



Actions against tax fraud bring a better world for the good-faith taxpayers too



Judit
Jancsa-Pék

Tax Advisor,
Partner

LeitnerLeitner

Considering the low direct tax rates on corporations (9%) and on private persons (15%), the reducing social security charges (19.5%) and the reduced sectoral taxes, Hungary has a more and more attractive tax environment, even in a wide international comparison. At the same time, Hungary is continuing to play increasing attention to compliance and introducing new actions – mainly administrative measures – against tax evasion. This, especially during implementation, undeniably triggers significant costs and administrative burden for the stakeholders.

The new era of digitalization, however, enables control solutions that will finally reduce manual administration and the “competitive advantage” of tax fraud too.

Stability and a fair competitive market are surely among the most important factors for good-faith businesses when deciding about the location of their investments and long-term operation. Germany is the most significant investor (almost 30% of the entire FDI) and the most important foreign trade partner (about 28% of export) for Hungary. More than 6,000 German companies operate in Hungary, employing a total of more than 300,000 people, according to a survey by the German-Hungarian Chamber of Industry and Commerce (DUIHK). Therefore, German companies’ level of satisfaction and their willingness to invest in Hungary had always been very important to the Hungarian economy.

Online cash registers (from 2013), the Electronic Public Road Trade Control System (“EKAER”, 2015) and from now on the online invoice data reporting (July 2018) are 21st-century solutions, providing maximum control mechanisms for the Hungarian Tax Authority. Their role in the struggle against the black economy, for the reduction of VAT GAP is unimpeachable. Although Hungary proves to be a pioneer in such digital tax control solutions, this fits to the mainstream world tendency supported by OECD and EU. Considering their efficiency, the spread of such solutions is highly expected in surrounding economies soon. In recognition of its important goals, failures lead to serious

penalties: 40% of the product value for failures in EKAER, HUF 500,000 per invoice in the online invoice data reporting.

However, the fact that such digital tax control systems give an immediate insight to the tax authorities into business transactions requires a change of attitude in business administration: as failures can be visible to the authorities immediately, the internal processes should be developed to ensure correct handling even before the reporting itself. The time of the instant tax audit from distance has already started. Our business information is analyzed by risk assessment software supported by artificial intelligence tools. Being aware of this, the importance of internal control mechanisms, health checks and system analyses significantly increases. Do not hesitate to ask professional support from renowned advisors in reviewing and improving your corporate processes in the field of taxation.

Keeping in mind the above, nowadays everyone focuses on the implementation of online invoice data reporting in Hungary. Although much software still requires development to meet the new requirements, their default settings generate the need for actions in business too; for example, in consideration of self-billing problems, discounts, invoice correction chains, collective invoice corrections and bonus policies.

Regardless of this, do not forget that preparation won’t end with the proper operation of the invoicing software. You should also be ready for errors and warning messages from the tax authority. An error management process should be determined and documented, preferably within the invoicing policy of the company. Considering the consequences, if you are not sure of the perfect operation of your invoicing processes, outsourcing could be the best solution.

LeitnerLeitner is one of the most influential tax consulting, accounting and auditing companies in Central Europe; in Hungary we work in the Hungarian, German and English languages. You may rely on our specialized full-scope tax advisory, tax compliance, invoicing outsourcing, accounting, payroll and audit services. If you need support not only in Hungary, we take advantage of our renowned international Tax and network covering more than 40 locations, which has been tried and tested in a number of joint projects.