
Answers

Section A

1 C

$$6,000,000 \times 80\% \times 2\% = \text{HUF } 96,000$$

2 B

$$(600,000 \times 10\%) + (600,000 \times 7\%) + (600,000 \times 1.5\%) = \text{HUF } 111,000$$

3 C

4 D

$$(20 \text{ million} - 12 \text{ million} - 300,000) \times 30\% \times 16\% = \text{HUF } 369,600$$

5 A

6 A

7 B

8 D

30 million \times 50% = HUF 15 million, as this is less than 50% of the profit before tax.

9 C

$$10 \text{ million} \times 2.5\% \times 2 \times 10/365 = \text{HUF } 13,699$$

10 B

$$10 \text{ million} \times 5\% \times 4 \text{ years} \times 10\% = \text{HUF } 200,000$$

11 D

900 million \times 50% = HUF 450 million, as this is less than both the amount of the development reserve created and HUF 500 million.

12 A

$$10 \text{ million} \times (50\% + 20\%) = \text{HUF } 7 \text{ million}$$

13 C

$$150,000 \times (16\% + 18.5\%) = \text{HUF } 51,750$$

14 A

15 D

1 Saga Kft

(a) Compulsory elements of a value added tax (VAT) invoice

- Date of issue of the invoice
- Invoice number that identifies the invoice
- Name, address and tax identification number of the issuer
- Name and address of the purchaser
- Description of the product or service optionally with the customs tariff number (VTSZ) or service registry number (SZJ)
- Tax base, tax rate and amount of tax charged
- Unit price of the product or service excluding VAT
- Price rebates if not included in the unit price

Any six elements, 1/2 mark each. maximum

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(b) VAT liability for February 2014

	HUF '000	HUF '000	
VAT payable			
– Consultancy revenue (10 million x 27%)	2,700		1/2
– Slovak marketing revenue (€3,000 x 310 x 0%)	0		1
– German translation services (€1,000 x 310 x 27%)	84		1
	<hr/>	2,784	
VAT deductible			
– Open ended rental agreement (1 million x 27%)	270		1
– Accounting services (300,000 x 27%)	81		1
– German translation services (€1,000 x 310 x 27%)	84		1
– Mobile phone (2 million x 70% x 27%)	378		1
	<hr/>	(813)	
VAT payable		<hr/> 1,971	1/2*
			<u>7</u>
			<u>10</u>

Markers note: This 1/2* mark is for correctly identifying the VAT as payable or deductible not for the calculation of the figure itself.

Tutorial note: In the case of accounting services the date of obligation is the due date of the invoice so HUF 300,000 is the relevant amount in the February VAT return.

2 Xilo Kft

(a) Local municipality tax liability for 2014

	HUF '000	
Sales revenue up to 500 million (83.33% of total sales revenue)	500,000	1
Less: 83.33% of COGS and subcontracted services (100,000 + 30,000) x 83.33%	(108,329)	1
Sales revenue above 500 million (and below 20 billion)	100,000	1/2
Less: 16.67% of COGS and subcontracted services (100,000 + 30,000) x 16.67%	(21,671)	1/2
Limited to 85% of sales revenue in this band but 100 million x 85% = 85 million, so limit not applicable.		1
Less: cost of raw materials	<hr/> (300,000)	1
No deductions for remaining cost/expenses		1/2
Local municipality tax base	170,000	
Local municipality tax 170 million x 2%	<hr/> 3,400	1/2
		<u>6</u>

(b) Rules for advance payments of local municipality tax

Taxpayers must pay tax advances twice a year. The relevant period for tax advances start on 1 July and runs to 30 June in the following year.	1
The first advance is payable by 15 September. This advance payment is the difference between the prior year's liability and the current year's March advance payment.	1
The second advance payment is due on 15 March and is 50% of the prior year's local municipality tax liability.	1
Taxpayers who are obliged to make a balancing payment for their corporate income tax liability (fill up obligation) must also fill up their local municipality tax liability by 20 December.	1
	<u>4</u>
	<u>10</u>

3 Bagira Kft**(a) Net distributable dividend for 2014**

	HUF	
Gross sales revenue (23 million x 1.27)	29,210,000	1
Purchases (including VAT) (5 million x 1.27)	(6,350,000)	1
EVA (37% x 29,210,000)	(10,807,700)	1
Tax payable to local municipalities (23 million x 1.27 x 1%)	(292,100)	1
Salary expense (12 x 280,000)	(3,360,000)	½
Employer's contributions on salary (3,360,000 x 28.5%)	(957,600)	½
Company car tax ((33,000 x 12) – 130,000)	(266,000)	1
Net distributable dividend	<u>(7,176,600)</u>	<u>6</u>

(b) EVA payable if net sales revenue had been HUF 30 million

	HUF	
Total gross sales revenue (30 million x 1.27)	<u>38,100,000</u>	½
EVA up to HUF 30 million (30 million x 37%)	11,100,000	½
EVA above HUF 30 million (8,100,000 x 50%)	<u>4,050,000</u>	1
Total EVA liability	15,150,000	<u>2</u>

(c) EVA advances and deadlines for 2014

EVA-advances are paid quarterly.	
For the first three quarters of the tax year, the deadline for payment is the 12th day of the month following the end of the quarter (i.e. 12 April, 12 July and 12 October 2014)	1
The fourth quarter balancing payment based on Bagira Kft's estimate of its total expected annual EVA liability should be made on 20 December 2014.	½
The deadline for the annual EVA-return is 31 May 2015.	½
	<u>2</u>
	<u>10</u>

Tutorial note: *Kfts must always keep their records according to the rules of the Act on Accounting.*

4 Devorient Kft

(a) Special criterion relating to increasing the annual salary expense

In the first year of eligibility, i.e. 2014 there is no special requirements so (assuming all the general conditions are met) Devorient Kft can claim the development relief.	1
In the following four tax years Devorient Kft must increase its annual salary expense by at least 50 times the annual minimum wage ruling on the first day of the relevant tax year.	1
The reference year for this criterion is (at the choice of the taxpayer) either the salary expense of the year preceding the year of commencement of the project (i.e. 2013) or the arithmetic mean of the salary expenses of the three years preceding the year of commencement of the project (i.e. 2011 to 2013).	2
	<u>4</u>

(b) Corporate income tax liability for 2014 after development relief

The intensity limit depends on three of the following four factors:	
1. The location of the investment: Budapest: 10%.	1/2
2. The size of the entity: medium sized so add 10% to the regional factor.	1/2
3. The size of the investment: below €50 million (HUF 15,500 million = €50 million x HUF 310): 100% of the sum of points (1) and (2).	1
4. The industrial factor: not applicable	
The limit is thus: HUF 600 million x (10% + 10%) x 100% = HUF 120 million	1/2

	HUF '000	
Corporate tax base	<u>900,000</u>	
Corporate tax liability before relief (10% up to HUF 500 million, 19% above HUF 500 million)	126,000	1
80% of the calculated tax	100,800	1
Limit (as above)	120,000	
Relief available	100,800	1
Tax liability (126,000 – 100,800)	25,200	1/2
		<u>6</u>
		<u>10</u>

5 Horizon Zrt

(a) Treatment of tax losses incurred in 2013 or later

If the taxpayer realises a tax loss in an accounting year, it can reduce its tax base in subsequent years with the tax losses previously realised (tax base reducing item).	1/2
Tax losses can be carried forward indefinitely, and there is no need to get the permission of the Tax Authorities to use tax losses in order to decrease the corporate tax base.	1/2
The use of tax losses is a discretionary reduction of the tax base, i.e. the taxpayer may use them up in any proportion in subsequent years.	1/2
The tax base reduction cannot exceed 50% of the current year's tax base calculated without taking into consideration the adjustment of the tax losses carried forward.	1
Tax losses must be used up on a FIFO basis, i.e. losses incurred in earlier years must be used first.	1
The Tax Authorities may subsequently audit a taxpayer who has exercised their right in accordance with the law and with the intended purpose.	1/2
	<u>4</u>

(b) Corporate income tax liability of Horizon Zrt for the year 2014

	HUF '000	HUF '000	
Profit before tax		1,000,000	
Increasing items:			
Accounting depreciation of laptops (working)	938		W
Impairment of registered shareholding	25,000		1
Toys donated	50,000		1
Impaired debts	10,000		½
Inventory stolen	8,000		1
	<u> </u>	93,938	
Decreasing items:			
Tax depreciation of lap tops (working)	1,238		W
Dividend income (excluding CFC)	35,000		1
Reversal of impairment loss on non-current assets	15,000		1
Tax penalty recovered	70,000		1
Impaired debt (20% x 60 million limited to the amount of impairment recognised)	10,000		1
	<u> </u>	(131,238)	
Tax base before tax losses carried forward		962,700	
Tax losses carried forward (limited to 50% x 962,700 = 481,350)		(100,000)	1
Corporate tax base		<u>862,700</u>	
Corporate income at 10% on the tax base up to HUF 500 million		50,000	½
Corporate income at 19% on the tax base above HUF 500 million: (362,700 x 19%)		68,913	
Annual corporate income tax liability for 2014		<u>118,913</u>	
Working: depreciation of laptops		HUF '000	
Cost (10 x 500,000)		5,000	
Accounting depreciation in 2014: 5,000,000 x 25% x 9/12		938	1
Tax depreciation in 2014: 5,000,000 x 33% x 9/12)		1,238	1
		<u> </u>	<u>11</u>
			<u>15</u>

6 (a) Mr Szalai – Personal income tax liability for 2014

	HUF	
Consolidated tax base		
Non-independent activities		
Salary (800,000 x 12)	9,600,000	½
Income from abroad	5,000,000	½
Supervisory board fees (6 x 500,000)	3,000,000	1
Reimbursement of expenses less costs (700,000 – 500,000)	200,000	1
Other income		
Interest from CFC	300,000	½
Total consolidated tax base	<u>18,100,000</u>	
Tax on consolidated tax base at 16%	2,896,000	½
Foreign tax credit is the lower of:	(450,000)	2
– 90% x 500,000 = HUF 450,000		
– 16% x 5 million = HUF 800,000		
Tax on income taxed separately		
Capital gain [10,000 x (5,000 – 3,000) – 50,000] x 16%	3,192,000	2
Total PIT liability	<u>5,638,000</u>	
		<u>8</u>

(b) Ms Mai – Personal income tax and health care contributions payable on benefits

	HUF	
Item (1): Home internet services		
Tax base	100,000	½
Taxes payable by Ms Mai:		
– Personal income tax: 100,000 x 16%	16,000	½
– Employee social security contributions: 100,000 x 18.5%	18,500	1
Taxes payable by Tegnáp Kft:		
– Employer social security contributions: 100,000 x 28.5% (including the training contribution)	28,500	1
Tutorial note: <i>This is a non-salary related non-defined benefit in kind, so the benefit is taxed on the individual, as part of the consolidated tax base.</i>		
Item (2): Meal vouchers only useable on the premises of the employer		
Tax base: 12,000 x 12 months x 119%	171,360	½
Taxes payable by Tegnáp Kft:		
– Personal income tax: 171,360 x 16%	27,418	½
– Health care contribution: 171,360 x 14%	23,990	1
Tutorial note: <i>This is a salary-related benefit in kind, so the benefit is taxed on the employer only.</i>		
Item (3): Food relating to a business trip		
Tax base: 70,000 x 119%	83,300	½
Taxes payable by Tegnáp Kft:		
– Personal income tax: 83,300 x 16%	13,328	½
– Health care contribution: 83,300 x 27%	22,491	1
Tutorial note: <i>This is a defined benefit in kind, so the benefit is taxed on the employer.</i>		

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