



National Tax and  
Customs Administration

# ANNIVERSARY KAIG 15





VII. kerület, Dob utca 75-81.

# The director general's dedication

*"Remember: if a job is worth doing  
it's worth doing well."*

*Ruth Rendell*

**Dear Reader,**

We have the honour of dedicating our present compilation to you, published to mark the 15th anniversary of the establishment of the Large Taxpayers Directorate.

In the past 15 years we have made serious efforts to achieve the best possible results and high efficiency, thereby creating a tax office which acts rather as a service provider. This success and good performance would not have been achieved without our taxpayers' contribution and to be accurate it is they who deserve acknowledgement for being so law-abiding and co-operatively correct and for their willingness to think together with us. By voicing their new needs and wants, they have promoted progress and helped the development of our organization.

The Large Taxpayers Directorate (abbreviated as KAIG in Hungarian) came into existence in 1996 to deal with the largest taxpayers of Budapest and Pest County. The creation of the directorate was an important and significant step in the history of Hungarian tax administration and the tax authority itself. The experience of the past 15 years as well as the positive feedback fully confirm and justify its existence: its functioning and operations have proved to be a success.

There have been many changes in the history of the tax office and more and more demanding expectations have had to be met in a continuously changing environment. The tax directorate could not avoid changes either but we have tried to respond to them as flexibly as possible, so we are pleased to point out that – apart from some minor alterations – we have managed to stick to the basic idea of dealing with large taxpayers separately. After this short introduction, I wish to recommend this publication to you, the reader, in the hope that you will find it an interesting, valuable and memorable summary of the past 15 years.



dr. Katalin Somos  
Director General





*XI. kerület, Bartók Béla út 156.*

# Greetings



We are celebrating the 15th anniversary of the Large Taxpayers Directorate and wish to give you a warm welcome on this occasion.

Fifteen years is a significant amount of time in the life of an organization but also a chance to evoke and review all the actions, occurrences and most important stages of our history – a common experience, shared by colleagues as well as taxpayers. Not only major organizational changes have taken place in the past 15 years in Hungarian tax administration; parallel to the organizational changes the control strategy, as well as the procedures and methods used have also been changing continuously. The motivation behind the changes was to have the necessary supervision to assure tax revenues.

The objective behind all these efforts was to create a tax authority that operates as a fair, professionally well-grounded service provider that meets the demands of the time, satisfies all legal requirements and applies solutions that also foreshadow progress at an international level.

Together with the cooperation of taxpayers in our purview, our tax directorate played a leading role in the establishment and development of e-administration.

The course of development of our e-administration – starting with a test run of the first electronic system for filing tax returns at the KAIG in July 1997, then changing to a chip card system and finally arriving at the current form of filing tax returns via the customer portals on the Internet, equipped with a widely accessible system operating through the customer portal and ensuring the availability of a continuously widening range of services – is now only of historical interest.

The aim of our present overview is to provide a clear and authoritative picture of what we have achieved so far by showcasing our taxation activities as well as our achievements, and, by doing so, to illustrate the role the largest Hungarian taxpayers play in the Hungarian economy and in shaping budget revenues.

A handwritten signature in blue ink, which appears to read 'Dávidné Moór'.

Dávidné Moór  
Director

# *Introduction*

We celebrated the 15th anniversary of the existence of the Large Taxpayers Directorate in 2011. The tax directorate began its operations on 1st February 1996 in its Budapest headquarters, situated in Bartók Béla út 156 (11th District). By so doing the first – also internationally accepted – aim had been achieved, namely that the efficient fulfilment of tax administration-related tasks should be provided in a

focussed way by means of an organizational unit specializing in the largest taxpayers, thanks to its more direct connection with them.

On the occasion of this anniversary we will recall the most important events of the past one and a half decades, cast our thoughts back on tasks we have completed, and results we have achieved, as well as describing how we have developed.





# *The establishment of the NAV*

## *Large Taxpayers Directorate and its organizational changes*

The Large Taxpayers Directorate of Budapest and Pest County within the Hungarian Tax and Financial Control Administration (APEH) was established in 1996; at the same time the former Budapest Directorate was divided into three parts, namely the South-, the East- and the North Budapest Directorates.

The reorganization had been preceded by several years' of preparatory work.

It was required because there were operational and management-related difficulties in the tax administration system of the capital city Budapest as a result of continuously increasing taxation-related responsibilities that were not matched by the commensurate expansion of resources.

The KAIG dealt with first instance taxation-related to the largest tax payers in Budapest, as well as in the county of Pest. The objective behind managing the largest taxpayers separately was to pay special attention to the ones – those in the so-called “viri lists” (positive debtors' lists) – providing more than one third of the tax revenues of the national budget. It did not provide any extra licence to these taxpayers, since the laws relating to taxation apply equally to all taxpayers.

The efficient taxation and auditing of large taxpayers requires different types of specialised skills from the employees dealing with them. Special attention has to be paid to avoiding major tax arrears by serving the clients better, auditing them more often and by collecting tax dues promptly. The objective was to safeguard budget revenues by setting up a partnership for carrying out administrative activities in which especial value was put on compliance with the law.

During this period the organization of the KAIG was characterized by a block-like structure, which was divided up on the basis of technical expertise. In the beginning the directorate was staffed with 141 qualified employees, then by the year 2000, when contributions were integrated, as a result of increasing responsibilities 195 people were already dealing with the taxation-related duties to meet the demands for technical expertise that had changed in the meantime. About 98-99% of positions were filled, and the proportion of employees with higher level qualifications was 72%. The year 2007 brought further changes in the organization and activities of the tax authority. Seven regional directorates were created from the former county directorates (corresponding to regions into which the country is divided up for statistical purposes). At the same time however, from 1st January 2007 the tax directorate was acting as a country level tax authority of first instance

The organizational units of the **Tax and Contributions Section** were responsible for the following taxation-related activities: taxpayer registration, tax returns, tax accounting, setting up the information technology (IT) system, the provision of customer service, tasks concerning the taxpayer registry, tax administration, tax arrears collection and payment easements.

The basic tasks of the **Audit Section** were to perform tax inspections and official audits concerning taxpayers within the jurisdiction of the directorate, to realize audits (issue first instance rulings, enforce sanctions, etc.), forward appeals to the superior authorities, as well as to perform targeted and subject-related investigations. Furthermore, it also carried out related audits based on requests arriving from other county level directorates. The investigation-related activities were primarily determined by the legal obligation to inspect taxpayers in the highest tax bracket at least biannually with respect to all kinds of tax.

The organizational units of the **Operative Section** carried out extensive functional duties. They provided the personal and material prerequisites for the proper functioning of the directorate, law compliance controls, internal and external legal coordination. In addition they coordinated the functions of the directorate and the technical expertise sections as well as carrying out data-analysis and data-service activities.

**The focal points of the directorate's activities were the following: strict compliance with the law, up-to-date IT background, as well as a customer-centric attitude.**

under a new name – Large Taxpayers Directorate (abbreviated as KAIG, based on the initial letters of the Hungarian name for the institution) –, thus, compared to its legal predecessor it was expanded with new organizational units and duties. All tax administrative responsibilities of first instance that necessitated national competence were imposed on the KAIG, so it dealt with the taxation of taxpayers who qualified as large according to law, that of taxpayers falling under exclusive competence, carried out the centralized audits prescribed by the president of the tax authority, as well as the administration tasks related to taxpayers falling within specific competence. These duties were fulfilled by three units each comprising a field of specialised expertise – each headed by a correspondingly specialized director –, namely the Large Taxpayers, the Centralized Audit fields and the area of Matters of Exclusive Competence. The operational activities of the directorate were carried out by independent units under the direct control of the director. As a result of these changes in organization and responsibilities, on 1st April 2007 the enlarged administration moved to a centre located at Dob utca 75-81. in the 7th District of Budapest. From 1st October 2010, the KAIG continued its work within the framework of the Directorate General of Priority Cases and Large Taxpayers (abbreviated as KAFIG, based on the initial letters of the Hungarian name). The Directorate General – as a part of the

three-tier organizational structure established within the Hungarian Tax and Financial Control Administration as of 1st October 2010 – was created in accordance with Government Decree No. 241/2010 (IX.24.) as an amendment to the law on Tax and Financial Control Administration. Within the Directorate General the KAIG fulfils the tasks related to taxation of first instance as an individual directorate. The Directorate General not only co-ordinates, supervises and evaluates the technically specialised work of the directorate, it also co-operates with the organizational units of the directorate.

The National Tax and Customs Administration (abbreviated as NAV, based on the initial letters of the Hungarian name) came into existence as of 1st January 2011 – with the integration of the Hungarian Tax and Financial Control Administration and the Hungarian Customs and Customs Police and operates as a government authority. Following the closure of the two former organizations the new authority has become responsible for duties involved in tax and customs administration, and – in connection with criminal offences defined by law – tax investigation as well. Following the creation of the NAV the Large Taxpayers Directorate (KAIG) still continues its activities within the organization and under the direction of the Directorate General of Priority Cases and Large Taxpayers.





# The change in composition of taxpayers belonging to the KAIG

The selection criteria for becoming a large taxpayer are determined by the legal regulations in force during a particular period. Between 1996-2002 the basis of the calculation was net income and net tax liabilities. From 2003 onwards they were replaced by the calculation of tax performance based on other criteria; the methods of calculations as well as the relevant threshold values were determined by the decree of the Ministry of Finance (abbreviated as PM, based on the initial letters of the Hungarian name). The parameters of being involved valid for 2011 are stipulated by the decree of the Ministry for National Economy (abbreviated as NGM, based on the initial letters of the Hungarian name).

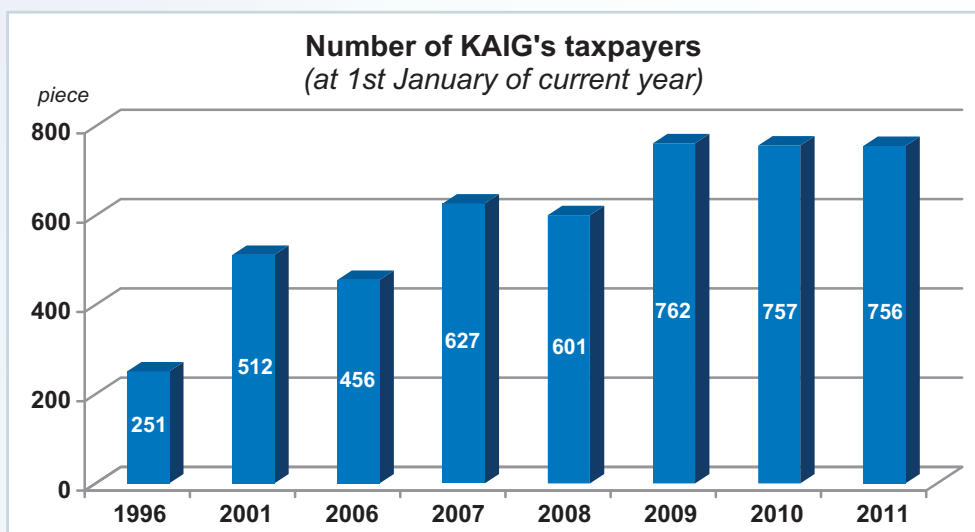
The number of taxpayers changed fundamentally on the basis of the different parameters used at different times. A Government Decree taking effect from December 2007 directed that the KAIG should be exclusively responsible not only for procedures related to VAT group taxation or tax matters of the VAT group represented by a group representative, but also for all tax-related issues of every group member. As a result, the number of taxpayers increased significantly, and taxpayers with very different characteristics than those hitherto included in the category of large taxpayers were also included in the group of taxpayers overseen by the directorate. For this reason the KAIG initiated an amendment of the Government

## The selection criteria for becoming a large taxpayer

in million HUF

Type of enterprise	1996-1997	1998-1999	2000-2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>In case of enterprises</b>													
- net sales revenue	4 500	6 000	9 000	11 000	11 500	-	-	-	-	-	-	-	-
- net tax liability	300	300	450	1 200	-	-	-	-	-	-	-	-	-
- consumption tax	100	100	-	-	-	-	-	-	-	-	-	-	-
- VAT refund	300	300	450	1 200	-	-	-	-	-	-	-	-	-
- tax performance*	-	-	-	-	1 800	1 600	1 600	2 000	2 200	2 200	2 700	2 750	3 000
<b>Banks, insurance companies</b>	without parameters			share companies									
<b>Other Financial institutions</b>													
- net tax liability	180	180	350	700	-	-	-	-	-	-	-	-	-
- tax performance*	-	-	-	-	1 800	1 600	1 600	2 000	2 200	2 200	2 700	2 750	3 000
<b>Taxpayers, whose financial year differs from calendar year</b>													
- tax performance	-	-	-	parameters independently	1 700	1 600	1 600	2 000	2 200	2 200	2 700	2 750	3 000

\* remark: As of 1st January 2003 the term of tax performance replaced the term of tax liability.

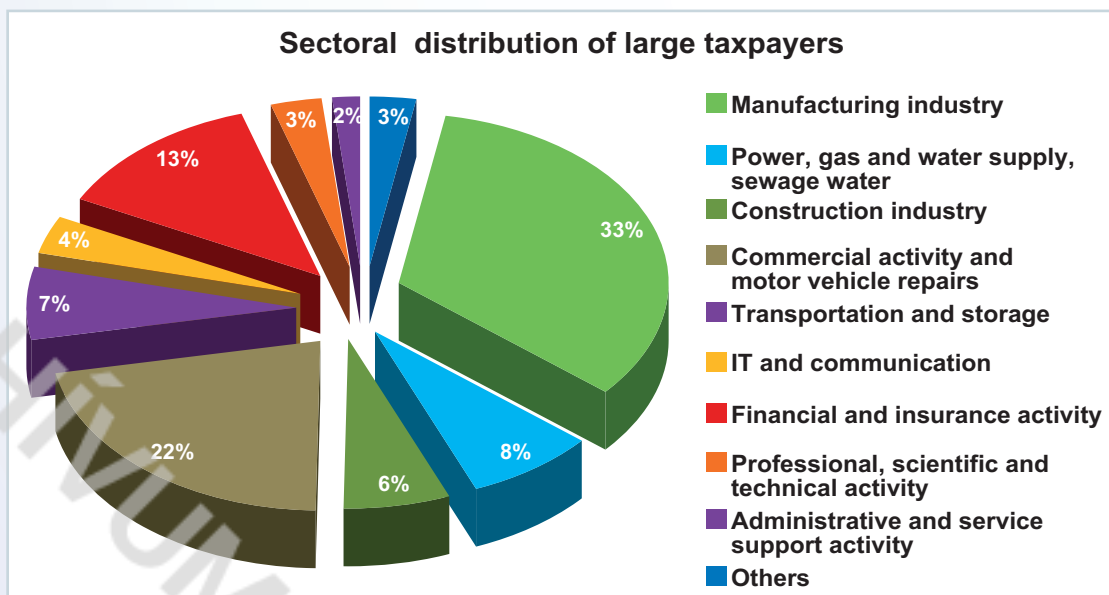


Decree as a result of which the taxation matters of VAT group members – apart from those concerning value added tax itself – were given back to the responsible directorates from the year 2009 onward, and after this the KAIG dealt with the taxation matters of only those group representatives and group members who, as defined by competence rules, were originally classified as large taxpayers. The distribution of large taxpayers with regard to the type of business organisation as well as to the sector of the national economy to which they belong has remained similar over the years.

Based on the figures for 2011, 46% of operative taxpayers are joint stock companies (either public Nyrt, or private Zrt), whereas 54% are limited liability companies.

With respect to the sectoral distribution of large taxpayers the largest numbers – almost one third – operate in the manufacturing industry. The second biggest group is involved in commercial activities; 22% of the taxpayers belong to this group.

Companies working in the financial and insurance sector are also significant; they represent a share of 13%.





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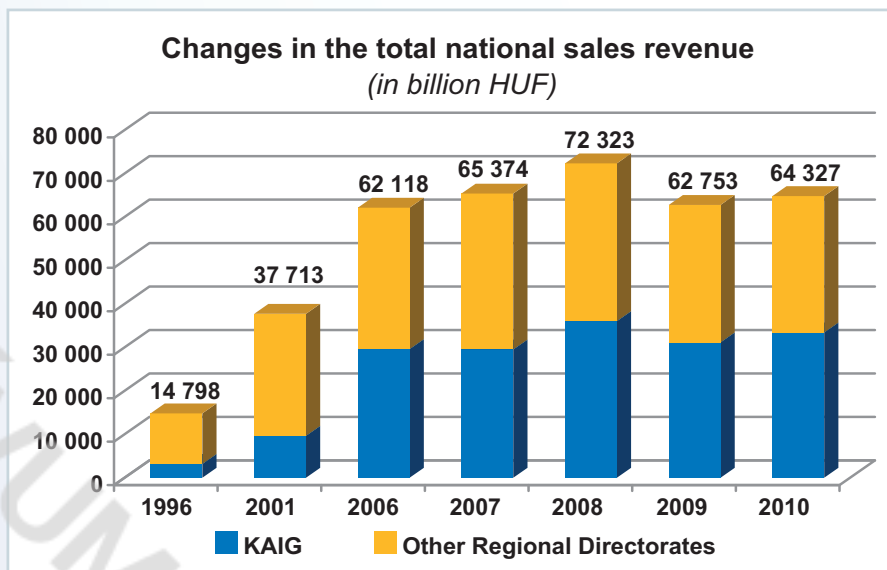
# Major economic characteristics of KAIG taxpayers, and how they have changed

The net sales revenue administered by the KAIG has increased tenfold since the establishment of the directorate; the initial sum of HUF 3.175 billion has increased to HUF 32.955 billion. The rate of growth is twice the national average; the reason for this can be traced back to economic causes on the one hand, such as increases in turnover and price as well as inflationary effects, and since 2006 to an increase in the number taxpayers included in this category on the other hand. As a result of all these changes the contribution of the KAIG to the country's revenues has increased to almost 50% compared to the 21.5% in the period before 2006. There are 104 companies among the taxpayers who have been continuously overseen by the directorate since it started; these represent above all the biggest manufacturing, public service provider and telecommunication companies. The revenues of these so-called "regulars" represent about 36% of the enterprise-related revenues of all KAIG taxpayers today.

About two thirds of the revenues from large taxpayers originate from the Central Hungarian Region, whereas, following the restructuring that extended the jurisdiction of the KAIG to the whole country, the remaining one third comes from other regions.

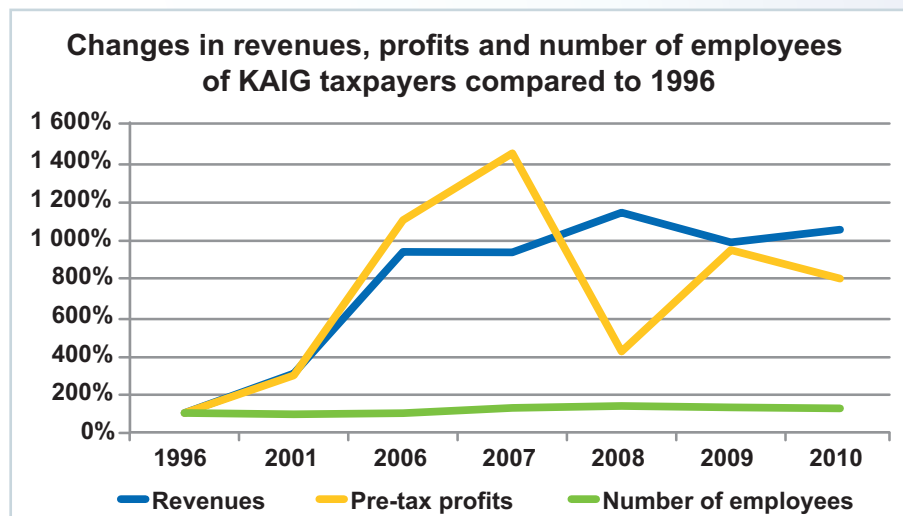
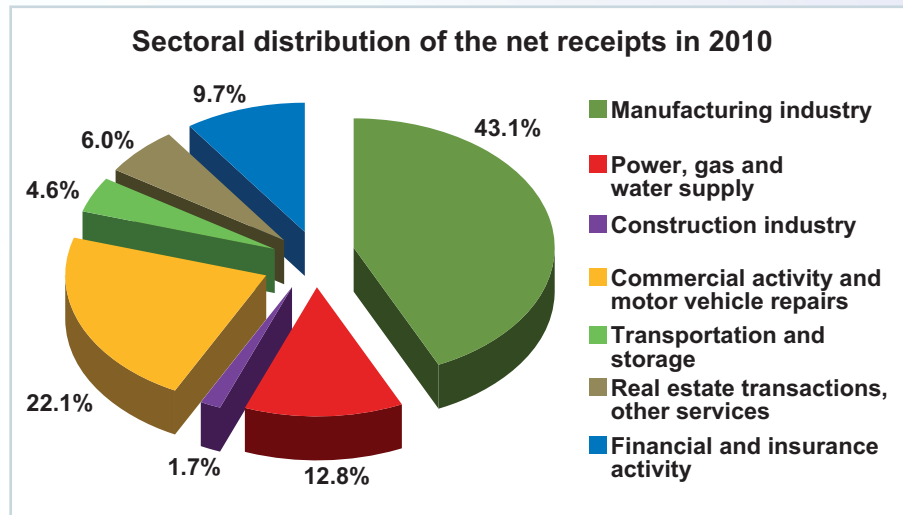
The sectoral distribution of the net receipts reflects the nationwide picture, where manufacturing industry and the commercial sector have the most significant share. Within specific sectors, such as crude oil processing, power supply, pharmaceutical industry, postal and telecommunication services KAIG taxpayers generate a very high proportion of the revenues. A very high proportion of revenues is also generated by important domestic rail and road transport companies, and by the spectacularly developing mobile and Internet service providers that fall within the jurisdiction of the directorate.

Within the commercial sector the revenues from the largest department store chains, do-it-yourself and electric stores as well as



motor vehicle retailers stand out and within the financial sector the receipts from almost all major financial institutions and insurance companies are obtained through the KAIG. Nowadays 38% of the net sale income of KAIG taxpayers derives from export. The export ratio was not always that high. During the first ten years of the fifteen years the directorate has been in existence this ratio was between 17-20%, then, from year 2006 it increased to between 38-42%. This increase of the export ratio derives from the revenues of the country's two biggest exporters, whose receipts are based on car manufacture and the assembly of telecommunication devices and is a result of the major change that took place when the directorate's responsibility was extended to include the whole country as almost all the sales of these two companies went to foreign countries. As a result of the growing export ratio, KAIG taxpayers now produce 65% of Hungarian exports.

In the past fifteen years pre-tax profits increased dynamically in parallel with revenues, from one hundred billion HUF to one trillion. Only in the financial year 2008 was there a major profit decrease, but it proved to be temporary based on the results of the following two years. 65-70% of the companies belonging to the directorate have been profitable in the recent years, and the total profits amount to half the national economy's pre-tax profit. During the past 15 years 17-18% of the people employed in business have been employed by the large taxpayers; this ratio – after the KAIG assumed nationwide competence – increased to about 22-23%, representing approximately half a million employees. The number of people employed by large taxpayers shows a slow but continuous decrease of a few percent. The increase in the number of employees after 2007 derives from the increased number of taxpayers following the change from a regional to a national organization. Despite sectoral changes – such as an increase of 45% in the number of people employed at commercial department



store chains – this higher number is also gradually decreasing. The above average increased income and results, with a similarly dynamic growth rate show also significant efficiency in the range of large taxpayers with respect to the specific output projected to the number of people. The income and the pre-tax profit per capita have been many times higher than the average of regional directorates in the recent years.

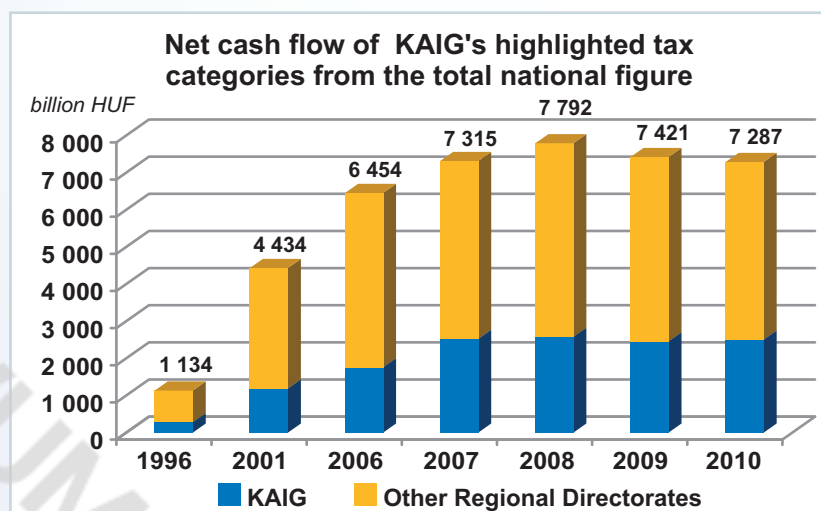
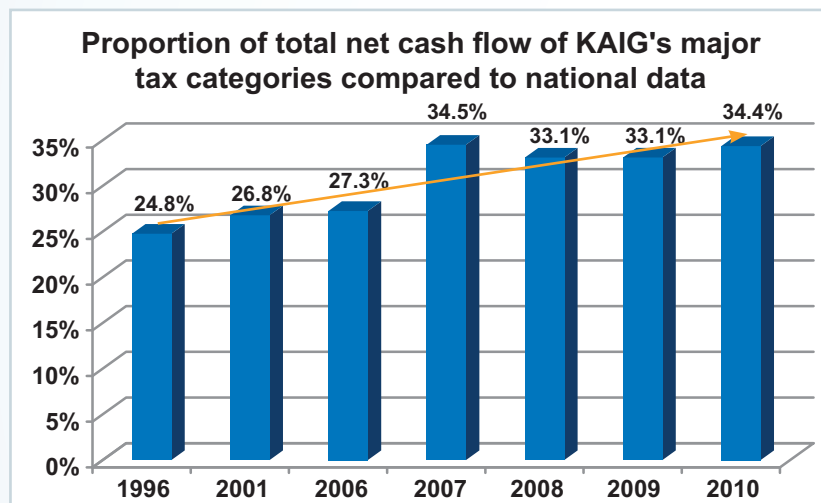
The capital stock of large taxpayers represents 45% of all business share capital, half of which is in foreign hands. The proportion of share capital owned by large taxpayers is highest in the electricity sector. The highest proportion of foreign investments is in the financial sector, where it is above 70% and where its share of the balance sheet total exceeds 50%.



# Cash flow performance of KAIG taxpayers within the major tax categories

Large taxpayers have been playing a significant role in the total tax revenues of the country since the very beginning. In the course of the 15 years that have passed since the establishment of the KAIG the proportion of net cash flow in the highlighted tax categories with respect to the national figures has grown from 24.8% to 34.4%.

The net cash flow performance of this group of taxpayers resulted in almost a ninefold revenue increase for the central budget. The total net cash flow in the major tax categories contributed by large taxpayers grew from HUF 281 billion in the first year of the directorate's establishment to HUF 2504 billion in the year 2010.



Besides the three most important tax categories – corporate income tax, personal income tax, and value added tax – social security revenues also began to appear from year 1999 with the integration of the Hungarian Tax and Financial Control Administration and the social security contributions.

The change in cash flow from the highlighted tax categories in recent years has been influenced by various factors, including primarily the amendments of tax laws, changes in the selection criteria for inclusion in the large taxpayers group, and also the effects of the general economic and financial environment on the management of individual taxpayers.

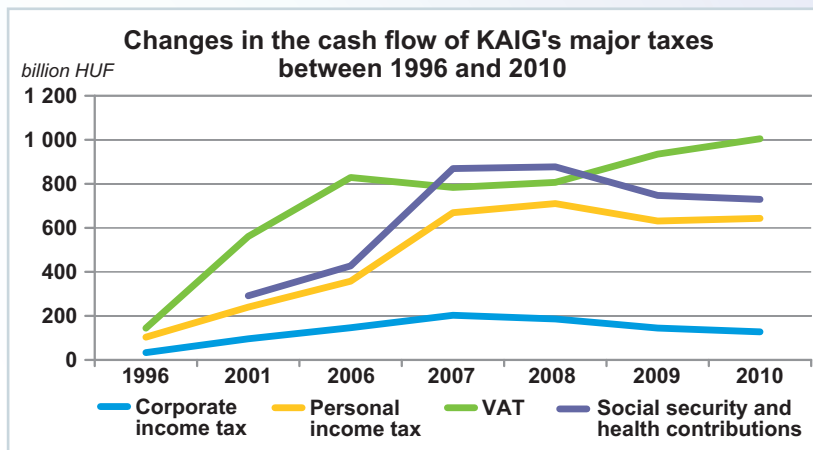
Both the amount and proportion of value added tax are the highest single element in the central budget. The balance of payments and allocations of large taxpayers was above 43% in 2010, making up HUF 1004 billion in the net VAT cash flow of the country. In 1996 it made up only 28% (i.e. a revenue of net HUF 144 billion) of the national figures.

The amount of personal income tax contributed by KAIG taxpayers represented almost 36.5% of the national payments. More than 25% of the country’s social security contributions, calculated including health contributions, derived from the large taxpayers’ payments.

The fact that the proportion of social security contributions from KAIG taxpayers was lower than that of the personal income tax was mostly because of the savings tax payments of financial institutions, the higher than national average earnings, as well as the higher proportion of allowances not subject to social security contributions.

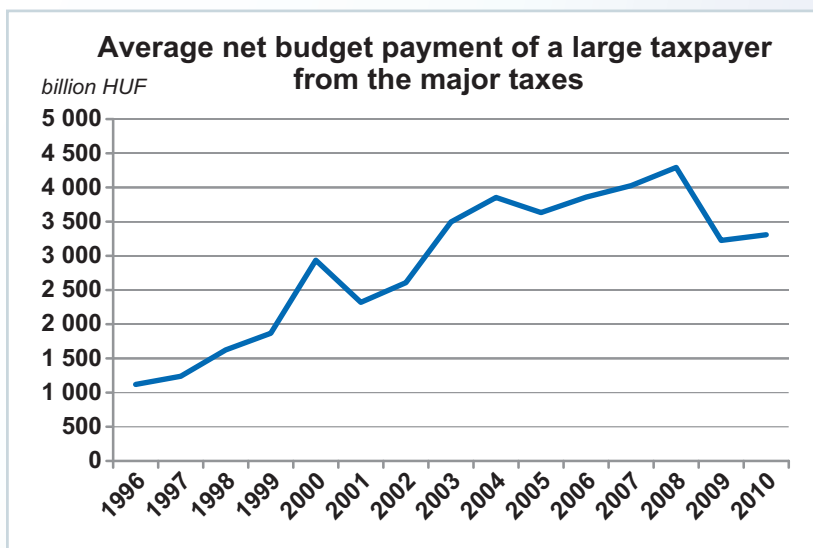
The net payments of personal income tax have increased sixfold, i.e. to HUF 643 billion during the past 15 years. In the 12 years since 1999 the extent of the increase in the collective cash flow from social security and health contributions has been by a factor of 3.5 times, and in the year 2010 amounted to HUF 729 billion.

The corporate income tax payments contributed by the taxpayers of the directorate have increased from 26% to almost 40% of the national payments during the 15 years concerned, primarily as the result of the activities



of successful businesses and an increasing number of companies. In the recent years there have been shifts in the composition of net tax and contribution payments contributed by large taxpayers. While the proportion of personal income tax has been increasing, value added tax, judged to be the tax category of the highest importance, has shown fluctuations (but recently it has started growing again). As opposed to the previous tax categories social security contributions and the net payments of corporate income tax have shown a tendency to decrease.

In evaluating the specific indicators of the annual net budgetary contribution of large taxpayers, it can be seen that a recession accompanying the financial crisis – and then a slow upswing – is clearly indicated by the trend in the average tax incidence per taxpayer.





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ThyssenKrupp Ferrotech

ARCHIVUM





# *Electronic filing of tax returns from the starting steps till today*

In the 1990s the European Union developed programs and action plans for the improvement of knowledge based society, including e-governance.

The recommendation of the Union affected the development of electronic tax administration directly, by suggesting a sequence for the Member States regarding the introduction of electronic procedures. The detailed list specified 12 public services for citizens and 8 for enterprises. The National IT Strategy which was drafted in 1994, aimed at the domestic fulfilment of the European requirements.

The tax directorate played a leading role in the establishment of e-governance.

As a first step – in July 1997, within the framework of the Tax Administration Modernization Project as a test run – the first electronic tax return filing system (hereinafter referred to as ELAB) was introduced in the the KAIG, based on an X400-type mailing system and made the filing of monthly VAT returns possible. To start with there were seven taxpayers willing to participate in the test run.

The legislative framework for providing electronic signatures was not then available, thus – as a temporary solution to ensure authenticity – after printing the tax returns a car delivered them to the taxpayers to have them signed.

However, with the increasing number of taxpayers voluntarily joining the system, this method proved to be unfeasible, so a few months later – based on an American model – the so-called H-sheet was introduced for authentication. This one-page document, which included the major data of the electronically filed VAT return, was sent back to the taxpayer, who, after having printed and duly signed it, sent it back either personally or by mail.

Gradually, 120 taxpayers joined this system voluntarily by signing collaboration agreements. Taxpayers could check data within their VAT returns with the help of the filling program, and they could also import page 4 (the data of items under customs procedures) from their own IT systems.

The running of the system became increasingly costly because of external developments and the fulfilment of further demands ne-

gotiated with the taxpayers. For this reason a decision was made for the IT professionals of the tax authority to develop and introduce an even more up-to-date system.

The ELAB system was completed by April 2000 and operated until January 2002. VAT returns completed in this system could be sent by the taxpayers on a telephone line in an encoded way to the KAIG server. After processing and checking, the H-form was created, which was electronically returned to the taxpayers' mailbox. This process took only 10-15 minutes.

Besides the authentication of tax returns taxpayers also received the actual current account statements in their mailboxes on the 10th day of every month as a new service. It was also possible to join this system voluntarily. The standard of the services improved continuously keeping pace with the possibilities made available by IT-technology at that time, as a result in the year 2000, 160 taxpayers were using this system.

The development of telecommunications made it possible that in March 2001 a project aiming at the development of Internet-based tax returns filing could be initiated within the tax authority. The goal of the project was to develop the ELAB system into an Internet-based country-wide system. As a result in the first days of February 2002 the test run of the Internet-based ELAB (hereinafter referred to as: UJELAB) was commenced at the KAIG.

In order to inform taxpayers, the KAIG organized several presentations, where participants could take part actively in the test phase. As a consequence of this collective effort, 230 taxpayers joined this system. In addition, as a result of continuous improvements, the range of tax returns transmittable on the Internet further expanded beyond the monthly VAT returns.

The potential for long-term development has been facilitated by legislative regulations on electronic signatures. By implementing the legally required IT framework, the tax authority could receive and process digitally signed tax returns, whose authenticity could be verified.

Based on legislation that came into force on 1st October 2002, submitting tax returns as well as supplying data electronically became compulsory for KAIG taxpayers. The new system was given the name ABDA (corresponding to the Hungarian abbreviation for tax returns with digital signature). The establishment of this system meant a huge professional challenge for both KAIG employees and taxpayers due to the short period of time available for implementing it. In connection with the system, 948 proxies of 475 taxpayers received a chip card.

The president of the Hungarian Tax and Financial Control Administration ceremoniously handed over the first chip cards for the first 5 taxpayers at a press conference on 29th August 2002.

After overcoming the initial system-based technical problems in detail, tax returns could be submitted on a continuous basis; taxpayers could download receipts furnished with a barcode and a time stamp within a few minutes to document and authenticate the fulfilment of their tax declaration duties. From 2003 onwards, taxpayers could also control their data stored with the KAIG electronically.

The system developed in the KAIG established the basis of the almost intuitive tax return filing system that is nowadays widely used and which was extended to the 3000 largest taxpayers (in terms of tax performance) as from 1st February 2004.

It was again at the KAIG that on 1st January 2004 the newly developed eBEV system was first launched, chip cards were replaced

with an Internet username and password; the gradual extension of the circle of taxpayers as envisaged could only be executed this way in the long run. Thus several services became accessible via the customer portal and the system has been continuously expanded and updated in response to customers' demands.

From 2005 the number of taxpayers obliged to use the system increased to 10 000, and from April 2005 – with the introduction of contribution returns filing – any taxpayer could voluntarily join the system. Then from 2006 onwards, submitting monthly contribution returns was only possible in this way. The continuous development of the system made it feasible for an increasing number of taxpayers to fulfil their tax return filing and data submission obligations in an electronic way. In parallel to this the tax authority extended the scope of electronically available services that can now be downloaded by taxpayers every day for filling out their tax returns or performing their data check-ups.

The changes in the number of electronically received tax returns clearly demonstrate that the tax authority plays a leading role in the establishment of e-governance. The service-related to tax returns achieved a rating of four on the EU's five point scale.

The rapid development of telecommunications undoubtedly generates further opportunities and challenges. By creating the appropriate legislative background several other services could also be developed that can help taxpayers to optimise the performance of their tax duties.



# Client relationship management system in the KAIG

In 1996 the customer service unit, established when the KAIG started, operated in a client relationship management system that differed from that used in traditional practice. The system was based on the idea that each taxpayer was assigned to a specific permanent administrator; this client relationship manager had to deal with taxpayer registration and tax-return processing, as well as customer service-related tasks. Entering numbers into the current accounts belonged to a separate organizational unit. As a result of introducing an electronic method for dealing with tax administrative duties, the organization of KAIG could flexibly adapt to internal and external requirements. The preparatory arrangements for reorganising customer service activities commenced in spring 2002, in line with the preparations for the obligatory electronic tax return filing system. After the closure of the tax accounting department, a complex customer service section was set up by merging accounting and customer service-related tasks into two customer service units of the same structure providing a full set of services. Since the reorganisation, client relationship management consultants of each unit fulfil taxpayer registration-related tasks on the basis of the same principles, and they also correct tax returns and data submissions following their electronic acceptance as well as issuing tax certificates and certifications of residence and cross-checking and settling of current accounts. They are also responsible for the management of registration data sheets and provide with information customers on the phone.

The client relationship management system that evolved in this way ensures mutual co-operation at the tax directorate, as well as the maintenance of flexible daily relations. As a result, the number of clients needing face-to-face consultations could be minimised, nevertheless – it is still possible to request personal consultations by appointment – to arrange activities requiring personal assistance in a fast and convenient manner.

In the beginning there were 20 client relationship management officers performing the duties related to large taxpayers. From 1st January 2007, the date on which the KAIG took on country-wide responsibilities, their tasks have also increased in line with the legislative changes. Currently there are more than 750 taxpayers belonging to 25 client relationship managers, who are always available for answering operational questions. The most frequently used means of communication is the phone.

Taxpayers usually submit their written applications via fax or e-mail. In the past few years the set of documents submitted electronically has continuously expanded. Following requests for tax certificates, the documents for amending core data and registration sheets now also arrive this way.

A future development of the complex customer service system that will result from further expansion of electronic administration will be the electronic issue and transmission of the official copies of rulings and decisions.



# Audit activities of the KAIG

The largest number of audits performed by the tax directorate both then and now is the compulsory triennial tax audits of the largest taxpayers required by law. The aims and objectives of these audits, drafted annually in the audit guidelines – publicly disclosed from 2003 onwards – are a noteworthy aspect of these investigations.

The majority of KAIG taxpayers belong to the largest taxpayers of the country. Their regular audit is especially important in order to monitor tax revenues and to preserve their taxpaying abilities. With the help of timely realization of potential risk factors and their prevention, taxpayers can be motivated via these audit activities to conduct themselves in compliance with the laws as well as to perform self-assessment in a way that also accords with the law, thereby also ensuring the maintenance of tax revenues within the budget.


Among the tasks of the KAIG it is important to mention the judgement of requests related to the exchange of government guarantees, and those related to advance pricing arrangements.

In the course of the audits it is increasingly important to monitor the calculation of the applied transfer prices of companies and their documentation in accordance with the increasingly detailed provisions of tax measures. Audits performed with respect to this issue have revealed recording deficiencies in a significant proportion of these cases that could result in a default penalty and also to a significantly increased corporate tax base of the audited taxpayer because the applied transfer price has been inappropriately calculated.





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# *Technical and personal prerequisites for audits*

At the time of the directorate's establishment the auditing area operated with specialised divisions. Accordingly, there were special units dealing with financial institutions, brokers, and taxpayers belonging to different sectors of the economy and these were distributed among the audit units based on their fields of activity.

As the scope of the KAIG's activities became country-wide, it gradually developed the expertise necessary for the field auditing of companies located outside the capital, often at great distances from Budapest. In order to do so the well-known audit strategies and methodologies existing for many years had to be radically transformed.

In the course of the investigations concerning companies located far away, tax inspectors perform the preparatory and final steps of the controls as well as the analysis of the electronic data in the directorate making use of all parts of the IT systems that support the audit. In this way the duration of the field audit is decreased, lowering travel and accommodation expenses, as well as the time spent on travelling.

In line with the expansion of duties the development of IT equipment could also be realized.

Currently all inspectors have a laptop, where they can use the ESKORT and SESAM audit supporting systems. The accounting and analytical records of large taxpayers amount to millions of items, they utilize integrated IT recording and invoicing systems. For investigating such companies the use of audit supporting IT systems is essential. The application of electronic invoicing and electronic archiving is becoming increasingly predominant for large taxpayers.

IT support is essential for the monitoring of such technologies as well. When auditing transfer prices it is important to control the accuracy of documentation prepared by the taxpayers, as well as the legacy of the applied transfer prices for which different databases have to be used.

The tax inspectors of the KAIG – as a result of the comparatively low employee fluctuation rate that characterizes the directorate – are people who have been working in the organization for a long time and have practical experience, outstanding professional knowledge, auditor qualifications, command of foreign languages as well as IT knowledge. They are familiar with the accounting and documentation systems used by taxpayers. They also strive to build up a good working relationship with the audited taxpayers, thereby enhancing the fast and efficient conduct of the audits.

The professional knowledge and preparedness is being continuously widened with the help of internal trainings – conducted in accordance with the syllabus drafted in the beginning of each year – through case studies corresponding to particular areas of expertise, as well as through special communication, technical and methodological trainings.

Numerous topics that have improved the efficacy of the auditing staff have been introduced through the internal training scheme: the introduction of audit-supporting IT systems, risk management, taxpayer selection, the use of the taxpayer dossier and individual risk assessment, how to structure findings in reports and how to present reports in the context of economic events as well as the question of relationship between the EU and the audit field. The audit methodology of VAT groups was elaborated within the framework of workshops by the participants. The exchange of international information was also integrated in the form of a basic and advanced training, whereas the issues of e-commerce, controls of transfer prices, the introduction to audit supporting systems and the acquirement of international audit methodology appeared in the form of a tax inspectors' training. In the course of the internal trainings there is an opportunity to make use of experience related to court proceedings, and if necessary the participants can also familiarise themselves with the forms of cooperation used in criminal cases.





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# *Effects of the accession to the EU on the audit activities of the KAIG*

With the accession of Hungary to the EU in May 2004 significant legislative changes entered into force, especially in the field of value added taxation. A new concept, that of the intra-Community trade emerged, quite apart from the already existing export-import activities, and special regulations were applied to them.

The rules on intra-Community transactions carried out between the Member States are different from those on domestic trade or transactions concerning non-EU countries. The most significant differences compared to economic transactions carried out with third countries are the lack of customs checks, customs duties levied by customs authorities and the lack of taxes.

As for the assessment of payable VAT on the purchase of goods from the Member States of the EU, the system of self-assessment applies as contrasted with the former system when customs authorities levied VAT on these goods.

As for EU taxpayers what prevails is the principle of consumption, which means that the taxation takes place in the country of destination. Besides domestic legislation, international law has also appeared in the form of EU legislation. The content of VAT returns has changed as well, and recapitulative statements summarizing data on intra-Community transactions have appeared.

This change was also decisive in the audit practice of the KAIG. The audits now involve controls on the settlement and declaration of transactions executed within the EU, as well as on the VIES control data, which are based on data supplied by the Member States. New commercial techniques, constructions – chain and triangular transactions – as well as special forms of tax fraud (e.g. “chain fraud”, “carousel fraud”) get into purview. Cooperation and information exchange is becoming wider and more frequent with foreign – especially EU tax authorities.

Based on discrepancies revealed within the VIES system or indications of suspicious Community trade relations, there is an increasing number of cases where tax inspectors submit intra-Community requests to other Member States for auditing taxpayers who reside in that country. Audits in connection with KAIG taxpayers also frequently take place as a follow-up on requests forwarded by foreign authorities.

# *Evaluating applications for Advance Pricing Arrangements (APA)*

From 1st January 2007 Hungarian legislation created the opportunity for corporate groups to apply to the tax authorities so that they determine the arm's-length price in transactions between associated enterprises in the future (hereinafter APA application). From 2009 on, APA applications have been assessed in the first instance by the KAIG, a task in the beginning carried out by a separate group of senior analysts specialized in transfer pricing controls, and later, since 1st October 2010 – as the growing number of applications demanded – by a separate unit.

The concept of APA has been known for a long time in the international practice. When joining the OECD in 1996, Hungary agreed to enforce the principles laid down in the transfer pricing guidelines of that organization.

The process of determining the arm's-length price is a fairly complex one, requiring comprehensive analysis, information collecting and research. In the course of fixing transfer prices related to a single cross-border transaction, tax regulations of several countries have to be taken simultaneously into account. The legal institution of advance pricing is important in that it provides security for taxpayers in the event of subsequent tax inspections and – especially in case of bilateral and multilateral procedures – it enables parties to avoid double taxation. As for the tax authority, it is advantageous because the concept issues of transfer pricing, which represents an important taxation risk, are settled in advance and not during the ensuing audits; this is crucial from the point of view of resource management and is a guarantee of the professional nature of the audits.



# *International Relations*

International relations have always played an especially important role at the directorate. To promote exchanges of experience, the management received, almost yearly, international delegations from France, Germany, Austria, Ukraine, Poland, Romania, Bulgaria, Slovakia, Iran, and quite recently, Libya. These international specialists were chiefly interested in what experiences an organization especially created to deal with large taxpayers had accumulated during its operation.

The World Bank and the International Monetary Fund several times sent out questionnaires to the directorate with intent to inquire about its taxation practice regarding large taxpayers.

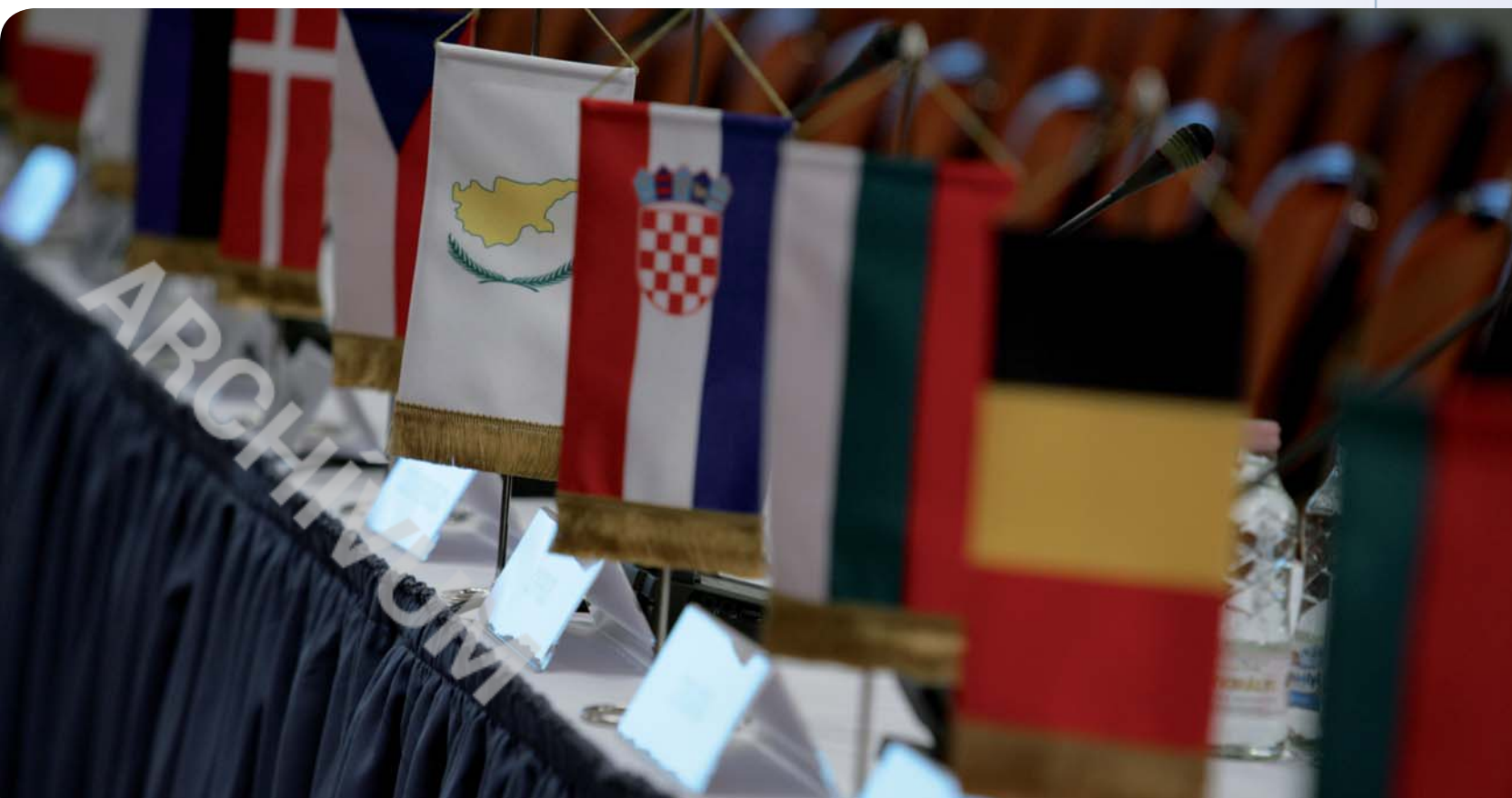
Our colleagues have attended numerous international conferences and seminars, gone on field trips, worked for international

organizations within the framework of professional cooperation and regularly delivered lectures.

- Nowadays the tax authorities of the European Union have to face the challenges brought about by the 1993 elimination of internal borders and adapt to the specific context of a single market which ensures the free movement of goods and services between EU countries.

Cross-border economic activities require active cooperation between the tax authorities of Member States.

In autumn 2011, a European Commission assisted meeting was held with the participation of tax administrations. On behalf of the Hungarian tax authority the KAFIG too delegated one expert, whose activities were also supported by a work team



organised at the Directorate General. Issues related to large taxpayers were also raised at the meeting. In this respect, the representative of the Hungarian tax authority informed the participants about the client relationship management system of the Large Taxpayers Directorate, the idea of the qualified taxpayers database, as well as the publications on the top 50 and top 100 taxpayers.

- The international event organised in the spirit of combating VAT fraud took place with the participation of 14 EU Member States and 31 representatives of the European Court of Auditors.

The National Tax and Customs Authority was represented by an expert from the KAFIG, accompanied by a colleague from a regional directorate. The meeting was held on 4th and 5th July 2011, with the representatives of the European Court of Auditors giving an overview of combating VAT fraud on EU level. Their reports aroused remarkable interest in the audience. As for the representatives of Hungarian NAV, they outlined the risk analysis system used by the tax authority and described the method of selecting subjects for audit. According to the participants' unanimous opinion, this method could be successfully set forth and gradually introduced in the other Member States as well.

- Within the framework agreement between the Ministry for National Economy and the OECD, the jointly operated OECD Multilateral Tax Centre Budapest held its first training conference from 5th to 9th September 2011, where issues like how to settle transfer price disputes and how to avoid double taxation were discussed. The National Tax and Customs Authority was represented by a specialist of the KAIG, who lectured on advance pricing procedures and possibilities of agreements between tax authorities. Also present, the Deputy State Secretary of the Ministry for National Economy expressed his acknowledgment to the instructor of the OECD Multilateral Tax Centre Budapest, with special regard to the professional excellence displayed by the KAIG expert, which had greatly contributed to the success of the training seminar on transfer pricing.
- This year the KAIG has also been playing an active role in the work of two IOTA (Intra-European Organization of Tax Administrations) work teams:

One of them deals with Transfer Pricing Case Studies and its regional work team – called "Transfer Pricing Case Study Workshop on Auditing Multinational Enterprises", with tax inspectors coming from various countries – met in Rome at the end of April 2011. They exchanged experiences through case studies on transfer pricing and got insights into the audit practices of their international colleagues. This team, having provided

an important input for the tax directorate, has promoted professional progress: now the assessment of APA applications, as well as the support given to transfer pricing audits is carried out with much more efficiency.

The other IOTA team deals with Case Studies on International Tax Evasion and held its meeting from 12th to 14th October 2011 in Vilnius. According to the Lithuanian tax authority, the highest risk for taxation, as well as for the central budget is no other than transfer pricing. It is especially true for the past few years when increasingly efficient measures against tax evasion have resulted in that corporate groups tend to use transfer pricing for cutting down on their consolidated tax liabilities. The most important lesson drawn from these case studies has been that ordinary tax inspections do not dispose of adequate tools to combat efficiently. To improve, it will be necessary to work out new methods, exchange international experiences and negotiate more; all of which require unflagging and continuous activity from the team.

- A work team of the Forum of Tax Administrations within the Organization for Economic Cooperation and Development (hereinafter OECD FTA) deals with the Network of Large Taxpayers. The founding conference took place in September 2011 in Paris. The participant of the team from Hungary was a specialist of the KAIG.

The participants agreed on that the most productive businesses share a number of distinct characteristics with one another – as compared to other taxpayers – and their attitude to their tax duties is also different, so they obviously represent a specific risk category in the eyes of the tax authorities.

To render risk management efficient enough, tax authorities need to develop flexible strategies that adapt to specific characteristics and attitudes, first of all in the area of regulation, training, tax authority services and audits. Having realized this, several tax authorities created separate units of organization and management, and launched special programs to best manage these businesses.

In cooperation with the work team that deals with the Network of Large Taxpayers, a study has been made to share instructive experiences with interested parties, in order to promote large taxpayers' law-abiding attitude.

To build up large taxpayers networks is a high priority objective of the OECD FTA work team, which, due to the high risks involved, has indicated the issue of transfer prices as a potential field of cooperation.

The creation of a global team of experts has been brought up as another priority in order to manage tax-related issues of large businesses.

# *Room for development, new challenges*

In the past years tax administration in Hungary has undergone fundamental changes. As the conditions for the tax authorities to become service providers have already been met, in the next few years issues of substance development should be given priority. Provided that an efficient and more comprehensive dialogue with the tax authority makes it possible for the taxpayers to become quickly and well familiar with the regulations – which are far from simple –, it stands to reason that their willingness to comply with the law will also greatly improve.

It is of utmost importance to create the possibility of real, practicable cooperation and interaction between the taxpayer and the tax authority, since this substantial change in their relationship is a basic condition for the common goal: to enhance Hungary's competitiveness.

It is a real challenge for the management, the employees and of course the very clients of the Large Taxpayers Directorate to find a way to successfully cooperate within the legal and organizational framework of taxation, with both parties strictly observing law-abiding attitudes. Therefore, from 2012 on, the Large Taxpayers Directorate is ready to revive the so called taxpayers' club, where specific issues of the clients' concern can be duly discussed.

Informal exchange of views between the tax authority and businesses should be given more space and time in the future, so that the taxpayer can have the chance to use this channel from the moment of registration to the end, that is, the cessation of business activity.



# The Chronicle of the KAIG

*(Events of the past 15 years)*

## 1996

### 1996

- Due to reorganization, the smallest service provider tax administration unit (APEH, Large Taxpayers Directorate in Budapest and Pest County) was created on 1st February in Budapest; officially staffed with 141 employees, who were to deal with 250 taxpayers.
- After setting up a client relationship management system, which included taxpayer registration, tax return processing and customer service-related tasks, the directorate embarked on building up its client partnership policy.
- The audit units carried out their tasks in accordance with the sector classification of the Hungarian Central Statistical Office (KSH).
- On 10th April, the first "Chief Accountants' Meeting" took place; intended for economic and financial leaders, it aimed at establishing contacts and ways of future cooperation with the taxpayers.

### 1997

- The amendments to the act on taxation allowed taxpayers to fulfil their tax return filing duty electronically. In order to do it properly, the directorate provided a model for users.
- The test run operation of the ELAB system started on 1st July. In the beginning there were 6, then, from 1st October, further 30 taxpayers who filed their obligatory VAT return forms electronically, using the system.
- The tax directorate's IT equipment had to be improved and updated to cope with the increased demand.
- In April the department of pre-refund controls came into existence within the audit section.
- In June the "Chief Accountants' Meeting" had another session to mutually promote efficient work for parties.
- The title of the office building which served as headquarters for the tax directorate (Bartók B. u. 156, in District 11, Budapest) was finally settled.

## 1997

# 1998

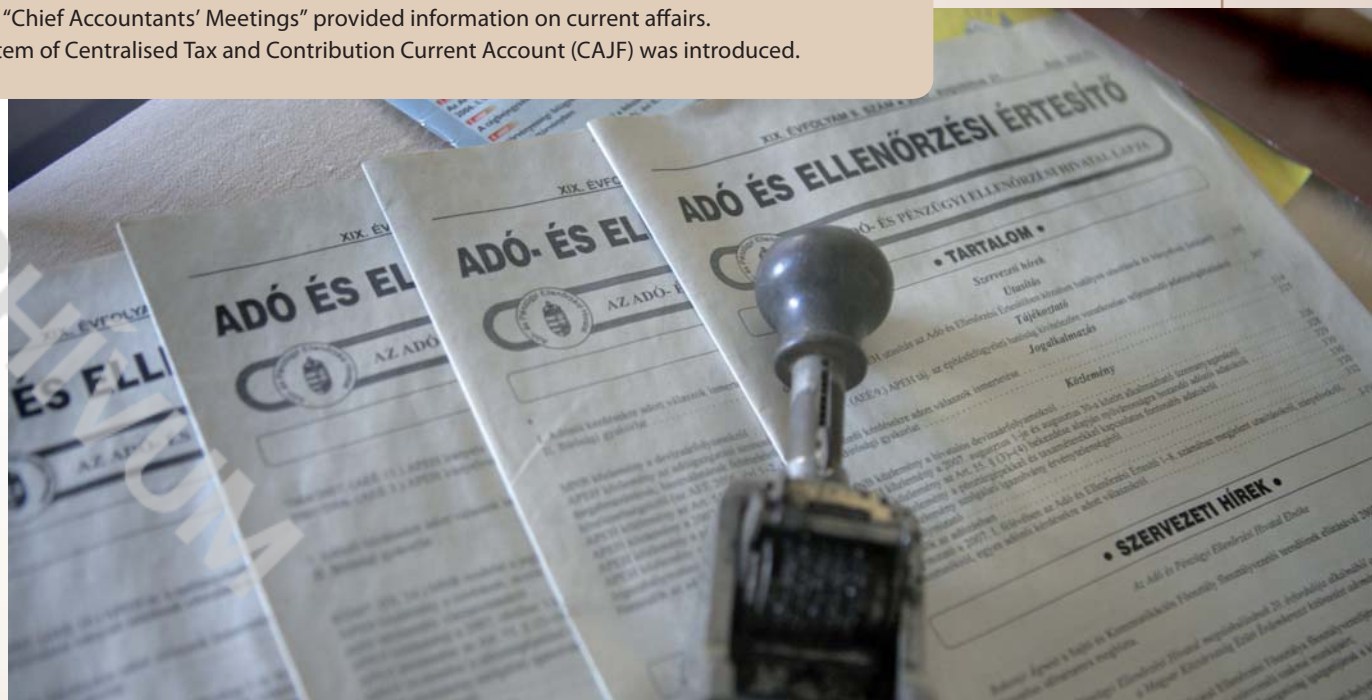
## 1998

- The already existing form of tax-related communication (“Chief Accountants’ Meeting”) became regular and was completed by the taxpayers’ club, which started to operate in a forum-like fashion.
- The “one-stop” shop system was introduced in taxpayer registration.
- The directorate focussed on managing, auditing and accounting for the “1+1%” of the personal income tax, which went, according to taxpayers’ instructions, to religious organisations, NGOs or cultural institutions, etc.

# 1999

## 1999

- The directorate concluded agreements with 300 taxpayers on the electronic filing of tax returns and subsequently started tutorial courses to teach the system to its future users.
- As a preparatory step to integration, the elaboration of a new contributions collecting system got under way. Tasks concerning contribution payments were formerly carried out by the Budapest and Pest County Contributions Directorate.
- Within the framework of international relations a Romanian delegation visited the directorate. Its members studied taxpayer structures and obtained other sorts of experience in the field.
- Regular “Chief Accountants’ Meetings” provided information on current affairs.
- The system of Centralised Tax and Contribution Current Account (CAJF) was introduced.



# 2000

## 2000

- As part of the contribution integrating process, priority was given to all related tasks, such as the creation of an opening balance on taxpayers' current accounts or the tax-like treatment of contributions.
- An operative audit department was created and given the task of carrying out contribution audits as well as the checking work requested by private pension funds.
- With the amendment of the act on taxation electronic storage of data – authorized by the tax authority – came into force, making it possible for the authority to perform comprehensive investigations of databases available on electronic data carriers.
- To improve professional quality, the inspectors' club and the lawyers' club were formed and became active.
- In the intent of broadening international relations, the tax directorate received Ukrainian, Romanian and Iranian delegations.
- Electronic tax declaration was placed on new grounds as clients could now download the whole set of tax returns from the Internet, provided they had an appropriate username and a password. By sending out account statements electronically to its taxpayers, the tax directorate made its best to motivate them to use the electronic way.
- A new task was added when the directorate started to audit housing aids at the creditor institutions.
- The ESKORT audit support system was introduced.

# 2001

## 2001

- Taxpayers whose financial year did not coincide with the calendar year but were obliged to file monthly tax returns, also ended up associated with the directorate.
- By using SESAM, progress was realised in the area of audit support systems.
- To commemorate the 5th anniversary of the KAIG, historical documents and works of art created by employees were exhibited.
- The possibilities of using the electronic tax return filing system (ELAB) in a much wider circle were advertised in lectures by the directorate.
- As the Image Processing Experimental Project (KKP) was launched for handling documents, the idea of "Paper-free office" took the place of paper-based administration.
- International relations brought along a visiting Slovakian delegation.
- The KAIG created its Internet webpage where data of public interest and related information could be found.



# 2002

## 2002

- In line with the objectives of the E-Government Program, the Hungarian tax office was the first in Europe to introduce a system of electronic tax return filing, originally limited to the circle of large taxpayers.
- From February to September, the Internet-based UJELAB system was operating, whereas from 1st October the ABDA system was introduced; to authenticate tax returns it used digital signatures.
- In June a document handling system based on image processing was introduced in all units of the organisation.
- By reorganising the taxation section, conditions were created to properly organise and establish a full-scale customer service within the framework of client relationship management system, and thus dealing with current accounts also became integrated into the customer services.
- The directorate developed its own program to assess and analyse how inspectors used their working time.
- A complex report was written about the activities of the KAIG in the period 1996 to 2002.
- To plan highlighted tax revenues each month, visits to companies became regular in the circle of those who paid the highest amounts of tax, resulting in that – based on the taxpayers' monthly forecasts – appropriate prognoses could be made.



# 2003

## 2003

- The whole IT area was reorganised: IT capacities and IT management were detached from the tax directorates and integrated into a central unit.
- In this period there was a high number of claims filed to redeem government guarantees.
- In the period preceding the EU accession a survey was conducted concerning the commercial relations taxpayers maintained within and outside the EU-zone.

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# 2004

## 2004

- From 1st January the eBEV system – made country-wide by now – became a tool used by the entire community of KAIG taxpayers.
- The directorate made sure that highly informative and easy-to-grasp lectures advertise eBEV in a wide circle of taxpayers and representatives of county organisations which file tax returns.
- The eBEV system allowed clients to query online about their current accounts balance any time, just as to forward their control data electronically.
- With the accession to the EU, VAT numbers started to be issued.

# 2005

## 2005

- A summary was published on the experiences with electronic tax return filing and data supply.
- The system of tax assessment by the tax authority (ADAM) was introduced.
- The Hungarian Tax and Financial Control Administration and the Hungarian Customs and Finance Guard signed a cooperation agreement for the collection of VAT imposed on import.
- Our colleagues attended international conferences and seminars, and went on field trips (Slovenia, France and Lithuania).
- After the accession to the EU, a new task: audits performed upon international request was added to the directorate's functions.
- A survey was carried out to assess colleagues' general feeling at the directorate as a work place; on "Young People's Day" career-starters had the chance to engage in informal discussions with the top managers of the directorate.



# 2006

## 2006

- On the occasion of the 10th anniversary of the reorganization of the Budapest tax directorates, which also had included the creation of the KAIG, the four directorates in question (North, East and South Budapest Directorates) and the KAIG celebrated together.
- A customer satisfaction survey was conducted among KAIG founder taxpayers to assess their opinions and suggestions.
- Online data transfer and access to the databases of the Hungarian Tax and Financial Control Administration during field audits were rendered possible.
- The Intranet (internal web) site of the directorate was renewed.
- A cooperation agreement between the Hungarian Tax and Financial Control Administration and the French Tax Directorate General (DGI) was signed; its appendix is a bilateral agreement between the KAIG and the French Directorate of National and International Audits (DVNI).
- Chip card based electronic tax declarations and data supply were replaced by a new system which allowed taxpayers to turn in material through a customer portal.

# 2007

## 2007

- From 1st January the KAIG was invested with nationwide competence and moved to new headquarters under Dob utca 75-81., in the 7th district of Budapest. Taxpayers now counted 625; employees dealing with large taxpayers at the directorate counted 196, counting 205 by the end of the year as a result of increasing workload and tasks.
- Tax affairs of first instance and under nationwide jurisdiction were added to responsibilities of the KAIG.
- Another new responsibility included the taxation of payments (tax returns, payments, audits and enforcements) to private pension funds.
- A comprehensive study was written on the experiences related to the KAIG's auditing activity.
- To check inspectors' useful working hours a new system (RMI) was introduced.
- To support data correction related to tax returns, the "Tax Returns Forum" database was created; it included the tax directorate's indications and answers to questions.
- The KAIG joined the e-mail correspondence system through the customer portal.
- A delegation of the Macedonian tax administration (FYROM) visited the tax directorate.
- The KAIG's Internet website was completed.
- Together with the Hungarian Chamber of Commerce and Industry, and based on the taxation data of 2005 and 2006, the directorate published TOP.
- Taxpayers with the largest tax performance were now expected to regularly provide data forecast for the monthly tax prognosis.

# 2008

## 2008

- The amendment of the act on VAT entailed reverse charge taxation and the need to create VAT groups. VAT group representatives and members meant a remarkable increase in taxation-related tasks to attend.
- The number of requests to redeem government guarantees increased greatly, requiring much attention and work capacity.
- Electronic administration improved as issuing electronic tax certificates and payments with debit cards were now allowed.
- The tax organization joined the TcT mailing system.
- The Hungarian Taxation History Collection was inaugurated on 28th August in the building of the directorate.
- The International Monetary Fund requested data about the Hungarian system of large taxpayers' management and its operation.
- Within the program of file treatment modernization the directorate prepared for and began to test the DOKU system.
- TOP was published again, complete with 2007 data and most important economic indicators of businesses in the area of farming, finances and insurance.

# 2009

## 2009

- As a result of the economic crisis, the number of requests for payment easements and equity increased.
- It is from 2009 on that the new complex UBEV system has been operational in the area of tax returns processing.
- The task of assessing APA applications – the calculation of arm's-length prices for future transactions between associated enterprises by the tax authority – in the first instance passed to the KAIG, where it is carried out by a group of senior analysts specialized in transfer pricing controls.
- For document handling the new DOKU filing and the new KKP image processing systems were introduced for users on an Oracle interface.
- "TOP 100 2009" was published again together with the Hungarian Chamber of Commerce and Industry.





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MEŠTIANŮV  
SYSTĚM REFORMŮ

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# 2010

## 2010

- Preparations to integrate the Hungarian Tax and Financial Control Administration and the Hungarian Customs and Finance Guard started, with view to create a three-tier organization.
- The delegation of responsibilities related to local business tax (HIPA) to the national tax authority as of 1st January was temporary and in the second half of the year the same responsibilities were invested back on to local governments.
- The Directorate General was established on 1st October, together with two tax directorates and a structure organized to include government, coordination, supervision, audit and operating functions. As a result of restructuring, the authorized number of workers dealing with large taxpayers increased to 241.
- The growing number of applications for advance pricing agreements (APA) has made it necessary that from 1st October 2010 they be assessed in the first instance by a separate department.
- Due to the greatly increased number of requests to redeem government guarantees, a new department was created for auditing the same.
- Since this year, the new complex system introduced through improved UBEV has been operational on an Oracle interface and applicable to all tax returns, cash flow transactions, related remittances, money transfers between accounts, and the management of missing receipts or public debts.



ARCHÍVUM

# 2011

## 2011

- The National Tax and Customs Administration (NAV, from the initials of the Hungarian name) was established in January as the legal successor of the Hungarian Tax and Financial Control Administration (APEH) and the Hungarian Customs and Finance Guard (VP), whereas the Tax Directorate General of Priority Cases and Large Taxpayers (KAFIG) was formed to act as its regional body. The KAIG is vested with taxation tasks of first instance and acts as the tax directorate of the directorate general, just as it did in October 2010.
- A customer satisfaction survey realised among the 150 largest budget taxpayers was concluded with positive results.
- The Internet and Intranet sites of the directorate general have been updated, so that a wider range of information is available on technical issues, organization and communities.
- Within Fiscalis exchange program, a delegation of Lebanese tax administrators visited the KAIG. Besides being given an overview of the structure, operations and auditing strategies of the directorate, its members learned about advance pricing agreements (APA) and the organizational requirements of transfer pricing controls.
- The KAIG has been playing an active role in the work of two IOTA (Intra-European Organization of Tax Administrations) teams. One deals with Transfer Pricing Case Studies and its regional work team "Transfer Pricing Case Study Workshop on Auditing Multinational Enterprises" met in Rome, end of April 2011. The other IOTA team deals with Case Studies on International Tax Evasion and held its meeting from 12th to 14th October 2011, in Vilnius. As the hosting Lithuanian tax authority considers that transfer pricing is the highest risk to taxation and budget, the participants examined this aspect through the proposed case studies.
- At the international event entitled "Fight against VAT fraud", which took place in July, the representatives of the National Tax and Customs Administration presented an overview of the risk management system and the method of selection for auditing used by the tax authority.
- A work team of the Forum of Tax Administrations within the Organization for Economic Cooperation and Development deals with the Network of Large Taxpayers. At its first September meeting in Paris a summary was prepared to show through real experiences how to promote law-abiding attitudes in large taxpayers.
- Based on a framework agreement between the Ministry for National Economy and the OECD, the jointly operated OECD Multilateral Tax Centre Budapest organised its first conference in September; issues like how to settle transfer price disputes and how to avoid double taxation were discussed. A specialist of the KAIG lectured on advance pricing procedures and possibilities of agreements between tax authorities.
- At a meeting of tax administrations organized with the support of the European Commission, the KAFIG's representative gave an overview of the client relationship management system of the KAIG and the idea of qualified taxpayers' databases.
- The professional knowledge and preparedness is being continuously widened with the help of internal trainings – conducted in accordance with the syllabus drafted in the beginning of each year – through case studies corresponding to particular areas of expertise, as well as through special communication, technical and methodological trainings.

