
Answers

Section B Marks

1 Darabont Kft

(a) Value added tax (VAT) liability for December 2015

	HUF '000	HUF '000	
VAT payable			
– Sales revenue (50 million x 27%)	13,500		1½
– Sales to Harcos Kft ((4 million – 200,000) x 27%)	1,026		1
– Laptop sold (90,000 x 27%)	24		1
– Advance received (2 million x 27/127)	425		1
	<hr/>		
		14,975	
VAT deductible			
– Phone invoices (300,000 x 27% x 70%)	57		1½
– Maintenance of cars (500,000 x 27% x 50%)	67		1
– Bookkeeping services (300,000 x 27%)	81		1½
	<hr/>	205	
VAT payable		<hr/>	1½
		14,770	
	<hr/>		8

Tutorial note: For VAT purposes in the case of bookkeeping services provided on a continuous basis (időszakos elszámolású ügylet), from 1 July 2015 the date of obligation is established as follows: if the due date of the invoice is after the last day of the settlement period (as is the case here), then the date of obligation is the due date of the invoice, but the date of obligation cannot be later than the 30th day following the last day of the settlement period. Applying this rule to Darabont Kft: since all invoices have a 45-day credit period, the 30th day following the last day of the settlement period is the date of obligation, and thus the invoice of HUF 300,000 is relevant for the December VAT return.

(b) Late invoices

If an entity receives a supplier invoice late (i.e. after the date for filing the VAT return), input VAT is deductible in the period in which the invoice was received.

1

If a sales invoice is issued late, the entity needs to self-revise the VAT return for the period to which the sales invoice relates. As per the main rule, no self-revision is needed if the issue of the invoice reduces the tax base or the tax payable (e.g. the issue of an amendment invoice which reduces the tax payable).

1

2

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2 Colter Kft

(a) Impact of the two items on the local municipality tax base

Item 1 – Amendment invoice to Eke Kft:

Since an amendment invoice was issued for the discount given, it will be accounted for as a reduction in sales revenue (with the VAT also amended retrospectively). Therefore, the local municipality tax base will be reduced by the amount of the discount.

1½

Item 2 – Rebate notification to Borona Kft:

Since only a rebate notification was issued (and not an invoice), this discount given is accounted for as an 'other expense' in the accounting records. Therefore, the local municipality tax base is not affected.

1½

3

		Marks
(b) Local municipality tax liability for the year 2015		

	HUF '000	
Sales revenue per question	450,000	
Amendment invoice to Eke Kft (as in (a))	<u>(3,000)</u>	$\frac{1}{2}$
Amended sales revenue	447,000	
Less: Cost of goods sold	(30,000)	1
Less: Subcontracted services	(40,000)	1
Less: Cost of raw materials	(100,000)	1
No deductions for the cost of labour, other services and other expenses		$\frac{1}{2}$
Local municipality tax base	<u>277,000</u>	
Local municipality tax at 2%	<u>5,540</u>	$\frac{1}{2}$
	<u>5</u>	<u>$\frac{1}{2}$</u>

(c) Local municipality tax advances paid in 2015	HUF '000	
Local municipality tax advance paid on 15 March 2015:		
50% of 2013 liability, i.e. $50\% \times 4$ million	2,000	1
Local municipality tax advance paid on 15 September 2015:		
2014 liability less this year's March advance, i.e. 5 million – 2 million	<u>3,000</u>	<u>$\frac{1}{2}$</u>
	<u>2</u>	<u>$\frac{1}{2}$</u>
	<u>10</u>	

3 (a) Negyed Kft

(i) EVA advances payable for the year 2015

	HUF	
Quarter 1:		
EVA advance (6 million $\times 1.27 \times 37\%$)	2,819,400	$\frac{1}{2}$
Deadline for payment: 12 April 2015		$\frac{1}{2}$
Quarter 2:		
EVA advance (4 million $\times 1.27 \times 37\%$)	1,879,600	$\frac{1}{2}$
Deadline for payment: 12 July 2015		
Quarter 3:		
EVA advance (5 million $\times 1.27 \times 37\%$)	2,349,500	$\frac{1}{2}$
Deadline for payment: 12 October 2015		
Quarter 4:		
EVA advance, balancing payment (2 million $\times 1.27 \times 37\%$)	939,800	$\frac{1}{2}$
Deadline for payment: 20 December 2015		$\frac{1}{2}$
	<u>3</u>	

(ii) Contributions to the professional training funds

The contribution to the professional training funds is calculated monthly as follows:
headcount $\times 2 \times$ minimum wage ruling on the first day of the month $\times 1.5\%$.

Contributions payable by Negyed Kft for the year 2015 are:

HUF 37,800 (1 employee $\times 2 \times 105,000 \times 1.5\% \times 12$ months)

$\frac{1}{2}$

2

(b) Mirtill – Personal income tax on income for the year 2015 from the sale of immovable assets	Marks
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	HUF	
Transaction 1:		
Selling price	45,000,000	
Less: Acquisition costs	(15,000,000)	½
Less: Direct costs	(200,000)	½
Capital gain	29,800,000	
Reduction to capital gain (20% x 29,800,000)	(5,960,000)	1
Tax base	<u>23,840,000</u>	
Tax at 16%	<u>3,814,400</u>	½

Tutorial note: Since the sale of the non-housing purpose real estate occurred in the seventh year following the year of acquisition, the capital gain may be reduced by 20%.

	HUF	
Transaction 2:		
Selling price	50,000,000	
Less: Acquisition costs	(40,000,000)	½
Less: Direct costs	(300,000)	½
Capital gain	9,700,000	
Reduction to capital gain (70% x 9,700,000)	(6,790,000)	1
Tax base	<u>2,910,000</u>	
Tax at 16%	<u>465,600</u>	½
	<u><u>5</u></u>	
	<u><u>10</u></u>	

Tutorial note: Since the sale of the housing purpose real estate occurred in the fourth year following the year of acquisition, the capital gain may be reduced by 70%. The date of acquisition is the date when the contract is filed with the Land Registry, i.e. 2011.

4 Medina Zrt

(a) Corporate income tax base for the year 2015 using the standard method	HUF million	
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Profit before tax (per question)	50	
Tax base increasing items		
– write-off of registered shareholding	10	1
Tax base reducing items		
– dividend received	(100)	1
Corporate tax base	<u>(40)</u>	
	<u><u>2</u></u>	

(b) Corporate income tax base for the year 2015 using the minimum tax base method	HUF million	
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Sales revenue	3,000	½
Other income	100	½
Financial income	150	½
50% of increase in the daily average balance of loans from owners compared to the closing balance of the previous year:		
in 2015: $(3/12 \times 300 \text{ million}) + (9/12 \times 400 \text{ million}) = 375 \text{ million}$	1	
closing balance in 2014 = 300 million		½
50% of increase: $(375 - 300) \times 50\%$	<u>37</u>	½
Calculated amount	<u><u>3,287</u></u>	
Minimum tax base at 2%	<u>66</u>	1

		<i>Marks</i>
All types of expenses are excluded from the minimum tax base calculation.		$\frac{1}{2}$ <hr/> 5

Tutorial note: The balance of loans from owners should be calculated on a daily basis but any reasonable calculation (like the one in the model answer) is accepted.

(c) Corporate income tax liability for the year 2015

	HUF million	
Corporate income tax base (the minimum tax base)	66	$\frac{1}{2}$
Corporate income tax liability at 10%	7	$\frac{1}{2}$
	<hr/> 1	

Tutorial note: Since the corporate income tax base under the standard method is negative, Medina Zrt has to pay corporate income tax on its minimum tax base as per the main rule (if no special declaration is given to the tax authorities). Candidates who stated that Medina Zrt does not have to pay corporate income tax if it makes the special declaration were awarded equal marks in part (c) of this question.

(d) Cases when the minimum tax base rules are not applicable

The minimum tax base rules are not applicable in the following cases:

- in the pre-company tax year;
- in the first tax year following the pre-company tax year;
- in the first tax year if the entity is not required to prepare a financial statement for the pre-company period; and
- if there is a *vis major* in the tax year in the preceding tax year, and its value reaches or exceeds 15% of the annualised sales revenue of the year preceding the year of *vis major*.

TWO examples only required, 1 mark each – maximum

2

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5 Kevert Kft

(a) Corporate income tax liability for the year 2015

	HUF '000	HUF '000
Profit before tax (per question)	120,000	
Increasing items:		
Accounting depreciation for asset X [(50,000 – 0)/4 years] x 11/12	11,458	$\frac{1}{2}$
Liability assumed	100,000	$\frac{1}{2}$
Impairment of debts	<hr/> 62,000	$\frac{1}{2}$
	173,458	
Decreasing items:		
'30 million allowance' on asset X		
lowest of:		
– cost of asset: HUF 50 million		
– HUF 30 million		
– profit before tax: 120 million	30,000	1
Tax depreciation for asset X (50,000 x 33%) x 11/12	15,125	1
Unrealised foreign currency revaluation gains	20,000	1
Royalty income (50% x 50 million, limited to 50% of profit before tax)	25,000	1
Allowed impairment of bad debts outstanding for more than 12 months (20% x 10 million, limited to impairment recognised)	<hr/> 2,000	1
	(92,125)	
Corporate tax base	<hr/> 201,333	
Corporate income tax at 10% (tax base up to HUF 500 million)	20,133	$\frac{1}{2}$
	<hr/> 7	

	<i>Marks</i>
(b) Corporate income tax advances payable in 2016	
Kevert Kft needs to pay corporate income tax advances monthly.	$\frac{1}{2}$
From January to June 2016: the advances are based on the 2014 final corporate tax liability, i.e. HUF 24 million/12 = HUF 2 million per month.	1
Each payment is due on the 20th day of the current month.	$\frac{1}{2}$
From July to December 2016: the advances are based on the 2015 final corporate tax liability, i.e. HUF 20.133 million/12 = HUF 1.678 million per month.	$\frac{1}{2}$
Each payment is due on the 20th day of the current month.	$\frac{1}{2}$
The balancing payment is due on 20 December 2016.	$\frac{1}{2}$
The amount payable is the difference between the total expected corporate income tax liability for 2016 and the advance payments made during the year 2016, i.e. HUF 30 million – (6 x HUF 2 million) – (6 x HUF 1.678 million) = HUF 7.932 million.	1
	<u>5</u>
(c) Tax losses incurred in 2015	
Tax losses incurred in 2015 can be carried forward for a maximum of five years.	1
The reduction is limited to 50% of the tax base calculated before considering any tax loss carry forward adjustment.	1
Tax losses carried forward should be used on a FIFO basis.	1
	<u>3</u>
	<u>15</u>

6 Jackie Drew

(a) Tax residence	
Jackie Drew will be treated as a Hungarian tax resident, if	
– she is a Hungarian citizen;	$\frac{1}{2}$
– she holds a settlement permit in Hungary;	$\frac{1}{2}$
– she has a permanent home only in Hungary; or	$\frac{1}{2}$
– she has spent more than 183 days in Hungary.	$\frac{1}{2}$
Since none of the above apply, the last test is to check if her centre of vital interest is in Hungary (closest personal, family and economic ties).	1
Since her family and employer are both based in Hungary, her centre of vital interest is in Hungary, so she will be treated as a tax resident by the Hungarian tax authorities.	1
	<u>4</u>

(b) Personal income tax (PIT) liability of Ms Drew for the year 2015

	HUF
Consolidated tax base	
Non-independent income	
Salary (1,500,000 x 12)	18,000,000
Independent income	
Rental income (200,000 x 12)	2,400,000
Less: Lump sum deduction (10% x 2.4 million)	(240,000)
Other income	
Interest from country of low tax rate	<u>500,000</u>
Total consolidated tax base	<u>20,660,000</u>
Tax on consolidated tax base at 16%	3,305,600
Tax on income taxed separately	
On dividend income (working)	100,000
Total PIT liability	<u>3,405,600</u>

Working	Marks
HUF	
Tax on dividend income (2 million x 16%)	320,000
Tax paid abroad (tax credit)	(300,000)
Tax after tax credit	20,000
Minimum tax payable (5% x 2 million)	100,000
So tax payable is HUF 100,000.	1
	<u>5</u>

(c) Personal income tax and health care contributions payable by Kolos Kft on Jackie Drew's benefits in kind for the year 2015

On <i>Erzsébet</i> vouchers:	HUF
– personal income tax: $15,000 \times 12 \text{ months} \times 119\% \times 16\%$	34,272
– health care contribution on the amount not exceeding HUF 8,000 per month: $8,000 \times 12 \times 119\% \times 14\%$	15,994
– health care contribution on the amount in excess of HUF 8,000: $\text{HUF } (15,000 - 8,000) \times 12 \times 119\% \times 27\%$	26,989
On payments to voluntary mutual health funds:	
– personal income tax: $70,000 \times 12 \text{ months} \times 119\% \times 16\%$	159,936
– health care contribution on the amount not exceeding 30% of the minimum wage per month: $(105,000 \times 30\%) \times 12 \times 119\% \times 14\%$	62,975
– health care contribution on the amount in excess of 30%: $(70,000 - (105,000 \times 30\%)) \times 12 \times 119\% \times 27\%$	148,441
Since the above benefits in kind exceed the cumulative limit of HUF 450,000 (and the sub-limit of HUF 200,000 as well), the amount in excess of the limit is also taxed at 27%.	
Additional health care contribution payable:	
Amounts below the individual limits: $(8,000 \times 12) + (105,000 \times 30\% \times 12)$	474,000
Cumulative limit	200,000
Additional health care contribution on the amount exceeding the cumulative limit: $(474,000 - 200,000) \times 119\% \times (27\% - 14\%)$	42,388
	<u>1</u>
	<u>6</u>
	<u>15</u>