

SME INFO HU

ACCOUNTING LAW CHANGES ADOPTED IN HUNGARY IN AUTUMN 2023



The 2024 changes to the Act on Accounting contain substantive provisions in connection with the incorporation of the global minimum tax into the domestic legal system, as well as the deposit return system (DRS) to be introduced from 2024.

As an important change, the conceptual definitions and accounting calculations related to the deferred tax known in international accounting appear, and the accounting steps

of the actors of the deposit return system are defined for certain parts of the process.

In addition to these, minor additions are also published, which define the accounting treatment of a new legal institution, such as extended producer responsibility (EPR), right of construction.

az SME Team

The purpose of SME INFO is to provide general information and to draw the attention to the current changes in law which we believe to be important for the business operation of our clients. It is not a replacement for careful review of the acts and rules, and the consultation with your tax advisor.

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1 Changes relating to the global minimum tax

With the introduction of the global minimum tax, the institution of the deferred tax known in international accounting is also introduced into the Hungarian Act on Accounting. The application of deferred tax accounting is optional for companies, such choice must be stated in the accounting policy.



In the system of global minimum tax, the adjusted deferred tax as defined by law is included in the category of covered tax and thus reduces the inter-annual volatility of the calculated effective tax rate due to temporary differences. The choice to apply deferred tax accounting for entities subject to global minimum tax should particularly be considered in view of this positive effect.

1.1 Deferred tax effect

The **tax effect** of the following items calculated with the **tax rate at balance sheet date** is recognized as deferred tax asset:

- items already recognized as a decrease of the profit before tax, but reducing the income tax base in the following financial year(s)
- items already recognized as an increase of the income tax base but, increasing the profit before tax in the following financial year(s)
- the difference between the cost of an asset or liability at the time it is recognized in the balance sheet and the amount recognized for income tax purposes, by which the income tax base for the following financial year(s) is reduced
- loss carried forward at balance sheet date (which may be used as a deduction against the positive income tax base of following financial years) *and*
- the amount of **tax credit** deductible from income tax in the following financial year(s), to the extent that the conditions for claiming the tax credit have already been met at the balance sheet date. ⁽¹⁾

The carrying amount of the deferred tax asset, calculated as above, is the amount that is expected to be realized in the following business year(s). ⁽²⁾



⁽¹⁾ Act C of 2000 3.§ (16) 1.

⁽²⁾ Act C of 2000 3.§ (16) 5.



The balance sheet value of the deferred tax asset shall be transferred from retained earnings to tied-up reserve, ⁽³⁾ thus the current carrying amount of the deferred tax asset is part of the dividend payment limit.

1.2 Deferred tax liability

The **tax effect** of the following items calculated with the **tax rate at balance sheet date** is recognized as deferred tax liability:

- items already recognized as an increase of profit before tax, but increasing the income tax base in the following financial year(s)
- items already recognized as a decrease of income tax base, but decreasing the profit before tax in the following financial year(s)
- the difference between the cost of an asset or liability at the time it is recognized in the balance sheet and the amount recognized for income tax purposes, by which the income tax base for the following financial year(s) is increased. ⁽⁴⁾

In case of deferred tax liability, the carrying amount is equal to the calculated amount of the deferred tax liability. ⁽⁵⁾

1.3 Concept of the tax rate at balance sheet date and the income tax

The **tax rate at the balance sheet date** is the tax rate that is enacted at the balance sheet date and will apply to the following financial year(s) in which the deferred tax asset or liability **is realized**. ⁽⁶⁾

In relation to deferred tax, corporate income tax and the corresponding tax on pre-tax profit are classified as **income tax**. ⁽⁷⁾

1.4 Presentation of deferred tax in the financial statements

In the balance sheet, deferred tax assets are recognized as non-current assets and deferred tax liabilities as non-current liabilities. Deferred tax assets and deferred tax liabilities relating to the same taxation authority are **aggregated** and the net amount is recognized as an asset or liability, **as appropriate**. ⁽⁸⁾

Deferred tax assets and deferred tax liabilities arising in the current year and the change in the carrying amount of deferred tax assets and deferred tax



⁽³⁾ Act C of 2000 38.§ (3) b) ⁽⁴⁾ Act C of 2000 3.§ (16) 2. ⁽⁵⁾ Act C of 2000 3.§ (16) 5.
⁽⁶⁾ Act C of 2000 3.§ (16) 4. ⁽⁷⁾ Act C of 2000 3.§ (16) 3. ⁽⁸⁾ Act C of 2000 45/A.§

liabilities already recognized in the current year are presented in the **income statement** as deferred tax differences. ⁽⁹⁾

The **supplementary notes** shall disclose the significant items of deferred tax assets and deferred tax liabilities by title as follows:

- opening carrying amount and calculated value,
- the carrying amount and calculated value of deferred tax items arising in the current year,
- decrease in the current year due to utilization,
- changes during the current year due to changes in business expectations, tax rates and the tax environment,
- closing carrying amount and calculated value for the current year. ⁽¹⁰⁾



In case of applying deferred tax accounting, the balance sheet structure must be supplemented with the „Deferred tax asset” or „Deferred tax liability” line, and the income statement structure with the „Deferred tax difference” line! ⁽¹¹⁾

1.5 Presentation of deferred tax for the first time

In the first financial year of application of deferred tax accounting, the opening carrying amount of deferred tax asset and deferred tax liability are recognized **against retained earnings**. ⁽¹²⁾

Entry into force: optional from the financial year starting in 2023.



⁽⁹⁾ Act C of 2000 87.§ (2a) ⁽¹⁰⁾ Act C of 2000 92.§ (5)
⁽¹¹⁾ Act C of 2000 Supplement 10, 11, 12 ⁽¹²⁾ Act C of 2000 37.§ (8)

2 Accounting for the Deposit Return System (DRS)

The Autumn Tax Package 2023 has specified the accounting treatment of DRS fee affecting manufacturers and distributors.

Based on the new provisions of the Act on Accounting and the Government Decree 450/2023, the below table summarizes the settlement and accounting processes in the „manufacturer-distributor-MOHU-consumer“ model of the voluntary and mandatory deposit-charged products.

	Product type	Amount and charge of DRS fee	Process of return	Accounting process of return	
Direct consumer packaging of products defined by Government Decree 450/2023 (X. 4.)	Mandatory deposit-charged products	Reusable	The fee is set by the manufacturer as part of its net sales, and by the distributor as part of the stock value (3) (later upon sale COGS) and net sales.	Return is carried out by the distributor on the basis of an agreement with the manufacturer. The manufacturer takes back the goods from the distributor or consumer for recycling and refunds the DRS fee. The distributor refunds the DRS fee to the consumer or, at the consumer's request, credits it to the purchase price in the form of a voucher if the consumer makes a new purchase.	Manufacturer decreases net sales (1) by the amount of refunded DRS fee indicated in the correction accounting document (the correction relates to the date of the refund). Distributor decreases COGS (2) by the DRS fee refunded by the manufacturer and decreases net sales (1) by the DRS fee refunded to the consumer.
	Single-use	HUF 50/PC, paid by the manufacturer to MOHU, other operating charges by the manufacturer (4)	Return is carried out by the distributor on the basis of an agreement with MOHU, in shops with a sales area of more than 400 m ² through the automatic returning machines provided by MOHU. MOHU will either refund the fee directly to the consumer or reimburse the distributor for the fee paid by the distributor to the consumer.	The fee repaid by the distributor instead of MOHU is recognised as other receivables by the distributor. (5)	
Products that do not qualify as mandatory deposit charged products and produced and placed on market voluntarily marked „returnable“ by the manufacturer	Voluntary deposit-charged products	The fee is set by the manufacturer as part of its net sales, and by the distributor as part of the stock value (3) (later upon sale COGS) and net sales.	Return is carried out by the distributor on the basis of an agreement with the manufacturer. The manufacturer takes back the goods from the distributor or consumer and refunds the DRS fee. The distributor refunds the DRS fee to the consumer or, at the consumer's request, credits it to the purchase price if the consumer makes a new purchase.	Manufacturer decreases net sales (1) by the amount of refunded DRS fee indicated in the correction accounting document (the correction relates to the date of the refund). Distributor decreases COGS (2) by the DRS fee refunded by the manufacturer and decreases net sales (1) by the DRS fee refunded to the consumer.	

The Act on Accounting sets out the following new provisions for the processes shown in the table above:

1. The amount of DRS fee refunded for reusable products and voluntary deposit-charged products indicated in the correction accounting document (the correction relates to the date of the refund) shall be recorded as a deduction from the **net sales**. ⁽¹³⁾
2. The DRS fee as part of the original cost of deposit-charged products shall increase the amount of **cost of goods sold (COGS)**, while the refunded DRS fee shall be deducted from it. ⁽¹⁴⁾

3. If closely related to the acquisition of the asset, other administrative, service and procedural charges (environmental product charges, experts' fees and DRS fee) shall comprise part of the **original cost** of the asset. ⁽¹⁵⁾
4. The mandatory DRS fee paid (payable) by the manufacturer to the concession company for the single-use products, shall be recognized as **other operating charge**. ⁽¹⁶⁾
5. Receivables arising from the DRS fee repaid by the distributor on behalf of the concession company should be stated among **other receivables**. ⁽¹⁷⁾

Entry into force: mandatory for the financial year starting in 2024



⁽¹³⁾ Act C of 2000 73.§ (2) f) ⁽¹⁴⁾ Act C of 2000 78.§ (5)



⁽¹⁵⁾ Act C of 2000 47.§ (2) ⁽¹⁶⁾ Act C of 2000 81.§ (2) r) ⁽¹⁷⁾ Act C of 2000 29.§ (8)

3 Other additions and clarifications

3.1 Appointment of the person responsible for execution of the audit

In the case of mandatory audit, not only the audit firm must be appointed, but also the auditor **personally responsible** for the execution of the audit must be appointed at the same time. ⁽¹⁸⁾

Entry into force: 1 December 2023

3.2 Right of construction

Effective from 2023, the Civil Code introduces the institution of the right of construction. The amendment of the Act on Accounting also introduces this concept and establishes its treatment as **concessions or similar rights**. ⁽¹⁹⁾



By virtue of the right of construction, the holder may construct or use a building on or under the surface of the building. In doing so, he is entitled to construct and to use the property for that purpose, and is also entitled to possession, use and receive the benefits of the building already existing or already existing on the property.” (Civil Code. 5:159/A.§(1))

3.3 Accounting for Extended Producer Responsibility (EPR)

The amendment clarifies in the definition of contracted services that the EPR fee, which is invoiced by MOHU, is to be **included in the contracted services**. ⁽²⁰⁾



If the company chooses to establish the EPR fee at the time of taking the stock, it may be appropriate to record the charge as stock value increasing item.

Entry into force: 3.2 and 3.3 are applicable for the financial year starting in 2023 and mandatory for the financial year starting in 2024.



⁽¹⁸⁾ Act C of 2000 155.§ (7b) ⁽¹⁹⁾ Act C of 2000 26.§ (3); 45.§ (5); 48.§ (4); 72.§ (4);
⁽²⁰⁾ Act C of 2000 3.§ (7) 1.

