
Answers

Section A

1 A

2 D

3 B

$$\text{HUF } 400,000 \times 12 \times 1.285 = \text{HUF } 6,168,000$$

4 C

Increasing item (accounting depreciation): $(8,000,000 - 500,000)/10 \times 8/12 = \text{HUF } 500,000$

Decreasing item (tax depreciation): $8,000,000 \times 20\% \times 8/12 = \text{HUF } 1,066,667$

Net decreasing impact: HUF 566,667

5 B

$$\text{HUF } (12 \text{ million} - 7 \text{ million} - 250,000) \times 30\% \times 16\% = \text{HUF } 228,000$$

6 A

$$\text{HUF } 2 \text{ million} - (50\% \times 1.8 \text{ million}) = \text{HUF } 1,100,000$$

7 C

Gross revenue: HUF 38,100,000. EVA: $37\% \times 30 \text{ million} + 50\% \times (38.1 \text{ million} - 30 \text{ million}) = \text{HUF } 15,150,000$

8 D

9 A

$$\text{HUF } 3 \text{ million} \times (2.50\% + 5\%) \times 119\% \times 27\% = \text{HUF } 72,293$$

10 D

11 B

$$\text{HUF } (70,000 + 130,000) \times 27\% \times 30\% = \text{HUF } 16,200$$

12 C

$$5\% \times \text{HUF } 1 \text{ million} = \text{HUF } 50,000$$

Foreign tax is deductible from Hungarian tax (16%) but a minimum of 5% tax is payable in Hungary.

13 C

$$(2 \text{ million} \times 20\%) + (\text{HUF } 3 \text{ million} \times 40\%) + (\text{HUF } 4 \text{ million} \times 40\%) = \text{HUF } 3,200,000$$

14 B

15 A

Marks

2 marks each

30

Section B

Marks

1 MNF Kft

(a) Value added tax (VAT) liability for October 2014

	HUF '000	HUF '000	
VAT payable			
– Sales revenue (100 million x 27%)	27,000		1/2
– Own work capitalised (15 million x 27%)	4,050		1/2
– Polish training (€6,500 x 310 x 27%)	544		1
– Non-current asset sold (1,500,000 x 27%)	405		1
		31,999	
VAT deductible			
– Own work capitalised (15 million x 27%)	4,050		1/2
– Company car leases (150,000 x 27%)	40.5		1/2
– Cash purchases (63,500 x 27/127)	13.5		1/2
– Polish training (€6,500 x 310 x 27%)	544		1
– Late invoice (3,810,000 x 27/127)	810		1
		(5,458)	
VAT payable		26,541	1/2*
			<u>7</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.

(b) Irrecoverable VAT for October 2014

	HUF	
Fuel purchases (228,600 x 27/127)	48,600	1
Taxi services (101,600 x 27/127)	21,600	1
Goods for the renovation of residential properties (5 million x 27%)	1,350,000	1
Total	1,420,200	
		<u>3</u>
		<u>10</u>

2 CAA Kft

(a) Cars subject to company car tax

A car will be subject to company car tax if it is a car which is:

- owned by an organisation (not by a private individual) and is registered with the Hungarian authority;
or 1
- owned by a private individual and expenses relating to the car are borne by either an organisation or a private individual who deducts expenses in relation to the car as per the Act on Personal Income Tax (itemised deduction); or 1
- registered abroad and expenses relating to the car are borne by either a corporation or a private individual in Hungary. 1

3

(b) Company car tax payable on each car for 2014

On car 1 (legally owned by CAA Kft):

- company car tax: HUF 33,000 x 12 months = HUF 396,000 1
- the company car tax is payable by CAA Kft. 1/2

On car 2 (rented by CAA Kft):

- company car tax: HUF 22,000 x 12 months = HUF 264,000 1
- the company car tax is payable by CAA Kft. 1

Marks

On car 3 (rented by CAA Kft):

- company car tax: HUF 11,000 x 5 months = HUF 55,000
- the company car tax is payable by Malvin.

1½
1

6

Tutorial note: In the case of car 1, candidates who assumed 11 or 12 months when calculating the company car tax liability were awarded equal marks.

(c) Company car tax payable by CAA Kft for 2014

The company car tax is reduced by the car capacity tax:
(396,000 + 264,000) – 80,000 = HUF 580,000

1

10

3 Matt Kft

(a) Closing cash balance as at 31 December 2014

	HUF	
Opening cash balance	2,000,000	
Sales revenue including VAT (18 million x 1·27)	22,860,000	1
EVA (22,860,000 x 37%)	(8,458,200)	1
Purchases including VAT (4 million x 1·27)	(5,080,000)	1
Gross salary (200,000 x 12)	(2,400,000)	½
Contributions on salary (200,000 x (27% + 1·5%) x 12)	(684,000)	1
Tax payable to local municipalities (18 million x 1·27 x 2% x 50%)	(228,600)	1½
Closing cash balance	<u>8,009,200</u>	
		<hr/> 6

(b) Net monthly salary of Frigyes in 2014

	HUF	
Total gross salary (200,000 x 12)	2,400,000	½
Family allowance (62,500 x 12)	(750,000)	1
Consolidated tax base	<u>1,650,000</u>	
Total gross salary (as above)	2,400,000	
Personal income tax (1,650,000 x 16%)	(264,000)	1
Employee's contributions (2,400,000 x 18·5%)	(444,000)	1
Total net salary	<u>1,692,000</u>	
Monthly net salary	<u>141,000</u>	½
		<hr/> 4
		<hr/> 10

Tutorial note: Even though the net monthly salary calculation should be based on the annual salary of the employee, candidates will not be penalised if they base their calculations on the monthly salary as this results in the same net monthly amount.

4 Mitab Zrt

(a) Corporate income tax liability for 2014

(1) Standard method

	HUF million	
Sales revenue	2,000	
Cost of goods sold	(1,000)	
Cost of mediated services	(200)	
Material cost	(500)	
Labour cost	(80)	
Extraordinary income	70	
Extraordinary expenses	(5)	
Financial income	20	
Financial expenses	(15)	
Profit before tax	290	1½
Tax base increasing items	125	½
Tax base reducing items	(300)	½
Corporate tax base	115	
Corporate tax under the standard method (115 million x 10%)	11.5	½

(2) Minimum tax base method

	HUF million	
Sales revenue	2,000	½
Cost of goods sold	(1,000)	½
Cost of mediated services	(200)	½
Extraordinary income	70	½
Financial income	20	½
Remaining items all excluded		½
Calculated amount	890	
Minimum tax base (890 x 2%)	17.8	1
Corporate tax liability (17.8 million x 10%)	1.78	½

The corporate tax will be payable using the standard method since the tax is higher, i.e. the corporate tax payable for 2014 is HUF 11.5 million.

½

8

(b) Impact of a change in the balance of loans from owners

50% of the increase in the daily average balance of the liabilities from owners (excluding liabilities arising on the purchasing of goods and services or as unpaid dividend liabilities) compared to the previous year's closing balance of the liabilities (as defined) increases the minimum tax base.

2

10

5 Locorp Zrt

(a) Local municipality tax liability for 2014

	HUF '000	
Sales revenue up to 500 million (16·67% of total sales revenue)	500,000	1
Less: 16·67% of COGS and mediated services (2,300,000 + 300,000) x 16·67%	(433,420)	½
Sales revenue above 500 million and below 20 billion (83·33%)	2,500,000	½
Less: lower of:		
83·33% of COGS and mediated services [(2,300,000 + 300,000) x 83·33% = 2,166,580] or		
85% of net sales in this band [2·5 billion x 85% = 2,125,000]	(2,125,000)	1½
Less: cost of raw materials	(25,000)	½
Remaining costs and expenses not deductible		½
Local municipality tax base	416,580	
Local municipality tax (416,580,000 x 2%)	8,332	½

5

Tutorial note: The tax law requires that the ratio in the regressive deduction should be calculated to six decimal places. Candidates will not be penalised if they use any reasonable way of rounding the ratio.

(b) Corporate income tax liability for the year 2014

	HUF '000	HUF '000	
Profit before tax and local municipality tax		500,000	
Local municipality tax expense (from part (a))		(8,332)	½
Profit before tax		491,668	
Increasing items:			
Tax penalty	5,000		1
Accounting carrying value of asset sold	25,500		½
		30,500	
Decreasing items:			
Development reserve (working 1)	245,834		W
Royalty income (50% x 12 million)	6,000		1
Tax written down value of asset sold (working 2)	24,625		W
		(276,459)	
Corporate tax base		245,709	
Corporate income tax at 10% on the tax base up to HUF 500 million		24,571	½
Tax relief available on the interest of the loan (working 3)		(3,840)	W
Final corporate tax liability		20,731	

Workings:**Working 1: Development reserve**

	HUF '000	
The relief is the lowest of:		
– actual amount of tied up reserve:	300,000	½
– 50% of profit before tax (491,668 x 50%)	245,834	½
– HUF 500 million	500,000	½
So the adjustment is HUF 245,834,000		½

Working 2: Asset sold

Accumulated tax depreciation as at 1 January 2014:		
50 million x 14·5% x 3·5 years	25,375	1
Tax written down value of the asset at sale (50 million – 25,375)	24,625	½

Working 3: Tax relief calculation

	HUF '000	
The relief is the lowest of:		
– 40% of the interest expense: $40\% \times 8\% \times 120$ million	3,840	1½
– HUF 6 million	6,000	½
– 70% of the corporate income tax (reduced by any 80% relief) $(24,571 \times 70\%)$	17,200	½
So the relief available is HUF 3,840,000.		½
		<u>10</u>
		<u>15</u>

Tutorial notes:

1. A tax penalty increases the tax base irrespective of any appeal.
2. The maximum deduction for royalty income is the higher of 50% of the profit before tax and 50% of the income received.
3. All of the criteria for the 70% tax relief are met because Locorp Zrt is medium sized, the loan was taken out after 31 December 2000 but before 31 December 2013 and the purpose of the loan is the acquisition of non-current assets.

6 (a) Mr Gondos**(i) Regulated market transactions**

A regulated market transaction is defined as the purchase and sale of financial assets (excluding non-tradeable financial assets – *zárt körben kibocsátott értékpapír*) which are publicly traded on a regulated market. The purchase and sale transactions must occur at the market price. 1½

Regulated markets are stock exchanges which are supervised by a supervisory authority and are located in the EU or in a non-EU country with which Hungary has a double tax treaty. 1

The financial services broker must issue a statement including all relevant information in relation to the regulated market transaction. Based on this statement the private individual determines, declares and pays the personal income tax liability annually. 1

Taxable income is the positive net difference of realised capital gains and losses. If the taxpayer realises capital losses in the tax year and/or in the preceding two tax years, and this loss is declared in their personal income tax return, then these losses can be carried forward and offset against future taxable income (in the current year or in the next two years). This item is classified as income taxed separately. 2½

6**(ii) Personal income tax (PIT) liability for 2014**

	HUF	
Consolidated tax base		
Non-independent activities		
Salary $(650,000 \times 12)$	7,800,000	½
Income from right to purchase securities $(15,000 - 10,000) \times 200$	1,000,000	1
Total consolidated tax base	8,800,000	
Family allowance $(2 \times 62,500 \times 12 \text{ months})$	(1,500,000)	1
Total tax base	7,300,000	
Tax on consolidated tax base at 16%	1,168,000	½
Tax on income taxed separately		
Net gain on regulated market transactions $(10 \text{ million} - 2 \text{ million} - 1 \text{ million}) \times 16\%$	1,120,000	1
Capital gain on selling securities $(17,000 - 15,000) \times 100 \times 16\%$	32,000	1
Total PIT liability	2,320,000	
		<u>5</u>

(b) Fontos Kft**Taxes payable on benefits in kind for December 2014**

	HUF	
Item (1): Private usage of company phones		
– Tax base: 200,000 x 119%	238,000	½
– Personal income tax: 238,000 x 16%	38,080	½
– Health care contribution: 238,000 x 27%	64,260	1
Item (2): Local transportation passes		
– Tax base: 300,000 x 119%	357,000	½
– Personal income tax: 357,000 x 16%	57,120	½
– Health care contribution: 357,000 x 14%	49,980	1
		<hr/> 4
		<hr/> 15