

## **Useful information for beginner VAT taxpayers 2023**

This Information Booklet assists the taxpayers beginning their business activity by outlining the most important rules relating their VAT obligations.

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## I. Taxable status

### 1. Who is subject of VAT?

Subject of VAT is any person or organization having the capacity to perform legal acts who (that), in its own name, carries out in any place any economic activity, whatever the purpose or results of that activity.<sup>1</sup> Thus, an activity aiming to obtain revenue, performed under own name, regularly or on a business basis establishes the VAT taxable status.

### 2. What is a business activity?

A business activity is an activity that is

- carried out on a business basis, on a long term or regularly, which
- is aiming to obtain consideration or is the result of, and
- it is carried out independently.<sup>2</sup>

One of the main elements of the business activity establishing VAT taxable status is that is performed on a business basis, long term or regularly. The above mentioned conditions resulting VAT taxable status does not have to exist jointly. The activity performed in order to obtain consideration may be on business basis even if it is a single transaction, that is **all the circumstances have to be always taken into consideration**. But generally it can be said that the single sale does not result VAT taxable status.

*For example, if you sell an antiquity found in an attic, a gift of gold jewellery, or a car, or even a property - which you don't need -, then the sale will have no tax implications.*

*However, if you regularly search for antiquities (in houses, attics), buy them, and sell them regularly, it is already a business activity.*

*It is not a business activity, however, if someone inherits a property that is worth HUF 100 million and sells it, so s/he will not be subject to VAT.*

If the business activity carried out in return for or resulting in consideration is **not done on a business basis but is long term or regular, then it shall also be considered an economic activity for VAT** and thus shall result in a taxable status, provided that the other criteria for the economic activity exist. *So, an example for an activity performed not on a business basis but on long term and regularly is if a foundation even at a symbolic price, but regularly sells memorabilia or entry tickets for charity balls.*

So there is no requirement that both of the conditions – regularity and performance on a business basis – exist simultaneously, one of them is enough for VAT liable economic activity.

VAT Act does not stipulate neither the definition of the performance on a business basis, nor the long term or regularity so it is necessary to take into consideration their everyday meaning for the interpretation.

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<sup>1</sup> Subsection (1) of Section 5 of Act CXXVII of 2007 on Value Added Tax (hereafter: VAT Act).

<sup>2</sup> Subsection (1) of Section 6 of the VAT Act.

**The activity may be considered to be carried out on business basis**, but not obligatory and not each case, for example

- if the consideration received from it represents a not insignificant amount compared to the livelihood, financial, revenue situation, and represents a significant amount in the revenues of the private individual.
- if it is done by a person, organization established explicitly for business purposes – for instance a company or a private entrepreneur – for the obtainment of consideration.

During the examination of the activity being performed on business basis – as of one of the main conditions of the business activity establishing the taxable status – the quantity of the sold items, the circumstances of the transaction, its possible preparations, plausibility, etc. shall be considered.

#### **For a long term or regular activity**

- there is no condition that the particular person performs sales with a profit margin; the repetition of the sale transactions itself by the selling person will establish the taxable status;
- the fact whether the activity is carried out as a principal or additional activity or as a hobby will not affect the VAT taxable status.

*For example, if someone sells their household items that become unnecessary (even several times a year), then this sale will not result in taxable status. But it refers to a clear business activity if the person buys, collects from other people different used items - for example cloths, kitchen utensils, furniture, inherited items - and sells them at markets or online platforms.*

#### **Obtaining the income or the aim to obtain it**

- Pursuant to the VAT Act, it does not matter what the purpose or result of the economic activity is, it definitely results in a VAT taxable status, so in the VAT system it is irrelevant whether the economic activity is actually effective or profitable.
- From the point of view of VAT, therefore, the extent of expenditures is irrelevant, whether they exceed the revenues or not, the consideration achieved or intended to be achieved can establish the taxability even in case of a loss, thus making the activity subject to VAT.

**An activity is not an economic activity carried out independently** and it does not result in VAT taxable status that is carried out <sup>3</sup>

- under contract of employment,
- similar relationship, or
- any other legal relationship creating a bond to an employer which - as a consequence of the employer's liability - constitutes subordinate and superior

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<sup>3</sup> Subsection (5) of Section 6 of the VAT Act.

positions in the results, conditions and circumstances of and remuneration for such performance.

### **What activities do not establish a taxable status?**

The activities of persons or organizations vested with powers in accordance with the Fundamental Law of Hungary, or with other legislation adopted under authorization conferred by the Fundamental Law are not economic activities, and shall not be subject to VAT, in connection with exercising executive powers.<sup>4</sup>

*Activities like judicial activities, activities related to prosecution, law enforcement, law practice in the public administration, decision-making in connection with the distribution of Community aid and other international support belong here.*

### **What does it mean in the system of VAT if the group of owners is the taxable person?**

If an economic activity is performed pertaining directly to the exploitation of a jointly owned movable tangible property or immovable property for consideration, the group of owners shall be treated as the taxable person.

*For example, if a couple leases property that they own and use jointly, or if a condominium community leases a wall space that they own for advertising purposes.*

The obligations and rights stemming from their taxable status are exercised by the group of owners through their appointed representative.

- If no representative has been appointed, the owner holding the largest share can be considered the representative.
- If all owners hold equal shares, then the tax authority appoints one of the owners.<sup>5</sup>

### **What are the cases of special taxable status due to particular sporadic sales?**

Pursuant to an exceptional legislative rule, the following cases are considered as business activity and result in taxable status even for non VAT liable persons, organizations:<sup>6</sup>

- Intra-Community supply of a new means of transport into another Member State<sup>7</sup> and
- series of sales transactions of immovable estates (for example building under construction or developed building land and building land)<sup>8</sup>.

For a person or an organization that becomes a taxable person only due to their series of sales transactions of immovable properties, the VAT related to these transactions shall be levied by the NTCA based on their declaration to be filed on the form named TSI\_B.<sup>9</sup>

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<sup>4</sup> Subsection (1) of Section 7 of the VAT Act.

<sup>5</sup> Subsection (2) of Section 5 of the VAT Act.

<sup>6</sup> Subsection (4) of Section 6 of the VAT Act.

<sup>7</sup> More information can be found in the information booklet on the rules of acquisition, supply of new means of transport in the Community.

<sup>8</sup> Point (18) of Section 259 of the VAT Act.

<sup>9</sup> Subsection (1) of Section 154 of the VAT Act, Point b) of Subsection (1) of Section 141 of Act CL of 2017 on Rules of Taxation (hereinafter referred to as Act on RT).

### 3. What is a group VAT taxation and who may enter it?

The taxable persons

- who (that) have established their business inside the domestic territory (in the absence of such a place of business, have their permanent address or they usually reside inside the domestic territory) and
  - who (that) are collectively considered affiliated,
- may together enter into a group taxation arrangement.

A group taxation arrangement may be established subject to the permission of NTCA, granted upon an application submitted in writing and containing the express and unanimous request of all members concerned. The taxable persons cease to carry out their activities as taxable business activities in their intra-group relationship, and any pursuit of economic activities in the members' relations with third parties results in a type of VAT taxable status, where the rights and obligations stemming from such relationships apply jointly to all members.<sup>10</sup>

This means that

- the members will not charge VAT within the group,
- vis - à - vis a third party, the group is collectively a taxable person, and
- the invoice issued for a particular supply shall also state the tax number of the group,
- the tax liability on the transaction shall be fulfilled not by the member but the group, that will exercise the right of deduction that may be established by the taxable activity performed outside the group.

The municipal governments and any company in which a municipal government has majority control, whether directly or indirectly - in accordance with the Act on the Civil Code (furthermore referred to as Civil Code) - **shall not be collectively recognized as affiliated** for the application of the group taxation arrangement.<sup>11</sup> Thus, the municipal government cannot be the member of a group taxation arrangement.

Unless otherwise specified by law, all members of a taxable group are considered a single taxable entity during the period of group VAT taxation. The representative appointed by the members of the group shall be the subject of judicial and other administrative proceedings in connection with exercising the rights and obligations associated with the group VAT taxation status during the period of group VAT taxation and after the termination of the group VAT taxation status.<sup>12</sup>

When applying the rules on group VAT taxation, the taxable persons **shall not be treated collectively as affiliated companies** if the sole reason for their being affiliated is that the Hungarian State or a municipal government has majority control in them, whether directly or indirectly, as a third party in accordance with the Civil Code.<sup>13</sup>

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<sup>10</sup> Section 8 of the VAT Act.

<sup>11</sup> Subsection (2) of Section 8/A of the VAT Act.

<sup>12</sup> Subsection (4) of Section 8 of the VAT Act.

<sup>13</sup> Subsection (1) of Section 8/A of the VAT Act.

## II. In which cases VAT shall be assessed and paid? General scope of the VAT Act

Following transactions shall be subject to VAT

- the supply of goods and services for consideration - being fulfilled in the domestic territory according to the VAT Act - by a VAT liable person acting as such, and
- the intra-Community acquisition of goods for consideration within the domestic territory, and,
- importation of goods.

In the latter two cases, tax liability occurs even if the person importing the goods from another Member State of the Community is not a VAT liable person, for example in case of importing for personal purposes or intra-Community acquisition of a new means of transport.

In the VAT system, the VAT-liable persons pay VAT after the value of the products and services added by themselves. As a general rule, the VAT-liable person may deduct the input tax previously charged on the acquisitions, collected in the sale price.

## III. Tax rate, the importance of classification

- The general tax rate of the products and services sold by the taxable person is 27 per cent of the taxable amount.<sup>14</sup>
- The goods and services listed in the Annexes of the VAT Act may be taxed by a lower rate – **5 or 18 per cent** –, and activities of public interest or other special nature listed in Sections 85-87 of the VAT Act are the transactions that may be exempt of VAT.<sup>15</sup>
- The Annex of the VAT Act lists **the goods that belong to 5 per cent tax rate** that – with some exceptions – are determined by customs tariff code or ISO-code. For example books, sheet-music, newspaper, particular health care products, therapeutic appliances, some sort of pork, beef, sheep, goat, poultry, egg and milk products, fish suitable for human consumption belong to 5 per cent tax rate.
- Some services also belong to **5 per cent** tax rate, for example district heating services, some services supplied by performing artists, internet services, in restaurants meals and food prepared on site, and supply of non-alcoholic beverages (the latter ones determined in VAT Act by TESZOR numbers and names), and the commercial accommodation services.
- The goods taxed by **18 per cent** VAT - some food products - are listed by customs tariff code and name in the relating annex, while the classification of the VAT Act

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<sup>14</sup> Subsection (1) of Section 82 of the VAT Act.

<sup>15</sup> Subsection (2)-(3) of Section 82 of the VAT Act, Annexes 3 and 3/A.

does not refer to the statistical classification of the service providing admission to the occasional outdoor event, which also has a tax rate of 18 percent.

- The tax exemption of the sales of goods and provision of services of public interest and other special nature are based not on statistical classification by the VAT Act but by the definition of the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (Council Directive).

Though the statistical or tariff classification is becoming less important for the determination of the tax liability of tax exemption of supply of goods and services, in such cases, when the VAT Act contains a reference to the classification number, it shall be considered.

Thus, for instance, the statistical and customs tariff classification shall still be considered for the determination of

- the range of services and products affected by deduction restrictions,
- services and goods, product supply under special legal status of agricultural activity,
- products under reverse charge mechanism, for example waste, particular agricultural products, metal and steel products and
- catering services with discounted tax rate.

For the classification of supplies of goods and services, the tariff code<sup>16</sup>, valid on 1 January 2018 and the TESZOR'15 classification order shall be considered as applicable. Subsequent changes in the tariff code and classification system do not change the tax liability.<sup>17</sup>

In addition to the above, the additional legislation mentioned in the VAT Act must also be taken into consideration in order to determine the supply of goods or services.

For the statistical classification of the services, assistance can be requested from the [Information Service of the Central Statistical Office](#), an opinion or tariff information can be requested from the [Expert Institute of the National Tax and Customs Administration](#) (webpage in Hungarian) on the customs tariff classification of products.

## **IV. Main rules of registration connected to VAT liability<sup>18</sup>**

### **1. Declaration at registration**

You must register to NTCA to start a taxable activity. At the registration you must make a declaration on issues related to VAT liability.

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<sup>16</sup> The codes used for the identification of goods (heading) provided for in Commission Implementing Regulation (EU) 2017/1925 of 12 October 2017 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, in effect on 1 January 2018,.

<sup>17</sup> Section 257/I of the VAT Act, which is effective from 1<sup>st</sup> July 2019

<sup>18</sup> Section 16 of Act on RT, Point 1.16 of the Annex 1 of Act on RT, Section 257, 257/B-257/D of the VAT Act.

The registration can take place in a “single-window” system, e. g. at the registry court for the person obliged to company registration, at Hungarian Treasury for a legal person shown in the public register, at Web Ügysegéd (Web Help) or at any district (Budapest) office (okmányiroda/kormányablak) for the private entrepreneurs subject to be registered as private entrepreneurs, respectively.

The register of private entrepreneurs is kept by the NTCA.

On the registry form it is necessary to state whether the registering person is VAT-liable or not. If he/she is VAT-liable, then he/she must declare

- whether he/she performs a tax exempt activity of public interest or other special nature,
- he opts for VAT payment liability instead of tax exemption of the sale or rent of real estate properties,
- he opts for individual exemption,
- he determines the tax payment obligation based on any special taxation method set out in the act on VAT, based on the rules for taxable person engaged in agricultural activities, services of tour operator services, second-hand goods, works of art, collectors' items or antiques, particular provisions relating to investment gold,
- he wants to establish trade relations with a tax resident taxpayer of another Member State of the Community<sup>19</sup>, and requests to issue a Community tax number, and
- he opts to exercise cash accounting.

It also needs to be declared if

- the taxpayer becomes VAT-liable due to intra-Community supply of tax exempt imported goods according to the act on VAT, and the import is not performed by an indirect customs representative<sup>20</sup>,
- in special cases, the taxable person acts as an indirect customs representative according to the act on VAT<sup>21</sup>,
- the taxable person acts as a warehouse operator of special status<sup>22</sup>.

On notification, the NTCA allows a civil law company to become VAT-liable as a cooperating entity, but other - already taxable - cooperating entities must also declare their intention to cooperate.<sup>23</sup>

**The declaration relating to value added tax** can be filed on the sheet 'F' of form for the submission of the data and change used by the NTCA.

The taxpayer registering through the “single-window” system, e. g. private entrepreneurs or persons obliged to be entered in the company registration are required to register by using a regular VAT declaration - with a data content similar to the NTCA data sheet –

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<sup>19</sup> Pursuant to Section 257/B of the VAT Act the purchase and sale of goods and the provision and use of services are considered to be commercial relations.

<sup>20</sup> Section 95 of the VAT Act.

<sup>21</sup> Subsection (6) of Section 96 of the VAT Act.

<sup>22</sup> Subsection (5) of Section 89/A of the VAT Act.

<sup>23</sup> Subsection (6) of Section 85 of the VAT Act.



which is specified in the annex to the law and used for registration in the court of registration. You should be careful **when filling in this form because the selection of particular taxation methods, the change in the reported data can (may) be important** for the assessment of the VAT liability of the taxable person.

## 2. What are the consequences and limitations of a choice, or lack of choice?

- If the taxpayer opts for tax payment obligation of the – otherwise tax exempt – sale or rental of immovable property or any of them, he may not differ from it until the end of the fifth year after the year of the selection.
- Or when the taxpayer gives up to use one of the special tax assessment methods, there is a re-entry time limit in case of the agricultural activity or of the margin taxation related to used movable assets.
- Taxpayers performing tax exempt activity of exclusively public interest and other special nature can have some transactions for that the registered tax exemption is not extended.
- In the absence of selecting individual exemption, these taxpayers shall pay taxes on such tax liable transactions according to the general rules.
- The NTCA will consider the request for choosing group taxation and the declaration of the transformation of a civil law company into a VAT-liable cooperating group, and approves it if the legislative conditions are met.<sup>24</sup>

In particular cases – e. g. for multi-profile activities– the taxation according to general rules and special taxation can be the case and applied. In such cases several tax assessment methods may and shall be ticked.

## 3. When is it not obligatory to register?

A natural person other than private entrepreneur is not required to register

- whose sole business is to carry out real estate leasing activities in accordance with the VAT Act, and
- does not exercise his right to become tax-liable in this respect,
- is not required to obtain a Community tax number.

That is, if the particular property rental is tax-free and you have not chosen to pay tax in connection with it.<sup>25</sup>

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<sup>24</sup> Section 8, Subsection (6) of Section 85, Section 85/A of the VAT Act, Section 30, 31 of Act on RT.

<sup>25</sup> Subsection (5) of Section 257 of the VAT Act.

#### 4. Where to make the VAT declaration?

The taxable persons not obliged to enter to company court's, private entrepreneurs', Treasury's, court's registry, shall make their statement on their VAT-liability directly to the NTCA.

In the case of the activities, taxpayers requiring the registration of the private entrepreneurs, company court, treasury the declaration shall be done **not** at the NTCA but

- the application for registering private entrepreneurs shall be submitted to any district (Budapest) office or via electronic means at Web Ügysegéd (Web Help) (As of 1<sup>st</sup> July 2020, the registry of private entrepreneurs is kept by the NTCA),
- the application for company register shall be submitted to company court,
- the application of legal person shown in the public register shall be filed with the Hungarian State Treasury.

Already registered, operating taxable persons also report any change relating their VAT registration directly to the NTCA.

### V. Tax exemptions

#### 1. Exemptions for activities in public interest or other special activities (non-deductible tax exempt activities)

Some community, health, social, educational, sport, etc. activities are exempt from VAT by the VAT Act.

*For example, on the supply of public postal services, human health service, wide range of educational activities, etc. the VAT is not necessary to be charged and paid – but only in the case if the services are provided by public service bodies and/or service providers having the permit for exercising the particular profession – but neither the input tax relating acquisitions may be deducted.*

**Due to their public interest nature**, the scope of **tax exempt supplies** is determined by the VAT Act, and from the point of view of tax exemption, besides the content of the transaction it is also important that the service provider meets the conditions. <sup>26</sup>

The supplies **exempt for other special nature** are also detailed in the VAT Act. <sup>27</sup> In this case the public service or other status of the taxable person is not important. For instance, the following activities belong to this specific area:

- certain insurance, financial, and gambling services,
- besides them, the transactions of sale, leasing of definite immovable properties for which tax obligation may be chosen<sup>28</sup> instead of tax exemption (in this case the tax

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<sup>26</sup> Section 85 of the VAT Act.

<sup>27</sup> Section 86 of the VAT Act.

<sup>28</sup> Section 88 of the VAT Act.

shall be charged and paid but if the legislative conditions are met the right for deduction can also be exercised).

The supply of goods **is tax exempt**<sup>29</sup> if:

- prior to the supply, the goods were used solely for the supply of goods or services mentioned in the VAT Act or used for other reasons, and those goods have not given rise to deductibility.
- the tax charged on the product prior to its supply cannot be deducted on the basis of the specific provisions<sup>30</sup> of the VAT Act prohibiting deduction;
- in the case of a car even if the acquisition was tax exempt.

The sale of a car cannot be exempt if the prohibition on deducting the purchase of a car has been lifted by the purchase for resale.<sup>31</sup>

## 2. Individual tax exemption<sup>32</sup>

The taxable person may choose individual tax exemption if

- he/she has established (i. e. has established his/her business inside the domestic territory, has his/her seat, permanent place in the domestic territory), in the absence of such a place of business, has his permanent address or usually resides inside the domestic territory,
- the cumulated value of supplies of goods and services in the tax year prior the registration, and the reasonably expected (and factual) income from the business activity in the tax year of the registration does not exceed the upper limit for individual exemption, that is 12 million forints actually.<sup>33</sup>

The choice of individual exemption must be made in a declaration to the tax authority by the last day of the year preceding the year in question.<sup>34</sup>

The taxpayer **starting its business in the course of calendar year** may claim individual exemption when registered in the domestic territory for VAT purposes. At this point, in the tax year when the declaration is made, it is enough to presume that the conditions of met that the income reasonably expected from the business operation on a time basis will not exceed the limit of the individual exemption in the year of the registration.<sup>35</sup>

But if the taxpayer did not exercise his/her right to choose individual exemption at the registration, he may claim it for the tax year following the registration, the earliest. The

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<sup>29</sup> Section 87 of the VAT Act.

<sup>30</sup> Sections 124 and 125 of the VAT Act.

<sup>31</sup> Point c) of Section 87 of the VAT Act.

<sup>32</sup> Chapter XIII of the VAT Act.

<sup>33</sup> Subsections (1) and (2) of Section 188 of the VAT Act.

<sup>34</sup> Section 192 of the VAT Act.

<sup>35</sup> Section 189 of the VAT Act.

notification shall be made before 31 December of the year previous to the year to which it pertains.<sup>36</sup>

It is **reasonable to consider when registering** whether significant expenses are expected relating to the activity – for example creation of a shop, acquisition of high-value items or high-value payable for a rental right – since the input tax incurred on acquisitions may not be deducted when individual exemption applies.<sup>37</sup>

The **individual exemption's advantage** is that, as a general rule, the taxpayer is not liable to make a return and pay the tax, with the exception of some of his/her acquisitions and supplies in which he/she cannot act as a tax-exempt entity.

**The disadvantage of the individual tax exemption** is that the taxpayer is not entitled to deduct the tax on the acquisition.

The taxpayer choosing individual exemption – similar to taxpayers taxable according to the general rules – **are obliged to issue invoices or receipt. The taxpayer is also obliged to perform online invoice data disclosure regarding all the invoices and documents in lieu of invoices, to which provisions of the VAT Act must be applied.**<sup>38</sup>

If no invoice is issued – since the taxpayer was not liable to issue it – the taxpayer is not obliged to invoice data disclosure.

The invoice issued by a tax exempt taxable person may not contain VAT charged or the percentage value needed for calculating the tax amount but it has to state the exemption unanimously, for example by indicating the “individual exemption” („alanyi adómentes”) on the invoice or referring to the individual exemption<sup>39</sup> by any other way, if the taxable person acts as individual tax exempt person in the transaction of the invoice.

The tax exempt person has the obligation to make a return and pay tax, in cases where he/she **may not act as an individual tax exempt person.**<sup>40</sup> **For example if**

- selling goods used as tangible assets for the purpose of the business,
- selling an intangible property used by the taxable person for the purposes of his business,
- selling a new means of transport to another Member State of the Community,
- selling a new immovable property being under construction or already finished, a building land, even if they are not among the tangible assets used for the purpose of the business,
- supplies goods or provides a service in accordance with VAT Act for a purpose other than that which results in its taxable personality, without consideration, provided that the related input tax is deductible in whole or in part,
- supplying of service performed abroad,
- providing distance sales within the Community as well as import distance sales,

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<sup>36</sup> Subsection (2) of Section 192 of the VAT Act.

<sup>37</sup> Point b) of Subsection (2) of Section 187 of the VAT Act.

<sup>38</sup> Annex No. 10 to the VAT Act

<sup>39</sup> Point m) of Section 169 of the VAT Act.

<sup>40</sup> Sections 193 and 194 of the VAT Act.

- in particular cross-border transactions under “reverse charge”,
- tax is being charged in the invoice despite the individual exemption,
- providing guarantee for the payment of the tax in the case if price is not paid,
- in the case of an intra-Community acquisition exceeding 10 000 Euros (2,5 million forints) (or also below this limit according to the taxpayer’s choice), and in the case of the acquisition of excise goods and new means of transport without a value limit, and
- in the case of importation of goods.<sup>41</sup>

**Attention!** The taxable person choosing individual exemption is entitled the right to choose the taxation for the acquisition of goods within the Community, if its value does not reach 10 000 Euros, but even in this case the taxable person may not exercise the right to deduct the tax.<sup>42</sup>

The individually tax exempt taxable person is not entitled to the right to deduction even in respect of supplies where he was liable to pay tax. The tax charged relating to particular transactions (for example services provided abroad, or intra-Community supply of a new means of transport, or taxable distance sale within the Community and import distance sale) may be deducted when the taxable person may not act as an individually tax exempt one.<sup>43</sup>

As a general rule, NTCA assesses the tax by imposition on the importation of goods by the tax exempt taxable person, and the tax on the intra-Community acquisition of a car or motorcycle liable to registration tax, provided that in the latter case the tax exempt taxable person is also subject to registration tax.

The individual tax exemption may be chosen by the end of tax year (actual calendar year).<sup>44</sup> After the tax year ends, the taxable person may again exercise the right of selection, however, opting for a new individual tax exemption shall not be notified to NTCA, only if any change occurs.

**The individual tax exemption terminates by exceeding the value limit entitling to the option<sup>45</sup>, this shall be notified to NTCA within 15 days from the date when the limit is reached.<sup>46</sup>**

**If the individual tax exemption is terminated due to exceeding the limit, it may not be opted for before the end of the second calendar year following the year when it was terminated.<sup>47</sup>** The taxpayer shall make a declaration to NTCA only if he/she wishes to claim the taxation according to the general rules (or other taxation method) or if the tax exempt status terminates due to exceeding the limit of individual tax exemption. The

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<sup>41</sup> Section 193 of the VAT Act.

<sup>42</sup> Point e) of Subsection (1), Section 193 of the VAT Act

<sup>43</sup> Subsection (2) of Section 195 of the VAT Act.

<sup>44</sup> Section 190 of the VAT Act.

<sup>45</sup> Point c) of Subsection (1) of Section 191 of the VAT Act.

<sup>46</sup> Subsection (2) of Section 192 of the VAT Act, Subsection (3) of Section 16 of Governmental Decree 465 of 2017 (28 December) on the detailed rules of the tax administration procedure (furthermore referred to as Gov. Decree on GRTA).

<sup>47</sup> Subsection (3) of Section 191 of the VAT Act.

taxable person shall not claim the individual tax exemption from NTCA yearly – if there are no changes relating to it.

## VI. Cash accounting<sup>48</sup>

If the taxable person opts for cash accounting, then - during the cash accounting period –

- the tax payable shall be determined upon crediting or receipt of the consideration including the tax for all supplies of goods or services delivered in domestic territory

excluding the transactions for which cash accounting is not applicable, such as hire purchase with sure obtainment of ownership, tax exempt intra-Community supply of goods, supplies for which the taxable person applies other special provisions of the VAT Act

- the taxable person exercises the right of deduction of the tax charged in connection to the acquisition of goods (excluding the acquisition via hire purchase with sure obtainment of ownership), and the use of services in the tax assessment period at the earliest in which the taxable person pays the price including the tax to the supplier of goods, and/or the service provider.

If the consideration is credited, received, paid in instalments, VAT shall become chargeable - at least to the extent of the instalment paid - on crediting or, at receipt of the instalment payment and the right to deduct VAT may be exercised up to the instalment paid.

The consideration shall be treated as credited, received or paid if the claim or liability arising there from is terminated by way of assignment, remission or the assumption of debt, or by any other way.

**The date of the assessment of the tax payable and date of the deduction of tax on acquisition is linked to the cash flow, i.e. the obtainment and payment of the consideration.**

It is an important rule that on the underlying invoice of the supply of goods and/or the rendering of services the taxable person shall note the reference “pénzforgalmi elszámolás” (“cash accounting”), otherwise cash accounting is not applicable.

Cash accounting may only be opted for if the value of all supplies of goods and services the taxable person provides for consideration, due or paid, in any given year is **below the equivalent of 125,000,000 forints**, exclusive of VAT both in the calendar year preceding the given calendar year, based on actual figures, and in the given calendar as it may be reasonably expected, or based on actual figures.

Similarly to the rules on individual tax exemption, the amount limit for cash accounting shall not include the consideration, due or paid

- of goods used by the taxable person for the purposes of his business,

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<sup>48</sup> Chapter XIII/A of the VAT Act.

- of intangible property used by the taxable person for the purposes of his business,
- of tax exempt intra-Community supply of goods,
- of supply of goods and services of public interest under tax exemption, of consideration of some financial, tax exempt insurance, supplies of services of additional nature.

If the taxable person opts for the cash accounting for the actual calendar year when registering in domestic territory (because he is entitled to do so), it is enough to fulfil the condition of the domestic limit value on a time basis.

The cash accounting may be chosen until the end of the calendar year. If the taxable person wishes to depart from it **for the next year, he/she has to make a notification about it until 31 December**. If the taxable person meets the conditions and wants to continue applying cash accounting, this does not need to be reported/notified.

If cash accounting **is terminated due to exceeding the value limit**, the taxable person may not proceed to use cash accounting in connection with the supply of goods or services, where the limit for the eligible option would be exceeded by the relevant consideration. Besides, the **taxable person may not opt for cash accounting before the end of the second calendar year following the year when it was terminated due to exceeding the value limit**.

The application of cash accounting or its termination shall be notified to NTCA.<sup>49</sup>

**The taxable person** – irrespectively whether he/she claimed cash accounting or not – **buying from a taxable person applying cash accounting**, may deduct the VAT charged by his business partner when the consideration was paid to his/her partner<sup>50</sup>.

## VII. Particular taxation methods

### 1. Legal status of taxable persons engaged in agricultural activities<sup>51</sup>

A taxable person engaged in agricultural activity<sup>52</sup> has a special legal status, therefore, as a rule, is neither liable to pay VAT, or file a tax return<sup>53</sup>, nor is entitled to the right of tax deduction. The taxable person in this special legal status is eligible for a flat-rate compensation additionally to the buying-in price for the supply of goods and services.

#### Eligibility terms for flat-rate compensation

The annex of the VAT Act stipulates<sup>54</sup> that – from the point of view of the application of VAT – the taxable person is entitled to a flat rate compensation for the supply of

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<sup>49</sup> Section 196/G of the VAT Act, Subsection (3) of Section 16 of Gov. Decree on GRTA.

<sup>50</sup> Section 119 of the VAT Act.

<sup>51</sup> Chapter XIV of the VAT Act.

<sup>52</sup> Section 197-198 of the VAT Act.

<sup>53</sup> Section 199, Section 257 of the VAT Act.

<sup>54</sup> Annex 7 to the VAT Act

agricultural crop and livestock products produced by the taxable person in his/her own business and services provided by him/her by the use of own tangible assets;

- besides, other conditions must also be met (size of the business, the dominant rate of the income from agricultural activity in addition to other activities, etc.),
- the person acquiring goods and services shall also be a person to whom the flat-rate compensation may be charged.

Meeting the above conditions, the taxable person is entitled to the special legal status by the force of law, so it shall not be claimed.

The taxable person performing agricultural activity may also change his/her special legal status. The taxable person **may give up the special legal status** and may opt for tax payment according to general rules that **shall be reported/notified to NTCA and may not depart from applying it until the end of second tax year following the year of the change**.

It is important that when registering for the tax assessment according to general rules or - the individual tax exemption, if the legal conditions are met – the fact of giving up on the special legal status relating to agricultural activity shall be marked on the registration form.

The agricultural producer of special legal status – when/if not eligible for flat-rate compensation – shall issue an invoice or a receipt: i.e. if he supplies goods or services to a non-taxable private individual, or to another producer of special legal status, the transaction shall be evidenced by an invoice or a receipt. Besides, he is also liable to charge VAT and file a tax return if not having opted for individual tax exemption for the mentioned activities.

More information on the taxation for agricultural activity can be obtained in information booklet no. 6.

## **2. Particular provisions relating to second-hand goods, works of art, collectors' items and antiques<sup>55</sup>**

As a rule, the dealer<sup>56</sup>, i.e. taxable person engaged in the trade of second-hand goods, determines the tax base based on the profit margin (equalling to the difference between the selling price and the purchase price) for the sale of goods that meet the conditions of the particular rule. This is the **individual records-based method**.<sup>57</sup>

The dealer may also decide that he/she assesses the recapitulative taxable amount, comprising the recapitulative margin on the goods to which the same rate applies supplied during the tax period. This is the **global records-based method**.<sup>58</sup> Such decision of the dealer shall previously be notified to NTCA. If the taxable person claimed to use the global records-based method, he may not depart from it until the end of the calendar year following the year when it was claimed. The global records-based method may not be applied to the goods with a purchase price of a value of over 50,000 forints.

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<sup>55</sup> Chapter XVI of the VAT Act.

<sup>56</sup> Point e) of Subsection 1 of Section 213 of the VAT Act.

<sup>57</sup> Section 217 of the VAT Act.

<sup>58</sup> Section 218 of the VAT Act.



As such, the dealer shall not have the right to deduct the tax relating to the acquisition – including intra-Community acquisition –, importation of second-hand goods, works of art, collectors' items and antiques, and may only issue invoices, on which neither VAT is charged, nor the percentage of it (determined with the rate “calculated back”) is indicated.

The special taxation method does not extended to all transactions of the dealer, but only for those for which the conditions of the VAT Act is met<sup>59</sup>. That is, where the second-hand goods, works of art, collector's items or antiques have been supplied to the dealer from the territory of the Community by

- a non-taxable person or organization, or
- another taxable person exempt pursuant to 87 of the VAT Act due to the provisions on the limitation of the right of deduction, or
- another dealer or
- a taxpayer in individual exemption status when selling the tangible assets.

A dealer registered in the domestic territory shall have the option not to apply this specific method to the whole of his activities, but for example pays his/her taxes according to the general rules. He/she shall notify such decision to NTCA before the last day of the calendar year preceding the year to which the decision pertains.<sup>60</sup>

The organiser of a public auction cannot waive margin scheme taxation (taxation of profit margin) and is subject to the special rules, i.e. the margin scheme taxation is obligatory to him/her.<sup>61</sup>

### **3. Particular provisions for the activities of tour operators<sup>62</sup>**

For travel services the particular provisions shall apply, departure from the application thereof is not possible even by choice.

Travel services<sup>63</sup> mean services provided by the taxable person

- in his own name,
- to a traveller,
- considered exclusively or chiefly as tourist services due to their key characteristics,
- comprising services and goods such as passenger transport, lodging services, room and board, guided tours ordered in his own name, but on behalf of the traveller, which are provided by other taxable persons.

The definition of the concept of traveller is not included in the VAT Act, therefore a person who, as a taxable person, uses the service for the benefit of someone else (subcontracts it) is also considered a traveller, so for example a tour operator or travel agent can also be considered a traveller.

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<sup>59</sup> Section 216 of the VAT Act.

<sup>60</sup> Subsection 1 of Section 224 of the VAT Act.

<sup>61</sup> Sub-chapter 3 of Chapter XVI of the VAT Act.

<sup>62</sup> Chapter XV of the VAT Act.

<sup>63</sup> Point a) of Subsection 1 of Section 206 of the VAT Act.

Under the special rules, only trips of a touristic nature are considered to be travel (agency) services.

*For example, if a foundation orders holiday program for children from a tour operator/travel agency, the expenses of which will not be charged to another party, it can also be considered a tour operator's service under the particular provisions.*

**The special tax assessment scheme for travel services is in fact a margin scheme,** the essence of which is that the amount of VAT payable by the travel agency shall be reduced by

- the amount of advances, or participation fees paid by travellers, and
- the fees for (sales and) services supplied to the traveller by other persons on behalf of the tour operator, and

the tax shall be assessed and paid on the "margin".

The tour operator shall not be entitled to deduct the tax charged relating to the services, goods ordered on behalf of the traveller and provided, delivered by another taxable person. So the tax relating to the purchase of tour operator's services or determined by the tour operator may not be deducted by the tour operator.

## **VIII. Liability to issue documentary evidences<sup>64</sup> - Invoicing, issuing receipts**

### **1. When is it absolutely necessary to provide an invoice?**

The taxable person shall issue an invoice for the supply of goods and services to another person or organisation if

- he/she supplies to a buyer that is a taxable person or non-taxable legal person, provided that the transaction is not such a tax exempt supply of good or supply of service, on which issuing an accounting document is enough,
- any advance payment is made to him/her by another taxpayer,
- any advance payment is made to him/her by a non-taxable person who asks for an invoice, and also if the invoice is not requested for, but the amount of the advance payment reaches or exceeds the amount equivalent to 900,000 forints,
- the taxable person supplies goods, provides services in another Member State of the Community, or third country (not only for a taxable person) provided that the taxable person has established his business that is most directly involved in the transaction in question inside the domestic territory (in the absence of such a place of business, have his permanent address or usually resides inside the domestic territory), and the person to whom goods or services are supplied is liable for payment of VAT,
- performs a transaction of a value equivalent to or exceeding 900,000 forints to a non-taxable person being non legal person VAT included (even if the consideration is paid in cash before the delivery and the buyer does not request an invoice), or below the above amount if the buyer requests and invoice.

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<sup>64</sup> Chapter X of the VAT Act.

If the taxable person issues the invoice on the advance payment received, obtained, the content, data of the transactions shall be indicated in the invoice to which the advance payment pertains in terms of the consideration payable.

The VAT Act details the obligatory data content of the invoice<sup>65</sup>. The listed items shall be stated on the invoice of a particular transaction.

*For example invoice date, invoice serial number, tax number of the supplier, name and address of the buyer, reference for tax exemption, reference for particular provisions of taxation, reference for reverse charge, etc.*

Other acts may also stipulate an obligation for the data to be stated on the invoice, but their inclusion or absence is not relevant for the purposes of the VAT Act.

## 2. When to issue the invoice?

The taxable person shall ensure that the invoice is issued not later than

- the goods or services are supplied,
- the assessment of the VAT payable in the case of an advance payment – i.e. when receiving, crediting or in other cases obtaining the advance payment received in cash<sup>66</sup>,
- in a reasonable time after the date when the goods or services are supplied.

A reasonable time

- is immediate in the case of a **purchase in cash or by cash-substitute instrument**, that means the invoice shall be issued **immediately** (if there is an obligation to issue an invoice),
- is **before the 15th day of the month following the date of the delivery** of tax exempt intra-Community supplies of goods or services under VAT Act or of some supplies of services where VAT is payable by the “foreign” customer in accordance with the rules applying in the Member State that is in compliance with the provisions referred to in Article 196 of the VAT Directive (in special cases of “exportation of services” under place of delivery according to general rule),
- is not more than **8 days** in other cases that involve the charging of the VAT,
- may be **determined by the taxable person him/herself** within reasonable considerations in other cases of non-cash payments and of non-cash-substitute instrument payment that involves no charging of the VAT.<sup>67</sup>

There is a possibility to issue an **aggregate invoice** if the taxable person provides several supplies to the same person or organization on the same day or in the same tax assessment period for which invoices are to be issued. In some intra-Community transactions the period of aggregate invoicing cannot be longer than one calendar month.

*For example, in the cases of tax exempt intra-Community supplies of goods and provision of services where VAT is payable by the buyer of the service in accordance with the VAT Act,*

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<sup>65</sup> Section 169 of the VAT Act.

<sup>66</sup> Section 59 of the VAT Act.

<sup>67</sup> Section 163 of the VAT Act.

*and the rules applicable in the Member State in compliance with Article 196 of the VAT Directive, in special cases of “exportation of services” under place of delivery according to general rule.*

**The parties shall agree in advance** on applying aggregate invoicing.<sup>68</sup>

### **3. Invoicing on behalf of the seller (proxy invoicing)**

The taxable person's obligation to issue invoices and/or receipts based on a prior written agreement, or on the basis of a power of attorney, in the name and on behalf of the taxable person

- may be taken over by a taxable person client or customer, or may be effected by a third party taxable person acting on his/her behalf.<sup>69</sup>

### **4. What is an invoice?**

Any document that meets the conditions laid down in Chapter X of the VAT Act is an invoice.

Such conditions include, for example, that they

- are issued according to the rules of the relevant member state,
- meet the obligation of authenticity of the origin, integrity of the content and legibility,
- contain the obligatory data,
- meet the conditions of appearance, etc.

Invoices and receipts may be electronic or paper-based in terms of their appearance.<sup>70</sup>

The authenticity of the origin, the integrity of the content and the legibility shall be ensured from the point in time of issue until the end of the period for storage of the invoice.

This requirement can be fulfilled by any business control procedure that provides a reliable audit trail between the invoice and the supply of goods or services.<sup>71</sup>

For electronic invoices, the requirements for authenticity of origin and integrity of the data content can also be met by

- means of a qualified electronic signature, or
- creating and transmitting as electronic data in an electronic data interchange (EDI) system.

Unless otherwise provided by law, e-invoicing requires the consent of the customer, even for e-invoicing with a qualified electronic signature, furthermore, e-invoicing with EDI requires a prior written agreement.

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<sup>68</sup> Section 164 of the VAT Act.

<sup>69</sup> Sections 160-162 of the VAT Act.

<sup>70</sup> Section 174 of the VAT Act.

<sup>71</sup> Sections 168-168/A of the VAT Act.

## 5. When to give a receipt?

A receipt must be given on the supply of goods or services if:

- The buyer of goods or the recipient of services is not a taxable person – not including non-taxable legal persons; and
- The value of transaction does not reach 900,000 forints, including VAT;
- The consideration for the transaction is paid on the day when the chargeable event takes place, at the latest; and
- The customer does not request an invoice to be issued.<sup>72</sup>

Instead of giving a receipt, the taxable person may also issue an invoice.

According to the VAT Act, the taxable person is not obliged to give a receipt if:

- He provides gambling services,
- He sells printed news materials, and
- The amount of consideration including the tax as well is rendered to him by using a vending machine provided for in the Act on RT.<sup>73</sup>

For certain definite activities, the obligation to issue receipts may exclusively be met by a cash register. This is provided for in separate legislation.<sup>74</sup>

The main rules on invoicing and giving receipts are set out in information booklet no. 18.

Up-to-date information on cash registers and their compulsory use can always be found on the NTCA website under the heading Tax/Online cash registers.

## IX. VAT assessment, accounting, filing the tax return<sup>75</sup>

### 1. Who assesses the tax?

VAT is assessed

- by the taxable person as a general rule (i.e. self-assessment),
- by NTCA imposition for taxable persons engaged in serial sales of real estate,
- by NTCA imposition for the importation of goods and certain intra-Community purchases of certain taxable persons under special regime<sup>76</sup>,
- by the taxable person when having a permit to self-assessment relating to importation of goods. The taxable person assesses the import VAT (not including the cases when customs debt arises due to the non-compliance with the rules)<sup>77</sup>.

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<sup>72</sup> Point b) of Subsection 1 of Section 165 of the VAT Act.

<sup>73</sup> Section 167 of the VAT Act.

<sup>74</sup> NGM Decree 48/2013 (XI.15.) on the technical requirements of cash registers, the distribution, use and servicing of cash registers used for issuing receipts, and the reporting of data recorded by cash registers to the tax authority

<sup>75</sup> Chapters IX and XII of the VAT Act.

<sup>76</sup> Section 153 to 155 of the VAT Act.

<sup>77</sup> Section 156 of the VAT Act.

For the assessment, declaration or payment of tax as well as for claiming the tax back, **records must be kept** which are capable of determining, by rate of tax charged, the amount of the

- tax due and payable on the sale,
- exemptions from the payment of taxes, and
- input tax charged, including the deductible and non-deductible part of the tax.

## 2. How to assess the tax?

The taxable person may make the deduction from the total amount of VAT due for a given tax period by subtracting

- the amount of VAT due assessed by him/herself according to reverse charge mechanism and the amount of deductible VAT for the same tax period,
- the amount of tax on the importation of goods assessed by the taxable person him/herself or its indirect customs representative and the amount of the deductible VAT arisen in the same tax period,
- the total amount of VAT charged to the taxpayer by another taxpayer, in respect of which, during the same or previous period or periods, at most within a calendar year prior to the calendar year covering that tax period, the right of deduction has arisen, and
- the amount of VAT paid on the importation of goods, furthermore
- the amount of VAT due on the supply of goods and the deductible input VAT charged in some cases stipulated in points a) and b) of Subsection (2) of Section 11 of the VAT Act.<sup>78</sup>

The difference is “the tax to settle”. If the taxpayer did not exercise or could not yet exercise the right of deduction in the tax period, later – within the term of limitation – it may be exercised by self-audit at the original time of the arisen of the VAT deduction right. It means that the VAT deduction can be exercised – beyond the VAT assessment period of the rise of the right of VAT deduction – within the time of limitation but in some cases the taxable person may only arrange this via the self-audit.

## 3. How to account for the tax?

If “the tax to settle” turns out to be positive, i.e. the amount of VAT payable exceeds that of deductible input VAT, the taxable person is liable to pay the amount of “the tax to settle” by the due date determined in the Act on RT<sup>79</sup>.

If “the tax to settle” turns out to be negative, i.e. the amount of deductible input VAT exceeds the amount of VAT payable, the taxable person - taking the term of limitation into account - may

- offset the difference during the next tax period against VAT payable, or

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<sup>78</sup> Section 153/A of the VAT Act.

<sup>79</sup> Subsection (1) of Section 185 of the VAT Act, Point 2 of Tax Return Filing Deadlines I in the Schedule No. 3 to the Act on RT

- claim the difference from NTCA back under the conditions and method specified.<sup>80</sup> The taxable person may claim the refund from NTCA from the beginning of the definite due date defined in Act on RT at the same time when the tax return is filed.)

NTCA complies with the application for VAT refund if the negative difference reaches or exceeds

- 1,000,000 forints in the case of taxable persons required to submit a VAT return monthly,
- 250,000 forints in the case of taxable persons required to submit a VAT return quarterly,
- 50,000 forints in the case of taxable persons required to submit a VAT return yearly.<sup>81</sup>

On termination by succession, the non-refundable amount of negative VAT stated in the predecessor's final VAT return linked to the predecessor's termination may be taken into consideration by the successor as an amount reducing the VAT payable – due to the fact that the conditions of the above mentioned value limit fail to comply. If the successor is not a taxable person in Hungary, the taxable person shall be deemed to have ceased to exist without a successor. In this case, the legal predecessor can request a refund of the negative tax shown in its final tax return.<sup>82</sup>

It has no importance for the refund whether the purchases have been paid or not, it is only important for the determination of the refund deadline.

If NTCA has cancelled the taxable person's tax number, the taxable person's right of tax deduction shall cease to exist effective as of the definitive date of the resolution ordering the cancellation of his/her tax number. If the tax number is re-established by the NTCA at the taxpayer's request, the taxpayer can exercise by self-assessment his/her right of tax deduction not exercised before the cancellation of his/her tax number, taking into account the limitation period.<sup>83</sup>

#### **4. How to declare the tax?**

VAT shall be assessed for a tax assessment period, i.e.

- for the period beginning with the first day and ending with the last day of the month for taxpayers required to file tax returns monthly,
- for the period beginning with the first day and ending with the last day of the quarter for taxpayers required to file tax returns quarterly,
- for the period beginning with the first day and ending with the last day of the year for taxpayers required to file tax returns yearly.<sup>84</sup>

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<sup>80</sup> Section 153/A of the VAT Act.

<sup>81</sup> Section 186 of the VAT Act

<sup>82</sup> Section 186 of the VAT Act.

<sup>83</sup> Section 246 of Act on RT, Section 137 of the VAT Act.

<sup>84</sup> Point 3.1.7 of Section B), Chapter I of Schedule No. 2 to Act on RT.

The VAT due shall be declared on the form with number '65, beginning with digits of the given year (declaration 2365 for the year 2023). In the form, the taxable person shall indicate whether the given declaration refers to monthly, quarterly or yearly period.

The declaration of the net amount of VAT shall be filed

- by the 20<sup>th</sup> of the month following the reference month by the taxable person liable to file a declaration monthly,
- by the 20<sup>th</sup> of the month following the reference quarter by the taxable person liable to file a declaration quarterly,
- by the 25<sup>th</sup> of February following the reference year by the taxable person liable to file a declaration yearly.

The positive amount of the tax to be settled shall be paid by the above deadline, and the negative amount of the tax to be settled may be claimed back from this date if the legal conditions described above are met.

Taxable persons – with some exceptions – shall fulfil their tax declaration obligation – i.e. also VAT return filing – electronically.

In any case, the recapitulative statement for intra-Community trade with number 'A60' – i.e. 23A60 in 2023 – shall be filed electronically as well.

## **5. When to declare the tax?<sup>85</sup>**

### **Monthly filing**

The tax return shall be filed monthly:

- by the taxable person liable to pay VAT, if the difference between the total amount of tax payable for the tax period(s) of the second previous year and the amount of value added tax that may be deducted originating from the same or previous tax periods, that have, however, been claimed during the tax period(s) of the second previous year, is positive for the entire year – or has been prorated on an annual basis – and is at least one million forints,
- if subject to value added tax liability under the group taxation scheme,
- in special cases by the indirect customs representatives<sup>86</sup>,
- warehouse operators of special legal status<sup>87</sup>,
- by the taxable person that is subject to tax liability exclusively due to the importation of goods underlying the exemption in connection with the intra-Community supply of goods, and
- by the taxable person on value added tax liabilities for the year of registration and for the following year, if started up during the tax year without any predecessor.

In addition to the above, taxable persons belonging to a special taxation status

- opting for individual tax exemption,
- exclusively performing activity of public interest or of other special nature, and

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<sup>85</sup> Point 3 of Section B), Chapter I of Schedule No. 2 to Act on RT.

<sup>86</sup> 85 Section 96 of the VAT Act

<sup>87</sup> Section 89/A of the VAT Act



- that are taxable persons of special legal status performing agricultural activity shall file their tax return monthly.

The taxable person belonging to this special group of taxpayers has “eventual” VAT return filing obligation if

- he/she had a transaction resulting in the need to file a VAT return in that particular month: VAT payment obligation has arisen,
- he/she had an intra-Community transaction resulting in the obligation to file a recapitulative statement, or
- he/she wants to exercise the right of tax deduction.<sup>88</sup>

### **Yearly filing**

The taxable person liable to pay VAT shall submit the VAT return yearly if

- in the second year preceding the tax year the total amount of tax to be accounted did not reach two hundred and fifty thousand forints (negative or positive) for the entire year-or has been prorated on a time basis for the year, and
- the total amount of consideration due in the second year preceding the tax year, exclusive of VAT, for supplies of goods and/or services under the VAT Act does not exceed fifty million forints, and
- does not have a Community tax number.

### **Quarterly filing**

A quarterly return frequency may be due, for example, to the exceeding of annual frequency thresholds, or the activation of a Community tax number.

Please note that the tax return filing frequency may change due to the exceeding of the value thresholds.<sup>89</sup>

The tax return shall be submitted regardless of whether the amount of tax to be settled is positive or negative, or zero.

## **X. Obligation of online invoice data supply (domestic recapitulative statement, also called summary statement)<sup>90</sup>**

The taxable person supplying goods and/or services, acting as an issuer of invoice, is liable to online data supply of the invoices, which shall be made out

- on a printed form using the electronic platform provided by NTCA to be effected within 4 days, or if the amount of tax included in the invoice reaches or exceeds five hundred thousand forints, within 1 day,

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<sup>88</sup> Section 257 of the VAT Act

<sup>89</sup> Rules concerning the VAT return filing are stipulated in Point 3 of Section B), Chapter I of Schedule No. 2 to Act on RT.

<sup>90</sup> Schedule No. 10 to the VAT Act.

- with an invoicing software – with programs featuring invoicing functions – immediately, via machine-to-machine link in the way determined in the particular legislative act<sup>91</sup>.

The obligation to supply invoice data online **relates to all invoices made out or issued by taxable persons, to which the rules of the VAT Act apply.**

In relation to invoices, the taxable person exercising the right of deduction, receiving the invoice also has an obligation to make a summary statement on the acquisition of goods and/or services as well as in the case of an advance payment. This shall be indicated on 'M' sheets of the VAT tax return no. 2365.

You can find more information on this on the NTCA website, under the priority topics, under the heading Online invoices.

The tax liabilities of intra-Community acquisition and supply of goods and services are available in dedicated information booklets downloadable from the webpage of the NTCA.

## **XI. Further information, assistance**

If you have further questions relating to the rules of taxation, please feel free to contact us using the contact details below!

### **On the internet:**

- on the homepage of the NTCA: <https://nav.gov.hu/> (Hungarian) or <https://nav.gov.hu/en> (English)

### **In e-mail:**

- using the form available at the link:

[https://nav.gov.hu/ugyfeligiranytu/keressen\\_minket/levelkuldes](https://nav.gov.hu/ugyfeligiranytu/keressen_minket/levelkuldes) (bilingual)

### **Over the phone:**

- on the Info Line of the NTCA dialling
  - 1819 in Hungary,
  - 36-1-461-1819 from abroad.

The info line can be reached between 8:30 am till 4 pm on workdays from Monday to Thursday, between 8:30 am till 1:30 pm on Fridays.

Please select menu item (1) for general information and for specific information and managing individual cases menu item (2)\* needs to be opted for.

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<sup>91</sup> Decree No. 23/2014 (VI.30.) of the Minister for National Economy on the Tax Identification of Invoices and Receipts, and on the Supervision by the Tax Authority of Electronically Stored Invoices.

\*You need to have a customer identification number or Partial Code Phone Identification (RKTA) to use the service. If you do not have a customer identification number, you may request it on the form TEL that shall be lodged to the NTCA in person or through KÜNY electronic storage space. Please note that if you wish to use ÜCC not in your own matter, you shall also file a form named EGYKE.

**In person:**

- at the Taxpayer Information Services of the NTCA throughout Hungary  
Search: <https://nav.gov.hu/igazgatosagok/ugyfelszolgalat-kereso>  
(Hungarian).

**National Tax and Customs Administration**