

Fundamentals Level – Skills Module

# Taxation (Hungary)

Thursday 8 December 2016



**Time allowed:** 3 hours 15 minutes

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX questions are compulsory and MUST be attempted

Tax rates and allowances are printed on pages 2–3.

**Do NOT open this question paper until instructed by the supervisor.**

**Do NOT record any of your answers on the question paper.**

**This question paper must not be removed from the examination hall.**

Think Ahead

**ACCA**

**Paper F6 (HUN)**

The Association of  
Chartered Certified  
Accountants

## SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need to be made to the nearest HUF except where stated otherwise in the question.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section B.

## TAX RATES AND ALLOWANCES

The following tax rates and allowances applicable to 2015 are to be used in answering the questions.

### Corporate tax

On the first HUF 500 million of the corporate tax base	10%
On the remaining tax base	19%

### Value added tax (VAT)

Tax rate	27%
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### Personal income tax

Tax rate	16%
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### Benefits in kind

Tax rate	16%
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### Social security contributions

#### Employer's contributions

Social contribution tax	27%
Professional training fund	1.5%

#### Employee's contributions

Pension contributions	10%
Health insurance contributions	7%
Labour market fund	1.5%

### Company car tax

Engine capacity of the car (kW)	Environmental category		
	0 to 4	6 to 10	5 and 14 to 15
0–50	HUF 16,500	HUF 8,800	HUF 7,700
51–90	HUF 22,000	HUF 11,000	HUF 8,800
91–120	HUF 33,000	HUF 22,000	HUF 11,000
above 120	HUF 44,000	HUF 33,000	HUF 22,000

## Local municipality tax

Tax rate

2%

## Support and subsidies – development tax relief

The limits applying to subsidies given in the form of tax relief or other subsidies in respect of investments are defined by the following intensity ratios.

1. Regional factors.
  - Central Hungary: 0%
  - Central Hungary (only nominated locations): 20%/35%
  - Western Transdanubia: 25%
  - Central Transdanubia: 35%
  - Other regions: 50%
2. For companies which qualify as being small, 20% is added to the regional factor.  
For companies which qualify as being medium, 10% is added to the regional factor.
3. The maximum support is calculated by applying the following to the initial investment:
  - On the first €50 million of the investment: 100% of the intensity ratio.
  - On the portion between €50 million and €100 million: 50% of the intensity ratio.
  - On the portion over €100 million: 34% of the intensity ratio.

The reference rate to be used in the present value calculations is 2·8%.

## Qualifying limits for small and medium sized companies

A company qualifies as small or medium if:

- the company has no state or local government members; and
- the number of employees is less than 250; and
- total assets are less than €43 million; or
- total revenues are less than €50 million

## Exchange rates

Euro: €1 = 310 HUF

USD: \$1 = 280 HUF

## Official rate of interest

National Bank of Hungary (Magyar Nemzeti Bank – MNB) – 1·50%

**Section B – ALL SIX questions are compulsory and MUST be attempted**

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1 Darabont Kft is a Hungarian entity which prepares value added tax (VAT) returns monthly. All of the activities of Darabont Kft are subject to VAT at the standard rate.

The following transactions are relevant to the preparation of Darabont Kft's December 2015 VAT return.

- (1) Darabont Kft generated sales revenue of HUF 50 million (excluding VAT) from selling goods which it produced. These sales do NOT include the transactions in (2) and (3) below.
- (2) Darabont Kft sold goods of HUF 4 million (excluding VAT) to Harcos Kft and issued a single invoice to Harcos Kft for this sale. The sales invoice to Harcos Kft included the following terms:
  - date of issue: 1 December 2015;
  - date of performance: 1 December 2015;
  - due date: 31 December 2015;
  - early settlement discount if payment is made by 10 December 2015: 5%.

Harcos Kft settled the invoice financially on 9 December 2015 by transferring 95% of the value of the invoice to Darabont Kft. To reflect the impact of the early settlement discount taken, Darabont Kft issued an amendment invoice (*számlával egy tekintet alá eső okirat*) for the remaining 5%, which was received by Harcos Kft on 15 December 2015.

- (3) Darabont Kft sold an old laptop to one of its employees for a notional amount of HUF 1,000. The fair market value of the laptop at the date of sale was assessed to be HUF 90,000 (excluding VAT).
- (4) The landline and mobile phone services relevant to the December 2015 VAT return amounted to HUF 300,000 (excluding VAT). Darabont Kft does not separate private and business calls on its company phones, and employees are not required to pay for their private usage.
- (5) On 16 December 2015, Darabont Kft received an advance payment of HUF 2 million for goods to be delivered on 16 January 2016.
- (6) On 17 December 2015, Darabont Kft received an invoice for HUF 500,000 (excluding VAT) which related to the maintenance of its passenger cars. The business usage of these passenger cars is fully documented.
- (7) The bookkeeping of Darabont Kft is carried out by a supplier, Drops Kft. Based on the agreement between the two entities, Drops Kft issues an invoice to Darabont Kft each month (*időszakos elszámolású ügylet*). The amount Drops Kft invoices to Darabont Kft depends on the volume of work performed. Drops Kft issued the following invoices to Darabont Kft in the last quarter of 2015:

Period covered ( <i>Elszámolási időszak</i> )	Amount (net of VAT) HUF	Date of issue of invoice	Due date of invoice
October 2015	280,000	31 October 2015	15 December 2015
November 2015	300,000	30 November 2015	15 January 2016
December 2015	290,000	31 December 2015	15 February 2016

**Required:**

- (a) Calculate Darabont Kft's value added tax (VAT) payable or deductible for the month of December 2015.

Note: Calculations need only be made to the nearest thousand forints. (8 marks)

- (b) Briefly explain how late invoices are treated for VAT purposes (both supplier and sales invoices should be considered). (2 marks)

**(10 marks)**

- 2 Colter Kft is a Hungarian entity with a financial year end of 31 December. Colter Kft has its seat in Budapest, and it does not carry out business activity in any other location.

Financial information relevant to Colter Kft for the year 2015 is as follows:

	HUF million
Sales revenue	450
Cost of raw materials	100
Cost of labour	50
Cost of subcontracted services	40
Cost of goods sold	30
Cost of other services	10
Other expenses	15

The above financial information was prepared BEFORE accounting for the following two items:

- (1) On 10 December 2015, Colter Kft issued an amendment invoice (*helyesbítő számla*) for HUF 3 million (net of value added tax (VAT)) to Eke Kft for a discount given. This amendment invoice changed the invoice issued to Eke Kft in October 2015.
- (2) On 11 December 2015, Colter Kft issued a rebate notification for HUF 4 million to Borona Kft, and transferred this amount to Borona Kft on the same day. This discount related to the total sales made to Borona Kft during the year 2015.

Both items (1) and (2) qualify as a discount given on the basis of the agreements made which were agreed in advance and were available to other independent parties under the same conditions (*üzletpolitikai célú árengedmény*).

Colter Kft carries out only VATable activities which attract the standard rate of VAT.

The local municipality tax liability of Colter Kft was HUF 4 million in 2013 and HUF 5 million in 2014.

**Required:**

- (a) Briefly explain how items (1) and (2) will impact the local municipality tax base of Colter Kft.** (3 marks)
- (b) Calculate the local municipality tax liability of Colter Kft for the year 2015. Identify clearly any items referred to in the question which are excluded from your calculation.** (5 marks)
- (c) Calculate the local municipality tax advances paid by Colter Kft in the financial year ending 31 December 2015.**

Note: Ignore any top-up payments made by Colter Kft. (2 marks)

**(10 marks)**

- 3 (a) Negyed Kft is a Hungarian entity, which has held a licence for the taxation for small entrepreneurs (*egyszerűsített vállalkozó adó* (EVA)) for several years.

The sales revenue and purchases of Negyed Kft relating to each quarter of 2015 are as follows:

	Quarter 1 HUF '000	Quarter 2 HUF '000	Quarter 3 HUF '000	Quarter 4 HUF '000
Net sales revenue	6,000	4,000	5,000	2,000
Purchases	500	400	400	100

All figures are stated excluding value added tax (VAT). All the activities of Negyed Kft attract VAT at the standard rate.

Negyed Kft has one employee who received a gross monthly salary of HUF 200,000 throughout the year 2015.

All sales and purchase invoices were financially settled before 15 December 2015.

**Required:**

- (i) Calculate the EVA advances Negyed Kft had to pay for the financial year 2015 and state the deadlines for paying them. (3 marks)
- (ii) Explain the rules for the payment of contributions to the professional training funds (*szakképzési hozzájárulás*) by an EVA-qualified entity and calculate the total contribution payable to the professional training funds by Negyed Kft for the year 2015.

Note: The minimum wage in the year 2015 was HUF 105,000 per month. (2 marks)

- (b) Mirtill is a Hungarian tax resident. She carried out the following two transactions in 2015:

- Transaction 1: On 30 September 2015, Mirtill sold a piece of land (non-housing purpose real estate) for HUF 45 million, and the contract for the sale of the piece of land was filed with the Land Registry on 3 October 2015. Mirtill had acquired the piece of land in 2008 for HUF 15 million. The direct costs of acquisition and sale of the piece of land were HUF 200,000.
- Transaction 2: On 1 December 2015, Mirtill sold a house (housing purpose real estate) located in Budapest for HUF 50 million, and the contract for the sale of the house was filed with the Land Registry on 7 December 2015. Mirtill had acquired the house on 20 December 2010 for HUF 40 million, and the contract of acquisition of the house had been filed with the Land Registry on 4 January 2011. The direct costs of acquisition and sale of the house were HUF 300,000.

**Required:**

Calculate the personal income tax payable by Mirtill for the year 2015 on her income from transactions 1 and 2. (5 marks)

**(10 marks)**

4 Medina Zrt is a Hungarian tax resident entity with a financial year end of 31 December.

The summarised income statement of Medina Zrt for the year 2015 is as follows:

	HUF million
Sales revenue	3,000
Cost of goods sold	(1,500)
Cost of mediated services	(100)
Gross profit	1,400
Distribution costs	(500)
Administration costs	(100)
Other income	100
Other expenses	(800)
Financial income	150
Financial expenses	(200)
Profit before tax	50

The following information is also relevant to the calculation of Medina Zrt's corporate income tax liability for the year 2015:

- (1) Financial expenses include an expense of HUF 10 million which represents the write-off of an investment which qualifies as a registered shareholding (*bejelentett részesedés*).
- (2) Financial income includes a dividend of HUF 100 million. The company which paid the dividend does not qualify as a controlled foreign corporation.
- (3) The balance of loans from owners (*magánszemély taggal szemben fennálló kötelezettség*) on 31 December 2014 was HUF 300 million. On 1 April 2015, the balance of loans from owners increased by HUF 100 million, and then remained unchanged until 31 December 2015.

No other information is relevant to the calculation of Medina Zrt's corporate income tax liability for the year 2015.

Medina Zrt is NOT a thinly capitalised company (as defined in the Act on Corporate Income Tax).

**Required:**

- (a) Calculate Medina Zrt's corporate income tax base for the year 2015 using the standard method. (2 marks)
- (b) Calculate Medina Zrt's corporate income tax base for the year 2015 using the minimum tax base method (*elvárt adóalap*). Identify clearly any items referred to in the question which are excluded from your calculation. (5 marks)
- (c) Determine the corporate income tax liability of Medina Zrt for the year 2015. (1 mark)
- (d) State TWO situations when the minimum tax base rules are NOT applicable for a company. (2 marks)

Note: Calculations need only be made to the nearest million forint.

**(10 marks)**

5 Kevert Kft is a Hungarian company with its seat in Budapest and a financial year end of 31 December. Kevert Kft qualified as a small and medium sized entity throughout the year 2015.

Kevert Kft's profit before tax for the year ended 31 December 2015 is HUF 120 million.

The following items are relevant to the calculation of Kevert Kft's corporate tax base and corporate income tax liability for the tax year 2015:

- (1) On 1 February 2015, Kevert Kft acquired and capitalised a new tangible asset (asset X) which was classified as equipment which serves directly the business activities (*műszaki berendezés, gép*). The cost of asset X was HUF 50 million and Kevert Kft assessed its residual value to be zero and its useful life to be four years. The tax law allows annual depreciation at the rate of 33% on asset X. All the other assets of Kevert Kft are depreciated at the same rate for both accounting and tax purposes.
- (2) The profit before tax figure includes an unrealised revaluation gain related to a long-term loan denominated in euro of HUF 20 million. The euro loan was taken out in January 2015 and is not hedged. Kevert Kft has had no unrealised revaluation gains or losses in any previous tax year on foreign currency denominated assets or liabilities.
- (3) In 2015 Kevert Kft realised royalty income of HUF 50 million.
- (4) In October 2015, Kevert Kft assumed a liability of HUF 100 million from a Slovak company. This Slovak company does not qualify as a controlled foreign corporation.
- (5) Kevert Kft has a policy of recognising impairment on overdue debts. The impairment of debts of HUF 62 million recognised in the profit before tax is made up as follows:

	<b>Receivables outstanding on 31 December 2015 HUF million</b>	<b>Impairment recognised  HUF million</b>
On debts outstanding for more than 90 days but less than 180 days	120	12
On debts outstanding for more than 181 days but less than 365 days	80	40
On debts outstanding for more than 366 days	10	10
Total		<u>62</u>

There have been no impairments recognised on receivables in any previous tax year.

Kevert Kft uses all available legal means to minimise its corporate income tax liability.

The corporate income tax liability of Kevert Kft in the three previous years has been as follows:

	<b>HUF million</b>
2012	18
2013	20
2014	24

Kevert Kft's estimated corporate income tax liability for the year 2016 has been assessed by the management to be HUF 30 million.



**Required:**

- (a) Calculate the corporate income tax liability of Kevert Kft for the year 2015.**

Note: Calculations need only be made to the nearest thousand forints.

(7 marks)

- (b) Calculate the corporate income tax advances Kevert Kft will pay for the year 2016. Give brief explanations of the method of calculation and state the deadlines for all payments.**

Note: Calculations need only be made to the nearest thousand forints.

(5 marks)

- (c) Briefly explain how tax losses (negative tax base) incurred by a company in 2015 can be carried forward for tax purposes.**

(3 marks)

**(15 marks)**

- 6 Jackie Drew is a foreign citizen. She has a permanent home (*állandó lakóhely*) both in Hungary and in the foreign country where she has citizenship. She is employed by a Hungarian company, Kolos Kft, on a full-time basis. Her employment with Kolos Kft requires her to travel regularly outside Hungary for work, so she spent only 160 days in Hungary during the year 2015. Jackie's husband and two children are all Hungarian citizens, and live permanently in Budapest.

The following items are relevant to the calculation of Jackie's personal income tax for the year 2015:

- (1) She receives a monthly salary of HUF 1,500,000 from Kolos Kft.
- (2) She realised dividend income of HUF 2 million from a company located in a foreign country with which Hungary does not have a double tax treaty, and which does not qualify as a country with a low tax rate. The tax paid on this dividend income in the foreign country was HUF 300,000.
- (3) She has a flat in Budapest which she rents out for a monthly rental fee of HUF 200,000. She does not maintain records of expenses related to this activity, and did not pay rental fees for any other flats in 2015.
- (4) She realised interest income of HUF 500,000 from a country with a low tax rate. No tax was payable in the foreign country on this interest income.

Jackie is not a private entrepreneur.

Both of the Drews' children qualify as beneficiary dependants (*kedvezményezett eltartott*). Both Jackie and her husband are qualifying individuals in respect of the family allowance (*adókedvezményre jogosult*), but based on the declaration made by them, 100% of the family allowance is claimed by her husband.

In addition to the above items of income, Jackie received the following benefits in kind from Kolos Kft in 2015:

- (i) *Erzsébet* vouchers of HUF 15,000 per month.
- (ii) Voluntary mutual health fund (*önkéntes kölcsönös egészségpénztár*) contributions paid on her behalf by Kolos Kft of HUF 70,000 per month.

**Required:**

- (a) **State, giving reasons, whether Jackie Drew is resident in Hungary for tax purposes.** (4 marks)
- (b) **Assuming that Jackie Drew is resident in Hungary for tax purposes, calculate her personal income tax liability for the year 2015.** (5 marks)
- (c) **Calculate the personal income tax and health care contributions (*egészségügyi hozzájárulás*) which Kolos Kft will have to pay on the benefits in kind (items (i) and (ii)) provided to Jackie Drew in 2015.**

Note: The minimum wage in the year 2015 was HUF 105,000 per month. (6 marks)

**(15 marks)**

**End of Question Paper**