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HUNGARY TO RAISE FUNDS THROUGH TAXES ON RETAIL BUSINESSES AND BANKS TO FINANCE MEASURES FOR COVID-19

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The Ministry of Finance expects to raise, by levying a retail tax and a bank surtax, additional revenues amounting to HUF 91 billion (approximately EUR 260 million) which will contribute to financing measures for the COVID-19 outbreak.

Retail tax

The tax on retail is, in essence, the dusting off of a previous sectoral tax levied between 2010 and 2013 following the judgment of the Court of Justice of the European Union handed down in case C-323/18 in early March 2020 finding the main characteristics of the tax compatible with EU law.

The following retail activities would fall within the scope of the new tax: in accordance with the uniform system for classification of economic activities, in force on 1 January 2020, the activities classified a) in sector 45.1, apart from wholesale trade in vehicles and trailers, b) in sectors 45.32; 45.40, apart from repairs of and wholesale trade in motorcycles, and c) in sectors 47.1 to 47.9. Furthermore, as a new element compared to the previous sectoral tax, the tax applies to the handing-over of goods to customers in Hungary by a foreign resident where such goods are not supplied via a Hungarian branch office.

Any person or entity pursuing any of the abovementioned business activities may qualify as a taxpayer. Therefore, in contrast to the previous sectoral tax, even foreign residents may incur retail tax liability.

The tax base is the net sales revenue of the taxable person arising from the retail activities or the net consideration of the handing-over of goods referred to above.

As a special anti-abuse rule, the tax bases of certain related party taxpayers should be consolidated, and the tax liabilities of each taxpayer should be paid in proportion to their net sales revenues. This consolidation should be carried out by only those taxpayers which qualify as related parties following a demerger or where the assets enabling the pursuit of any of the business activities falling within the scope of the retail tax have been transferred to a related party, provided that such demerger or transfer of assets has taken place after the promulgation of the decree on the retail tax. However, if these taxpayers can prove that only commercial reasons underlie the aforementioned transactions (i.e., their aim is not tax avoidance), the consolidation rule does not have to be applied.

The applicable tax rates are as follows:

- 0% on the proportion of the tax base not exceeding HUF 500 million (approximately EUR 1.4 million);
- 0.1% on the proportion of the tax base in excess of HUF 500 million HUF but not exceeding HUF 30 billion HUF (approximately EUR 85.4 million);
- 0.4% on the proportion of the tax base in excess of HUF 30 billion but not exceeding HUF 100 billion (approximately EUR 284.6 million), and
- 2.5% on the proportion of the tax base in excess of HUF 100 billion.

The taxpayer shall declare the amount of the retail tax advance on a monthly basis, for the first time by 31 May 2020 to the tax authority. The monthly amount of the tax advances shall be calculated based on the net sales revenue of the taxpayer as determined for the last closed financial year by financial statements before the regulation on the retail tax entered into force. This means that calendar year taxpayers should take into account their 2018 net sales revenue for assessing the tax advances.

In the event that the net sales revenue of the taxpayer assessed for the month preceding the due date of a given tax advance is at least 40% lower than that of the corresponding month of the previous year, the tax authority may, upon the request of the taxpayer, reduce the amount of the tax advance in proportion to the reduction in the net sales revenue.

The tax payable should be declared within 30 days following the last day of the tax year in which the state of emergency is terminated. If the last day of the tax year falls within the period of state of emergency, the tax return should be filed within 30 days following the date when the state of emergency is terminated.

Bank surtax

Taxpayers, who are currently subject to the surtax levied on financial institutions and qualify as a credit institution, should also pay a one-off bank surtax with respect to their 2020 tax base exceeding HUF 50 billion (approximately EUR 142.3 million). The tax rate is 0,19%. The tax liability may be mitigated by the sports tax credit; however, in this case, the sports tax credit may not be claimed with respect to the corporate income tax liability).

The bank surtax shall be paid in 3 equal instalments by 10 June, 10 September and 10 December 2020 respectively.

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For more information about our services, please contact:



János Pásztor
Senior Associate
janos.pasztor@wolftheiss.com
T: +36 1 4848 800



Alexandra Tóth
Associate
alexandra.toth@wolftheiss.com
T: +36 1 4848 800



Bence Kálmán
Associate
bence.kalman@wolftheiss.com
T: +36 1 4848 800

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Wolf Theiss
Schubertring 6
AT – 1010 Vienna

www.wolftheiss.com