

# Tax law changes for 2012

## Part 4

IB Service Hungary – January 2012



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Dear Clients!

In our current IB Service Newsletter we would like to inform our Clients about some important and to your business activities most relevant legislative changes adopted since our previous newsletter and taking effect from 2012.

### **1. Act on Chambers of Economy**

Pursuant to the amendment of the Act on Chambers of Economy effective from 1 January 2012 the newly established economic organizations are obliged to request their registration at the chamber of economy having jurisdiction where the economic organization's registered seat is located within five working days following their incorporation in the company registry. The member economic organizations must pay contribution to public function provided by the chamber paid in amount of 5.000 HUF per annum, which amount can be deducted from the chamber membership fee.

The registration obligation does not apply to companies or undertakings pursuing as main activity agricultural and forestry activities.

Economic organizations already operating at the time of coming into effect of the amending act are required to initiate their registration in the chamber registry till 29 February 2012.

### **2. Compulsory minimum wage and required wage increase**

From 1 January 2012 the minimum amount of the personal basic salary of full time employees is monthly 93.000 HUF, weekly 21.400 HUF, daily 4.280 HUF, or the minimum hourly rate is 535 HUF. The guaranteed wage minimum per month of employees employed in jobs requiring at least middle level education certificate or middle level vocational training certificate amounts to 108.000 HUF (or pro rata 24.850 HUF per week, 4.970 HUF per day and 621 HUF per hour).

The government decree on the 2012 year's rate of wage increase required to be applied from 1 January 2012 for the preservation of the net value of the wages and on the rates of the non-wage benefits that can be taken into consideration within that has entered into effect.

The effect of the decree covers the employers and those employees having employment relationship with their employers in any day within the period from 1 November 2011 to incl. 31 December 2011.

The required wage increase is applicable to average monthly gross wages less than 216.805 HUF. The wage increase includes the raising of it to the amount necessary to the reaching of the increased minimum wage. In order to facilitate the implementation the Ministry for National Economy (NGM) published a guidance, which can be found on the home page of the National Tax and Customs Administration (NAV) as well ([www.nav.gov.hu](http://www.nav.gov.hu)).

The wage increase is not an obligation prescribed by law, but an expectation, the non-fulfilment of which, however, has adverse consequences to the employers. Namely, in the case if the labour control reveals that the employer has failed to comply with the required wage increase in case of one third or more employees affected with it, this deficiency will be qualified as penalized infringement of law revealed by labour control and will result in negative legal consequences for the employer (e.g. the employer will not be allowed to apply for public procurement procedures or for budget subsidies).

On the other hand, those employers, who comply with the required wage increase, will be entitled to tax allowance on the social contribution tax. For the purpose of exercising the right of tax allowance on the social contribution tax the effect of the decree covers not only the employees employed by the employer in any day within the November – December period of 2011, but the employees employed by the domestic affiliated company of the employer as well. For the tax allowance it is required that the said required wage increase is fulfilled for each and every employee falling in the above mentioned circle. Up to 75.000 HUF gross salary the allowance is 21,5%, and 14% to the part above it. The tax allowance cannot be used if the employer fulfilled the required wage increase or part of it in the form of non-wage benefits.

### **3. Daily allowance for foreign assignment**

In case of foreign assignment 30% of the daily allowance, maximum the HUF amount corresponding to 15 EUR per day will again be qualified as costs paid from the daily allowance and eligible without proof and as such will be exempt from personal income tax.

Those employed in international public road freight and passenger transport as vehicle drivers and cargo attendants can account a HUF amount equal to 40 EUR per day as income tax-free costs in addition to their other costs directly related to the operation of the vehicle and evidenced by invoice or other document.

### **4. Refund of Value Added Tax**

The period available for the tax authority for the refunding of the VAT will change from 1 February 2012 -, it will be prolonged from the current 45 days to 75 days. Nevertheless, if the taxpayer fully paid the amounts of the invoices shown in his given tax declaration or his debt has ceased in other way, he will be entitled for the refund within 45 days. It shall be declared in the tax return that the condition qualifying for the shorter refunding deadline has been met. If the taxpayer gives a false statement, the tax authority may impose default penalty in an amount up to 5% of the tax amount reclaimed in the tax return but at least up to 500 thousand HUF.

### **5. Vocational training contribution**

From 1 January 2012 the vocational training contribution rules are laid down in a new act.

The base of the vocational training contribution is the base of the health insurance and labour market contribution payable by the obligor. The rate of the vocational training contribution is 1,5% of the health insurance and labour market contribution base.

From 2012 the vocational training contribution obligation cannot be any longer reduced by the amount spent on the training of own employees or supports granted to schools.

The training contribution obligation can be fulfilled in the manner defined in the act by organizing practical training in secondary vocational training and professional practice organized in the frame of practice-demanding bachelor's level education.

The contribution shall be computed for the calendar year. Those subject the pay the contribution shall be obliged to pay contribution advance for the January – November months of the year and declare it to the state tax authority till 12<sup>th</sup> day of the month following the current month. The difference of the paid advance and the annual net obligation shall be declared and paid to the state tax authority till 25 February of the year following the current year.

The taxpayers with business year other than the calendar year shall have to apply time proportionately the rules effective in 2011 for the period starting from the first day of the business year commenced in 2011 till 31 December 2011, and shall have to pay the contribution after entering the act into force according to the new rules for the calendar year. For their business year commenced in 2011 they shall be obliged to file an extraordinary declaration on the period lasting from the first day of their 2011 business year till 31 December 2011 and pay the contribution till 25 February 2012.

## **6. Environment protection product fee**

The product fee rules have significantly changed from 2012. We summarize hereunder the most relevant changes.

The Parliament has repealed the old act, the Act LVI of 1995, and passed an absolutely new act, the Act LXXXV of 2011 on the Environmental Product Fee (hereunder referred to as: product fee act). We call your attention that the wording of the act promulgated in summer 2011 has significantly changed due to its several amendments at the end of the year.

### Exemptions, termination of coordination bodies

The new legislation removes the possibility that the product fee obligation can be replaced by the payment of the recovery fee to the coordinating organizations. Accordingly, in respect of the product fee obligation for 2012 all contracts concluded with coordinating organizations will cease their effect by power of the law. For these reasons every obligor shall have to pay the product fee to NAV.

### Waste collection

From 2012 the waste collection is coordinated by the National Waste Management Agency (Országos Hulladékgazdálkodási Ügynökség (OHÜ)). Accordingly, those involved in waste collection according to the main rule will become customers of OHÜ, but the option of individual waste collection (recycling) also remains.

### Reusable packaging

According to the new regulation, only those packaging materials (e.g. pallets) are qualified as reusable packaging, regarding which the purchaser is obliged to pay deposit and which the seller is obliged to purchase back. The reusable packaging materials further on shall be declared to the tax authority and separately recorded. If the packaging materials are not declared or the selling and the returning (taking back) of them takes place not under a deposit system, then the product fee payment obligation arises for the distributor at all sales.

### Circle of products subject to product fee

The new regulation does not reshape significantly either the scope of those who are obliged to pay product fee or the circle of products subject to product fee. At the same time, the rules applicable to paper advertising media and packaging materials have considerably changed. According to the new rules, besides packaging also the putting on the market (distribution) of packaging materials will be subject to product fee. If the customer purchasing the product for end-use declares that he purchased the packaging material not for the purpose of packing, the seller of the product is exempted from the obligation of payment of product fee. The law changes the legal definition of paper advertising media as well, so thus such printed products having commercial advertising at least on 50% of their cover become subject to product fee.

### Rate of product fee

The rate of the product fee significantly increases compared to the 2011 level. The flat rate taxation is introduced as a new possibility for those taxpayers who are circulating packaging in low amount.

The amount of the flat rate product fee is 12.000 HUF. Regarding 2012 the taxpayers can declare that they opted for the flat rate taxation till 15 January 2012 at the latest.

#### „Topping-up” obligation

It is a new element that those who are subject to pay product fee will be obliged to pay advance till 20 December. The rate of the advance is 80% of the average of the product fee obligations payable during I – III quarters.

#### Unchanged conditions

As in the past the product fee must be declared and paid on a quarterly basis, till the 20<sup>th</sup> day of the month following the given quarter.

#### Other changes

The act removes the obligation to use GLN number; therefore the GLN number is no longer necessary for the declaration of the product fee. For these reasons the obligors who requested GLN number only because of their product fee payment obligation, do not need to extend the validity of their GLN numbers.

#### Reporting deadline of 15 January 2012

Taxpayers have the possibility to make their declarations with NAV concerning 2012 (e.g. on their decision of choosing flat rate taxation or in connection with reusable packaging) till 15 January 2012 using the form KT12BEJKE.

Best regards:

IB Grant Thornton

**We are glad to stay at your service.**

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