

The income earned from independent activity and the taxation thereof

2023

In this Information Booklet, you may read about the tax liabilities of private persons who are not considered private entrepreneurs or small-scale agricultural producers.

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1. What does independent activity mean?

Independent activity shall mean all activities which are not included in the sphere of activities other than independent activities.

Income earned from independent activities may be for example

- income earned from activity performed based on service contract, the income earned from user agreement,
- income earned from activity as elected auditor,
- income received for activity as member of the European Parliament or member of the local government,
- income earned from the lease of tangible assets.
- income earned from the lease of real estate not considered as arable land,
- income earned from private accommodation provider activity,
- income earned from the sale of standing crops, without change in the ownership of the land,
- income earned from the sale of real estate and tangible assets, if the sale is conducted as a business activity.

2. Tax liabilities related to the income earned from the independent activity

The income earned from the independent activity shall be established according to the general rules of the Personal Income Tax Act¹ or the specific rules applicable to the given activity (for example, private entrepreneur, small-scale agricultural producer, landlord).

The taxation rules applicable to private entrepreneurs, small-scale agricultural producers and the private persons pursuing real estate leasing and private accommodation services are detailed by separate information booklet (booklets Nos. 3, 6 and 10).

The income earned from independent activity - except for the entrepreneur tax base - shall be taken into account in the consolidated tax base. **The rate of the tax payable for the income earned from the independent activity is 15 percent.**

¹ Sections 17-23 of Act CXVII of 1995 on the Personal Income Tax.

2.1. Revenue earned from independent activities

All revenue earned in connection with the independent activity shall be considered as revenue earned from independent activities. For example, the remuneration received for an assignment and also the amount of the cost reimbursement received in connection with the activity. The revenues shall be taken into account in accordance with the provisions of Schedules Nos. 2 and 4 of the Personal Income Tax Act.

Separate rules are applicable for the accounting of aids. **The amount of the non-repayable aids received** - based on law or provision of international treaty - **for covering costs or for development purposes shall be taken into account as revenue in the tax year to the extent which was claimed by the private person as cost** - or depreciation write-off - **for the private person's expenses funded by the aid.** Contrary to the above, if the private persons failed to use the amount of the aid mentioned above in accordance with the purpose of the grant specified by law and within the deadline set, then the unused amount of the grants shall taken into account as revenue in the last day of the tax year in which the deadline set for the use of the grant by the law applicable to the grant expires. If no such deadline is set by law, then the entirety of the aid shall be claimed as revenue until the last day of the fourth year following the year in which the grant was disbursed.

The following aids shall not be taken into account as revenue:

- the aids in case of which the private person does not claim the expenses occurred with the use of the aid as cost, not even as depreciation write-off,
- the aids which are repayable by the private person, however, due to the late interest, late fees charged for the repayment obligation, or other similar legal consequences the cost shall not be claimed either. The tax return can be self-audited due to the aid already claimed as revenue, but repaid later.

The rules applicable to the revenues earned from the sale of produced or standing wood concerned by the use of forest section are presented by the information booklet about the tax liabilities of small-scale agricultural producers.

Certain revenues do not have to be taken into account in the calculation of the income. One example of such revenue is the **cost reimbursement received for travelling based on the assignment order** in case of official business trips related to the independent activity provided that such cost reimbursement does not exceed the amount specified by law and to be claimed without verification. No verification is required for claiming the cost reimbursement paid due to the use of own passenger car to the extent calculated based on

- the distance in kilometres specified in the assignment order,

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- the amount calculated based on fuel consumption fee and
- up to the fuel price published by the National Tax and Customs Administration (NTCA), as well as
- HUF 15 per kilometre as general passenger car standard cost.

The following are considered personally owned vehicles, passenger cars:

- vehicle leased by the private person through closed-end leasing,
- vehicle owned by close relative, registered life partner, vehicle leased by close relative, registered life partner through closed-end leasing.

2.2. Assessment of the income earned from the independent activity

Private persons may choose from **two methods** for the assessment of the income earned from the independent activity.

One method is the itemised cost accounting. If this method is chosen, then **all costs** - except for the costs to be claimed without verification to the extent specified by government decree or act - **shall be verified by invoice or certificate. The justified costs occurred** in order to pursue the activity, **and the costs, cost ratio to be claimed without verification can be deducted from the revenue**, in the manner and to the extent specified by the Personal Income Tax Act. Only the costs of the current year can be deducted from the revenue of the current year. If the private person pursues multiple independent activities, then the revenues and the expenses incurred in order to gain the revenues shall be taken into account separately for every activity; this means that the profit of one activity shall not be reduced by the loss of another activity.

According to the other method, 10 percent of cost ratio shall be deducted from the revenue without verification (invoice, certificates), and 90 percent of the revenue is the income. If the 10 percent cost ratio is applied, then the private person shall not apply the itemized cost account to any of his/her revenues earned from the independent activity pursued - not as a private entrepreneur - in the tax year, and to the cost reimbursement received in connection with his/her independent activity. This means that the 90 percent of the cost reimbursement shall also be considered as income, since only 10 percent cost ratio can be deducted from the revenue as well.

2.3. The key rules of itemised cost accounting

Only the – paid –, properly verified expenses which were incurred in connection with the independent activity and in order to gain the revenue can be claimed as cost. Except for the flat-rate - presumed - costs which are recognised by the Personal Income Tax regardless of the actual occurrence of the expense. For example, the general

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passenger car standard cost in the amount of HUF 15 per kilometre. The costs typically occurring in connection with the independent activity are specified by Schedule No. 3 of the Personal Income Tax Act.

If the seller of the product or service purchased for the independent activity is obliged to issue the certificate specified in the act on the value added tax² - hereinafter referred to as VAT Act - then the expense shall be verified by certificate - not including the receipt - compliant with the VAT Act. Otherwise the expenses can be verified by certificates which include all data necessary to establish the amount of the cost.

Any expense which occurred in order to acquire any product or service which satisfies personal or family needs as well can be claimed in the cases and in the manner specified by the Personal Income Tax Act. For example, the specific rules applicable to private persons pursuing artistic activity.

Approved cost

- material or goods purchased in connection with the independent activity, and
- other expenses incurred - such as mailing cost, telephone cost verified by detailed call log, cost of business trip, cost related to the use of vehicle, the road toll proportional to the business trips taken on toll roads, etc.

The rules of cost accounting related to the use of vehicles are described by information booklet No. 8.

The expenses which were incurred related not exclusively to the independent activity may be claimed proportionally. Such expenses are for example the heating and the lighting, provided that the private person pursues the independent activity in his/her residence. In course of the cost accounting the measurement of use typical for the cost - e.g. kilowatt-hour - shall be taken into account. In case of public utility invoices, the cost may be accounted based also on invoices issued to the name of the spouse or registered life partner.

The purchase price or cost of production of the tangible assets under 200 thousand Hungarian Forints and used exclusively for the independent activity - machines, appliances, equipment - can be claimed in one sum. The expenses spent on the purchase or production of the assets with the purchase price of more than 200 thousand Hungarian Forints, and the machines, appliances, etc. of individual value and used for personal purposes as well shall not be claimed in their entirety. Lump-sum depreciation may be applied to the purchase or production of such assets.

² Act CXXVII of 2007 on the Value Added Tax.

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One percent of the revenue of the tax year, but no more than 50 percent of the registered value of the assets mentioned above can be claimed as cost on the grounds of lump-sum depreciation. The cost claimed shall not be more than one percent of the revenue even if the private person purchases more assets like this during the tax year. Lump-sum depreciation for any given tangible asset can be claimed once, in the year in which the asset was taken into use. For machines, appliances, etc. that are also used for multiple independent activities, the costs cannot be divided between individual activities. These costs can only be claimed against the revenue of one independent activity chosen by the private person. The cost accounting rules applicable to real estate leasing and other accommodation services³ are described in information booklet No. 10 about real estate leasing.

The Personal Income Tax Act recognises other costs as well. **Examples for accountable costs**

- membership fee paid to public bodies, or associations which also fulfil advocacy duties related to the independent activity;
- with the exception of the personal income tax, taxes paid to the central budget, to the local governments are related exclusively to the independent activity concerned, such as duties, administrative fees, customs, penalty, late interest, self-audit surcharge, etc.

Private persons who pursue artistic activity can claim further costs⁴ in addition to the generally recognised costs. For example, admission ticket purchased for attending performances, exhibitions, visiting museums, public collections related to the activity of the artist, expenses spent on purchasing devices containing literary and artistic works, or the devices suitable for recording and replaying such works, recording media for pictures and sound, books, sheet music, or other press products. 50 percent of the verified value of products which satisfy personal or family needs as well can be claimed as cost. In case of performance artist activity, the expenses spent on the aesthetic and cosmetic products related to the on-stage appearance can be claimed as well.

With regard to the revenue gained in connection with **member of local government activity**, the expenses incurred in the interest of the fulfilment of duties related to the office concerned and verified by certificate issued to the name of the private person, and the lump-sum depreciation of the tangible assets used in order to fulfil the duties related to the office concerned can be claimed as cost.

³ As of 28th June 2019: private accommodation services.

⁴In case of the artistic activities specified in the Minister of Culture and Public Education and Minister of Finance Joint decree No. 39/1997. (XII.29.) on the Cost of Private Persons Pursuing Artistic Activity.

2.4. The sale of real estate and tangibles as economic activity

The tax shall be paid according to the rules applicable for the income earned from the independent activity in case of income earned from the sale of real estate and tangible assets, if the sale is conducted as a business activity.

The economic activity⁵ is realised if the private person pursues the activity on a commercial scale, permanently or regularly, provided that the private person's activity is aimed at or results in gaining consideration, and if the activity is pursued independently.

However, it is important that the income shall be assessed according to the rules applicable to the transfer of real estate and tangible assets. Therefore, **the expenses spent on acquisition and appreciation can be deducted from the revenue even if they were realised before the tax year of the sale.** At the same time, the income established based on the revenue at the time of the sale of the real estate cannot be reduced considering the lapse of time. Another important rule is that **no tax liability arises from the revenue earned from the transfer of tangible assets, and no income shall be assessed if the amount of the revenue is not more than 600 thousand Hungarian Forints in the tax year.**

Therefore, in case of the sale of real estate and tangible assets pursued as economic activity, the income shall be assessed according to the rules applicable to the sale of real estate and tangible assets, therefore the private person has no opportunity to claim the social contribution as cost. For this reason, **private persons may pay the personal income tax and the social contribution after 89 percent of their calculated income.**

3. Rules of tax advance payment

The personal income tax payable shall be assessed every calendar year, however, tax advance shall be paid for the income considered as part of the consolidated tax base.

3.1. The rules of tax advance deduction by the payer

If the private person's revenue considered as consolidated tax base originated from a paying party, then - as the general rule - the tax advance shall be assessed and deducted by the paying party, even if the payment is made against invoice. The income on which the tax advance is based shall be assessed by the paying party based on the cost statement of the private person.

⁵ Point 46 Section 3 of the Personal Income Tax.

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Upon the payment of the revenue earned from independent activities - such as remuneration, rental fee - the cost reimbursement related to the independent activity, the private person shall declare that he/she chooses the application of the 10-percent cost ratio or the itemized cost accounting.

In case of itemized cost accounting, the private person can make a declaration about the recognised and verified costs related to the activity or the cost to be claimed without verification. In case of the revenue gained as the consideration of the activity - for example, in case of remuneration - the cost indicated in the declaration shall not exceed 50 percent of the revenue. Nevertheless, in his/her tax return the private person can claim his/hers costs recognised by the Personal Income Tax Act and verified appropriately for the entire amount of the revenue. In case of the payment of the cost reimbursement related to the activity, up to 100 percent cost can be taken into account based on the declaration of the private person.

If the private person does not declare his/her costs, and if no other cost to be claimed without verification occurs either, then the paying party shall assess the tax advance based on the 10 percent cost ratio.

It is an important rule that in course of the assessment of the basis of the tax advance of the revenue - including the cost reimbursement received for the independent activity - gained from all independent activities in the tax year, the same - or the 10 percent cost ratio or the itemized - cost accounting shall be used. The rules of itemized cost accounting can be used in the tax return of that private person as well who requested the consideration of the 10 percent cost ratio in his/her declaration during the year.

It is in the interest of the private person to indicate true data in the cost statement. Namely, if the cost indicated in the statement exceeds the verified cost claimed in the tax return, then **39 percent** of the cost difference shall be indicated in the tax return **as difference fine** and shall be paid as personal income tax. This fine shall not be paid if the difference is not more than 5 percent of the cost taken into consideration in the deduction of the tax advance.

If the private person has more than 10 thousand Hungarian Forints of payment difference due to the cost difference at the end of the year, then an additional **12 percent of difference fine** shall be declared for the difference in the tax return of the tax year and shall be paid as personal income tax until the deadline set for submitting the tax return.

Declaration on the enforcement of tax base reducing allowances - allowance of mothers raising four and more children, family allowance, allowance for couples married for the first time, allowance due based on severe disability - can be given by the private person

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to the paying party which provides regular revenue considering the independent activity.

Available on the NTCA website:

- sample forms recommended for the tax advance declarations (Hungarian: https://nav.gov.hu/ado/szja/Adoeloleg_nyilatkozat) (English: https://nav.gov.hu/en/taxation/tax_reliefs), and
- the application helping in preparing the tax advance declarations necessary to use the allowances.

The **easiest way** to submit tax advance declarations is to use the dedicated menu in **the Online Form Filling Program / Application** (<https://onya.nav.gov.hu/#!/login>).

The paying party shall assess the tax advance and issue a certificate on the tax advance even if the revenue provided is not in cash or if the paying party cannot deduct tax advance from the revenue for any other reason. The certificate shall include the amount of the tax advance not deducted, and the private person shall be warned that the tax advance or the part thereof which was not deducted shall be paid by the private person until the 12th day of the month following the quarter.

3.2. Obligations of the private person

The tax advance shall be assessed and paid by the private person pursuing the independent activity if the private person gains the revenue not from a paying party but from - for example - a private person. The tax advance shall be paid **quarterly, until the 12th day of the month following the quarter**.

No tax advance is payable if the income was earned by the private person in a state with which Hungary has no double taxation convention.

The personal income tax rate payable for the tax base is 15 percent.

In course of the assessment of the tax advance the private person can take into consideration the family allowance and the allowance for couples married for the first time due to the private person - and not claimed for any other income and not used by the private person's spouse, registered life partner or partner - and if the private person is eligible, then the allowance for severe disability.

In course of the calculation of the tax advance base, the income shall be assessed by deducting the cost to the extent specified by the private person, but no more than the verifiable cost recognised by the Personal Income Tax Act or the cost to be claimed without verification. The social contribution tax paid by the private person in connection with the independent activity can be claimed as cost according to Schedule No. 3 of the Personal Income Tax Act. For this reason - except for the sale of real estate and tangible

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assets conducted as a business activity - the so-called 89 percent rules cannot be applied to the assessment of the income earned from independent activity.

The tax advance is not payable if the amount of the tax advance assessed is less than 10 thousand Hungarian Forints in total, aggregated from the beginning of the tax year or in the quarter concerned.

The private person obliged to pay tax advance shall declare the tax advance assessed and paid by him/her in his/her personal income tax return, in his/her tax return prepared by using the draft tax return, in quarterly breakdown.

4. Payment of contributions

According the applicable law⁶ the contribution payment obligations has **two fundamental conditions**:

- legal relationship subject to insurance obligation, and
- the existence of the income which constitutes the contribution base.

The contact under which the work is performed by the private person and the income earned shall always be examined in case of independent activity.

The employer shall deduct not only the tax advance but shall also evaluate the insurance status, assess the social security contribution and deduct it from the insured party.

From the persons with other legal relationship for work against remuneration:

- the activity based on personal service contract,
- the activity based on works contract.
- the activity based on licence contract

shall be considered as independent activity.

The private persons employed in the framework of other legal relationship for work shall become insured parties if their income considered as the contribution base for the current month is equal to or exceeds thirty percent of the minimum wage, or one thirtieth thereof calculated for calendar days. As of 1st January 2023, the amount of the minimum wage is HUF 232,000.-, 30 percent of which amount to HUF

⁶ Act CXXII of 2019 on Eligibility for and Funding of Social Security Benefits (hereinafter referred to as the Social Security Act).

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69,600.-, HUF 2,320.- per calendar day⁷. The minimum wage is the mandatory minimum monthly amount of the base wage valid on the first day of the current month and payable to full-time employees.

The private persons employed in the framework of other legal relationship for work and pursuing supplementary activity shall not become insured parties even if their income considered as the contribution base for the current month is equal to or exceeds thirty percent of the minimum wage, or one thirtieth thereof calculated for calendar days. A person pursuing supplementary activity shall mean a person over the retirement age who receives pension in his/her own right or widow's pension, who pursues income-earning activity in the framework of any legal relationship subject to insurance obligation and who is a private entrepreneur or has joint business, even if the payment of the pension in his/her own right or the pension received based on kinship is suspended⁸.

The income taken into account for the contribution base includes - among others - the income taken into account for the calculation of the tax advance base, from the revenue under the Personal Income Tax Act, which belongs to the consolidated tax base and is earned from independent and non-independent activities. According to the provisions of the Personal Income Tax Act applicable to the cost accounting of persons pursuing independent activities, in case the itemized cost accounting is used, then in course of the establishment of the contribution base, only the part which is assessed by deducting the amount based on the private person's tax advance declaration, but no more than the verifiable costs recognised according to the provisions applicable to the cost accounting or the costs to be claimed without verification; in addition, the 10 percent cost ration shall not be considered as contribution base either.

In case of insurance status based on licence contract, only the remuneration of the work performed personally shall be taken into account as consideration base. The amount of the remuneration received as the consideration of the use of rights representing assets shall not constitute contribution base, therefore this income part shall be disregarded in course of the assessment of the insurance obligation. The insured party shall pay 18.5 percent of social security contribution for the income considered as contribution base.

4.1. Establishment of the insurance obligation

As a rule, the **insurance shall be evaluated monthly**. The incomes considered as contribution base and earned at the same employer in the framework of other legal relationship for work during the calendar month shall be counted together. This rule shall not be applied if the employer employs the private person in the framework of

⁷ Government Decree No. 573/2022. (23 December) on the Minimum Wage and Guaranteed Wage Minimum.

⁸ Point 11 Section 4 of the Social Security Act.

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employment and - for example - persona service contract as well. In this case the insurance status shall be evaluated separately in both legal relationships.

If the remuneration is not paid monthly but periodically or after the conclusion of the activity, then **the insurance obligation shall be evaluated upon the payment of the remuneration.** In this case, from the remuneration paid (including the advance payment), the income considered as contribution base shall be divided by the number of days for which the remuneration was provided.

If the start or the end date of the insurance status cannot be established or is disputed, then the following shall be taken into account as the **period of insurance**:

- the duration of the activity,
- in case of contract for any performance, the time period between the conclusion of the contract and the performance,
- if neither the duration of the activity, nor the date of the performance can be established, then the time period until the payment of the fee shall be taken into account.

In contrast to the above, in course of the evaluation of insurance status based on licence contract, the period between the conclusion of the contract and the acceptance of the work can be taken into account.

For the assessment of the insurance obligations of performers and artists, the time period to be taken into account shall start upon the conclusion of the contract, or in the absence of such contract, upon the acceptance of the invitation to perform, and shall end on the day the performance is held, however, no more than 7 days per contract or performance can be taken into account.

The person with other legal relationship for work shall have insurance for the duration of the legal relationship, even if

- the person received sick pay, sick pay for accidents, infant care fee, adoption fee, childcare fee,
- the person received childcare aid, childcare benefit, at-home childcare fee or care fee,

the person was an insured party on the day immediately preceding the disbursement of the allowances.

If the insurance status is established and if the person has income considered as contribution base, then the insurance shall be assessed and the contribution payment obligation shall be fulfilled according to the general rules.

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If based on the remuneration and the term of the contract, no insurance status is established, then no social contribution payment obligation shall arise, however, the contribution tax shall be paid according to the rules applicable to this obligation.

4.2. Contribution payment by private persons with tax number

The paying party shall assess the tax advance based on the revenue invoiced by the private person obliged to issue invoices (private person with tax number). If the private person with tax number is employed in the framework of any legal relationship subject to insurance obligation, then **the employer shall be responsible for assessing the insurance status and the contribution base related thereto, for deducting, paying and declaring the social security contribution.** This means that the employer's obligations shall be fulfilled in full. The provisions of Section 27 of the Social Security Act shall be applicable to the assessment of the revenue considered as contribution base.

5. Social contribution tax

Social contribution tax is payable for the revenue gained from independent activity and taken into account for the calculation of the tax base and the tax advance base. If there is no revenue gained from independent activity and taken into account for the calculation of the tax base and the tax advance base, then the social contribution tax shall be paid for the income provided to the insured party under the Social Security Act which is considered as contribution ⁹base¹⁰.

If the income earned from independent activity under the Personal Income Tax Act originates from a paying party, then the tax shall be paid by the paying party, including the foreign paying party. If the income earned from independent activity under the Personal Income Tax Act does not originate from a paying party, then the tax shall be paid by the natural person. If the natural person earns income not considered as contribution base under the Social Security Act from any foreign paying party, then the tax shall be paid by the natural person¹¹. The detailed rules of the social contribution tax liability are included in information booklet No. 49.

⁹ Point b) Subsection (1) Section 27 of the Social Security Act and Section 30 of the Social Security Act.

¹⁰ Subsections (1) and (3) Section 1 of Act LII of 2018 on the Social Contribution Tax (hereinafter referred to as Social Contribution Tax Act).

¹¹ Subsection (2) Section 3 of the Social Contribution Tax Act.

6. The registration of the person pursuing independent activity

Save for a few exceptions, **activities subject to tax shall be pursued only by taxpayers with tax number**¹². The private person shall request a tax number from the NTCA before the commencement of the activity. The tax number is designated to identify the taxpayer, therefore it shall be indicated in all documents related to the taxation and the paying parties shall be notified thereof.

If the private person does not pursue any activity subject to value added tax - i.e. if the private person is not subject to the VAT Act - then the private person can fulfil his/her tax liability even without tax number, with tax identification number. The activity is subject to value added tax if the private person pursues revenue-earning activity regularly and/or on a commercial scale on his/her own behalf. The activity pursued in the framework of employment or legal relationship for work - for example, in the framework of personal service contract - shall not be considered as activity subject to value added tax if the activity constitutes inferior-superior situation with the responsibility of the principal with regard to the terms, conditions and remuneration of the performance.

The rules applicable to private persons **pursuing real estate leasing activity** are detailed by the information booklet about real estate leasing, while the rules of registration for private persons **starting business activities** are described by the information booklets about the taxation of private entrepreneurs.

6.1. Registration obligation

The private persons pursuing independent activity shall keep basic records and detailed records in accordance with **Schedule No. 5 of the Personal Income Tax Act**.

The private person **shall keep basic records** if the private person

- declares cost accounting in his/her tax advance declaration,
- takes into account costs - not including the costs to be claimed without verification - for the assessment of the tax advance,
- does not gain revenue or gains revenue not only from paying parties during the tax year.

If the private person's revenues originate from paying parties exclusively, and if the private person assesses his/her income by deducting the 10 percent cost ratio, then the private person shall not keep records, but shall keep the certificates issued by the paying party.

¹² Subsection (2) Section 16 of Act CL of 2017 on the Rules of Taxation.

Basic records include the general ledger, the cash journal, revenue and expense records, and the revenue records. **The type of the basic records shall be specified by the private person every year**, and he/she shall not change this choice later in the tax year based on his/her own decision. If during the year the private person loses the right to keep the basic records of his/her choice in accordance with the provisions of the Personal Income Tax Act, then the private person shall close the records kept until then on the day preceding the day of the change. The data consolidated in the closed basic records shall be entered into the new basic records as opening data. The closed basic records and the certificates verifying the data included therein shall be retained until the expiry of the limitation period.

The private person obliged to keep basic records may fulfil this obligation by

- keeping a **cash journal**, if the private person cannot chose other basic records, or if the private person did not use the opportunity to keep other basic records;
- choosing to keep **revenue and expense records**, provided that the private person is not entitled to deduct value added tax in the tax year or does not exercise his/her right of deduction;
- choosing to keep **revenue records**, provided that the private person does not use itemized cost accounting in the tax year, and if the private person is not entitled to deduct value added tax or does not exercise his/her right of deduction.

In addition, the private person obliged to keep basic records may fulfil this obligation by - subject to his/her choice - keeping a **general ledger**, instead of any of the other basic records.

Detailed records include the records of trade (customer) receivables, records of vehicle use - travel logs - inventory, etc. The private person shall keep only those detailed records which are necessary for assessing his/her income subject to tax.

In justified cases and upon the taxpayer's request, the NTCA may grant exemption from the obligation to keep basic records or detailed records. The taxpayer may request exemption if - in compliance with the requirements of the laws on the classification and verification of severe disability - the taxpayer verifies that due to the nature of his/her severe physical disability he/she cannot be expected to fulfil this obligation, and the persons living in his/her household are not able to keep the records either, furthermore, if the taxpayer can otherwise be exempted according to the rules of the VAT Act.