



NATIONAL TAX AND CUSTOMS ADMINISTRATION



2013

ARCHIVUM



PRESIDENT'S WELCOME

Dear Reader,

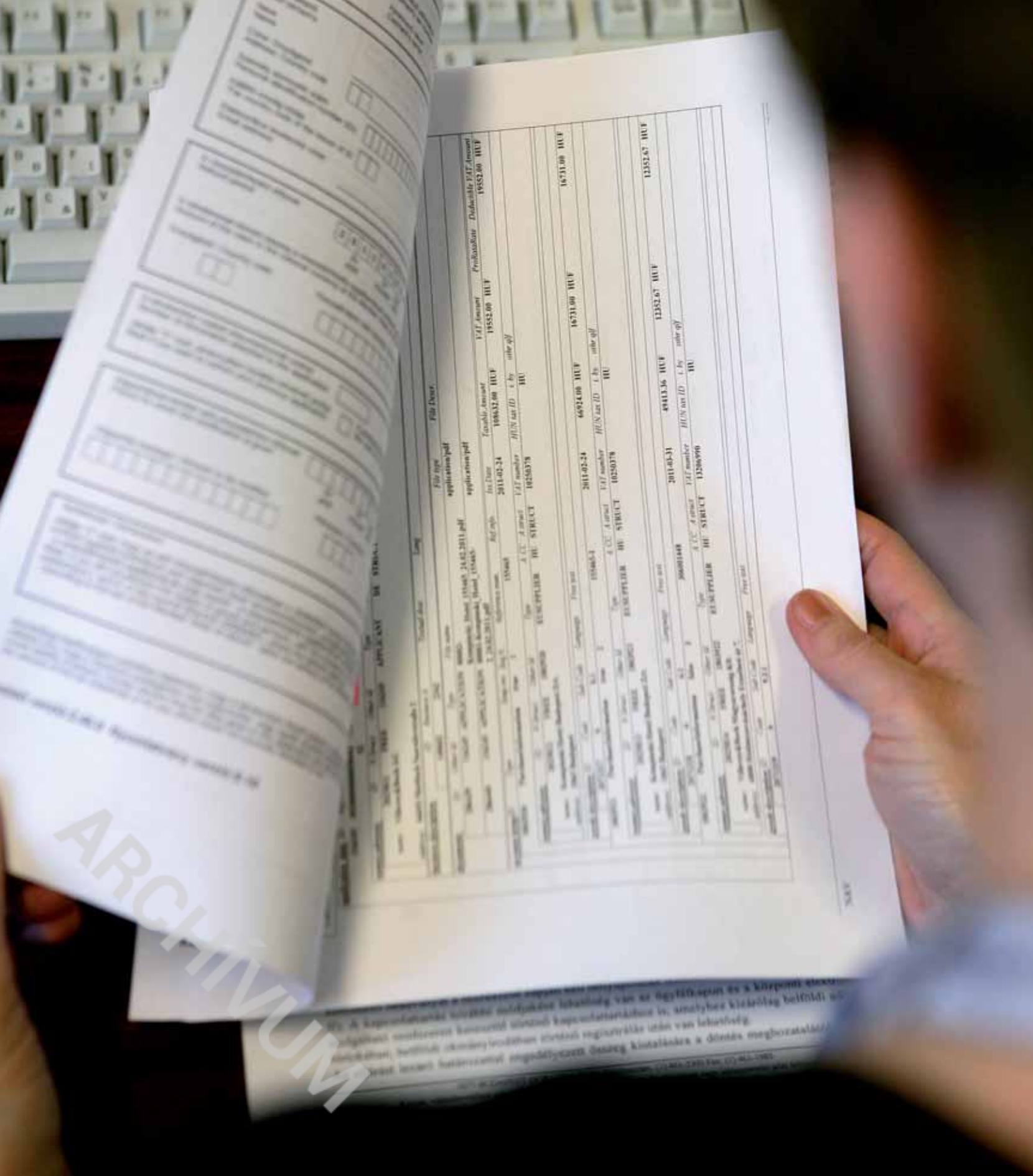
Please allow me to bring to your attention this brief publication about the activities of the National Tax and Customs Administration (NTCA) conducted in 2013, following a tradition commenced three years back.

As always, in 2013 we made every effort to achieve more success in collecting revenues for the central budget and protect the interests of public finances by operating an efficient administration focusing on service. This publication offers an insight into some special areas of the varied activities pursued by the NTCA through the consolidated data of year 2013: the collection of revenues; our service provision and official activities as authority, including control, supervision of gambling, investigation and forced collection; the challenges faced by the information technology function; our exemplary and multilateral international relations; and last, but not least, our cared and cherished cultural values.

I hope that this publication shall assist you in your review of the multifaceted activities and achievements of our organization.

dr. Ildikó Vida
President





REVENUES

The primary duty of the National Tax and Customs Administration (NTCA) is ensuring the revenues for the state budget, and as such, its aim is to lawfully and successfully collect the taxes, contributions and customs duties determined by law to cover the expenses of the community. The NTCA is responsible for some 92% of the tax-type revenues of the state budget. In 2013 the accounts of the NTCA received a total of HUF 10,722.6 billion, which is 4.9 per cent – i.e. HUF 504.6 billion – higher than the revenues of the previous year. The surplus was due, in part, to the receipts from some new tax types introduced in 2013 – duties on financial transac-

tions, fixed-rate tax of small taxpayers, small company tax, tax on utility lines – as well as the social security revenues that exceeded the level of the previous year significantly – including social security contribution, social contribution tax and health fund contribution – as well as the special tax on financial institutions. The largest increase of revenues included the social security contributions and the social contribution tax, since in 2013 the method of calculation of the facilities aimed at preserving the net value of wages changed: the annual revenue of HUF 3,513 billion exceeded the level of the previous year by HUF 210.2 billion.

Net receipts of principal tax types and contributions			
Description	Cash movement (billion HUF)		Index (%)
	2012	2013	
Personal income tax	1 498,4	1 504,6	100,4
Value added tax	2 747,4	2 809,6	102,3
Corporate tax	342,3	322,5	94,2
Social Security contribution and social contribution tax	3 302,8	3513,0	106,4
Health Fund contribution	108,8	138,7	127,5
Excise tax	929,4	897,3	96,5
Public health tax	19,1	18,9	99,0
Environmental product tax	56,4	48,2	85,5
Sectoral special taxes	165,6	9,8	5,9
Special tax on financial institutions	84,9	139,1	163,8
Simplified entrepreneurial tax	146,5	110,0	75,1
Total receipts from principal taxes and contributions	9 401,6	9 511,7	101,2
Total receipts related to forecast managed by the NTCA	10 218,0	10 722,6	104,9

AN AGENCY TO SERVE TAXPAYERS

Providing up-to-date information to our clients, simplifying the administration, enhancing the range of services offered and improving their quality all play a key role in supporting the compliant attitude of taxpayers. In 2013, the NTCA relied on this philosophy to develop its customer service, its system of administration of issues through client gates, and its information channels.

Operating through e-mails and phone calls the TCC system provides general information and last year received more than 1.2 million calls. The Customs Information Centre received more than 30 thousand calls and the officers of the NTCA answered almost five thousand electronic letters. The Client Information and Administration System (ÜCC) received almost 140 thousand calls and this led to the successful administration of 118.2 thousand issues - 21 per cent more than in 2012. The number of PIN code requests necessary for using the system exceeded 138.6 thousand by the end of the year.

There are some customer service points in different places of the country where citizens may deal with their tax and customs issues at one single place, and may obtain professional advice and quick assistance while saving time and costs. Our clients may fix an appointment with our officers over the internet, and this has minimized the waiting time.

In order to improve the environment in customer service we reconstructed and modernized some of our facilities, and implemented easy access for the bodily impaired. Tax affairs can be conducted electronically as the NTCA created internet access in several customer service points. Several directorates conducted client satisfaction queries last year to allow the Administration to learn about the opinion of its clients concerning the services rendered, the quality of the admin-

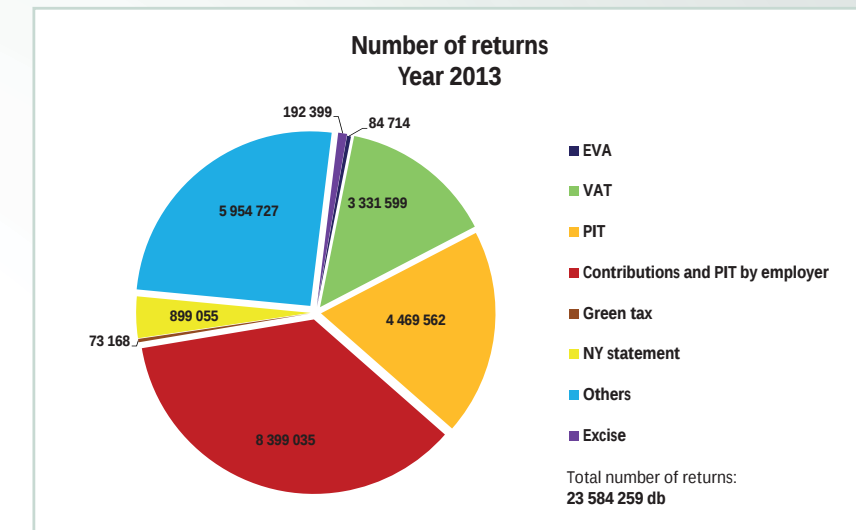
Data on the services provided by the NTCA

- Our customer base includes some 5.4 million taxpayers.
- We keep records of 10 million tax accounts.
- Our customer services were visited in person by 2.4 million clients.
- The TCC system received some 1.2 million phone calls.
- More than 118 thousand taxpayers solved successfully their tax issues through the ÜCC system.
- The Administration received and processed 23.6 million tax returns and data supplies.
- The number of customs procedures exceeded 1.4 million.
- Our home page was visited by our clients on more than 25.7 million occasions.

istration of affairs, as well as the circumstances that could or should be improved.

In 2013, the number of taxpayers visiting the customer service centres in person was close to 2.4 million – some 9 per cent less than a year before. This reduction indicates that the electronic handling of affairs is becoming increasingly popular among taxpayers.

Almost 500 thousand people requested information personally; tax certificates were issued for 409 thousand persons and some 544 thousand taxpayers submitted their tax returns or applications at the customer service centres. The number of clients requesting other services was above 939 thousand. The 2.9 million cash payment orders issued to taxpayers eased meeting payment obligations significantly.



By the end of last year, the number of tax payment, revenue and tax residence certificates issued was close to 464 thousand – some four thousand more than a year before. The number of certificate requests filed by electronic means was over 313 thousand and 190 thousand certificates were issued electronically by the NTCA. Some 2.6 per cent of all the certificates issued by the tax administration were followed by the settlement of the debt and as a result, the state budget collected HUF 2.3 billion in this way. The almost 43 thousand tax payments made by bank card yielded some HUF 960 million on the accounts of the NTCA.

Tax returns and other forms for year 2012 that had to be filed in 2013 were all ready and available, together with the programmes aimed at supporting the completion and processing of these documents. Almost three quarters of all the personal income tax returns – that affects most of the taxpayers – were completed using the form filling programme available on the internet.

Upon the modernization of the electronic forms used to declare the tax types handled by the customs function, the Tax and Customs Administration obtained a consistent image and format. The completion of the different returns is assisted by the unique General Form Filling programme (ÁNYK). In just one year, the number of registered operating taxpayers grew by 2 per cent and reached 1 million 784 thousand by the end of the year.

Since 1 July 2013, VAT subjects may inspect the data of the consolidated report on value added taxes paid by other taxpayers in terms of invoices received – therefore, they may verify whether or not the issuer of the invoices satisfied his duty of filing a consolidated report.

Upon the integration of the customs and tax accounts, the FIR system (Current Account Information System) has been avail-

able for the administrators of affairs since 2 January 2013. As from 18 February 2013, the affected taxpayers may follow the data of the environmental product tax, the public health product tax and the energy tax on their tax accounts using the current account inquiry function of the Client Gate.

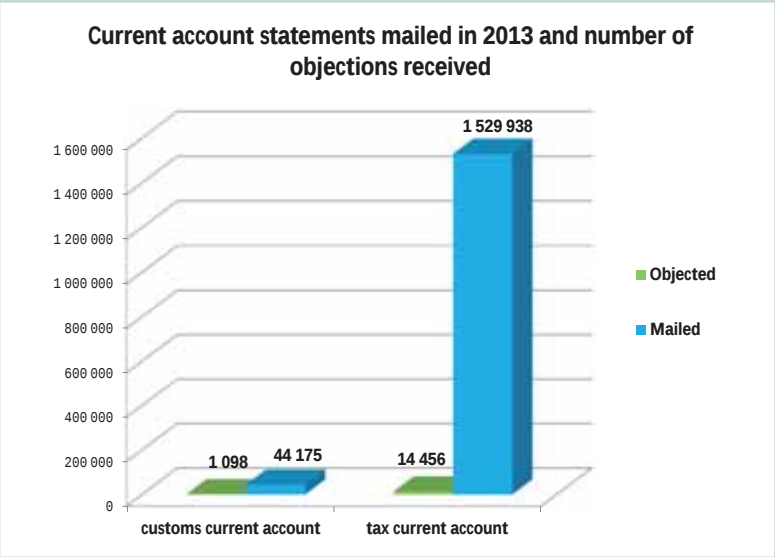
The NTCA started mailing out the tax account statements and default interest notifications for tax year 2012 in July 2013, and finished it in October 2013.

In accordance with the expectations of the EU, there is an option to initiate customs formalities and procedures by electronic means. In year 2013, some 96% of the import customs procedures were requested by the clients this way.

In 2013, the NTCA liaised with some 8,600 business operators having an excise authorization and issued 902 tax warehouse authorizations, 109 framework authorizations and 518 other excise authorizations. Based on client request received by the excise area, the Administration issued 343 expert opinions in 2013, out of which some 150 referred to issues related to the practical execution and interpretation of the law on the fight against smoking by minors and the retail trade in tobacco products.

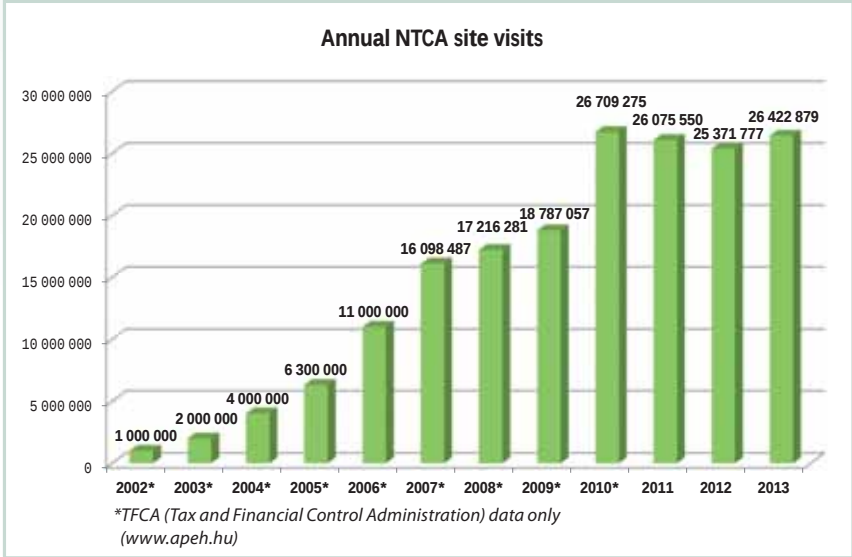
As regards tax administration, taxpayers filed to the NTCA some 157 thousand applications for payment facilities until the end of December 2013 – including the cases carried forward from year 2012 – and the amount in these applications totalled some HUF 177 billion. The excise administration authorized the payment of excise duties by instalments in excess of HUF 4.692 billion.

The administration supports the transparency of business life by updating in its web site the list of taxpayers undergoing liquidation every week, and the list of taxpayers that have major tax debt past due for 180 days every quarter.



The migration to cash registers capable of online data communication imposed major tasks to the NTCA in terms of services and information technology. As of 31 December 2013, there were 140 thousand applications filed between May and December requesting individual codes for receiving 140,587 supports. The two groups of taxpayers having filed these applications – with certain overlap – included those who requested a code for commissioning their equipment (41,689 taxpayers), and those who applied for a unique code entitling to support (104,307 taxpayers). As regards evaluated applications, the Administration issued 118,192 unique codes granting full support, and 21,819 unique codes with zero support, due to the absence

of or non-compliance with specific requirements. By the end of December, the Administration bank-transferred HUF 280.5 million in supports. News or information concerning taxation and tax administration were published in the national mass media in 35 thousand cases, which is quite outstanding in the public administration area. The NTCA relies on a wide range of modern communication tools to enhance the tax-consciousness, emphasizing the need for and essence of paying taxes always whenever possible. In its media releases the administration praises compliant attitudes and condemns tax evasion and fraud. As regards its tone and communication style, the administration is increas-



ingly applying the attitude of an authority providing services and protecting public monies. The web site of the NTCA has been extended with a number of new functions for making it easier to find information and to be more precise. There is still a significant interest for the information booklets of the web site providing accurate information concerning taxation rules - that affect most people. There are dedicated menu items to draw the attention of the visitors to emphasised subjects such as the online cash registers in 2013, and to enable fast access to information on personal income tax returns. Personalised taxation calendars continue to operate, and we also dedicate newsletters to specific groups of taxpayers.

The web site was visited by more than 25.7 million people that downloaded things from more than four thousand programmes in more than 26.4 million cases. In September, the NTCA launched its official Facebook profile and the 111 up-to-date contents published on that platform were visited in 300 thousand cases. In 2013, the NTCA continued participating in a number of major cultural and business events dedicated to varied age groups and target audiences (Travel Expo, Budapest Pálinka Festival, Sziget Festival, Buda Castle Wine Festival, etc.) where our staff provided information to the visitors in suitable forms concerning both general and specific issues. The presence of the NTCA was supported by games, contests and giveaways.





CONTROLLING ACTIVITIES

The authority nature of the National Tax and Customs Administration is expressed most strikingly in the area of its controlling activities. Controls are the best means for securing the collection of revenues due to the central budget and to achieve – or enforce – a compliant conduct from the taxpayers and the payment of dues pertaining to the state budget.

The NTCA contributes to increasing the competitiveness of the national economy both directly – by ensuring the revenues for the central budget as much as possible – and indirectly, by combating unlawful economic activities and improving tax compliance. It is not the old times that the NTCA is looking at; most of its resources are focused on checking the processes of the recent past and the present since uncovering tax evasions as early as possible is the way to achieve the best collection of revenues. The preconditions for efficient controls include high quality risk management and selection, as well as the application of control methods based on the joint actions of all business areas of the Administration. One of the tools for risk management is tax registration, whose rules of procedure were amended at the beginning of year 2013. This is the reason why the risk management procedure relating to 4261 taxpayers had to be re-launched for their failure to send back the questionnaire. Until the end of the year, increased tax supervision was implemented in 4659 cases upon the evaluation of the operating risk, and 94 per cent of the relevant decisions are already legally effective. Habitual practices still include imposing the obligation of serving more frequent tax returns and prescribing the obligation of countersigning the returns.

As regards customs and excise, the efficiency of central risk analysis was increased by creating risk profiles and implementing central e-risk-management. In 2013, a key area of risk analysis in excise was the trade on the internet, where the Administration entered into verbal agreements with the operators of

the most popular websites. As a result, 1355 ads possibly offering unlawful excise products were removed.

Upon Hungarian initiative, an international project was launched with the involvement of 13 EU member-states to develop common risk analysis methods, risk analysis at EU level and targeted selection. The European Commission assigned Hungary to develop the implementation plan including the

Data concerning the controlling activities of the NTCA

- The 211 thousand completed tax controls affected 143 thousand taxpayers in total; the net tax difference uncovered was HUF 515 billion. Following the controls we had to impose sanctions for some HUF 390 billion.
- In the course of ex-post customs and declaration controls, the customs and excise directorates imposed fines for HUF 2.2 billion.
- Ex-post controls of customs declarations were made in 17.7 thousand cases.
- Almost 5.5 million controls were made concerning excise goods; the amount of fines imposed for irregularities almost reached HUF 7.4 billion.
- Some 1.5 thousand controls of environmental product tax, public health product tax and energy tax were conducted.
- Almost 3.3 thousand metal trade controls were concluded.
- During road controls, administrative penalties were imposed for irregularities in 10.7 thousand cases.
- Law enforcement bodies discovered 17.8 thousand legal offences.



requirements of human and financial resources of the project, and as early as in 2013 accepted our proposal concerning the work processes of the project.

Although the number of controls conducted by the tax control area has been reducing year after year, the amount of uncovered tax difference and the efficiency of tax controls have been increasing. This is confirmed by the fact that the net amount of average tax difference found by ex-post tax controls increased from HUF 13.4 million in 2012 to HUF 17.6 million. The split of the number of controls per type is in line with the control guidelines. Unfortunately the undesired taxpayer attitudes

have become standard. Taxpayers have been elaborating increasingly complex tax evasion techniques, whose overall exploration is rather time-consuming, although indispensable for supporting the findings of controls.

By the end of the year, the tax control area conducted 210,934 controls affecting more than 143 thousand taxpayers. Simultaneously with the reducing number of controls, the uncovered net tax difference grew to HUF 515 billion compared to the amount of HUF 467 billion found one year earlier. The legally effective tax difference was HUF 439 billion, which is 36 per cent higher than in 2012. The total amount of assessments exceeding HUF one billion surpassed HUF 80 billion, while in year 2012 this amount was HUF 55 billion. The net tax difference found in VAT grew by more than 14 per cent with respect to the value of the preceding year; and as a result, the relevant reports included a total value of HUF 445 billion as non-declared VAT.

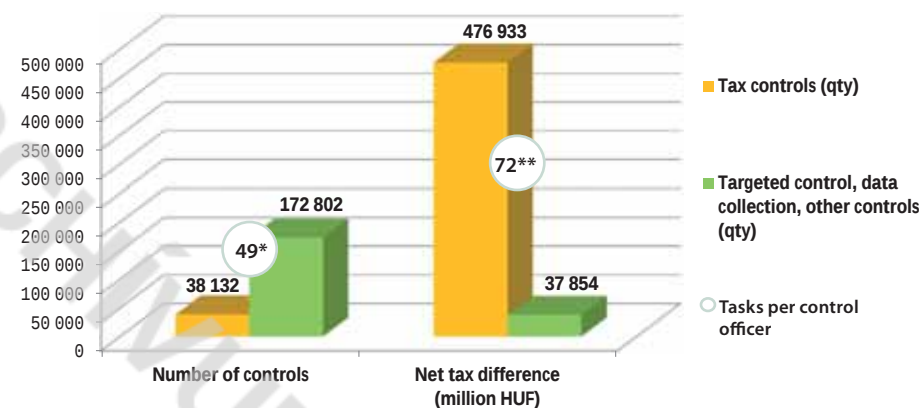
The consolidated amount of penalties applied in 2013 reached HUF 390 billion, which is 51 per cent higher than a year before. This notable increase is due to the increasing volume of frauds uncovered, and also

to the stricter legal regulations. For instance, compared to the former tax penalty of 75 per cent, the tax penalty may be up to 200 per cent of the tax arrears in the case of irregularities committed by concealing revenues and forging or destroying documents and accounting records. A further aggravation is that compared to the former general penalty amount, the taxpayer may be imposed a penalty up to HUF one million for failure to keep the documents archived.

In 2013, migration to the use of cash registers able for online data communication started, monitored by three nationwide control operations. These operations were aimed at exploring the attitude of taxpayers with respect to the migration, as well as preferably at informing taxpayers and supporting the migration. In December 2013, the tax administration recorded 7,044 controls concerning online cash registers, while 203 controls became frustrated. The most frequent problem was that contracts were presented for cash registers whose distribution license had been withdrawn. Some of the taxpayers notified that they would discontinue their business as of 31 December 2013, so they did not ask for a registration code. At the same time, taxpayers obliged to migrate after

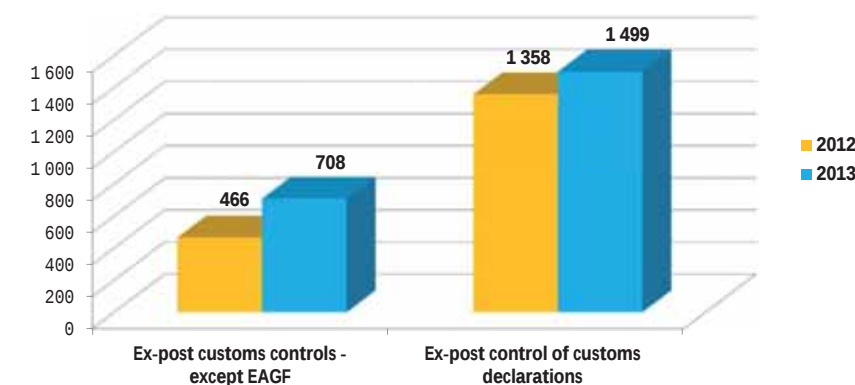
2013 were requested to supply simplified data reports as from July 2013 containing data of their electronic-log cash registers. Tax compliance of taxpayers have improved with the implementation of the domestic summary return for direct tax transactions involving a VAT content above HUF 2 million; the mere knowledge that the tax administration may systematically compare the data supplied concerning the deals of taxpayers was a deterrent in itself. Itemised VAT data may be used successfully in practice in the risk analysis and control work. Some 60 per cent of the 2,366 controls concluded already, but 68 controls became frustrated. The tax difference of HUF 5.8 bil-

Controls by the Control Area in year 2013



* Number of controlled taxpayers/control officer
** Number of completed controls/control officer

Evolution of amounts assessed in ex-post customs controls and ex-post customs declarations controls in 2012 and 2013 in million HUF



lion identified during the tax controls conducted to date had to do with the largest taxpayers.

The efforts of the European Union and the national administrations for simplifying and speeding up customs procedures have indicated that – simultaneously with the expansion of the electronic and simplified customs procedures – the emphasis in the basic customs controls is shifting to the ex-post exercises. In 2013, ex-post customs controls were initiated in 302 cases, excluding EAGF controls. 315 cases ended with a decision, including the cases carried forward from the previous year. In addition, 6,093 ex-post customs declaration controls conducted under article 78 of the Community Customs Code ended with the communication of a decision by the end of December. In 2013, in the course of ex-post controls of customs duties and customs declarations the customs and excise directorates imposed penalties of altogether HUF 2.207 billion. In total 17,722 customs declarations were subject to ex-post control, and penalties totalling HUF 1.499 billion were imposed for customs duties, VAT, environment protection tax and customs administration penalty. At the end of 2013 the number of vehicles subject to the registration procedure was some 19 per cent higher, almost reaching 137 thousand units. The imposed tax reached the amount of almost HUF 16 billion.

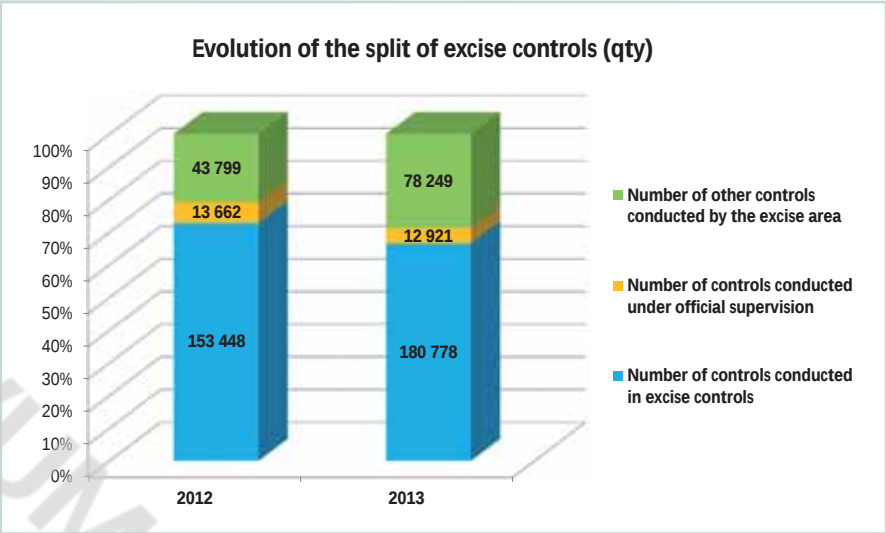
The excise area conducted 272 thousand checks, plus almost 5.2 million controls performed at third-country border crossing stations; 68,185 irregularities were found, and the amount of penalties imposed is likely to exceed HUF 7.38 billion. Goods were seized in almost 30 thousand cases for a total value of HUF 1.32 billion; the largest proportions were rep-

resented by vehicles (51.8 per cent), cigarettes (19.6 per cent) and alcohol (17.2 per cent).

In the course of road checks, the NTCA imposed administrative penalties in 10.7 thousand cases amounting to a total of HUF 1.3 billion. The customs and excise staff conducted 17.8 thousand offence procedures representing a total commission value of HUF 360 million. The most frequent customs irregularities related to tobacco products (83 per cent). In addition, typical offences included brand abuse, industrial right abuse, copyright and related right abuse, plus irregularities were discovered in precious metal marking and abuses against pharmaceutical regulations.

In the selection of targets for metal trade checks the primary objective has been preventing and repealing offences related to materials subject to authorization. By the end of 2013 the lower-level organizations conducted 3.3 thousand metal trade checks and found irregularities in one third of the cases; the validly imposed penalties exceeded HUF 5.5 billion in total. The law enforcement function participated in the coordination of 12 international operations; in eight additional cases national operations were conducted through controls of cross-border transportation of wastes and hazardous goods with a focus on counterfeit medicines, unauthorized freight activities and cash handling, as well as restrictions and prohibitions. High priority was also given to checking incoming traffic at the internal borders.

The Forensic Institute contributed both directly and indirectly to the successful collection of revenues through analyses and expert opinions, as well as fast on-site checks performed with the mobile laboratory vehicles.



COLLECTION OF DEBTS PAST DUE

The management and collection of debts past due is an important part of the collection of revenues of the central budget through the ongoing monitoring and reduction of the past due portfolio. The NTCA has been acting consequently and lawfully against everyone that fails to pay voluntarily and accumulates debts past due. This includes the management of past due debts, the forced collection of debts, the assessment of applications for payment easing, as well as the bankruptcy, liquidation and final settlement procedures.

In 2013, tax directorates launched more than 1 million 70 thousand execution procedures. The involved amount was almost HUF 1,231 billion. From the total revenue of HUF 367 billion obtained through collection, 98.5 per cent originated from execution procedures. Taxpayers subject to liquidation and bankruptcy procedures paid HUF 5.6 billion.

The NTCA collected public debts in the amount of HUF 4.4 billion for the requesting entities. In 2013, forced collection for external entities was conducted under 8 new titles so that at the end of 2013, issues classified under 130 titles were handled. As regards new tasks, in the last few months of 2013 there were frequent requests for collecting waste management taxes.

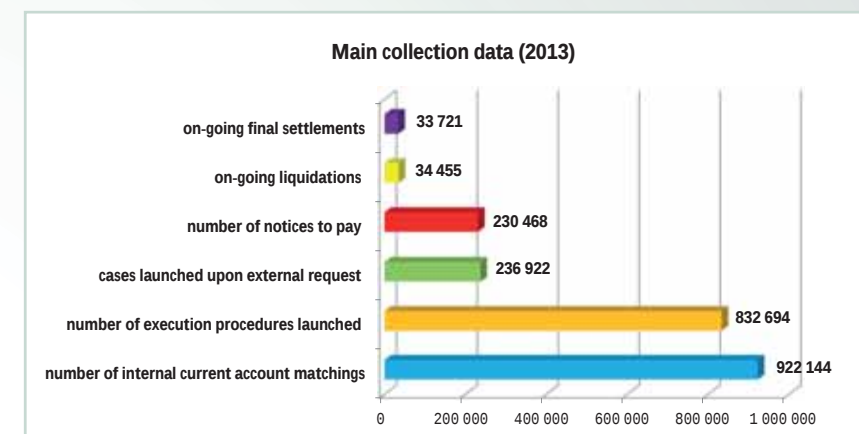
In 2013, the NTCA issued more than one million prompt collection orders for collecting a total debt of HUF 3,198 billion. The amount of banned incomes totalled HUF 96 billion. Almost one third of the revenue from collection by execution – i.e. HUF 110 billion – was cashed following execution actions. The NTCA has paid particular attention to the forced collection of special taxes – a total amount of HUF 1.5 billion was collected. The number of ongoing execution procedures increased to 356 thousand and the amount involved grew to HUF 1,071 billion. Also in 2013 the tax directorates paid particular attention to two areas yielding modest results but requiring substantial resources and reinforcing tax compliance: the underlying commitment of debtors and the guarantee measures. The amount retained for public debts was HUF 24.4 billion.

On its website, the tax administration continues updating the list of taxpayers undergoing liquidation on a weekly basis, and the list of taxpayers having substantial tax debts for 180 days on a quarterly basis; thus assisting clients to be informed and business life to be more transparent. Upon the increasing intensity of the forced collection efforts, the number of business operators affected by execution has steadily grown and reached some 180-188 thousand in the last few months. The published list includes 3,956 private persons and 1,991 business operators with a total debt of HUF 1,041 billion.

The number of operational businesses failing to pay taxes has grown more than before, and as a consequence, the NTCA needs to place more emphasis on liquidation initiatives. In 2013, the number of liquidations requested by the NTCA grew significantly, compared to the previous years, i.e. by more than 50 per cent. The total debt of the affected 8,455 companies exceeded

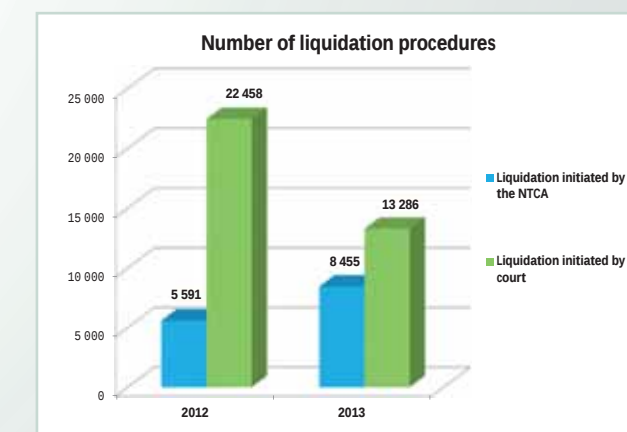
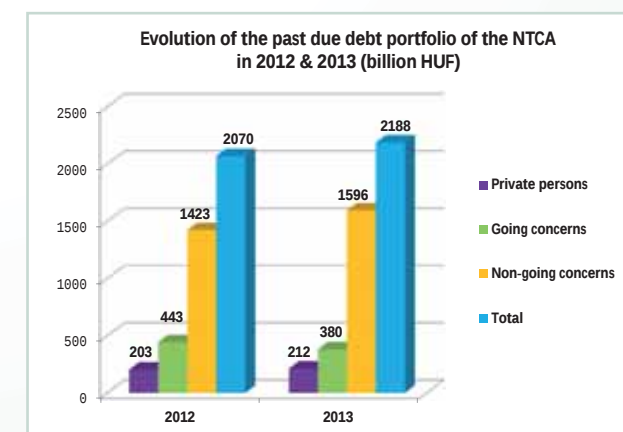
Data concerning the activities of the NTCA in the collection of debts past due

- Some 1.07 million execution procedures were launched for a total amount of almost HUF 1,231 billion.
- As a result of the collection efforts, debts of HUF 367 billion were collected.
- The administration launched some 8.5 thousand liquidation procedures.
- The administration conducted some 17 thousand electronic auctions.
- From more than 142 thousand applications for payment easing, taxpayers filed more than 42 thousand in electronic format.
- The total portfolio of debts past due of the NTCA was HUF 2,188 billion at the end of year 2013.



HUF 369 billion. The increase in the number of cases and the amounts involved has to do with the assessments of the controls of large amounts that are difficult to collect, and also to a large extent with the involuntary dissolution procedure introduced in year 2012. The new option of termination has reduced the number of final settlements, forced final settlements and wind-ups. By means of the ongoing liquidations, and as a result of the threat of liquidation, debts for the amount of HUF 5.4 billion were collected by the NTCA – representing almost the same amount as a year before. However, this revenue was produced by 18 per cent less procedures. From the annual revenues, HUF 1.4 billion was realised through assignment of claims. The NTCA assigned to Magyar Követeléskezelő Zrt. (Hungarian Claim Management Plc.) five packets of claims relating to 14,394 liquidations and totalling an amount of HUF 337 billion. In 2013, the number of finished liquidations was higher than ever: courts closed 20,722 cases - 22 per cent more than in 2012. Some 80 per cent of the cases were concluded without revenues for the creditors in a simple procedure, and creditor

claims for the amount of HUF 76 billion had to be cancelled. The Electronic Auction Platform (EÁF) continued working faultlessly during last year, and the circle of announced properties continued increasing. At the auctions announced as a result of the activities of the tax administration field, 44 per cent more auctions for movable chattels and 26 per cent more auctions for real properties were concluded by the executor agencies. As regards real estates, the number of unsuccessful auctions has increased due to a low demand for dwelling properties; some more interest was seen for non-dwelling properties (arable land, fruit gardens, garden plots, pastures, woods). The number of auctions of movable chattels seized or confiscated by the customs administration or the criminal area was much lower than the ones of the tax administration, although they worked substantially better. Marketable movable assets appealing to special groups of buyers were announced, typically in the categories of vehicles and metal trade materials subject to authorization. From the 748 auctions announced, 553 concluded with success. The success rate of sales reached 88 per cent.





SUPERVISION OF GAMBLING

The supervision exercised by the NTCA over gambling includes issuing authorizations, controlling the organisers and game operators, the related recording duties and sanctioning law offences. The tax administration has to eliminate unlawful gambling and take part in the fight against money laundering. As the licensing authority, the gambling supervision body of the NTCA issued 86 authorizations in 2013 for organising gambles. At the end of the year, there were 19 card saloons operating under authorization. In the course of 16 thousand controls made concerning gambling 709 penalties were imposed for the total amount of HUF 400 million. Relying on the controls focusing on internet terminals we continued imposing penalties on organisers of gambling and mediators – catering establishments in particular – operating without authorization. When the control could not prove that they operate without authorization but the suspicion still arose, due to the type of equipment found and the previous experience concerning such equipment, the NTCA repeated the on-site controls. This had a preventive effect, because in one of ten cases they discontinued the operation of equipment replacing slot-machines. If a catering outlet operates a slot or gambling machine without authorization, the notary of the local municipality shall close the establishment temporarily for at least 30 days and, in the case of recurring offences, for at least 90 days. The NTCA has been continuously requesting the competent notaries to close the infringing establishments. The gambling supervision function also monitors with particular attention machines whose construction al-

lows the ‘player’ to receive a guaranteed product in exchange of a determined amount paid, but in random cases the payer may get, instead or in addition to the guaranteed goods, a merchandise of a higher value that is not proportionate to the amount paid. As regards the inspected equipment, such prizes included hardware, and/or even livestock. These equipment may also qualify as gambling machines operating without authorization. The structure of the betting offer provided by the tippmixPro game operating under authorization and upon an approved gambling plan, the terms and conditions of participation in betting and the option to bet live are all aimed at enabling this new game to compete with the offers of large illegal organizers (such as bet365, expekt, or sportingbet).

<i>Types of Gambling Supervision authorizations</i>	<i>Authorizations issued in 2013</i>
Draw	17
Betting	3
Casino	53
Remote gambling	0
Cardgame saloon	13
Total	86

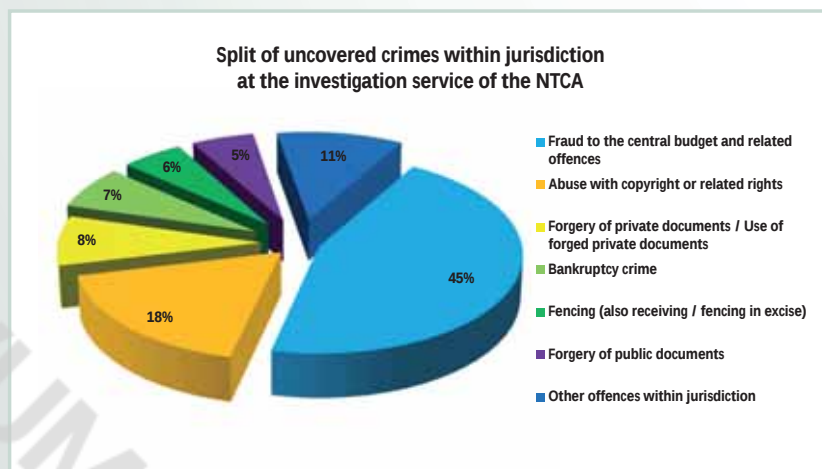
<i>Control activities of Gambling Supervision</i>	<i>Controls completed</i>	<i>Decisions and rulings on penalty</i>	<i>Penalties imposed (thousand HUF)</i>
Draw	452	9	1 400
Betting	295	2	400
Gift draw	173	80	6 945
Casino	334	4	900
Remote gambling	0	0	0
Cardgame saloon	625	30	11 945
Slot (game) machine	232	11	1 500
Other	13 527	573	372 430
Total	15 638	709	395 520

CRIMINAL AREA

In 2013, the financial investigators of the Criminal Directorate General of the NTCA launched criminal procedures in 12,440 identified crimes and offences, among which 11,925 were crimes committed within the NTCA's own jurisdiction. Most of the detected crimes committed within its own jurisdiction – i.e. more than 45 per cent – were budgetary frauds. Abuse of copyright or related rights occurred in 17.7 per cent of the cases, private document forgery and use of forged private documents was 8.2 per cent and bankruptcy felony represented 7 per cent. The total amount of discovered crimes reached HUF 121.6 billion. Out of this HUF 116.7 billion belong to crimes assigned under the jurisdiction of the NTCA. The amount of fraud committed to the central budget against the Hungarian State and discovered by the fiscal investigators totalled HUF 108.4 billion. In connection with almost 700 crimes committed in connection with tobacco products, the NTCA seized 63 million cigarettes and other tobacco products for a value exceeding HUF 2.5 billion.

The investigation service pays particular attention to exploring the financial standing of the perpetrators and business operators subject to criminal procedure, as well as to identifying their assets for a fuller recovery of the damage caused by them to the state budget. As regards on-going criminal procedures, the amount secured by property-related coercive actions (seizure, security measures and voluntary reimbursement) totalled HUF 24.5 billion, which means a 20 per cent loss recovery. This is a remarkable achievement even by international comparison.

In 2013, the law enforcement unit of the NTCA ordered investigations in 6.3 thousand cases, a third of which was related to the central region of Hungary. In some 3.3 thousand cases the denunciation was rejected or referred elsewhere. The criminal field of the tax administration finalized 5.4 thousand cases and half of them led to criminal prosecution. Compared to the rate of 35 per cent achieved in 2012, this indicates a remarkable improvement in the efficiency of criminal prosecutions.



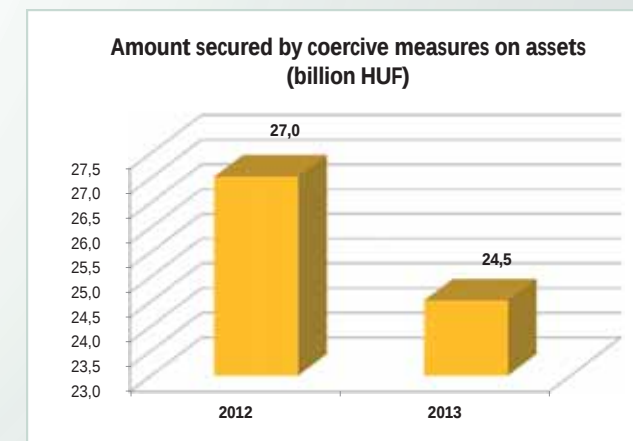
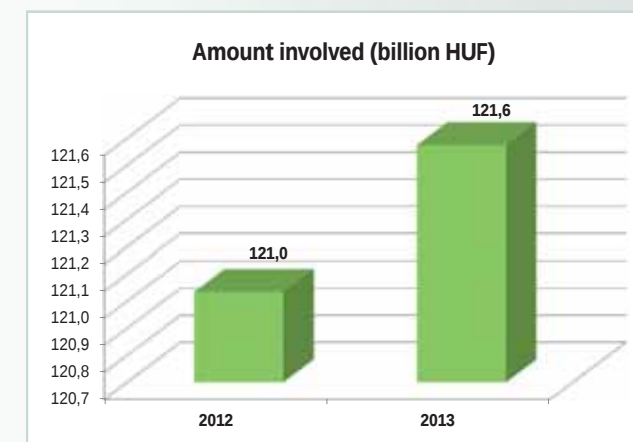
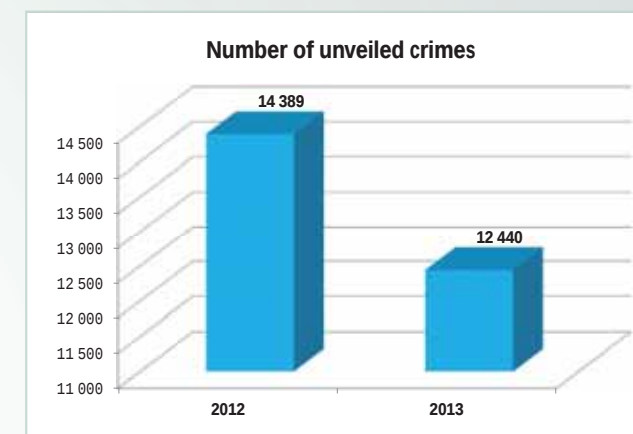
The Criminal Directorate General launched secret collection of intelligence in 265 cases, and finalized 296 procedures initiated before. The finished procedures led to 172 criminal proceedings concerning a total commission amount over HUF 37.8 billion and a seized amount of HUF 8.3 billion.

The Anti-money Laundering Information Office received 13.6 reports from different providers, supervisory agencies, and foreign financial information units, and sent requests and information to domestic and foreign entities in more than one thousand cases. The Office conducted 225 controls and imposed penalties under a variety of titles for some HUF 3.4 million.

As a member of international groups of investigators and as an investigation unit performing a particularly valuable work for the Federal Bureau of Intelligence (FBI), the financial investigators of the NTCA enjoy a deal of international recognition. Even large international movie distributors noticed their achievements in detecting operators of illegal web sites.



Consolidated data of criminal procedures conducted by the criminal field of the NTCA





INFORMATION TECHNOLOGY

In 2013, a special priority task for the IT function – requiring major resources – was the design, supervision and development of the Online Cash Register System (OPG). The implementation required the cooperation of several bodies, such as the NTCA, the Hungarian Trade Licensing Office (MKEH) and the National Media Communication Agency (NMHH), as well as external service providers (GSM providers, the National Information Service Provider - NISZ).

The unit successfully designed the IT systems required for the project, purchased and installed the required hardware and software, and developed and installed the applications. Under the OPG project, the hardware of the receiving, pre-processing and data warehouse systems were put into operation, the system was configured and live operation started.

The IT function developed and made available for live operation the applications required for commissioning the cash registers and keeping them in continuous operation. With the exception of the security settings for tablets, the control-support system was completed and a test operation may start at the beginning of 2014.

Identification of the cash registers and the encryption of communication were further key tasks. Transaction data of the cash registers are collected in the data warehouse. The data warehouse has been also completed, it operates on an ongoing manner to receive and store data. Each data file contains typically the daily sales of the relevant cash register, although it is possible to request more frequent data supplies.

On 10 May 2013, the Tobacco Product Retail Authorization and Control System (DKER) was introduced. Relying on this IT application, the NTCA is able to deliver its concentrated and massive authorization and registration tasks with higher efficiency, and allows clients to start the authorization pro-

cess and file reports on other products by electronic means – through the Client Gate.

On 1 July 2013, the Electronic Bank Secret System (EBT) started operating, enabling electronic exchange of messages between the execution system of the NTCA and the Hungarian financial institutions.

On 5 November 2013, the NTCA joined the home banking payment system called Electronic Payment and Settlement System (EFER) enabling the management of consolidated payments made to the current accounts of both the tax administration area and the customs administration area.

The National Taxation and Product Distribution IT System (NATIR) was introduced to allow for performing risk analyses concerning applications for the reimbursement of agriculture-related taxes; and the Centralized Excise IT System (KJIR) was implemented to support a simplified settlement of wine tax warehouses and champagne, as well as the registration of trading licenses for products subject to excise authorization.

In order to ensure continuity in issuing tax identification cards, the NTCA signed a new three-year contract for the production of tax ID cards.

As regards the field of IT service provision, the issues and requests handled in the HP ServiceDesk (SD) and the Service Manager (SM) systems supporting the service provision process totalled more than 172 thousand, while there were 3,200 orders requiring IT development.

In the past year, the NTCA used approximately the same amount of bar codes as in year 2012 (62.5 million ones in total). As a result of the scrapping and elimination of tax administration document, the National Central Archive (OKI) received some 5.7 million tax returns in 2013. The secret (TÜK) registers recorded 1,268 rated documents and 44 EU rated documents.

INTERNATIONAL RELATIONS

Thanks to the international cooperation pursued by the NTCA the Hungarian administration is able to enforce its interests with increasing success. The multilateral contacts of the administration are reflected in the common work performed in a number of organizations, projects and task forces.

As regards cooperation within the European Union, our administration has a permanent participation in the Customs and Fiscalis officer exchange programmes. Bilateral relations with other member-states of the region have a particular importance within the European Union, and there are equally relevant forms of regional cooperation, such as the Visegrad Four (V4) or the Quadrilaterale (Q4) groups. The administra-

tion continues having an active participation in the work of the World Customs Organization (WCO). All of the above have contributed to learning about best practices of other states and transposing them to the Hungarian system. Further, we have built useful relations with some more distant countries, such as the United States, Canada, Sudan, Azerbaijan, or Mongolia, Vietnam and China.

In 2013, the administration won additional resources by exploring tenders and supports. Half of the EU support totalling HUF 776 million was used for capital expenditure projects, 44 per cent for the purchase of equipment, 5 per cent for training and 1 per cent for services received.

The External Borders Fund (KHA) programmes enabled modernizing the road border crossing stations of Röszke and Záhony; the ceremonial project closing was held in July 2013. The NTCA has filed its proposal for the IT enhancement tenders of several border crossing stations (KHA/2012, HUF 320 million) and the project for the reopening of the Röszke-Horgos road border crossing station (KHA/2013, HUF 391 million) is already in the phase of preparation for the public procurement.

The NTCA's tender for EUR 2.9 million to support the European Neighbourhood and Partnership Instrument (ENPI) was accepted. This is a consortium led by the National Police Headquarters (ORFK) and involving the Ukrainian customs administration and border police to develop the cargo terminal of the road border crossing station of Beregsurány and to purchase investigation tools for the Hungarian-Ukrainian border.

Under the ISEC programme of 'Prevention and fight against crime', the NTCA won a 14-month project in the subject of abuse with base oils, and as a result, the Polish, Slovak, Czech, Bulgarian, Rumanian and Hungarian customs officers could meet at several conferences and training programmes. Under the Hercule II programme of year 2011 and year 2012, the NTCA purchased mobile and handheld thermal cameras in virtue of a contract signed with the European Anti-Fraud Office. The devices were received in August 2013. In 2013, the NTCA participated as a partner organization in the project of the Rumanian Police on the fight against cigarette smuggling and counterfeiting.





CULTURAL VALUES

Thanks to its predecessors, the NTCA concentrated not only high professional knowledge but also notable cultural values in the new structure.

The Wind Band of the National Tax and Customs Administration (Pénzügyőr Zenekar) is a well-known and acclaimed professional brass band all over the country. In their seven decades of history, they delivered uncountable concerts in Hungary and abroad – always with success. In 2013, the Band participated in 133 events; the chamber sections had 26 performances, and the dance band performed in 22 events.

The permanent exhibitions of the Museum of Customs, Excise and Taxation History were visited by thousands of people in 2013 again. Its expositions and booths were visited by tens of thousands of people at sport and cultural events.

The Schiffer mansion gives home to the permanent exhibition presenting the history of excise activities – this art nouveau building is located in the 'Museum Quarter' preferred by tourists.

The museum presents the history of Hungarian finances from the establishment of the Hungarian State to our days.

