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2011

National Tax and
Customs Administration


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CONTENTS

WORDS OF WELCOME

The year 2011 was the first year of operation for the National Tax and Customs Administration of Hungary (NAV). The goal of the transformation of a scale unexampled in public administration was to establish, from the predecessor organisations of the Hungarian Revenue Office (APEH) and the Customs and Finance Guard (VP) a new and integrated organisation, set up as of January 1.

As regards its scale and complexity, the above task exceeded, by far, all previous changes: it meant a reform that compared to few others in the modern age history of Hungary, while, as regards its nature, it was mostly in line with the concept worked out by Menyhért Lónyay at the time of the Compromise (between Greater Austria and Greater Hungary in 1867), i.e. the integrated management of the two most important state revenues.

The fact that NAV, an independent government organ since the beginning of 2011, had to manage revenues of over thirty billion forints a day in 2011 reflects not only the significance of the organisation but its responsibility as well.

The integration raised several problems since it was two organisations with different traditions and organisational cultures: a civilian and a semi-military body that had to be merged. Merging the wide range of duties covering the fields of taxation law, customs law and criminal law as well as the widely different operational, technical and IT infrastructures posed an immense challenge. Notwithstanding the latter, the integration has produced several achievements useful both for the operation of the organisation and for taxpayers in establishing a uniform registration, synchronising databases and operating integrated customer services. The feedbacks on the introduction of uniform services reflect that the reduction of administrative burden has had a favourable impact on the efficiency of administration and thus also on general customer satisfaction.

As one of the major achievements of the past year, the implementation of the strategic tasks involved in the integration has not been detrimental to the performance of daily work (as it was not allowed to be detrimental in the first place), which continued to be carried out smoothly, by keeping in mind the interests of both the budget and of taxpayers to the maximum degree possible. There has been considerable advance made in the development and modernisation of administration and in widening the range of e-administration. The innovation making tax administration the engine of public administration in Hungary has continued unceasingly, adjusting to the challenges posed by the new organisation.

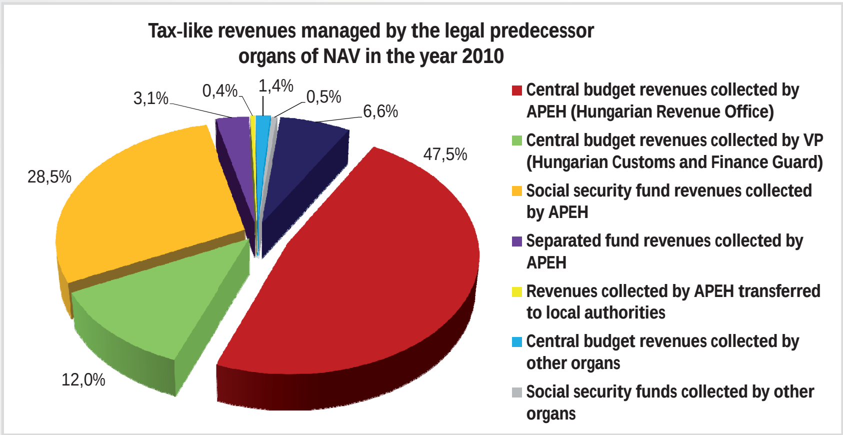
The effort to establish a uniform organisation that is able to operate, meeting expectations, has been successfully completed. Developments, fine-tuning and further stages of integration are still ahead of us, however. For what follows, I wish to all of us energy and commitment in meeting the worthy challenges involved in the performance of these tasks.

Dr. Ildikó Vida
President

INTRODUCTION

The Establishment of NAV

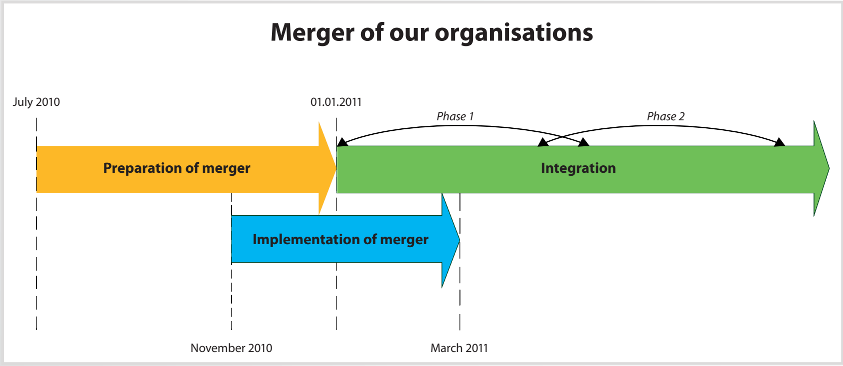
The year 2011 was the first year in the newest period in the history of tax and customs administration in Hungary. The government intention aimed at the standardisation and uniformisation of the organisations in charge of the collection of the most important state revenues generated intensive preparatory efforts in autumn 2010, producing Act CXXII of 2010 on the National Tax and Customs Administration of Hungary, proclaimed on November 19, 2010. The organisation established through the merger of the Hungarian Revenue Office (APEH) and the Hungarian Customs and Finance Guard (VP) started operation as of January 1, 2011. A smooth merger certainly required that a survey of resources, facilities and other assets available at the predecessor organisations be carried out in the second half of the year 2010 already. The size and significance of the new organisation is reflected by the fact that 91 percent of the tax-like revenues of the state budget were collected by the two predecessor organisations.



In the year 2010, the tax-like revenues collected by the predecessor organs of NAV made up 91% of all tax-like revenues of the state budget.

The integration affected 15,600 employees of APEH and a staff of 7,400 at VP. In addition to raising human political issues, the merger involved the integration of the IT systems and data bases set up with different operating principles. The operation of the considerable assets of the organisations as well as the internal regulatory systems and training strategies similarly required harmonisation. The different organisational and operational cultures had to be adjusted and the traditions adapted to the new organisational requirements. Furthermore, an organisational unit with independent investigation activity had to be established.

Integration does not take place in one stage: it is a long process that started in the second half of 2010 already, unfolded in the year 2011 and has continued in 2012. The process has been strongly influenced by the experience gained during the integration.

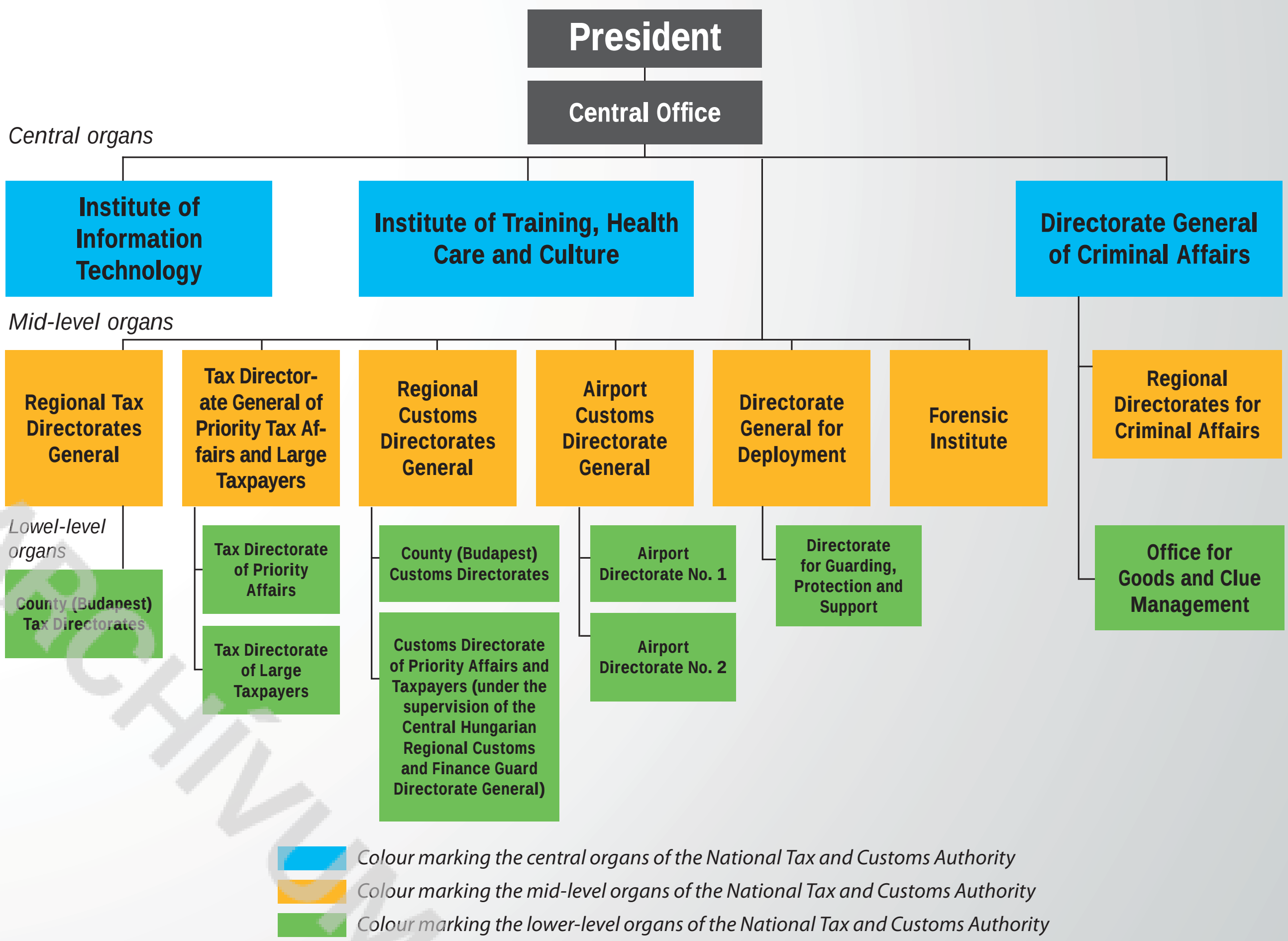


As a result of the tasks performed, there was, by January 1, 2011

- an organisation established with a staff of 23 thousand employees,
- with a budget of HUF 135 billion, which
- amounts to approximately 90% of the tax-like state revenues collected.
  Calculated per work hour, the above meant tax, contribution and fee revenues of over HUF 4.7 billion in 2011!
- The National Tax and Customs Administration of Hungary is a government office which
- performs public administrative and armed law enforcement duties as well.
- The duties are performed through the central organs, mid-level organs and lower level organs of NAV.
- The activities of NAV are supported by the biggest public administration IT system in Hungary.
- NAV is a central budget organ with independent operation and budget management, which forms a separate chapter in the central state budget.
- The President of NAV has been appointed, by recommendation of the appointed minister, by the prime minister, for an indefinite period.

The main responsibility of NAV is to guarantee the collection of revenues. Within the framework of this, it manages 60 different kinds of tax, contributions and related fines and charges. In the customs field, in receives, collects and manages revenues on 36 accounts, in the field of fees on 20 accounts and in that of subsidy-like taxes, on 12 accounts.

The Organisational Structure of NAV



I. REVENUES AND SUBSIDIES

At the National Tax and Customs Administration, meeting societal, national, legislative and EU expectations, the high priority task for the year 2011 was to guarantee the lawful and more effective and efficient collection of taxes, fees, contributions and customs duties.

Last year, revenues of HUF 9.3 thousand billion were realised altogether on the accounts of NAV, slightly higher than in the previous year.

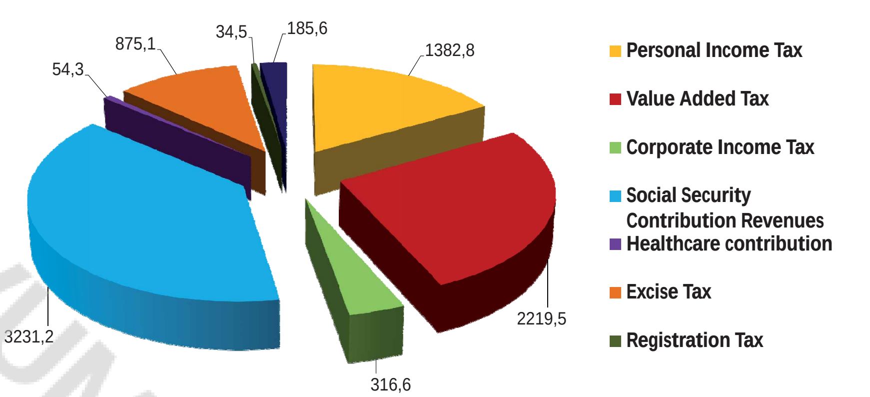
The amount of revenues incoming throughout the year was strongly influenced by the changes in the legislation on personal income tax and social security contributions as well as by the unfavourable external economic conditions. Performance in the year 2011 was adversely affected by the decision of the European Court on Hungary's VAT refund practices, in accordance with which value added tax worth HUF 247 billion was refunded by the end of last year. In accordance with the change of private pension fund membership, revenues from membership fees fell to a minimum: to an insignificant amount compared to the HUF 275.5 billion the year before.

I.1 Revenues

Considering the types of taxes strongly decisive for state budget revenues, the following can be established.

As regards personal income tax, net revenues of HUF 1.38 thousand billion were realised at the annual level, which, in accordance with the changes in the conditions of taxation, were HUF 385 billion lower than in the previous year, while the budget expectations for the year concerned were surpassed by almost HUF 20 billion. In the progress of the year, personal income tax revenues were continuously met in compliance with the pro rata expectations; interim fluctuations did not significantly affect the basic trend. By the end of December, taxpayers paid HUF 1.5 thousand billion which, in accordance with the reduction in tax burden, was HUF 395.7 billion lower than the amount in the base period. It had a favourable effect on the amount of net revenues, however, that reclaims had fallen compared to the previous year, from HUF 129.8 billion to HUF

State budget revenues in 2011 (HUF billion)




BEVALLÁS
a 2011. évre a személyi jövedelemadó, a járulék, a különadó,
az egészségügyi hozzájárulás kötelezettségről
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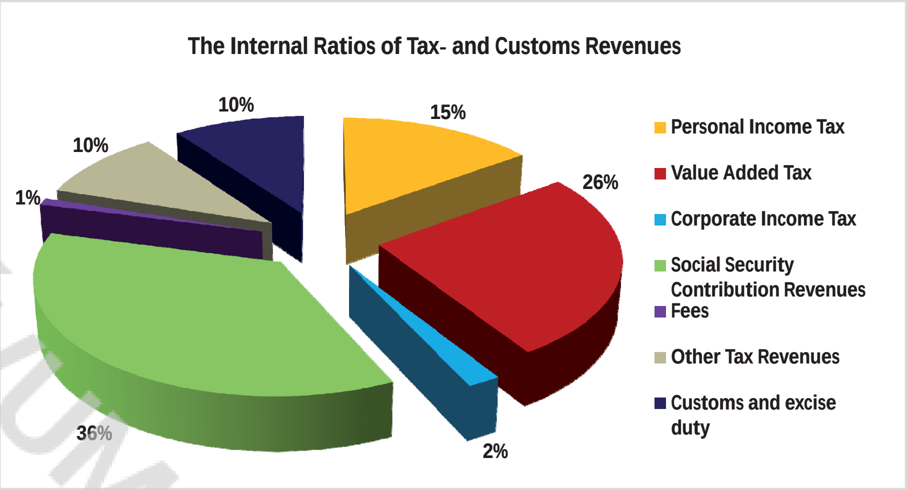
112.2 billion since, as a consequence of changes in the legislation, fewer taxpayers submitted a tax return claiming refund in the year 2011 than in 2010.

By the end of November 2011, the net social security contribution revenues on the account of NAV amounted to HUF 3.23 thousand billion, which was 13.7 percent, HUF 389.8 billion higher on the previous year. As a consequence of the favourable growth rate, the annual budget appropriations were exceeded by HUF 33.1 billion. The monthly incoming revenues surpassed the corresponding figures of the previous year every month, which was an effect of the changes in legislation, i.e. changes regarding private pension fund membership and the raising of the individual pension insurance contribution rate. Within total payments, payments from the competitive sector rose to HUF 2.37 thousand billion, which was an increase of 15.7 percent. There was a more limited increase of 7.9 percent in the public sector.

During the year there were net revenues of HUF 2.22 thousand billion from value added tax, which was HUF 94.5 billion lower than in the base period. But for the sum refunded as a consequence of the European Court decision, the shortfall of annual appropriations would have been slight despite the unfavourable economic conditions. Such performance was a result of extraordinary efforts by NAV to guarantee excess revenues from VAT in compliance with government expectations. By the end of the year, taxpayers paid to the accounts of NAV a total amount of HUF 4.1 thousand billion, which was 6.2 percent, HUF 241 billion higher on the previous year. As a consequence of the operation of the tax system, it was domestic payments that dominated in total payments, amounting to HUF 3.8 thousand billion altogether. This meant a rise of HUF 227.9 billion compared to the corresponding period of the previous year. VAT payments on import and tobacco products rose from HUF 282.9 billion in the previous year to HUF 296 billion, producing a rise of HUF 13.1 billion. In the year 2011, refunds amounted to HUF 1.88 thousand billion, compared to HUF 1.54 thousand billion in the year before. The amount of refunds reflected, throughout the year, the effect of exports within the Community and to third countries, which had produced significant growth in the previous year already, further amplified by the reclaims related to the European Court decision.

Giving high priority to increasing state revenues and in order to enforce tax compliance, the management of NAV implemented various extraordinary measures throughout the year. Within the framework of this, targeting the implementation of high priority control and enforcement tasks and the enhancement of the efficiency thereof, a reallocation of staff took place in several areas. In order to ensure the availability of coverage for community expenditure serving society as a whole and despite the unfavourable effects of the international credit crisis on the domestic economy, NAV has taken successful and efficient measures to ensure that the excess revenues of HUF 40 billion expected in VAT be collected.

The total net revenues in corporate income tax in the year 2011 were HUF 316.6 billion, HUF 6.7 billion lower than in the previous year. The net revenues were realised as a result of payments amounting to HUF 447.2 billion and reclaims of HUF 130.5 billion. There was a fall in both of these factors compared



to the previous year: taxpayers' payments were HUF 47.6 billion and reclaims were HUF 41 billion lower. At the same time, the revenues realised surpassed appropriations for the year by HUF 28.6 billion, which can be led back to favourable payment figures in December.
In excise tax, total revenues amounted to HUF 875.1 billion, falling short of the appropriations for the year by HUF 6 billion but surpassing the previous year' performance by HUF 18.6 billion. On the account of excise tax on fuels, the net revenues in 2011 were HUF 10.4 billion lower, while the refunds paid from the account were HUF 3.3 billion higher than in the base period. Excise tax on other products produced HUF 3.9 billion higher revenues in 2011 compared to the corresponding period of the previous year. The excess can be accounted for by the extraordinarily high revenues in November due to the stocking up before the price increase on November 1, 2011. Excise tax on tobacco products was HUF 25 billion higher in 2011 compared to the previous year due to the change in operators' inventory policy caused by the changes in the legislation that took effect in autumn 2011.

I.2 Subsidies

The balance of subsidies in the year 2011 was HUF 346.7 billion, falling short of the sum granted in the corresponding period of the previous year by HUF 3.3 billion. Within the former, individual and statutory subsidies amounted to HUF 212.0 billion, while consumer subsidies were HUF 108.3 billion. According to data in the quick report of the Hungarian State Treasury (MÁK), the amount of state guarantee invoked was HUF 29.4 billion, of which HUF 24.6 billion were paid from the state guarantee account managed by NAV, while the balance of the agricultural guarantee account reflected incoming payments worth HUF 75.4 million. The various agricultural subsidies paid from funds made available by the Ministry of Rural Development amounted to a total of HUF 1.8 billion.

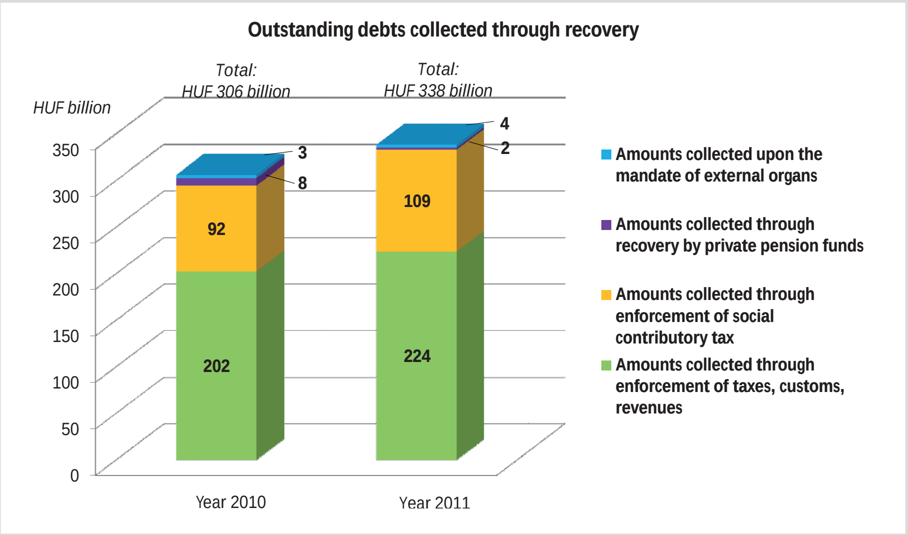
The main data of subsidies paid by the National Tax and Customs Administration are included in the table below:

The impact of Recovery Activity on Revenues

In the year 2011, tax directorates launched, within their own authority or upon the mandate of external organs, more than 950 thousand enforcement procedures. The number of enforcement procedures launched was 21 percent higher, while the value concerned was 14 percent higher on the previous year. From taxpayers affected by liquidation or bankruptcy, revenues of HUF 6.9 billion were realised, 3.5 times higher than in the year before.
As a result of intensive enforcement activity launched in order to foster the attainment governmental goals declared in early September 2011, in the last four months of 2011, 41 percent more enforcement actions were launched with 32 percent higher amounts concerned than in the corresponding period of the previous year. Considering the economic situation of the country, recovery gradually shifted towards taxpayers with minor arrears.
The most efficient administrative measures were authority transfer orders and enforcement transfers (together totalling HUF 220 billion): it was revenues from these that saw the most dynamic growth (of HUF 23 billion). Ban on earnings also produced 30 percent higher revenues than in 2010, while the revenues from recovery by seizure were over two times higher (HUF 2.9 billion) than the previous year.
Characteristically of recovery action, the growth rate of the amount of debts concerned was lower than the growth rate in the number of cases, except for the ban on earnings. The number of recoveries by seizure grew by 68 percent; that of foreclosure by 18 percent and that of ban on earnings by 25 percent.
After many years, 2011 was the first year to see a fall in the total arrears portfolio of NAV, which was HUF 2.27 thousand billion by the end of the year. This figure was 3.9 percent lower on a year before, as a result of fall of 9.4 percent (HUF 60.6 billion) in the case of operating taxpayers and a fall of 1.9 percent (HUF 32 billion) in the case of non-operating taxpayers. The arrears of operating economic operators fell by almost 12 percent, while that of private persons, due to the fragmentation of the arrears portfolio, only by 4.3 percent. In the composition of tax arrears, the ratio of taxpayers with low arrears has continued

Heading	Appropriations for the year 2011 (HUF billion)	Cash balance (HUF billion)			Implementation of appropriations for 2011 (%)
		Year 2010	Year 2011	Difference in 2011 compared to 2010	
Individual, statutory and other subsidies	214.9	201.4	212.0	10.6	98.7
Consumer price subsidy	109.0	107.3	108.3	1.0	99.4
Total subsidies according to central budget balance*	323.9	308.7	320.3	11.6	98.9

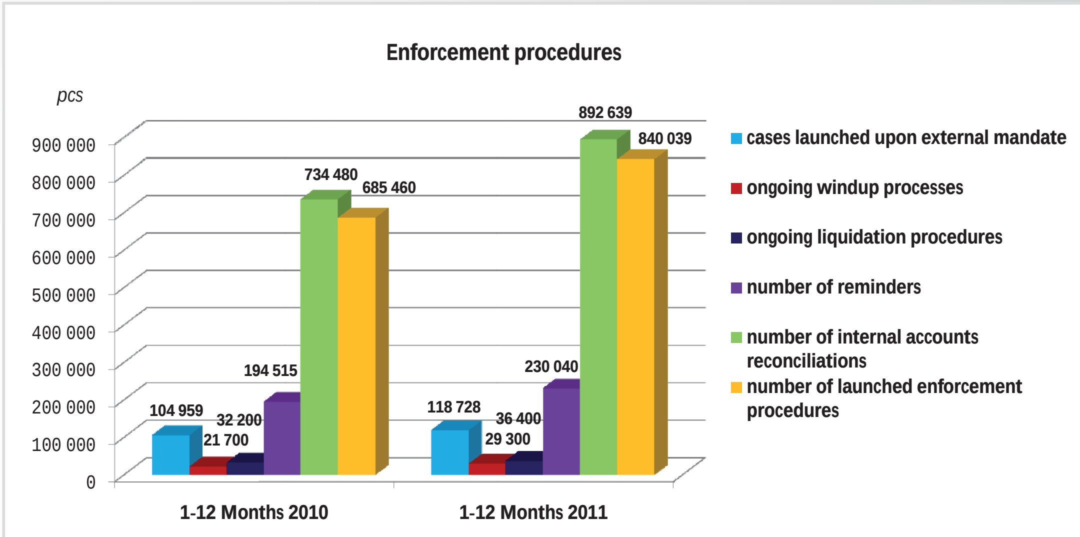
**state granted guarantees not invoked*



to grow, especially due to the overweight in the number of private persons and the arrears of non-operating taxpayers.

At the end of 2011, NAV had unrecoverable arrears of HUF 340 billion in its records, which was 28 percent higher than at the end of 2010.

As a result of integration, a novel form of cooperation has been developed between the fields of customs, control and enforcement, enabling the respective fields to take simultaneous joint action within the framework of on-the-spot procedures at the taxpayers selected beforehand. At the selection of taxpayers for joint action, it is not the amount of arrears that counts; priority is given to taxpayers with arrears who engage in activities that arouse special interest from a taxation aspect according to the control guidelines, whose activities are also relevant from the point of view of excise tax and who have considerable cash turnover. Joint action has in some cases resulted in the confis-



cation of cash or enforcement officers have ordered that tangible assets be taken under an enforcement process.

Tax directorates have given special attention to the wider scale application of underlying obligations and precautionary measures enforcing tax discipline. With the help of a newly developed programme for the management of underlying obligations, the number of cases has steadily grown: in the year 2011, NAV launched 2,663 cases for the recovery of arrears worth HUF 4.4 billion. The number of precautionary measures rose by 9 percent and, due to a higher number of cases with major arrears, the amount ensured by precautionary seizure rose by 21 percent to HUF 43 billion.

Upon mandate by external organs, there were enforcement procedures in progress under 99 legal titles at the end of 2011. Through this activity, revenues from other public arrears of HUF 3.5 billion were collected: an amount similar to a year before.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II. SERVICE ACTIVITY

NAV has improved clients' voluntary law abiding behaviour and tax paying willingness by developing services promoting the meeting of obligations, simplifying administration and making it more comfortable, as well as by streamlining communication. We have used the full range of modern means of communication to enhance tax awareness in society, to demonstrate the necessity for taxation, to generate acknowledgement for legal compliance and condemnation for unlawful behaviour. By widening the range of our publicity activity we have made it easier and simpler to meet tax obligations for clients who voluntarily wish to demonstrate compliance with legal provisions.
Through the establishment of NAV, the role of both internal and external communication has continued to grow. Alongside integration, a new communication strategy for the organisation has been developed. The updating of clients and thereby the raising of their tax awareness is considered as on of the high priority task by the Administration. Through the newly established press bureau on taxation, customs and excise, and criminal affairs, it has developed close cooperation with the representatives of the media and has thus been able to serve the increasingly frequent special needs of public interest faster and more flexibly. Several information materials have been published highlighting upon the changes generated by the integration of the two legal predecessor organisations, and a related information letter has been sent to the editorial offices of the media. In the national media, there have been news or information releases related to the Administration or to taxation over 17 thousand times.

An information leaflet published under the title "Do you know what NAV is?", presenting the Administration briefly and in an easy to understand way, has been highly successful. Last year, the Administration also participated in over 30 cultural and professional events, targeted at various audiences of different ages, presenting and propagating taxation and customs authority activities. Similar to earlier years, participation at the Tourism Exhibition held on March 3-6, 2011, was successful and high standard. The exhibition stand was made using the new identity elements of NAV already, introducing the new logo of the integrated organisation. Enquirers were given answers on taxation matters and customs information related to passenger transport formulated in easy to understand ways.
At the Budapest Wine and Champagne Festival held between September 7-11, 2011, visitors and wine producers were informed mainly on excise tax issues. NAV also participated in the Fundamenta Property Fair held on September 23-25 where, according to feedbacks, the staff of NAV answered enquirers' questions on legislation on taxes and fees related to property sale at a high professional standard.

It was also in 2011 that the setting up of the new, integrated homepage of NAV was begun and has been ongoing till this day, keeping in view the continuous and smooth service of customers, since the aim is to provide information for the widest possible range of taxpayers according to their special needs. Within the framework of this, over 100 information leaflets concerning changes in tax legislation have been published on the homepage. In 2011, the homepage was visited well over 26 million times; the number of downloads from the over 8 thousand programmes reached 34 million.

Main data of the NAV publicity activity

Media / Issue	2011
	NAV Total
Central and regional press briefing	60
Central and regional communiqué	1423
Number of journalist requests	2603
Number of questions asked during requests	8096
Number of informative lectures for customers	495
National media coverage	17423
Regional media coverage	6445

II.1 On Taxpayers and the Management of Tax Affairs

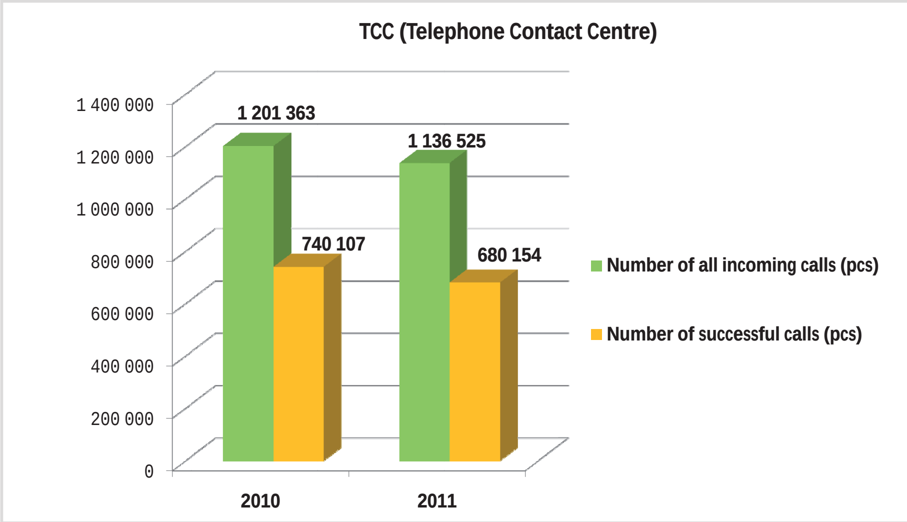
Changes in the number of taxpayers in 2011	New entrants	Wind ups
Self-employed (ppl)	35 472	30 139
Private individuals with a tax number (ppl)	31 213	12 912
Business organisations (pcs)	61 327	23 076

In 2011, the number of taxpayers rose by 2.5 percent altogether compared to the previous year, both among private individuals with a tax number and the self-employed and among business organisations. The number of operating taxpayers registered at the end of the year was over 1.7 million.

While making use of the support provided by the homepage, taxpayers continue to like managing their tax affairs in person. In 2011, there were some 2.5 million clients who visited a tax customer service so as to manage their tax affairs in person, 4.9 percent more than the year before. Of these, 470 thousand clients wanted to get personal information, 547 thousand asked for tax authority certificates, 961 thousand requested other services, while some 382 thousand clients submitted a petition. NAV furthermore issued 3.4 million postal money orders for taxpayers, thereby further helping them meet their tax payment obligations.

The largest-scale task within the customer service activity is the issuing of tax, income and tax residence certificates. In the year 2011, 532 thousand certificates were issued altogether. While the number of tax certificates fell on the previous year considerably, by 32 percent, from 135 thousand to 104 thousand, the number of combined tax certificates rose to almost the same extent, from 167 thousand to 240 thousand. This latter considerable growth, ongoing for two years, can be put down to changes in the legislation and to the integration. Of the tax and combined tax certificates, 125 thousand were issued to electronically submitted requests (two thirds of them electronically, one third in a printed format). The 30 percent rise in the number of electronically submitted requests compared to the previous year coupled with a similar 30 percent rise in the number of electronically issued certificates.

Of all the tax certificates and combined certificates issued, 7.4 percent were related to some current account settlement, as a consequence of which HUF 12.1 billion budget revenues were received through them. Related to the issuing of tax certificates and combined certificates, and for the purpose of arrears settlement and other payment purposes, 32 percent

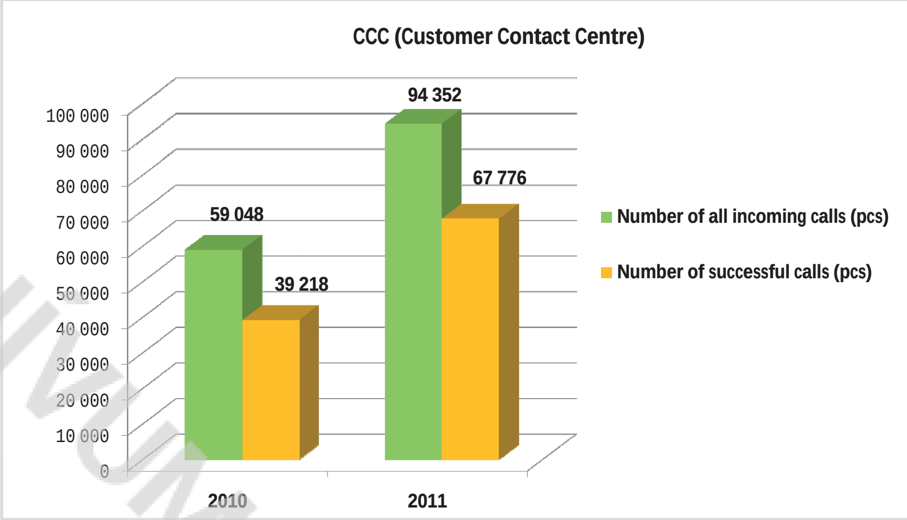


more debit card tax payments were made at customer service offices last year compared to 2010. This meant payments on 48 thousand occasions and in a value of some HUF 9.5 billon altogether, one quarter higher than in 2010.

The Telephone Contact Centre (TCC) serving general information by telephone or email continues to be highly popular with taxpayers; the system operates with absolute efficiency and reliability. Last year, it received some 1 million phone calls and 27 thousand e-mails requesting information. Beyond these, regional tax directorates answered more than 12 thousand written inquiries received by post.

Managing tax affairs by telephone has gained growing popularity with taxpayers. Through the Customer Contact Centre (CCC) of the tax authority, some 68 thousand taxpayers managed their tax affairs in 2011: more than twice as many than the year before.

In order to further propagate the use of the CCC, the tax authority has taken several measures. The central issuing of the pin codes enabling taxpayers to use the CCC has been implemented based on the UK30 applications submitted; in the case of electronically made applications, the PIN codes were issued electronically.

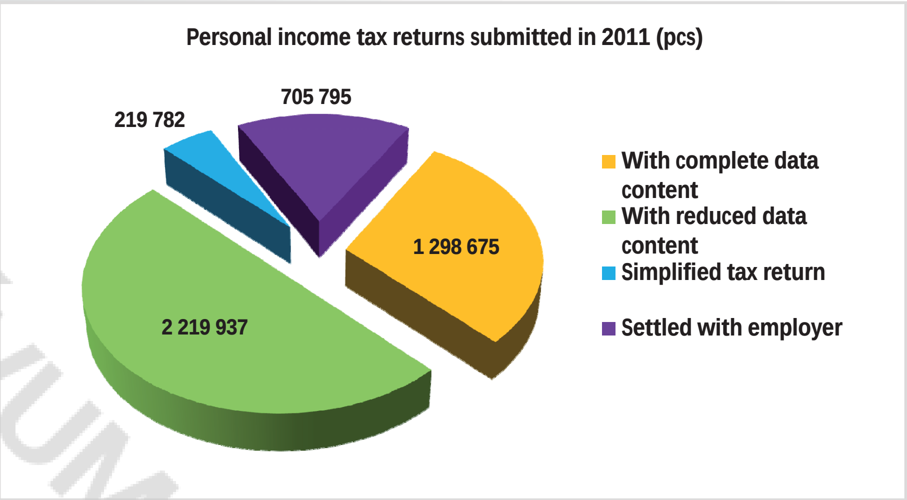


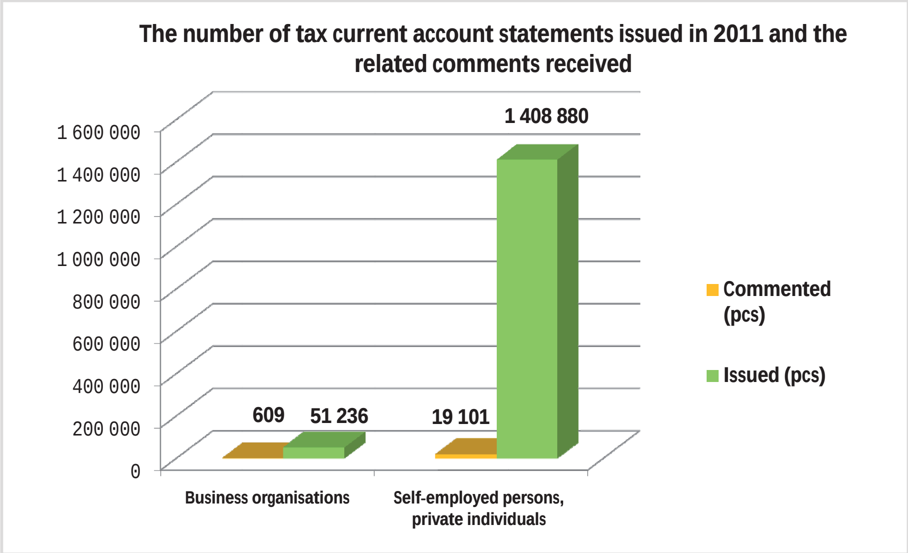
Since January 1, 2011, there has been interoperability between the contact centres of the tax authority and the customs authority (Customs Information Contact Centre). Interoperability between the email systems has been established as well.
The year 2011 saw 30.93 percent rise in incoming mail; customer enquiries made by email were always processed within the deadline. As regards telephone calls, 23.33 percent more calls were received than in the corresponding period of the previous year.

RETURNS	Year 2011 (thousand pcs)
total number of returns	24 131
including: VAT	3 140
Corporate and Dividend Tax	430
Personal Income Tax	4 660
Contribution and Employer's Personal Income Tax	7 769
Excise Tax	144
Environmental Protection Fee Returns	148
Return Replacing Zero Tax Return	954

In 2011, NAV received and processed a total of 24.1 million tax returns and control data submitted.
Within the framework of the integration of electronic forms serving tax return in types of tax falling under customs administration under the law (e.g. environmental protection product fees, public health product fees), a uniform tax and customs authority identity has been created and modernised return forms have been published.

The implementation of tax authority duties related to the simplified tax returns for the year 2010 was completed in time. Based on the valid returns as well as on data at the disposal of the state tax authority, the number of simplified tax returns sent to private individuals in the year 2010 was 263 thousand altogether. Of the 220 thousand simplified tax returns (5 percent of all returns submitted) on the form 1053E returned by private individuals, 4 463 were submitted electronically, 3 370 were filled in using the NAV online programme and submitted on paper, while 212 thousand were received by the tax authority in a printed format.
The rate of taxpayers submitting returns with a reduced data content was highly significant considering the fact that the self-employed and private individuals with VAT payment obligation could not make use of this option at all. Of all personal income tax returns, 60 percent were in this category, which can be considered a success.
The tax authority forwarded by urgent transfer all data from the contribution returns submitted in March 2011 on contributions for early retirement to the Ministry of National Resources, thereby promoting the preparatory work of the Central Administration of National Pension Insurance for the revision of early retirement and the analyses thereof.
The transfer of private pension fund data was completed on May 31, 2011, ensuring a more precise accounting also protecting the interests of private individuals.
NAV met its data provision obligation following from the act on employment through casual employment booklet and the simplified payment of related public dues as well as from the act on social security pension payment by the deadline set by





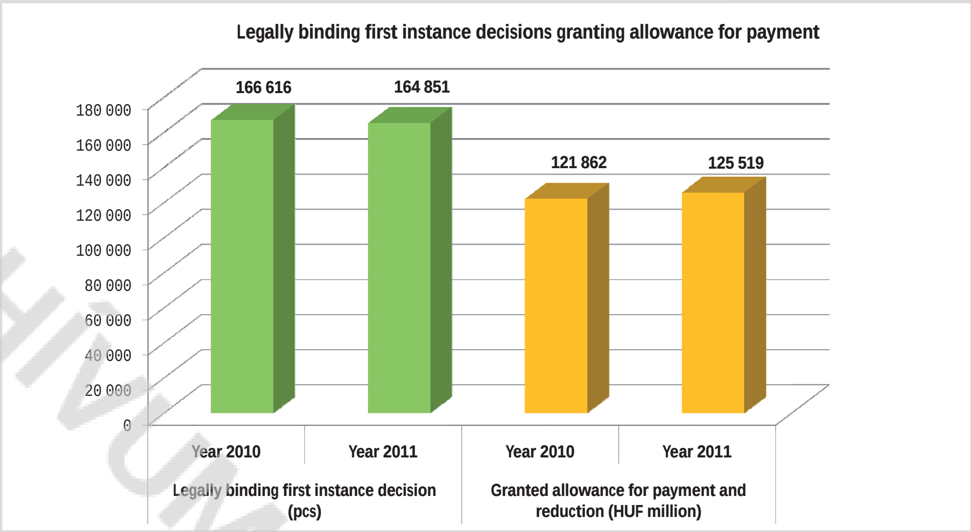
law: on August 31, 2011. The total number of forwarded records was over 93.6 million.

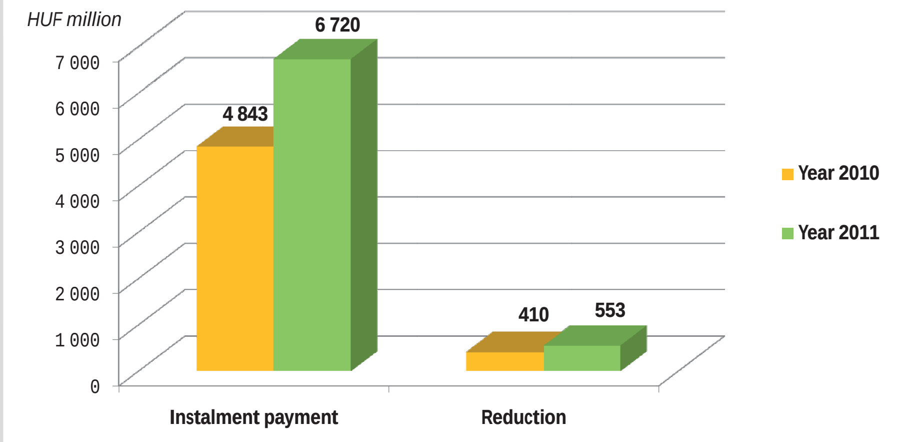
In the year 2011, NAV 2011 issued 1.46 million tax current account statements and 48 thousand customs current account statements. Of the tax current accounts, 51 thousand concerned business organisations and 1 409 thousand concerned private individuals and self-employed persons.

Until December 31, 2011, there were only 21 thousand comments received in connection with the current account statements issued, concerning hardly 1 percent of the issued statements.

The implementation of integration made it a priority task to merge the client registers of the fields of taxation and customs administration, implemented through the Uniform Taxpayer and Client Pool project.

In the field of taxation, taxpayers, considering cases carried over from the year 2010 as well, submitted 200 thousand appeals for allowance for payment to NAV, which was 12 percent less than a year before. The fall in the number of cases could primarily be put down to a fall in the number of appeals carried over. In 2011, NAV made 178 thousand first instance decisions





Payment in instalments opportunity and reductions granted at request in the field of excise tax

in these cases, of which 165 thousand became legally binding during the period. The number of first instance decisions made fell by 12.4 percent, while that of legally binding first instance decisions fell to a lesser extent, by 1.1 percent, compared to the previous year. Of the amount received within the framework of enforcement, 16 percent was received through allowance for payment, which was one and a half times more than the amount of recovered arrears attained through the sale of seized property items and liabilities and from the ban on earnings together.

When granting allowances for payment, the NAV directorates devoted special attention to ensuring budget balance, which was a practice contrary to the previous years when the primary goal had been to retain the operability of business organisations.

In the branch of excise tax, the number of cases where instalment payment was permitted at request was 1081, within the framework of which the Administration approved the instalment payment of excise tax worth HUF 6.7 billion. This sum was almost 39 percent higher than the corresponding figure in 2010. The number of approved reductions fell by 19 percent to 862, while the sum reduced was higher here, too, than in the previous year.

The number of business organisations subject to enforcement, published on the homepage of NAV was over 160 thousand on the average. The number of taxpayers with considerable arrears for 180 days, published in the list on the homepage, continued to rise, especially in the category of private individuals. The last list published in 2011 included 3 501 private individuals and 2023 business organisations with arrears amounting to HUF 1 086 billion.

Thanks to the operation of an online auction surface, the purchase price of assets sold at auction rose by 29 percent. The assessed value of the assessed sold at successful auctions rose by 32 percent altogether.

It was a priority goal of the branch of excise tax in 2011 to reinforce, as a member of a bigger organisation, the confidence of existing clients and to enlarge the contents of partnership relations. The maintenance of relations with clients is characterised by the fact that, in 2011, the Administration maintained relations with 9 261 business organisations holding an excise licence, who engaged in excise taxable activity at 11 824 sites, while 738 excise warehouse licences, 105 blanket licences and 580 excise tax licences of other kinds were issued.

Mention should be made of the cooperation agreements signed during the year with the Hungarian Tobacco Industry Alliance as well as its member corporations and with Philip Morris Hungary Kft. The cooperation agreement signed between the Hungarian Hydrocarbon Stockpiling Association (hereinafter: HUSA) and the legal predecessor of NAV was updated.

The professional forum entitled „Excise Open Days" launched in February 2011 and held on three occasions during the year, provided opportunity for deepening partnership relations with professional associations, establishing closer cooperation and discussing problems of the daily routine.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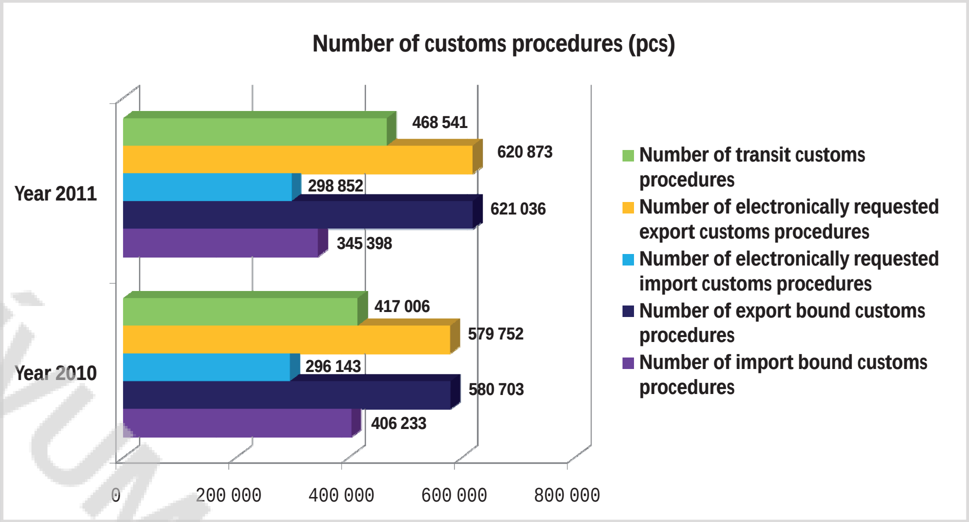
According to the procedural order updated for the integrated organisation, the Administration met all its data provision obligations (regularly provided for the Ministry of National Economy and other organs). In the year 2011, there were new agreements on cooperation signed with several organisations, while the existing agreements (e.g. with the Institute for Public Policy Research, Central Statistics Office, Corvinus University) were reviewed and updated. Similar to previous years, business organisations, private persons (students working on their degrees) and other organisations also requested data throughout the year, which demands were, after due professional consultation, all met by the Administration.

With the exception of import bound customs procedures, the number of customs procedures rose in the year 2011. It was the number of transit customs procedures that saw the greatest rise compared to the previous year.

As a Community requirement, the online initiation of customs procedures had to be made possible. In the case of exports goods declaration, online submittal was made possible both in regular and in simplified procedures. By the end of 2011, 87 percent of import bound customs procedures were initiated online.

The major achievement of the free trade agreement signed by the European Union and the Korean Republic (South Korea)



on October 6, 2010, effective as of July 1, 2011, is that it does not include any certificates of origin certified by an authority. Accordingly, exporters can issue certificates of origin for their goods worth over EUR 6000 only when holding an approved exporter's customs authorisation. In the daily routine of NAV, the impact of the agreement was immediately apparent in the significant rise in the number of authorised exporters. By the end of 2011, the number of valid licences rose to 108, which was an over 20 percent rise compared to the period before the agreement had taken effect.

The Expert Institute of the tax and customs authority contributed to the revenues of the Administration indirectly, through the expert opinions issued within the framework of its activity, in which the rapid and precise performance of laboratory analyses and the expert evaluation of and the feedback on the analytical results were of outstanding importance. In addition to regular requests by the organisational units of NAV, courts and investigation organs, too, regularly request the outsourcing of experts of the Institute. Besides the Institute's own highly qualified staff, the high standard performance of the arising tasks is assisted by 12 external colleagues entered into the register of expert witnesses by of the Ministry of Public Administration and Justice.

By exploiting the mobile laboratory resources available to the maximum, the Institute devotes special attention to the excise control of alcoholic products planned to be carried out at the national level in order to guarantee that homemade distillates illegally distributed at retail stores be detected on the widest possible scale. The legal offences revealed during on the spot checks in 2011 reflected a rise compared to the previous year. The number of checks performed by the mobile control service as well as that of the requests received from the European Tariff Information System saw significant rises. In the year 2011, 550 client requests were received and the 493 decisions issued were considerably higher than in the previous year.
The European Anti-Fraud Office (OLAF) has developed an online-based IT application for the simplification of obligatory draw up and submittal of reports of the use of EU funds, in the use of which NAV provides assistance both as regards the regular use of the various forms of subsidy and in the making of reports.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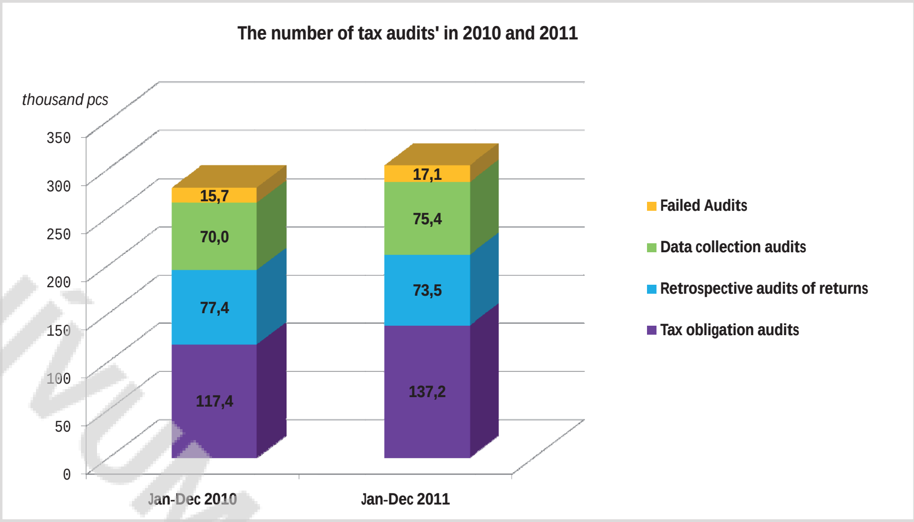
III. AUTHORITY ACTIVITY – INSTRUMENTS AND TARGETS ACHIEVED

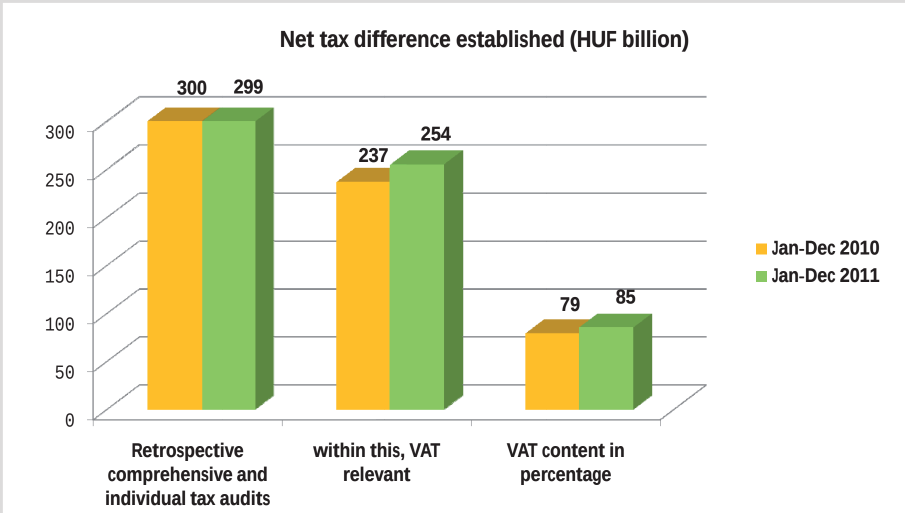
Authority activity is present in the work of the organisation and in almost all subfields thereof: it can be detected in all work phases. It is through this that the collection of the due state budget revenues can be performed and it is through this that taxpayers' compliance in budget payments can be ensured or enforced.

III.1 Tax Audit

In order to enhance bugdet revenues, the high priority goal of the Audit Guidelines for the year 2011 was to encourage taxpayers' compliance with the law, which was implemented through broadening the circle of audited taxpayers. The tax audits completed by the end of 2011 concerned more taxpayers than in the corresponding period of the previous year. The stronger presence of the tax authority was based on the fact that 45 percent of operative audits were carried out at taxpayers' who had not undergone similar audits in the previous three years. The number of audits rose even despite the fact that the auditor capacity available had shrunk. In contrast to the 282 thousand audits in 2010, 305 thousand audits were completed by the end of 2011, of which 17 failed.

The rise was caused by the increase in data collection and in the number of audits in the respective tax obligation. The enhanced presence of the tax authority was reflected, among others, in the audit of travel organisers and mediators, the urgency audit of taxpayers transferring their headquarters to the area covered by the Central Hungarian Regional Tax Directorate General as well as in several checks managed jointly by the





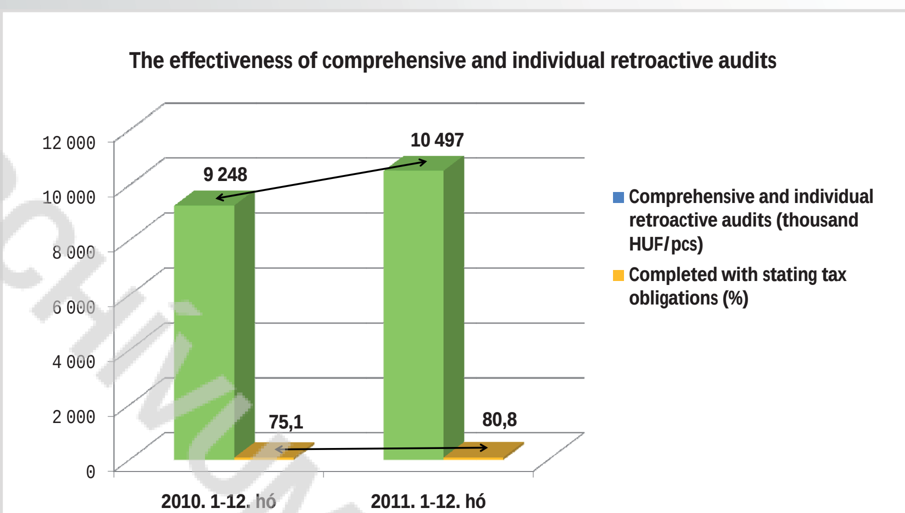
reflected in central strategic and tactical analysis, the 52.2 thousand individual risk analyes made by tax directorates on taxpayers and the screening tests made in order to be used several branches. The direct feedback selection method makes it possible to measure the range, geographical distribution and role in the tax gap of a risk concerned, thereby enabling a more efficient planning of auditor resources, is based on the analytical inventory of the 'RADAR' decision support system. Audits based on the enlarged 'ALARM' (RIASZT) pool were completed with outstanding efficiency; tax differences of HUF 54 billion were revealed during 1267 tax audits. By the rearrangement of the Information Pool of Risky Relations (KoKaIn), both companies newly founded or purchased by persons behind infamous fraudulent taxpayers and the owners or high officials of newly detected tax evader companies, as well as high-risk persons behind fraudulent companies could be filtered out. In the latter circle, 1 231 tax audits were completed with tax of HUF 10 billion imposed.

Another high priority field in addition to the above, following from international obligations, is risk management for security and protection purposes, for the speedy automated introduction of which the development of the IT system is in progress.

tax and customs branches. The decision of the European Court regarding tax on financially not settled purchases posed significant challenge in preventing ineligible refund.

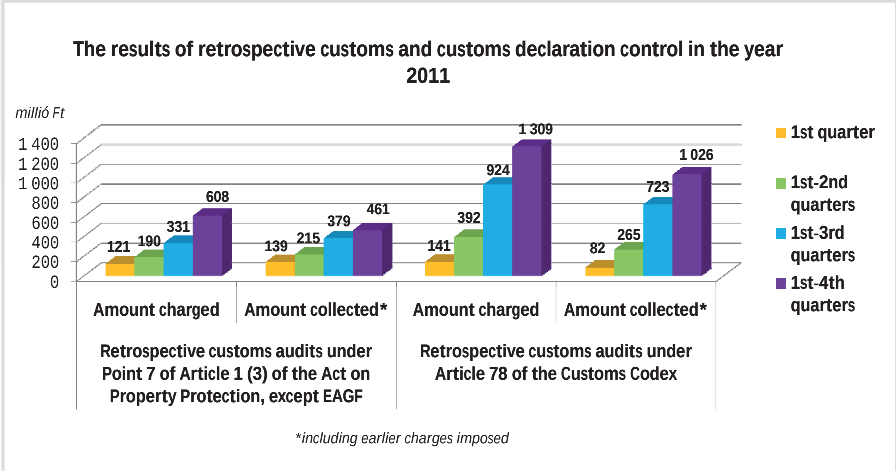
The tax difference revealed as a result of the control in the comprehensive and individual retroactive audits reached HUF 299 billion, the majority of which was related to VAT. Audits concerning these types of tax were more efficient compared to the previous year despite the fact that both the number of audits revealing extreme differences and the amounts concerned thereby saw a fall.

The intention to meet the raised expectations in the year 2011 required intensive risk management activity, which was



III.2 Customs and Excise Audit

As an effect of Community and national efforts made for the simplification and acceleration of customs procedures, the emphasis has gradually shifted to retrospective audits. Until the end of December 2011, 391 retrospective corporate audits were launched, of which 317 were completed with a decision made, including audits carried over from the previous year. 77 percent of the audits started were completed with a decision made, whereby sanctions worth HUF 608 million were imposed.



During the retroactive audits of customs declarations, Customs and Finance Guard Directorates performed audits in some 5 thousand cases, concerning almost 19 thousand customs declarations: approximately as many as in the previous year. During the audits a sum of HUF 1 billion was collected under the legal titles of customs duty, VAT, environmental protection product fee and customs administrational penalty, 43 percent higher than in the year 2010.

The revision of simplified licences made according to the provisions for licensed economic activities, in relation to 536 licenses held by 309 business organisations, was completed. The revision was a high priority task to be carried out by the customs branch by the end of 2011.

Fuel tourism as well as the loss of national tax revenues following as a consequence arose as a significant problem once again last year. As a result of regular control, duty free fuel import from non-EU countries was successfully reduced.

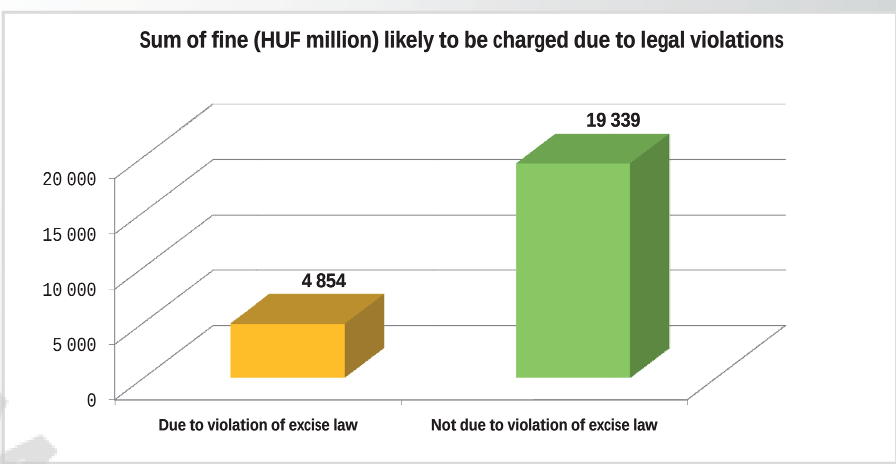
In order to guarantee the collection of excise tax revenues, the organs concerned regularly carried out control tasks. The number of controls within the framework of excise duty audit was 230 thousand, complemented by 7.3 million controls performed at third country border crossing points. The number of audits carried out within the framework of authority supervision witnessed a rise compared to the previous year, with over 14 thousand controls in 2011.

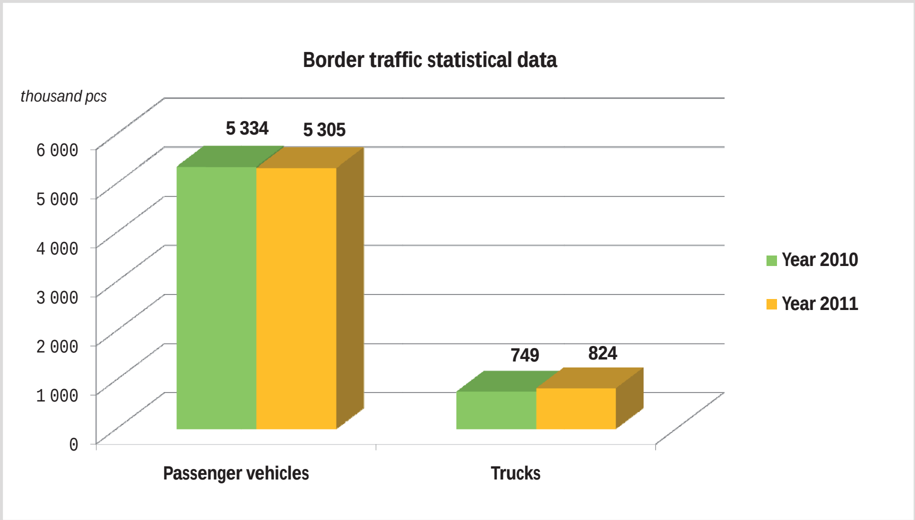
During the reporting period, 62 thousand legal offences were detected in the branch of excise tax, of which 40.5 thousand were excise tax violations and 21.6 thousand were other offences. The sum of fine likely to be charged is over HUF 24 billion, 80 percent of which are related to non-excise offences with a minor weight.

During the year, almost 35 thousand seizures were made, 15 percent more than the year before. During the seizures, products in a value of HUF 1.9 billion were seized, of which it was means of transportation (48 percent), cigarette (23 percent) and alcohol (6 percent) that had the greatest share.

In the year 2011, there were 2 421 authority audits completed concerning environmental protection product fees by the directorates, as a result of which the amount of legally binding penalty charged was HUF 17 million, while the amount of penalty collected was over 80 percent of the amount charged. As a result of the audits, several business organisations were included in the circle of busines obliged to pay environmental protection product fees and improvement was made towards compliance with the legal obligations related to the product fee.

The customs organs of the National Tax and Customs Administration started tax audits related to public health product fees in their respective areas of competence after October 20, 2011. More than 1000 returns were processed, on the basis of which the audits were begun.





The number of vehicles drawn under a registration tax procedure was over 83 thousand, with a tax of HUF 34.8 billion charged. The number of vehicles drawn under the registration tax procedure initiated with a rate of 50 percent was 1 961; the amount of the 50 percent registration tax was over HUF 361 million at the national level.

In the year 2011, NAV completed some 3 thousand metal audits altogether, almost 2.4 times more than in the previous year. The amount of binding penalty charged as a result of the audits saw a 20 percent rise on the base period, amounting to HUF 2.1 billion altogether.

Due to legal offences revealed during road controls in 2011, public administration fines were charged in over 6 300 cases, in a value of some HUF 1 billion. With respect to the central register of transport public administration penalties set up in July 2011, NAV launched its online surface system, after the necessary professional consultations and test runs, as of December 1, 2011.

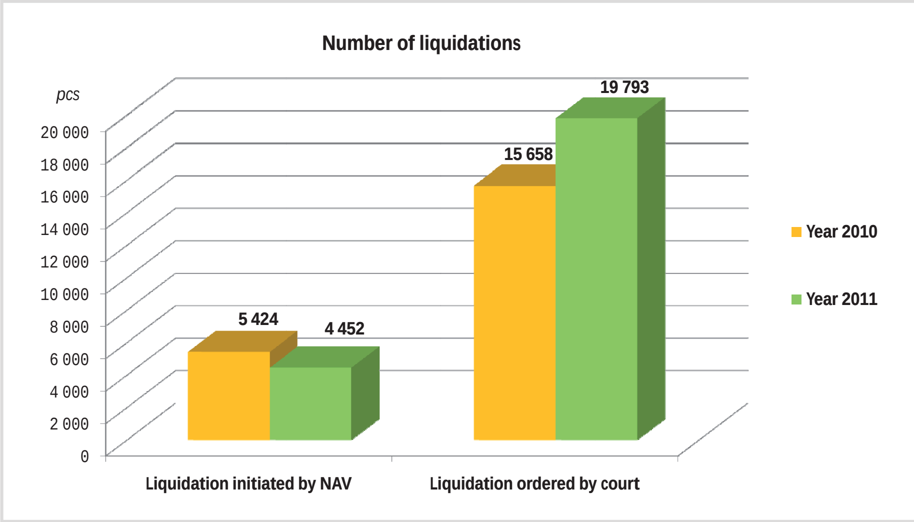
During the reporting period, the customs and finance organs of NAV detected 20 435 offences altogether, in a criminal value of HUF 367 million and a seizure value of almost HUF 62.5 million. The whole year was dominated by the violation of customs rules, which made up some 90 percent of all offences. In the majority of cases, the products concerned were typically excise, primarily tobacco products.

From the almost 30 thousand reports of public interest made in the year 2011, investigation into 7 333 reports were completed. On the basis of the investigations carried out, some 30 percent of the reports had a sound basis and further 11 percent were partially well-based. 56 percent of the reports of public interest were anonymous and 44 percent were submitted under a name. The reports were mainly targeted at the failure to produce an invoice or a receipt, at unregistered employment or at other tax evasive behaviour, and they furthermore initiated the performance of wealth gain investigations. In the customs and finance branch, illegal metal trade activities, the violation of law related to excise products, the purchase and sale of excise products withdrawn from taxation as well as the sale of excise products (cigarettes, alcoholic products, fuel) smuggled into the territory of the country, were reported.

III.3 Liquidations and winding up procedures

In the number of these cases, last year witnessed a mass increase. The arrears portfolio of the enterprises concerned hardly changed in the case of liquidations (HUF 1131 billion), while there was an intensive rise of 36 percent in the case of wind-ups. While courts published almost 20 thousand liquidations, the Administration launched 4 452 liquidation procedures by the end of 2011, which were 23 percent of all procedures.

Related to the ongoing liquidation procedures as well as due to the danger of liquidation elsewhere, HUF 4 443 million of the arrears at NAV were received in 2011, more than double the amount in 2010.



In 2011, 22.532 businesses, 72 percent more than a year earlier, decided to terminate business without a legal successor. To a significant extent, the rise could be put down to the high number of forced wind ups as a consequence of the mass application of tax number suspension.
71 percent of the completed some 15 thousand wind ups continued with liquidation.

III.4 Gambling Supervision

In the year 2011, the tax and customs authority issued, within the framework of its gambling supervision activity, altogether 21 794 authority licences for pursuing and organising gambling activities.
On December 31, 2011, the number of card rooms with an authority licence was over three times higher than a year before. At the end of 2011, the number of game rooms was 11 912, that of slot machines was 16 389, while that of gambling positions was 18 027. In all the three categories, there was a fall in the number of licences compared to the previous year. The reason for the latter was that, as of November 1, 2011, the gambling tax on slot machines operated in categories 1 and 2 game rooms rose five times, as a consequence of which several licences for slot machines and game rooms were returned. The changes in the legislation launched considerable reshuffle at the gambling market. The traditional slot market saw a considerable lock-in by the end of 2011 already, followed by the liberalisation of the market of online gambling as of January 1, 2012. In accordance with the amendments in the legal provisions in force as of December 10, 2011, in the case of gambling tax arrears, the state tax authority is entitled to order licence suspension or, in more serious cases, prohibition from ac-

Authority licensing activity of the Gambling Supervision (pcs)	Number of licences issued in 2011 (pcs)
Lotteries	15
Betting games	3
Casinos	56
Card rooms	38
Game rooms	3 175
Excise	143 992
Slot machines	18 507
Total	*21 794*

Authority audit activity of the Gambling Supervision (pcs)	Audits completed (pcs)	Court decisions, orders (pcs)	Incoming penalties (HUF th)
Lottery	261	23	15 929
Betting	191	2	200
Winner drawing	159	59	6 100
Casino	281	2	800
Slot machines	15 063	1 242	185 085
Card room	427	17	590
Total	*16 382*	*1 345*	*208 704*

tivity against the organisers of gambling, with immediate enforcement. Thereby, gambling organisational behaviour, monitorable as of November 1, 2011, can be sanctioned more efficiently than before.

During the reporting period, the Gambling Supervision performed 16 382 audits within the framework of its authority auditing activity. Within the framework of the latter, 1 345 penalty decisions were issued, imposing penalty worth HUF 309 million altogether.

III.5 Tax Administration Procedures

Tax directorates issued almost 2.3 million first instance decisions/orders/payment orders/payment reminders in tax and duty affairs. Of these, the number of decisions related to establishing /cancelling health service contributions reached 27.5 percent, orders in the field of public debt reached 8.5 percent, decisions on limitation made up 6.6 percent, orders on the suspension of tax numbers reached 6.6 percent and decisions on default penalty 36 percent.

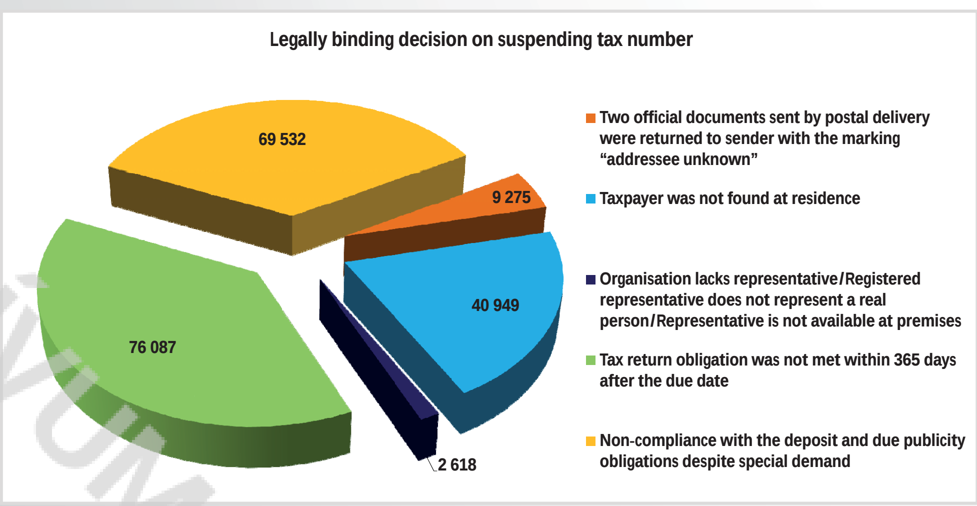
The number of decisions on duty affairs issued in the year 2011 was 800 thousand, through which the directorates withheld HUF 23.7 billion under the legal title of public debts to NAV until the end of December 2011. Based on their enquiries, local authorities were transferred HUF 678 million as well as, under the legal title of recoverable public debts, HUF 189.2 million, while HUF 22.8 billion were withheld for financing debts to NAV. In the category of withholding, it was the amount of transfers to finance debts to NAV that had the highest ratio (96 percent), certainly including sums withheld for contribution and fee arrears as well.

The number of decisions on the suspending of tax number saw an almost 50 percent rise compared to the previous year. The highest number of suspensions could be put down to non-compliance with the tax return or tax payment obligations towards the tax authority or non-compliance with the deposit and due publicity obligations.

First instance orders becoming binding Year 2011 (pcs)	First instance orders issued	Number of orders becoming binding at first instance	Rate of becoming binding
Tax procedure cases	2 160 437	1 992 044	92.2%
Audit cases	95 085	83 584	87.9%
Audit review cases	1 143	1 087	95.1%
Payment allowance cases	178 036	164 851	92.6%
Gambling supervision cases	66 484	65 315	98.2%
Customs and finance cases	1 373 896	1 371 091	99.8%
Total	*3 875 081*	*3 677 972*	*94.9%*

During the reporting period, the tax and customs authority passed 3.9 million orders of first instance approximately, the great majority of which, almost 95 percent, became binding at first instance.

In relation to the regular and carried over applications for legal remedy submitted by taxpayers in the branches of taxation



and customs and finance affairs in the year 2011, the authority of second instance made a decision on 15.3 thousand appeals of the 16.2 thousand appeals submitted. 77 percent of the decisions of the authority of first instance were confirmed.

In the period examined, there were legal actions launched against binding decisions of second instance made by NAV in 2 634 cases, with an amount of HUF 53.7 billion in dispute. Considering cases carried over from the previous year as well, there were 5 thousand ongoing court procedures. By the end of 2011, 2024 decisions were made in public administration court procedures, during which 71 percent of the NAV decisions were confirmed.

Petitioner taxpayers lodged an appeal against the binding decision of the court of first instance in 377 cases, while the Administration as respondent appealed to the Supreme Court in 185 cases. In the period examined, the court of appeal made decisions in 463 cases, of which the decision of the court of first instance was confirmed in 351 cases, i.e. 76 percent of the cases.

During the year, the tax and customs authority administered 597 audit review cases. Of these, 427 were completed by the end of the year, 117 procedures were ongoing, while 46 reviews were at the phase of decision making. The minutes transferred involved fundamental changes compared to the original findings of the audits. On the whole, tax difference of HUF 5.7 billion was ordered to be paid by taxpayers altogether, while the amount of refunds to taxpayers was HUF 412.3 million altogether.

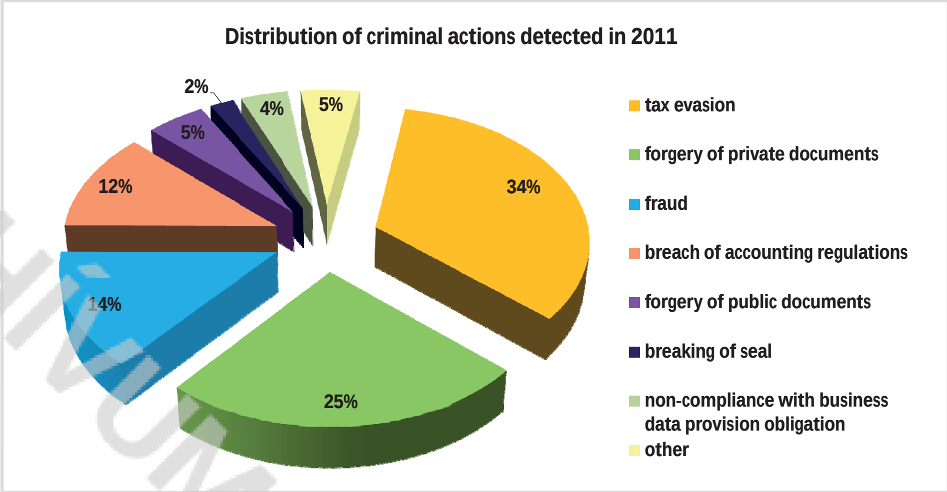
In 2011, taxation organs of NAV suspected criminal abuse in 3 377 cases, which meant an almost 59 percent increase on the previous year. The value of the criminal acts detected was HUF 55.8 billion, almost 42 percent higher than in the year 2010. As regards their distribution, the suspected offences investigated into were typically dominated by tax evasion, private document forgery, fraud and the breach of accounting regulations. The distribution of the criminal offences revealed is illustrated by the figure below.

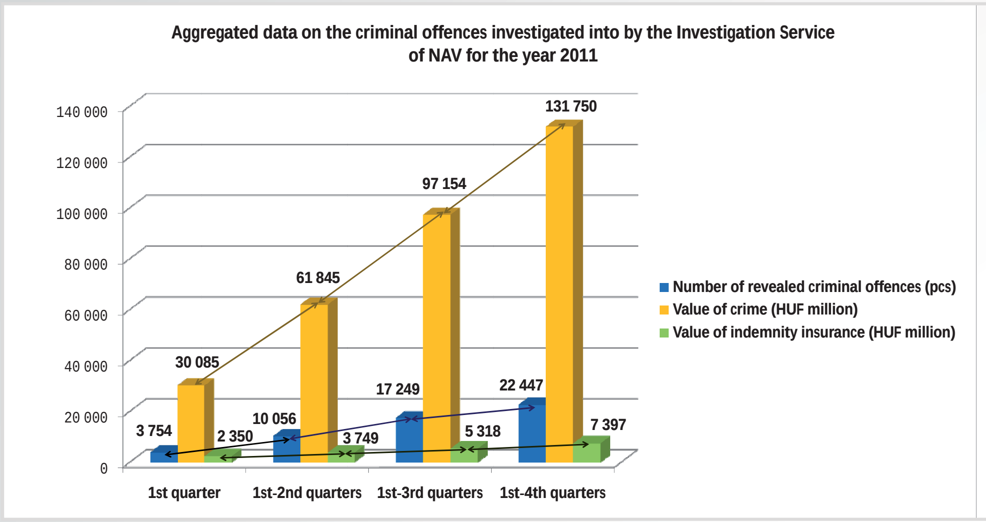
The number of criminal complaints made was 2032, reflecting 41 percent rise compared to the previous year.

The number of criminal offences detected by the Investigation Service of NAV has been dynamically rising since the beginning of the year. In 2011, there were over 22 thousand criminal actions in the competence of NAV revealed: approximately the same number as a year before. The value of these crimes was over HUF 131 billion, of which HUF 7.4 billion were recovered through seizure. Beyond seizures, the value of indemnity insurance related to the ongoing criminal procedures was HUF 18.4 billion. Compared to the corresponding period of the previous year, it was in the following categories that the registered value affected by the respective criminal offences changed considerably:

- in the case of tax evasion, there was a rise of one quarter,
- in the case of fraud, there was a rise to the double,
- in the case of the violation of copyright or related rights, there was a fivefold rise, from HUF 630 million to almost HUF 3.5 billion,
- in the case of the violation of industrial rights, there was a sevenfold rise, from HUF 77.2 million to over HUF 0.5 billion.

The number of criminal investigations ordered in 2011 was 11 214, whereby the number of cases rose by 836 compared





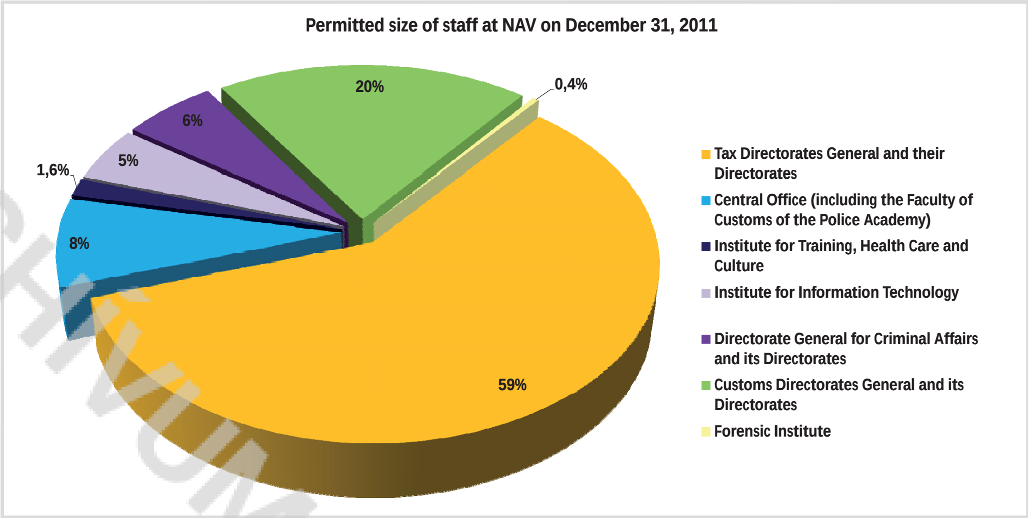
to the previous year. In addition to the criminal investigations ordered, complaints filed were rejected in over 1700 cases and transferred in almost 900 cases.

The criminal branch completed investigation in 8161 cases altogether, in 61 percent of which a motion of accusation was proposed.

IV. ACTIVITIES RELATED TO THE ORGANISATION

The permitted staff size at the established NAV was 23 thousand employees on January 1, 2011. Over 86 percent of the staff are employed at regional or country directorates or at directorates directly involved with taxpayers and clients. In compliance with the provisions of NAV, the new appointment documents were made and presented by time, and the old service cards were replaced by new ones also by the deadline planned.
A task of high significance within the reporting period was the data provision service, including data for the allowances for the personnel, the career advancements due, jubilee awards and awards for the senior staff, the foreign language bonus expected to be introduced and as well as for reclassification, required for the planning of the budget for 2012.

It was also during the year that the setting up of the new human political system at the Administration, called NAV ER and to be introduced in 2012, began. Within the system, a uniform human resource management registration system for the integrated organisation is to be set up.
In the year 2011, NAV's strategy for the years 2011-2015 was approved and published in the English and Russian languages on the homepage of the Administration. Based on the Organisational and Operational Guidelines of the tax and customs authority approved at the end of June and published in the Gazette of Official Announcements, the major operational regulators were drawn up, within which the full range of orders of business of the individual organisational units were published.



Last year saw furthermore the signing of a total of 41 cooperation agreements, largely still as a result of the revision of agreements signed by APEH and VP with other organs.
The field of information technology at NAV had, beyond performing daily routine duties, extra burden related to establishing an integrated operation and following interim changes in the legislation. It was last year that the centralised Court of registry one-stop-shop and the processing system for simplified employment reporting were introduced, among others, in the field of taxpayer registration. The development of new, uniform electronic client portals, through which customers of NAV can submit returns of a uniform format to tax and customs authorities, was completed. The central generation and mailing of client ID numbers in an encrypted format, making the electronic administration of tax affairs possible, was realised as well.
The IT development related to the duties to be performed under Act 103 of 2011 on the introduction of public health product fees was started. A uniform eligibility and code system to enable the professional personnel to have access to various taxation systems was established furthermore, through which former customs officers are able to use former tax authority data bases and services as well.
The IT development necessary for e-reporting was started also in 2011 and completed in October. Through the system, electronically submitted reports will undergo the same automated risk analysis, before the issuing of goods, as customs declarations.
After the evaluation of the experience from the test run, the introduction of e-reporting at the national level in expected for January 2012.

All the IT development based on which the integrated taxpayer and client registration of NAV is to be set up in 2012, was completed in 2011. In the field of IT services, over 3 thousand orders for IT development were received in 2011. In order to promote the management, operation and development of the data asset produced as a result of integration, a complex data asset management strategy concept was worked out for NAV, the goal of which is to ensure that NAV perform its core duties, its cooperation with partner organs, customer relations and the development of its services in a lawful and professional way, by keeping governmental goals in view and applying up to date IT solutions.
Integration was successfully completed also in the field of internal audit. There were individual internal audit systems set up for all mid-level organisational units. All the organisational and duty-related changes involved in the integration made it necessary to publish new internal audit regulations and an annual work plan, on the basis of which 102 audits were carried out.
Last year, there were 1 394 complaints received about the activity of NAV at the national level, of which the investigation into 1 300 cases was completed and the necessary measures were taken for the solution of the meaningful problems.
Within the framework of its coordination activities, the field of law of the Administration commented on bills and wrote position letters in response to requests by ministries or other authorities on several hundred occasions in 2011. A major task of the field of law last year was furthermore to compile recommendations for the tax concept for the years 2012-2018, and to actively participate in the preparation of related new acts and amendments. It is both national interest and the interest of the organisation

that the tax and customs authority should only employ staff who are honest and incorruptible. They can guarantee to customers administration free of corruption or influence, while making effort, in their field of profession, to make sure that the expected budget revenues be collected. As a consequence of organisational changes, the number of preventive personal security checks rose considerably, to almost the double: 2127, compared to the corresponding period of the previous year. Last year's experience proves the success of this practice since, when facing the comprehensibility of control, the applicants concerned withdrew before the completion of the check already. The number of withdrawals rose considerably, almost six times, on the corresponding period of the previous year, and the number of applications rejected for other reasons (e.g. reasons related to taxation, conflict of interest, etc.).

In the medium run, broadening the international activity of NAV contributes to increasing budget revenues, both directly and indirectly. High priority tasks in the field in the year 2011 included, in addition to the European Council presidency, maintaining unbroken bi- and multilateral relations and introducing the new organisation to the international environment. Employees of the Administration demonstrated excellent performance both in the administration of tax and customs authority duties related to the Hungarian Presidency of the European Council in the first half of 2011 and in the closing of the dossiers after the presidency.

The international relations have fostered the financing of the development goals of NAV from community funds to the greatest possible extent, as a result of which the Administration was awarded major subsidies last year as well. By utilising the efficient tendering and subsidy coordination activities as well as the opportunities provided by the EU Customs 2013 and the Fiscalis 2013 programmes, the Administration helped reduce the burden on the national budget.

Through successful consultations by the staff of the Administration, NAV was awarded a project subsidy within the framework of the programme ISEC 2009 Prevention of and Fight against Crime with a total budget of EUR 216.7 thousand , the implementation of which has begun already.

The changes involved in integration considerably affected the field of training as well. It is the Institute for Training, Health Care and Culture as an accredited facility, set up from the Training Directorate of APEH, the Customs School and the Social and Health Care Centre, that is meant to meet the training requirements drawn up by the new organisation during the year. The Institute has worked out a uniform training system for NAV, the essence of which is to establish, irrespective of the structure or set up of NAV or the future of its professional integration, a uniform training system comprising professional initiation, further professional training, skills development, leadership development and technical language training related to the internal career development of the staff in all the three fields of the organisation: tax, customs and criminal affairs. In 2011, there were 11 thousand attendants altogether at the trainings organised by the institute. (The School of Tax Affairs was attended by 6 056 people; the Customs and Finance Guard School by 1090 people and the training of internal financial auditors for public administration organs by 3 863 people.)

As a consequence of amendments made in the appropriations during the year, the amended budget appropriations of NAV were HUF 168.7 billion at the end of last year. Compared to the original amount of the appropriations, there was a change of HUF 33.5 billion involved. Within the framework of stabilisation efforts and through the implementation of austerity requirements, the arrears port folio at mid-level organs dropped to a minimum level by the end of the year.

The central management organs of NAV are at geographically scattered locations in Budapest. The situation has somewhat improved through the fact that, in July 2011, the activities related to the occupation of the property at 16 Zoltán utca, District 5, taken over into the property management of NAV, as well as to establishing normal operational conditions at the premises, were completed, whereby a staff of 270 people, the central management of the field of taxation, could move into the fully refurbished building.

In addition to completing three public procurement procedures carried over from the previous year, 70 new procedures worth over HUF 15.1 billion were launched in 2011. The number of procedures completed with a contract was 26, in a total value of almost HUF 6.5 billion. In the centralised public procurement, NAV attained savings by reopening competition and by applying the means of written consultation.

During its activities last year, NAV filed over 66 million documents, which meant 6.6 percent rise on the previous year.

In order to reduce postal costs, the courier service of NAV, set up for the delivery of documents within the organisation, has been widened to a national level, and the Administration has furthermore signed a Major Partnership Agreement with the Hungarian Post Zrt. on postal services, granting significant discounts to the Administration.

There were several events held centred around the organisational and cultural traditions, serving to enhance the sense of belonging to the organisation, increase the publicity of NAV and enrich its public image.

The Finance Guard Band, an orchestra with a long past and deserved popularity, performed for welcoming audiences all over the country. The number of their own events and various other events the band accepted an invitation to was 89 altogether, all concerts being highly successful.
The exhibitions of the Museum of Finance Guards and Tax History, established by merging the two legal predecessor exhibition venues, were visited by several thousand people. The museum joined several national initiatives arousing major attention like the Festival of Museums in May, the Night of Museums, the Museum Quarter of the Sziget Festival, the Autumn Festival of Museums, etc.
In the year 2011, too, there were several sports events held once again. The management of NAV continued to support the Finance Guard Sports Club founded in 1950, which gives hundreds of NAV employees for regular sports activities. In 2011, it was Hungary where the 56th International Finance Tournament was held in Hévíz, in the month of June. Participants had pleasant experiences reflecting Hungarian hospitality, which was not adversely affected even by the fact that it was the Hungarian team that proved the best at the event where two hundred finance employees representing six countries competed in four sports.

Budapest, July 2012

Net Revenues from Priority Taxes and Contributions

Heading	Appropriations for the year 2011 (HUF billion)	Cash balance (HUF billion)		Index 2011/2010 (%)	Implementation of appropriations for 2011 (%)
		Year 2010	Year 2011		
	1.	*2.*	*3.*	*4. = 3./2.*	*5. = 3./1.*
Personal Income Tax	1 363.0	1 767.9	1 382.8	78.2	101.5
Value Added Tax	2 489.0	2 313.6	2 219.5	95.9	89.2
Corporate Income Tax	288.0	323.4	316.6	97.9	109.9
Social Insurance Contribution Revenues	3 198.1	2 841.4	3 231.2	113.7	101.0
Fixed-Sum Health Contribution	35.9	41.2	54.3	131.8	151.3
Excise Tax	881.1	856.5	875.1	102.2	99.3
Registration Tax	32.3	30.0	34.5	115.0	106.8
Labour Market Contributions	187.7	186.3	185.6	99.6	98.9
Revenues from Fees	81.9	83.5	75.6	90.5	92.3
Simplified Entrepreneurial Tax	180.1	181.9	172.3	94.7	95.7
Tax and Contribution Revenues Total	*8 737.1*	*8 625.7*	*8 547.5*	*99.1*	*97.8*
*Revenues Managed by NAV and Legal Predecessors, Total******	*9 470.6*	*9 322.2*	*9 323.8*	*100.0*	*98.4*

** Including the tax of HUF 247 billion refunded under the European Court decision by the end of December 2011*
*** Revenues that appear on NAV accounts only*
**** Pension insurance funds not considered*

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