



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
VAT and other turnover taxes

Brussels, October 2010
TAXUD/C/1

VAT in the European Community

**APPLICATION IN THE MEMBER STATES,
INFORMATION FOR USE BY:
ADMINISTRATIONS/TRADERS
INFORMATION NETWORKS, ETC.**

Note

This document collates a range of basic information on the application of VAT arrangements in the Member States which has been obtained from the tax authorities concerned.

The sole purpose of distributing details of national provisions is to create a work tool. In no way does this document reflect the views of the Commission of the European Communities. Nor does it signify approval of the relevant legislation.

HUNGARY

TABLE OF CONTENTS

GENERAL INFORMATION	3
VAT REGISTRATION OF FOREIGN TRADERS.....	4
THRESHOLDS.....	5
APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN (NON-EU) TRADERS	6
APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN TRADERS ESTABLISHED IN THE EU	7
INVOICING.....	9
RULES ABOUT INVOICING	9
ISSUANCE OF INVOICES	9
CONTENT OF INVOICES	11
ELECTRONIC INVOICING.....	11
STORAGE OF INVOICES	13
SIMPLIFIED INVOICES	14
PERIODIC VAT RETURNS	14
RECAPITULATIVE STATEMENTS.....	15
ELECTRONIC RETURNS	16
ADMINISTRATIVE REQUIREMENTS.....	18
RIGHT TO DEDUCTION.....	18

GENERAL INFORMATION

1. IF A FOREIGN TRADER WANTS TO OBTAIN INFORMATION ABOUT YOUR VAT SYSTEM, WHOM SHOULD HE CONTACT? (ADDRESS, TELEPHONE, FAX, EMAIL)

The Large Taxpayers Directorate of the Tax and Financial Control Administration (APEH) is the body responsible for tax matters for foreign traders who do not have a registered office, establishment, permanent or temporary domicile, or place of residence in Hungary and for foreign enterprises engaging in an economic activity at an establishment that does not qualify as a branch office. Address: 1077 Budapest, Dob u. 75-81. Fax: +3613221985.

For foreign traders who have a branch office, domicile or habitual residence in Hungary, the body responsible is the Regional Directorate under whose jurisdiction their registered office/fixed establishment or domicile/habitual residence falls. The contact details of the competent Regional Directorates can be found on the website of APEH.

Foreign traders may also make enquiries (in Hungarian) about the Hungarian VAT system by phoning the General Information Contact Centre of APEH on: +36-1-250-9500.

2. WHAT IS THE ADDRESS OF THE NATIONAL TAX ADMINISTRATION WEBSITE? WHICH CATEGORIES OF INFORMATION ON VAT IS AVAILABLE ON THAT WEBSITE (GENERAL INFORMATION, LEGISLATION, CONTACT POINTS, FORMS, ETC.)? AND IN WHICH LANGUAGE(S)?

The website of the Ministry of Finance is: <http://www.pm.gov.hu>

- Legislation (concerning VAT) in Hungarian
- Information on the VAT rates in force in English

The website of the Tax and Financial Control Administration is: www.afeh.hu. The website contains information in Hungarian, English, German, and French. The information available on the website includes the current VAT Act, general information on registration and representation, and information on contacting the Hungarian tax authorities.

3. WHERE IS IT POSSIBLE TO FIND NATIONAL VAT LEGISLATION AND REGULATIONS? IN WHICH LANGUAGE(S) ARE THEY AVAILABLE?

<http://www.pm.gov.hu> (website of the Ministry of Finance) in Hungarian

VAT REGISTRATION OF FOREIGN TRADERS

4. WHAT ARE THE CIRCUMSTANCES GOVERNING THE NEED TO BE REGISTERED FOR VAT?

In Hungary taxable transactions may be conducted only by taxpayers who have a VAT number. Under Act No CXXVII of 2007 on Turnover Taxes ('the Hungarian VAT Act') taxable transactions means sales of products and supplies of services effected by a taxable person in that capacity in Hungary for consideration, certain intra-Community acquisitions of products effected in Hungary for consideration and the importation of such products. However, in cases where reverse taxation is applicable to a given sale of a product or supply of a service in Hungary, foreign traders who do not have a permanent establishment in Hungary do not need to register (i.e. have themselves registered as a VAT-payer) with the Hungarian tax authorities. Foreign traders who have a permanent establishment in Hungary have to register as taxpayers in any event.

5. WHAT ARE THE SITUATIONS WHERE REGISTRATION IS UNNECESSARY BECAUSE THE RECIPIENT OF THE GOODS OR SERVICES IS LIABLE FOR THE TAX? IN SUCH SITUATION, IS IT POSSIBLE TO REGISTER ON A VOLUNTARY BASIS?

Reverse taxation is applicable, that is, the recipient of the goods or services is liable for the tax, if the seller of the goods or supplier of the services is not established for economic purposes in Hungary, the recipient is a taxable person registered in Hungary and the transaction is one of the following:

- sale of products for the purposes of mounting or assembly;
- sale of natural gas through a natural gas pipeline network;
- sale of electricity;
- supply of services subject to the general rule concerning the place of performance (which takes into account the place of establishment for economic purposes of the recipient taxable person);
- supply of services directly linked to immovable property;
- carriage of passengers;
- cultural, artistic, scientific, educational, entertainment and sporting services, or other, similar services including the organisation of such services (e.g. organising exhibitions, fairs, and presentations), as well as the supply of services ancillary to the above;
- short-term lease of means of transport, or
- supply of restaurant or other catering services.

In these cases registration with the tax authorities is not required. There is also no need for registration with the tax authorities in the case of foreign taxable persons who import

solely VAT-exempt products and sell them in Hungary making use of an intra-Community tax exemption (in accordance with Article 143(1)(d) of Council Directive No 2006/112/EC) where their indirect customs representative acts on their behalf on the basis of their written mandate for both the customs procedure and tax purposes.

The application of reverse taxation is not necessarily precluded if the seller of the product or supplier of the service registers in Hungary (as a taxable person not established for economic purposes); so, where the other legal conditions are met, reverse taxation may also apply when the seller or supplier is registered as a taxable person subject to VAT. However, where the buyer of the product/recipient of the service is not registered for VAT in Hungary, reverse taxation is not applicable and the seller of the product/supplier of the service must register in Hungary.

6. WHOM SHOULD A FOREIGN TRADER CONTACT TO GET REGISTERED FOR VAT? (DETAILS ABOUT THE DEPARTMENT, INCLUDING ADDRESS, TELEPHONE AND FAX, E-MAIL...)

a) If the activity carried out by the foreign trader is subject to registration as an individual entrepreneur, then by applying for registration as an individual entrepreneur the foreign trader also fulfils his registration obligation towards the tax authorities. The foreign trader should contact the competent document office to register as an individual entrepreneur. Further information on this matter may be found on the website: www.magyarorszag.hu.

b) If a foreign trader wishes to carry out his activities through a company or branch and consequently has to register the company or branch at the competent commercial court, by registering at the commercial court the foreign trader also fulfils his registration obligation toward the tax authorities.

c) If the activity is not subject to either obtaining an individual entrepreneur's certificate or registration at a commercial court, then the foreign trader must submit his application for registration directly to the tax authority. For this purpose the forms to submit to the competent department of the tax authority are form T101 for individuals and form T201 for firms, either in paper form or through the client access pages of the Hungarian government website. These forms and their relevant explanatory notes may be downloaded from the website of APEH.

See also the explanation under point 1.

7. PLEASE DESCRIBE THE DETAILED PROCEDURES (INCLUDING NECESSARY DOCUMENTS) FOR ISSUING VAT IDENTIFICATION NUMBERS, SPECIFICALLY TO FOREIGN TRADERS.

See explanation under point 6.

THRESHOLDS

8. WHICH THRESHOLD DO YOU OPERATE AS REGARDS INTRA-COMMUNITY DISTANCE SELLING UNDER ARTICLE 34 OF THE VAT DIRECTIVE (2006/112/EC)?

35 000 euros (8 800 000 forints)

9. WHICH THRESHOLD DO YOU OPERATE AS REGARDS ACQUISITIONS BY NON-TAXABLE LEGAL PERSONS OR EXEMPT PERSONS UNDER THE SECOND SUBPARAGRAPH OF ARTICLE 3(2) OF THE VAT DIRECTIVE (2006/112/EC)?

10 000 euros (2 500 000 forints)

**APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN
(NON-EU) TRADERS**

10. WHAT ARE THE SITUATIONS IN WHICH THE APPOINTMENT OF A TAX REPRESENTATIVE IS OBLIGATORY?

The appointment of a tax representative for (third country) taxable persons not established within the territory of the Community is obligatory, if they are liable to pay the tax on the sale of products or the supply of services within Hungary. An exception is made where a third country taxable person is obliged to pay VAT in Hungary solely in relation to services provided electronically. The transactions for which a representative in Hungary must be approved are the same as those for which VAT registration in Hungary is compulsory. Taxable persons who do not have a registered office or domicile in the European Union are required to register for VAT purposes in Hungary and to have a tax representative.

If a foreign undertaking is obliged to establish a Hungarian branch or already has such a branch, the duties of tax representative (tax agent) may be performed only by this branch. In such cases the Hungarian branch discharges the tax obligations of the foreign undertaking in Hungary and exercises its tax-related rights.

If a foreign undertaking is not obliged to be established in Hungary and does not have a Hungarian branch, it may authorise a third person to act as its tax representative to discharge its tax obligations in Hungary.

11. WHAT ARE THE CONDITIONS GOVERNING THE APPOINTMENT OF A TAX REPRESENTATIVE?

The tax representative must be a company with legal personality with:

- a minimum subscribed capital of HUF 50 million or a bank guarantee for the same amount;
- no debts on the books of the tax authorities.

12. WHAT ARE THE RIGHTS AND OBLIGATIONS OF A TAX REPRESENTATIVE?

- to certify to the tax authorities that the conditions under point 11 apply and to accept the status of representative;
- to notify the tax authority on taking up and ceasing the duties as representative;

- to report to the tax authority the details of the foreign undertaking and its domestic current account number (any tax refunds to the foreign undertaking may only be paid into this account);
- to discharge the tax obligations of the foreign undertaking in Hungary on its behalf under its VAT number, as its representative, and exercise its rights (the foreign undertaking may not deal direct with the tax authorities itself for the duration of the representation);
- to fulfil the reporting obligations of the foreign undertaking electronically;
- to be jointly and severally liable, with the foreign undertaking, for the tax obligations of the foreign undertaking for the duration of the representation;
- to record the represented foreign undertaking's tax documents separately from his own documents and retain this documentation for the generally applicable prescribed period (statute of limitation on tax assessment).

13. WHAT ACTION CAN YOU TAKE IN THE EVENT OF FAILURE BY A TRADER IN ANOTHER COUNTRY TO DESIGNATE A TAX REPRESENTATIVE IN YOUR TERRITORY?

If the foreign undertaking has a Hungarian branch, no tax representative will be designated, since under the law only the branch itself may act as the tax agent. In any other case, a failure to designate a tax representative does not exempt the foreign trader from his tax obligations in Hungary. Taxable persons who are required to designate a tax representative but fail to do so may be fined.

14. IS IT NECESSARY TO SET UP A BANK GUARANTEE?

A bank guarantee may be necessary in accordance with point 11: a company having a subscribed capital of less than HUF 50 million must have a bank guarantee for at least HUF 50 million to obtain the status of tax representative.

APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN TRADERS ESTABLISHED IN THE EU

15. IS IT POSSIBLE TO APPOINT A TAX REPRESENTATIVE?

Taxable persons who are not established in Hungary for economic purposes and are liable to pay VAT on the products they sell or services they provide in Hungary may appoint a tax representative.

A taxable person may appoint only one tax representative at a time.

If a foreign undertaking is obliged to establish a Hungarian branch or already has such a branch, only the Hungarian branch may act as its tax representative (tax agent). In such

cases the Hungarian branch discharges the tax obligations of the foreign undertaking in Hungary and exercises its tax-related rights.

If a foreign undertaking is not obliged to be established in Hungary and does not have a Hungarian branch, it may authorise a third person to act as its tax representative to discharge its tax obligations in Hungary..

16. WHAT ARE THE CONDITIONS GOVERNING THE APPOINTMENT OF A TAX REPRESENTATIVE?

The tax representative must be a company with legal personality with:

- a minimum subscribed capital of HUF 50 million or a bank guarantee for the same amount;
- no debts on the books of the tax authorities.

17. WHAT ARE THE RIGHTS AND OBLIGATIONS OF A TAX REPRESENTATIVE?

- to certify to the tax authorities that the conditions under point 11 apply and to accept the status of representative;
- to notify the tax authority on taking up and ceasing the duties as representative;
- to report to the tax authority the details of the foreign undertaking and its domestic current account number (any tax refunds to the foreign undertaking may only be paid into this account);
- to discharge the tax obligations of the foreign undertaking in Hungary on its behalf under its VAT number, as its representative, and exercise its rights (the foreign undertaking may not deal direct with the tax authorities itself for the duration of the representation);
- to fulfil the reporting obligations of the foreign undertaking electronically;
- to be jointly and severally liable, with the foreign undertaking, for the tax obligations of the foreign undertaking for the duration of the representation;
- to record the represented foreign undertaking's tax documents separately from his own documents and retain this documentation for the generally applicable prescribed period (statute of limitation on tax assessment).

18. ARE THERE SITUATIONS WHERE IT IS OBLIGATORY TO SET UP A BANK GUARANTEE?

A bank guarantee may be necessary in accordance with point 16: a company having a subscribed capital of less than HUF 50 million must have a bank guarantee for at least HUF 50 million to obtain the status of tax representative.

INVOICING

RULES ABOUT INVOICING

19. WHERE CAN THE RELEVANT RULES (LAWS, REGULATIONS, INSTRUCTIONS, GUIDELINES...) BE FOUND?

The relevant laws are:

- Act No CXXVII of 2007 on Turnover Taxes;
- Decree No 24/1995 of 22 November 1995 of the Minister of Finance on the Identification of Invoices, Simplified Invoices, and Receipts for Tax Administration Purposes and the Use of Cash Registers and Taximeters for Providing Receipts;
- Decree No 46/2007 of 29 December 2007 of the Minister of Finance on certain provisions pertaining to electronic invoices;
- Act No C of 2000 on Accounting.

ISSUANCE OF INVOICES

20. CASES WHERE AN INVOICE NEEDS TO BE ISSUED?

The obligation to issue an invoice for a transaction depends on who the recipient of the products or services is, although for certain specified transactions it is obligatory regardless of the status of the recipient of the products or services. Invoices must be issued in the following cases:

- the transaction was for a taxable or non-taxable legal person, or an advance was paid;
- the transaction was for a non-taxable person or organisation who requested an invoice for the transaction or advance;
- the advance or the amount of consideration inclusive of taxes is HUF 900 000 or more;
- the transaction was effected abroad and the taxable person effecting the transaction is established for economic purposes solely in Hungary.

An invoice must also be issued in the following cases:

- sale of a new means of transport in another Member State;
- sale of building land or immovable property not older than two years;
- sale of products under the rules on distance selling,
- tax-exempt intra-Community sale.

An invoice need not be issued if the sale of products or supply of services is exempt from VAT without the right to deduct, provided that a document considered an accounting document in accordance with the Act on Accounting is issued to certify that the transaction has been carried out.

21. WHAT ARE THE RULES ON CORRECTIVE INVOICES (CREDIT / DEBIT NOTES)?

Corrective invoices must contain the following data:

- (a) the date of issue of the document;
- (b) the sequence number of the document, unambiguously identifying it;
- (c) reference to the invoice which the document is modifying;
- (e) indication of the invoice data being modified, as well as the nature and quantifiable effect, if any, of the modification.

The provisions of the Act on Turnover Taxes concerning invoices apply *mutatis mutandis* to corrective invoices with the proviso that the time limit for their issuance is to be counted from the event or other circumstance providing the legal basis for the modification.

22. WHAT IS THE TIME LIMIT FOR ISSUING INVOICES?

The time limit for issuing an invoice depends on the transaction on which the invoice is based. Where payment is made in cash or by some means of non-cash payment, the invoice must be issued without delay at the time of delivery of the products or supply of the services. In the case of transactions where the invoice does not or should not contain any output VAT, there is no specific time limit prescribed for issuing the invoice. In all other cases the time limit for issuing an invoice is 15 days from delivery of the products or supply of the services. In the case of an advance the invoice must be issued before the tax to be paid is assessed.

23. WHAT ARE THE RULES FOR SUMMARY INVOICING?

A taxable person may, for the tax period concerned, issue a single invoice for products delivered and services provided to the same person or organisation, covering all transactions for that person or organisation. This arrangement must be agreed on by the parties in advance. The provisions concerning the time limit for issuing invoices are applicable from the last day of the tax period.

24. WHAT ARE THE CONDITIONS IMPOSED ON SELF-BILLING?

The parties must agree beforehand and in writing on the conditions and methods of accepting invoices issued. The party obliged to issue invoices must authorise the party issuing invoices on its behalf in writing.

(1) An invoice – issued by the person or organisation acting on the authorisation of the party obliged issue invoices – is acceptable for tax purposes if all other conditions have been fulfilled and:

a) in the case of pre-printed official invoice forms, the authorised party forwards one copy of the invoice form without delay to the party obliged to issue the invoice;

b) in the case of invoices printed on paper by computer or issued electronically, the party obliged to issue invoices and the authorised party agree beforehand and in writing on a number sequence to be used for issuing invoices, which the party obliged to issue invoices must also keep record of.

(2) A person or organisation who acts as the authorised party for more than one person or organisation obliged to issue invoices must fulfil the obligations under paragraph (1) by keeping separate records for each authorisation.

25. IS THERE ANY SPECIFIC RULE IN RELATION TO OUTSOURCING OF INVOICES TO A PERSON WHO IS ESTABLISHED OUTSIDE THE EU?

In the case of invoices issued for buyers from non-EU countries there is no special rule regarding the obligation to keep invoices or regarding other aspects of taxation.

CONTENT OF INVOICES

26. UNDER WHAT CONDITIONS MUST THE VAT NUMBER OF THE CUSTOMER BE ON THE TAX INVOICE?

Where the buyer of the products or the recipient of the services is liable to pay the tax and where tax-exempt intra-Community products are sold to the buyer.

27. ANY OTHER SPECIFIC RULE IN RELATION TO THE CONTENT OF THE INVOICE

The data that must be indicated on an invoice are the same as laid down in Article 226 of Directive No 2006/112/EC.

ELECTRONIC INVOICING

28. AS REGARDS INVOICES SENT WITH ADVANCED ELECTRONIC SIGNATURES, IS IT OBLIGATORY TO USE QUALIFIED CERTIFICATED AND SECURE-SIGNATURE-CREATION DEVICES? IF SO, PLEASE GIVE DETAILS.

No. Electronic invoices must be signed with advanced electronic signatures and stamped with timestamps issued by a service provider certified by the National Communications Authority, or generated and forwarded as electronic data in an Electronic Data Interchange system (EDI). Use of EDI is subject to prior written agreement between the person or organisation obliged to issue invoices and the buyer of the products or recipient of the services.

29. AS REGARDS INVOICES SENT BY ELECTRONIC DATA INTERCHANGE, IS AN ADDITIONAL SUMMARY DOCUMENT ON PAPER OBLIGATORY? IF SO, PLEASE GIVE DETAILS ABOUT ITS CONTENT AND PROCEDURE.

Taxable persons must keep paper-based additional summary documents on invoicing through electronic data interchanges on a monthly basis, containing the following data:

a) a list of the sequence numbers of the invoices issued during a given month, pursuant to Section 169(b) of the Hungarian VAT Act;

b) the data specified under Section 169(c), (d) and (e) of the Hungarian VAT Act, namely:

- the VAT number of the seller of the products or supplier of the services under which the products were sold or services provided;

- the VAT number of the buyer of the products or recipient of the services under which the products were sold or the services supplied to him as the person or organisation obliged to pay the tax or under which tax-exempt intra-Community products were sold to him;

- the name and address of the seller of the products or supplier of the services and the name and address of the buyer of the products or recipient of the services;

c) the sum of the transactions' taxable amounts as indicated on the invoices issued during the given month, broken down in accordance with Section 169(i) and (k)(ka) of the Hungarian VAT Act, namely:

- by tax rate applied, and;

- by tax exemption.

d) the total input VAT on transactions as indicated on the invoices issued during the given month.

The additional summary document must be sent to the buyer of the products or recipient of the services no later than the twentieth day of the month following the reference month.

30. DO YOU ALLOW INVOICES ISSUED PURSUANT TO ARTICLE 233 PARAGRAPH 1 SECOND SUBPARAGRAPH OF THE VAT DIRECTIVE (2006/112/EC) (“BY USING ANY OTHER ELECTRONIC MEANS”)? IF SO, UNDER WHICH CONDITIONS AND FORMALITIES?

No.

31. ANY OTHER SPECIFIC RULE IN RELATION TO ELECTRONIC INVOICING

In the course of audits by the tax authorities electronic invoices must be made available (on request) in one of the file formats published by the tax authorities.

File formats accepted by the tax authorities for the purposes of electronically issued invoices are:

- .txt format (text file)

- any other print file formats contain unformatted text or characters, provided that the files do not contain commands other than line breaks and page breaks and the contents of the files (text or characters contained in the files) can be clearly correlated

with the printed data (the sequence of characters and their characteristics do not change when printed on paper),

- .csv file format,
- .dbf file format,
- .mdb file format,
- .xls (Excel) file format,
- .xml file format.

STORAGE OF INVOICES

32. WHAT ARE THE RULES ON THE PLACE OF STORAGE OF INVOICES?

Taxable persons are obliged to store their invoices at their principle place of business or another place of their choice, in the same way as other tax documents. Where the place of storage chosen by the taxable person is somewhere other than the principle place of business, the tax authority must be notified accordingly. Invoices may be transferred to a place other than the principal place of business or the notified place of storage for the duration of accounting or processing, but they must be made available to the tax authorities within 3 working days, whenever requested.

33. IS PRIOR NOTIFICATION OF INVOICES STORED IN ANOTHER COUNTRY AN OBLIGATION? IF SO, PLEASE SPECIFY.

If the place of storage in another country is not the principal place of business of the taxable person, the general rule concerning the storage of invoices in a place other than the principal place of business is applicable in this case as well: the tax authority must be notified of the new place of storage within 15 days of the change of place. Irrespective of this subsequent notification and regardless of the place of storage being transferred, invoices must be made available to the tax authorities within 3 working days, whenever requested.

34. WHAT IS THE OBLIGATORY STORAGE PERIOD FOR INVOICES?

Invoices must be stored:

- a) for the period of the statute of limitation on tax assessment (minimum five years) for tax administration and audit purposes;
- b) for eight years for the purposes of the Accounting Act.

35. WHAT ARE THE SPECIFIC RULES ON STORAGE FORM AND POSSIBLE CONVERSIONS?

The general rules on tax procedures do not contain specific rules on the form and conversion of invoices. However, electronic invoices must comply with the general rule

stipulating that electronically stored data must be provided for audit purposes in one of the formats periodically published on the website of the tax authorities. If the data format changes, the tax authorities must publicise the new format at least 30 days prior to the change.

36. ANY OTHER SPECIFIC RULE IN RELATION TO INVOICE STORAGE

The fine for failure to comply with the obligation to store invoices ranges from HUF 200 000 to HUF 500 000.

SIMPLIFIED INVOICES

37. WHAT ARE THE SITUATIONS WHERE SIMPLIFIED INVOICING IS ALLOWED PURSUANT TO ARTICLE 238 OF THE VAT DIRECTIVE? AND WHAT ARE THE SPECIFIC RULES?

Hungary has not taken up the opportunity to issue simplified invoices.

PERIODIC VAT RETURNS

38. UNDER WHAT CIRCUMSTANCES IS A TRADER OBLIGED TO SUBMIT A VAT RETURN?

Taxable persons who choose individual tax exemption, engage in agricultural activities or conduct solely tax-exempt activities without the right to deduct do not need to file VAT returns, provided that they have not established through self-assessment any tax to be paid in the given tax period and are not eligible for tax deductions during that tax period or, if they are eligible for tax deductions, have not exercised this right. In all other cases it is necessary to file a VAT return.

39. AT WHAT INTERVALS ARE VAT RETURNS AND ASSOCIATED PAYMENTS TO BE MADE?

VAT returns may be filed monthly, quarterly, or annually. At what intervals a taxable person has to file his returns depends on the amount of VAT reported during the second year preceding the year of the return (returns need to be filed monthly in the case of taxes of at least HUF 1 million). Returns have to be filed monthly irrespective of such limits, in particular if a fiscal entity is constituted (VAT group) or if the status of indirect customs representative is chosen. If a taxable person has a Community VAT number, he must file his VAT returns at least at quarterly intervals.

Monthly returns must be filed and the tax paid by the 20th day of the month following the reference month; quarterly returns by the 20th day of the month following the reference quarter, and annual returns by 25 February of the year following the reference tax year.

40. WHAT IS THE PROCEDURE FOR RECOVERING A DIFFERENCE IN VAT NOTIFIED IN A PERIODIC VAT RETURN? IS THERE A DEADLINE FOR REIMBURSING DIFFERENCES IN VAT AND IF SO, WHAT IS IT?

Taxable persons may apply to have a difference in VAT reimbursed on their VAT returns. The recoverable VAT must be transferred to the taxable person within 30 days from the day it was due, or within 45 days if the VAT to be refunded exceeds HUF 500 000. If the tax authority is late in making the payment, it is obliged as a general rule to pay a penalty equal to twice the base rate of the national central bank for each day that payment is late.

41. DOES A SPECIAL REGIME AS REGARDS PERIODIC VAT RETURNS EXIST FOR SMALLER TRADERS AND/OR CERTAIN CATEGORIES OF BUSINESS? IF SO, PLEASE DESCRIBE THEM.

Taxable persons who choose individual tax exemption, engage in agricultural activities or conduct solely tax-exempt activities without the right to deduct do not need to file VAT returns, provided that they have not established through self-assessment any tax to be paid in a given tax period and are not eligible for tax deductions during that tax period or, if they are eligible for tax deductions, have not exercised this right.

Taxable persons do not need to file returns for any month during which they did not sell Community products serving as the basis for a tax-exempt import or sell products or supply services in Hungary that would generate the status of taxable person.

42. DO YOU OPERATE SIMPLIFIED CALCULATIONS OF TAX LIABILITY? IF SO, WHAT ARE THE QUALIFYING CRITERIA, TO WHOM DO THEY APPLY AND WHAT IS THE NATURE OF THE SIMPLIFICATION?

There are no simplified methods for calculating tax liability.

RECAPITULATIVE STATEMENTS

43. IS SUBMITTING RECAPITULATIVE STATEMENTS ON A QUARTERLY BASIS AUTHORISED? IF SO, WHAT ARE THE THRESHOLDS AND CONDITIONS?

Taxable persons obliged to file VAT returns on a monthly basis are also obliged to submit recapitulative statements on a monthly basis. Therefore, if a taxable person is obliged to change from filing his VAT returns on a quarterly basis to a monthly basis, he will automatically become obliged to submit his recapitulative statements on a monthly basis as well.

Taxable persons obliged to file VAT returns on a quarterly basis are also obliged to submit recapitulative statements on a quarterly basis. However, if the total consideration received by such a taxable person for intra-Community tax-exempt sales of products (including cases where the taxable person is the intermediary in a triangular operation)

exceeds an amount in forints equivalent to 100 000 euros in a given quarter, the taxable person is obliged to submit recapitulative statements on a monthly basis.

If a taxable person was obliged to change from submitting his recapitulative statements on a quarterly basis to a monthly basis, but his total consideration does not exceed the limit specified in the previous paragraph for four calendar quarters following the change and in the tax period following the fourth calendar quarter he is not obliged to file his returns on a monthly basis, he may again submit his recapitulative statements on a quarterly basis after the fourth calendar quarter.

44. IS ANY ADDITIONAL INFORMATION REQUIRED OTHER THAN THAT SET OUT IN ARTICLE 266 OF THE VAT DIRECTIVE (2006/112/EC)?

No

45. DO YOU OPERATE SIMPLIFIED PROCEDURES AS REGARDS RECAPITULATIVE STATEMENTS AS PROVIDED FOR IN ARTICLE 269 OF THE VAT DIRECTIVE (2006/112/EC)? IF SO, WHAT ARE THE RELATED THRESHOLDS FOR APPLYING SUCH PROCEDURES?

Hungary does not apply simplified procedures.

ELECTRONIC RETURNS

46. IS IT POSSIBLE TO SUBMIT VAT RETURNS BY ELECTRONIC MEANS? IF SO, HOW AND USING WHICH TECHNOLOGY? WHO SHOULD BE CONTACTED TO APPLY TO SUBMIT RETURNS ELECTRONICALLY?

The majority of those obliged to file VAT returns are obliged to submit them and any other returns and data electronically. Filing returns electronically requires registration at a document office, which as of 1 January 2010 can be done: (1) in person at document offices throughout Hungary and Hungarian foreign representations; (2) electronically through the use of electronic signatures accepted in Hungarian administrative procedures. Registration at a document office is necessary as part of the identification procedure for using the client access pages of the Hungarian governmental website (which are generally used for electronic administrative procedures) and for the unique identification code to be established and issued. Taxable persons must notify the tax authority of their registration at a document office and, having fulfilled this notification requirement, they may then file their tax returns electronically.

Detailed and periodically updated information on the technical specifications for filing returns electronically are available in Hungarian on the website of the tax authorities: <http://www.apeh.hu/ebevallas>.

47. IS IT POSSIBLE TO SUBMIT RECAPITULATIVE STATEMENTS BY ELECTRONIC MEANS? IF SO, HOW AND USING WHICH TECHNOLOGY? WHO SHOULD BE CONTACTED TO APPLY TO SUBMIT STATEMENTS ELECTRONICALLY?

As of 1 January 2010 recapitulative statements may only be submitted electronically. Rules concerning electronic tax returns apply to recapitulative statements. See the explanation given under point 46.

OBLIGATIONS RELATED TO IMPORTS

48. WHICH PERSONS MAY BE LIABLE TO PAY VAT ON IMPORTS OR RECOGNISED AS SUCH PERSONS PURSUANT TO ARTICLE 201 OF THE VAT DIRECTIVE?

On importation of products, the tax is paid by the importer. The importer is whoever is obliged to pay the customs debt on importation as debtor within the meaning of the provisions of customs law (not including the indirect customs representative), or whoever would be obliged to pay such debt if the importation of a product were liable to customs duty.

Where an indirect customs representative handles the import procedure on behalf of the importer, the tax is paid by the indirect customs representative.

49. WHAT ARE THE RULES ON FILING VAT RETURNS FOR IMPORTS AND PAYING THE VAT CHARGED ON THEM?

The general rule is that the tax on products imported is assessed and levied by the customs authority. By way of exception to the general rule, import tax may be paid through self-assessment. This may be allowed by an authorisation from the customs authority. Applicants fulfilling certain criteria may obtain such an authorisation from the customs authority. As regards status, the applicant must be a taxable person registered in Hungary whose status under the VAT Act does not permit exemption from payment of VAT. In addition, applicants must fulfil at least one of the following conditions:

a) the applicant is a trustworthy customs debtor within the meaning of the provisions of customs legislation and the annual cumulative amount paid or to be paid to him as consideration for the sale of products or the supply of services that are tax-exempt with the right to deduct (e.g. exports, intra-Community tax-exempt sales) in the year preceding the calendar year of the application is at least:

aa) 67 percent (which must be at least HUF 10 billion) of the annual cumulative amount without taxes paid or to be paid as consideration for the sale of products and supply of services in Hungary for the same period, or

ab) HUF 20 billion; or

b) the applicant has an Authorised Economic Operator certificate in accordance with Article 14a(1)(a) or (c) of Commission Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code; or

c) the applicant has an authorisation for release of goods for free circulation issued on the basis of a simplified declaration in accordance with Article 76(1)(c) of the Customs Code.

50. DO YOU OPERATE THE “POSTPONED PAYMENTS” MENTIONED IN ARTICLE 211 OF THE VAT DIRECTIVE? IF SO, UNDER WHAT CONDITIONS?

Yes, see point 49 on the payment of import VAT through self-assessment.

ADMINISTRATIVE REQUIREMENTS

51. DO YOU OPERATE A FLAT-RATE SCHEME? IF SO, TO WHOM DOES THE SCHEME APPLY?

There is no flat-rate scheme for VAT in the Hungarian legal system.

52. DO YOU OPERATE SIMPLIFIED ADMINISTRATIVE REQUIREMENTS OTHER THAN THOSE ALREADY MENTIONED? IF SO, PLEASE GIVE A DESCRIPTION!

No.

53. IN WHICH LANGUAGES ARE FORMS (PERIODIC VAT RETURNS, RECAPITULATIVE STATEMENTS) AVAILABLE?

Forms are available in Hungarian on the website of APEH. Forms needed by foreign taxable persons to request a reimbursement of VAT are an exception, as they are available in English as well as Hungarian.

RIGHT TO DEDUCTION

54. FOR WHICH CATEGORIES OF GOODS AND SERVICES IS THERE NO RIGHT OF DEDUCTION?

(1) The tax may not be deducted on purchases of the products below:

- a) motor fuels (headings 2710 11 41, 2710 11 45, 2710 11 49, 2710 11 59);
- b) other fuels not mentioned under point a), provided that they are required to operate passenger cars (heading 8703);
- c) other products not mentioned under points (a) and (b), provided that they are required to operate or maintain passenger cars;
- d) passenger cars;
- e) motorcycles above 125 cc (under heading 8711);

- f) yachts (heading 8903);
- g) other watercraft (heading 8903) not mentioned under point (f), provided that they are suited for the purposes of sporting or leisure;
- h) residential property;
- i) products needed for the construction or remodelling of residential properties;
- j) foodstuffs;
- k) beverages.

(2) Moreover, the tax may not be deducted in case of purchases of the following services:

- a) hiring products mentioned under point (d) through (g) of paragraph (1),
- b) services required to operate or maintain passenger cars,
- c) services required to construct or remodel residential properties,
- d) taxi services (60.22.11 in the List of Services ("SZJ") of the Hungarian Central Statistical Office),
- e) parking services,
- f) road use services,
- g) catering services,
- h) entertainment services (SZJ 55.40, 92.33, 92.34, 92.72)

(3) Moreover, 30% of the tax amount may not be deducted in the case of the following services:

- a) telephone services (SZJ 64.20.11 and 64.20.12),
- b) mobile telephone services (SZJ 64.20.13),
- c) voice over IP services (under SZJ 64.20.16)

(4) The above limit on deductions is not applicable to the following cases, which means that the tax may be deducted if:

- a) it is certified in the cases mentioned under points (a) through (g) or (i) through (k) of paragraph (1) that the products serve resale purposes;
- b) it is certified in the case mentioned under point (h) of paragraph (1) that the residential property serves resale purposes, provided that the taxable person chooses the obligation to pay the tax prior to the sale of the residential property if such sale is tax-exempt as a general rule;
- c) it is certified in the cases mentioned under points (d) through (h) of paragraph (1) that the products were sold exempt from tax within the Community or the residential property is considered new;
- d) it is certified in the cases listed under paragraph (2) that the services serve resale purposes;
- e) it is certified in the cases listed under paragraph (3) that at least 30 percent of the consideration for the purchased services constitutes an integral part of the taxable amount of the services resold.

(5) Moreover, the tax may be deducted if it is certified that the taxable person:

a) wholly or in a large part uses the products or services within his undertaking to provide taxi services in the case mentioned under point (d) of paragraph (1);

b) wholly or in large part utilises the products or services within his undertaking by leasing them in the cases mentioned under points (d) through (g) of paragraph (1);

c) wholly or in large part uses or otherwise utilises the products or services in such a way within his undertaking that they constitute an integral part of the taxable amount of the services mentioned under point (b), in the cases mentioned under point (c) of paragraph (1) or points (a) and (b) of paragraph (2);

d) wholly or in large part utilises within his undertaking the products or services in the case mentioned under point (h) of paragraph (1) by leasing them, provided that he has made their lease subject to taxation;

e) wholly or in large part uses or otherwise utilises the products or services in such a way within his undertaking that they constitute an integral part of the taxable amount of the services (subject to tax) mentioned under point (d), as direct material expenses, in the cases mentioned under point (i) of paragraph (1) or point (c) of paragraph (2);

f) wholly or in large part uses or otherwise utilises the products or services in such a way within his undertaking that they constitute an integral part of the taxable amount of the residential property in the cases mentioned under point (i) of paragraph (1) or point (c) of paragraph (2), as direct material expenses, provided that the taxable person effecting the sale chooses the obligation to pay the tax, prior to the sale of the residential property if such sale is tax-exempt as a general rule;

g) wholly or in large part uses or otherwise utilises the products or services in such a way within his undertaking that they constitute an integral part of the taxable amount from the sale of other products or the supply of other services in the cases mentioned under points (j) and (k) of paragraph (1), as direct material expenses;

h) utilises within his undertaking the products or services for the operation of means of land transport above 3.5 tons operated by him, in the cases mentioned under points (e) and (f) of paragraph (2).

55. ARE THERE CATEGORIES OF GOODS AND SERVICES IN WHICH THERE IS A PARTIAL RIGHT OF DEDUCTION? IF SO, WHAT IS THE PERCENTAGE?

In the case of telephone services (SZJ 64.20.11 and 64.20.12), mobile telephone services (SZJ 64.20.13), and voice-over-IP services (under SZJ 64.20.16), 30% of the tax charged cannot be deducted.