes the handling of arrears, execution, judging applications for payment facilities and conducting bankruptcy, liquidation and dissolution procedures.

Most important data of the arrear collection activity

- At the end of 2011 the total stock of arrears of NAV amounted to HUF 2,268 billion.
- We registered HUF 340 billion as uncollectable debts.
- We initiated more than 950,000 execution procedures.
- As a result of the collection activity HUF 338 billion of debts came in.
- The amount secured by the confiscation activity was HUF 43 billion.
- Decision of first instance was made in the subject of nearly 178,000 payment facilities.
- We initiated nearly 5,000 liquidation procedures.





The proportion of the sphere of operating taxpayers that can be subjected to collection actions has decreased within the total arrears. The decrease can be attributed to the successfulness of the collection and arrear management actions affecting operating taxpayers and the growing of the proportion of increasing arrears affecting non-operating taxpayers being the subjects of liquidation-dissolution procedures due to the financial-economic crisis. In the composition of the stock of arrears the proportion of those in arrears has increased, in particular because of the predominance of private persons and non-operating taxpayers. The stock of uncollectable claims has continuously been increasing.

The most successful administrative actions are the official transfer orders (collection) and the execution carry forwards as

the revenues originating from these have grown the most dynamically. Besides, the revenue resulting from income blocking and the seizure of claims has also significantly increased. The number of executions regarding properties has also grown considerably. As a result of the actions taken the sphere of taxpayers affected by administrative execution actions has significantly extended.

Amongst the collection activities, it is a continuous task requiring prompt action and dynamically increasing year by year to carry out executions upon request of external agencies. At the end of 2011 there were executions performed by 99 titles for external agencies contacting us.

The Administration paid particular attention to applying background obligations and securing actions strengthening the





taxation discipline more extensively. The number of cases affected by background obligations is continuously increasing; in 2011 NAV launched nearly three thousand cases.

The purpose of allowing payment facilities is that the taxpayer completely settles his accumulated debts within a foreseeable time, provided that the legal conditions exist, and subsequently can meet his regular taxpaying obligations in long term. A further objective is that taxpayers not being able to pay their tax debts for any acceptable reason are completely or partly exempted from their payment obligation. Therefore, in the procedures aimed at payment facilities it is the common interest of the National Tax and Customs Administration and the taxpayers that upon judging the applications a solution advantageous for both parties is achieved and the debt is settled in a reassuring way. Taxpayers submit their applications for payment facilities to NAV electronically more and more frequently. 16 percent of the amount having come in within the framework of execution arrived as a result of facilitation in payment. This amount is one and a half times the total debt having come in from selling the confiscated assets and claims and blocked wages.

The Administration provides assistance in the orientation of clients and making economic life more transparent through the databases accessible on its website, e.g. the weekly updated list of those being the subjects of execution and the quarterly published database of taxpayers having significant tax arrears for 180 days.

For screening auction abuses and improving the successfulness of the auctions, an Electronic Auction Platform (EAP) operates on the website of NAV, on which platform the tangible and intangible assets of taxpayers with arrears are sold. The in-

tegration of the tax, customs and finance guard organisations also facilitates the auctioning of assets seized and confiscated by the professional fields of customs and law enforcement. In connection with the sale other than through judicial execution of pawns more and more financial institutions use the possibility of selling residential properties on the EAP; requests relating to the announcement of auctioning residential properties arrive continuously. Last year NAV announced almost ten thousand procedures on the EAP on its website, out of which some nine thousand have been completed.

The number of liquidations and dissolutions has considerably jumped in 2011. The stock of arrears of the businesses affected hardly changed in respect of liquidations but an intensive growth could be seen in connection with dissolutions. Courts published nearly twenty thousand liquidations. Out of NAV's claims HUF 4.4 billion came in from the liquidations and as a result of being threatened.

As a result of the integration of the professional fields of taxation, customs and finance guard a novel form of cooperation developed among the three professional fields. The customs, control and execution fields conducted common on-site procedures. They controlled taxpayers with arrears performing activities of priority importance according to the controlling principle and also in terms of excise, with significant cash turnover. In addition, the customs and finance guard directorates organised joint actions together with the executors in connection with the assessment of the registration tax several times. Based on the procedure, many taxpayers settled the amount of the demonstrated arrears prior to the seizure of the vehicle. As a result of the joint work, the customs and excise revenues of the regions multiplied in 2011.



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NYEREMÉNY
TÖRÖL

TART

ACTIVITY OF GAMBLING SUPERVISION

As of 1 January 2007 the scope of activities of APEH (Hungarian Tax and Financial Control Administration), the legal predecessor of NAV, has become extended with the activity of the supervision of gaming. The activity of the supervisory agency extends, among others, to granting official licence for games of chance, official control of the organisers and the operators of the games, the related registration tasks and the sanctioning of the violations of law. In addition, the gaming supervisory agency has an important role in repressing illegal games of chance and in fighting money laundering, as well.

The objective of its activity is to supervise the gaming market continuously and to promote the organisers of the games of chance in exercising their rights in the interest of the smooth and successful operation of the gaming market, the protection of the interests of gamblers and the strengthening of the trust

towards the gaming market. Types of games of chance: drawing games (lottery tickets, lotteries, keno, etc.), slot machines, gambling casinos, betting. In 2011 NAV issued some 22,000 official licences within the framework of the gaming supervision activity for performing and organising games of chance. At the end of 2011 28 officially licensed card rooms, 12,000 gaming rooms, 16,000 slot machines and 18,000 places of gaming operated. In 2011 the professional field of gaming supervision conducted over 16,000 controls within the framework of its official control activity. Based on the procedures it brought some 1,300 penalizing decisions and orders in which it inflicted fines in a total amount of HUF 309 million. Following the tax and customs integration, the gaming supervisory agency also performed common controls within the framework of the efficient cooperation with the customs and other fellow-agencies.





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OUR PROFESSIONAL FIELD OF CRIMINAL MATTERS

Bűnügyi Főigazgatóság (General Criminal Directorate) is a central agency of NAV operating and managing its economy independently. It performs its investigative tasks together with its medium-level organs. The organisation of the investigative authority considerably differs from NAV's professional fields of taxation and customs; with special means it performs law enforcement and crime prevention duties. The efficient and successful discovery of financial and other crimes renders the independence within the government office necessary, such independence being implemented under the supervision of the vice-president of NAV. However, independence does not mean isolation; the financial investigators perform their work in cooperation with the professional fields of taxation, customs and excise and mutually utilise the advantages of the uniform organisation.

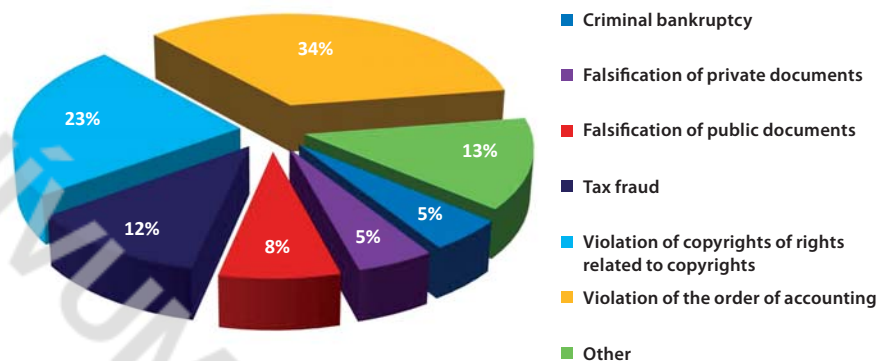
This investigative activity is a special field of law enforcement as in addition to general criminalistics preparedness and knowledge it requires special economical knowledge, too. This is supported also by the fact that by 2011 the parallelisms making

investigation difficult have become terminated amongst the Hungarian law enforcement organisations, the scopes of authority have become unambiguous, so it is unequivocally the General Criminal Directorate of NAV that performs investigations in respect of crimes endangering the revenue of the budget and the violations of law related to intellectual property.

A special task of the professional field of criminal matters is to mitigate the damage caused by crimes as much as possible. Therefore, the focus of its investigative work is recovering the assets gained by sinful means, which, at the same time, also prevents the further financing of criminal organisations discovered. This is based on the completeness and quickness of obtaining information and the up-to-date investigative work. One of its necessary conditions is the continuous cooperation with the tax, customs and finance guard agencies, national organisations outside NAV and the professional and civil sphere.

The number of crimes discovered by the investigative authority of NAV in 2011 exceeded 22,000. The value of the perpetrated

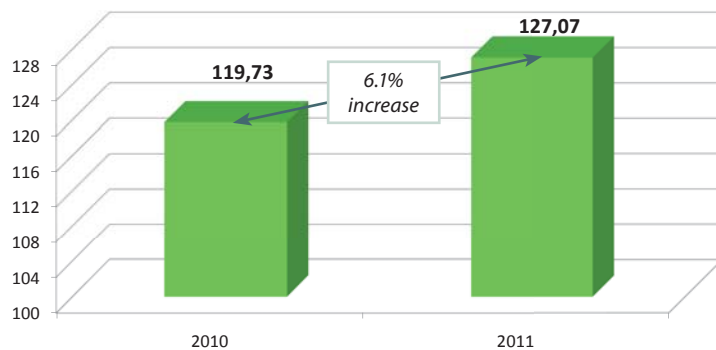
Distribution of discovered crimes at the investigation service of NAV



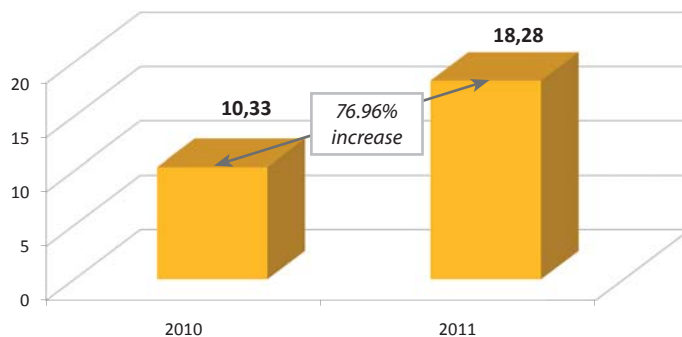


DATA OF DETECTED CRIMINAL OFFENCES

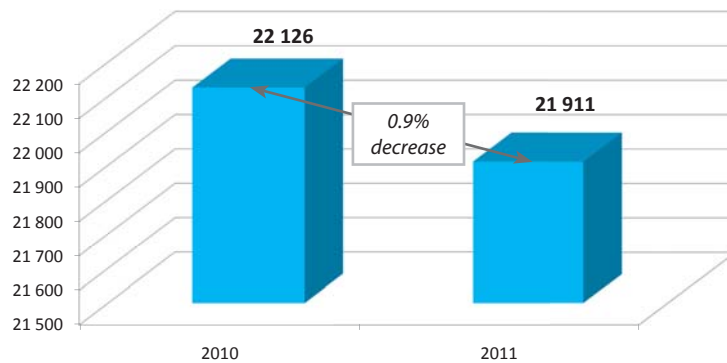
Perpetration value (billion HUF)



Value of damage insurance (billion HUF)



Number of cases





crimes has slightly increased in comparison with the last year but the value of damage insurance has become by nearly 80 percent higher. This means that this year the investigators withdrew considerably more sinful assets from the traffic than last year, which can be thanked on the one hand to a change in the approach and on the other hand to the cooperation of the professional fields within NAV, the quick flow of information and the joint actions.

In 2011 the General Criminal Directorate of NAV mitigated the damage caused by criminals to the state budget by more than HUF 18 billion and provided information for other professional fields of NAV, such information founding the collection of further several tens of billions of HUF.



INFORMATION TECHNOLOGY

For performing the daily tasks of today's tax and customs administration information technology is indispensable. Several work processes, from filing incoming documents to bringing the individual decisions and resolutions, operate with information technological support, making it this way easier, on the one hand, the work of the organisation and, on the other hand, keeping contact with the clients and, last but not least, the fellow-authorities.

With the establishment of NAV, the transfer of information technological developments related to the structural transformation and legislative changes in the systems has become a priority task of the professional field of information technology, which task has been accomplished successfully. NAV has the largest information technological system in Hungarian public administration, so the professional field of information technology has a complex strategic conception concerning data-asset management for promoting the handling, operation and development of the data-assets having been created as a result of the integration. By the help of this conception, the organisation can perform

its basic duties, cooperate with the fellow-agencies, maintain its relationship with its clients and develop its services by applying up-to-date information technological solutions.

In today's modern economy, an essential primary condition of the success of the integration of the legal predecessor tax and customs agencies and the efficiency of the established organisation is the unification and continuous development of the professional field of information technology. This is why the Uniform Registry of Taxpayers and Clients and the development implementing the electronic submission of declarations/notifications to be used in respect of simplified customs procedures (EBEJ) were created in 2011 and the clients of NAV may submit returns with a uniform image through the new uniform electronic gate of NAV to the customs and tax authorities. In 2011 the electronically submitted returns represented already some 82 percent of the returns submitted by taxpayers, the number of calls received at the Electronic Declerers' HelpDesk of the Information Contact Centre (ICC) exceeded 20,000 and the number of answered e-mails was more than 1,000.





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INTERNATIONAL RELATIONSHIPS

The result of the international activity of NAV is difficult to quantify; at the same time becoming familiar with the best practise of other countries and the broadening of the international co-operation contribute to increasing the budget revenues both directly and indirectly in mid term.

The management of the different support programmes (External Borders Fund, Swiss Contribution, ENPI, ISEC 2009-2011 and Twinning) announced by the European Union continued also following the integration. It remains a priority objective of NAV to promote the union and international relationships and to further develop the cooperation between the countries of the region and the relationships established earlier in respect of tax and customs matters and to make these relationships closer. We participate with continuous activity in the work of WCO (World Customs Organisation), IOTA (Intra-European Organisation of Tax Administrations), SECI (Southeast European Cooperative Initiative) and OECD (Organisation for Economic Co-operation and Development).

We also handle the cooperation with the embassies of the member states of the European Union accredited to Hungary and

with their customs attachés as a priority. We are in permanent contact with the institutions of the EU, the professional international tax and customs organisations, the diplomatic missions of foreign states accredited to Hungary, the foreign tax and customs authorities, the national ministries, fellow-agencies and economic players, the members states of the European Union, the associated Schengen states and the candidate states.

The Administration performed the official tax and customs activities related to and arising from the rotating Hungarian presidency of the Council of the European Union in the first half of 2011 at a high standard, also keeping in view cost-efficiency. Our employees provided outstanding performance also in closing the dossiers appearing as subsequent work.

Resulting from our geopolitical position, we wish to play the role of a bridge towards Ukraine and the Western Balkan and within the European Union the bilateral relationships with the other states of the region and the regional forms of cooperation, e.g. the Visegrád Four (V4), the Visegrád 6 (V6) or the group called Quadrilaterale (Q4), are of outstanding significance.



In the field cooperation in taxation we strive with active initiation to become familiar with the best practices of the countries having an economic volume, number of inhabitants and infrastructural features similar to those of our country, to put in place such practices in Hungary, as well, and to make preparations for and to conclude bilateral agreements through the meetings of experts and top managers and study tours, largely relying on the Fiscalis 2013 programme of the European Union.

We handle the agreements on the avoidance of double taxation, tax registration, cross-border sales chains, the joint application of integrated data spheres and analytical means in the central activity of risk management, handing over data considered to be tax secrets and relating to value added tax for control purposes, the evaluation of the performance and incitement of tax assessors, the tracing of controls and the systems supporting the decisions of top managers, as priority issues.

In the field of cooperation in customs matters we consciously strive to obtain the best practices and, based on them, to develop even more efficient national systems, broadly utilising the possibilities provided by the Customs 2013 programme of the European Union.

It is particularly important to conclude bilateral agreements aimed at handing over for control purposes data considered to be customs secrets and to cooperate with Ukraine and Serbia, in the course of which meetings of experts and programs for the exchange of experiences could promote a more successful and closer cooperation.

In Hungarian-Serbian relation it is a top priority for NAV to provide international support for the construction and opening of the border crossing station at Ásotthalom.





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CULTURAL VALUES

Pénzügyőr Zenekar (Finance Guard Orchestra), the country-wide well-known and popular professional brass band celebrating its 70th birthday in 2012 was formed into a permanent band and conquered the hearts of music lovers in 1942. The historical dress uniform of the orchestra follows the traditions of 1885 and was prepared on the model of the period finance guard uniforms.

In the life of the Finance Guard the demand for cultural entertainment manifested itself already early. The history of the orchestra dates back to the 1890's when self-education societies, clubs, choirs and various instrumental ensembles were established by enthusiastic finance guards entertaining their audience with occasional programs. From 1925 several art ensembles were operating parallel with each other within the organisation.

In 1942, on the 75th anniversary of the establishment of the Finance Guard, the Ministry of Finance ordered to set up a "National Finance Guard Brass Band" for adequately celebrating the jubilee. The ensemble used to popularize and popularizes the organisation by wearing uniforms and giving high-stand-

ard concerts. During the past nearly 70 years the orchestra answered several national and international invitations and their programs were great successes.

With the establishment of the National Tax and Customs Administration, the ensemble continues to operate again under its old name, Finance Guard Orchestra.

The orchestra feels at home even in several music genres, from classical brass music to modern dance music. Its concerts and formation performances (lawn shows) are very popular. Its performances are preserved by a number radio, television, film and CD recordings. They regularly appear at the official programs of the National Tax and Customs Administration, at concerts and receptions. They have gained significant national and international acknowledgement in the course of their appearances the number of which has reached 120 a year by now. The performances of the orchestra include great all-evening concerts held in concert halls, small chamber music ensemble and big band formations, saloon music, formational orchestra show, marching music, square music concerts, reception music and fanfares.



MUSEUM OF THE FINANCE GUARD AND TAXATION HISTORY

An exceptional collection of Hungarian finance history is on display in the Schiffer Mansion in Terézváros – an elegant neighbourhood of Budapest. The Museum of the Finance Guard and Taxation History is unique in both its form and content: the mansion was built in the late Art Nouveau style characteristic of the beginning of the 20th Century based on blueprints by József Vágó, the architect who designed Gresham Palace. Characteristics of the Hungarian Art Nouveau are palpable in a lot of respects: the stained glass created by Károly Kernstok and the world famed Zsolnay ceramics to name a few.

The history of the collection dates back to 1930 when the Royal Hungarian Finance Guard Museum was opened in the finance guard barracks of Fiumei street in Budapest. Unfortunately, countless items were destroyed in the Second World War; nevertheless, the exhibition today does reflect the characteristics of state administration in different periods of history.

The items of the exhibition are extremely popular with families, the uniforms – for instance the uniform of a Bach clerk – often induces children's awe. A typewriter which has gradually superseded handwriting since its introduction in 1927 is also on display. The exhibition of taxation history shows that the notion of community contribution – the revenues from which are spent on public purposes – is as old as the state itself. It was Stephen the Saint who introduced the lawful obligation to collect the so-called "tenth", a type of tax that went to the clergy. Nevertheless, the notion of the proportionate sharing of taxation was legally introduced and came to be endorsed by the Parliament in Lajos Kossuth's term as Finance Minister. The museum attempts to follow the history of Hungarian finances from the foundation of the Hungarian state until the present day.

Administrators and operators of the collection participate in the annual Night of Museums and Sziget Festival events. Creative ideas and games serve to maintain public interest in the museum.





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