

SME INFO HU

LOCAL BUSINESS TAX (HIPA) PAYMENT FACILITY IN EUR AND USD



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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In the *SME INFO of 15 August 2022*, we reported that taxpayers can pay corporate tax in EURs and USDs. Contrary to earlier promises, the legislator did not make any provision for local business tax at that time. To remedy this shortcoming, the Government has adopted Govern-

ment Decree No 366/2022, which allows the payment of local business tax and its advances in EURs and USDs, in addition to HUF. Interpretative opinions from the government (ministry) are not yet known at the time of writing.
The SME Team

When can I start making HIPA payments in USD or EUR?

Under the Government Decree, taxpayers can pay HIPA advances and tax due **from 1 January 2023** in EUR and USD.



Example1: The annual local business tax liability for 2022 – for calendar year taxpayers – must be paid by 31 May 2023 ⇒ EUR or USD payment possibility will already be applicable!

Example2: Second instalment of the 2022 advance payment period (for calendar year taxpayers) due by 15 March 2023 ⇒ EUR or USD payment possibility will already be applicable!

Do we need to take any administrative steps to transfer HIPA in USDs or EURs from 2023?

No. Although the payment of corporate tax in USDs or EURs requires – according to the previously adopted legislation – the tax authorities to be notified in advance about this decision, there is no such obligation for local business tax, according to the current wording and interpretation of the government decree. However, it is possible that the government decree will be amended to provide for such an administrative step similar to the corporate tax.

Who can benefit from this change?

According to the Ministry of Finance's communication, companies with EUR or USD revenues may benefit from being able to pay their local business tax (or advance payment) to the state budget in these currencies in addition to the previously exclusive HUF settlements. By observing the recent movements in the HUF/USD and HUF/EUR exchange rates, the amendment will allow the companies concerned to avoid the hassle of transferring money between bank accounts and managing exchange rate differences.

How will the system work?

The Hungarian Treasury (MÁK) will set up dedicated USD and EUR accounts for municipalities introducing local business tax. In the case of municipalities belonging to special economic zones, the HIPA payments will need to be made to the National Tax and Customs Administration of Hungary (NAV), so the MÁK will create USD and EUR accounts for the NAV.

Taxpayers will have to transfer the due HIPA tax advances and taxes to the new MÁK accounts created, not to the municipalities (only amounts in HUF can be sent there).

The amount transferred to the MÁK will be converted into HUF at the current exchange rate of the National Bank of Hungary (MNB) on the date of receipt of the transfer and transferred in HUF – as per the text of the decree without delay – to the account of the competent municipality or the NAV.

Please note that, unlike corporate tax, the date of payment of HIPA in EURs or in USDs is not the date of debiting of the bank account by the bank.

Opposite to the general rules the payment date is determined on the basis of the credit received by

- the competent local authority or
- the NAV

on its MÁK's local business tax collection account.

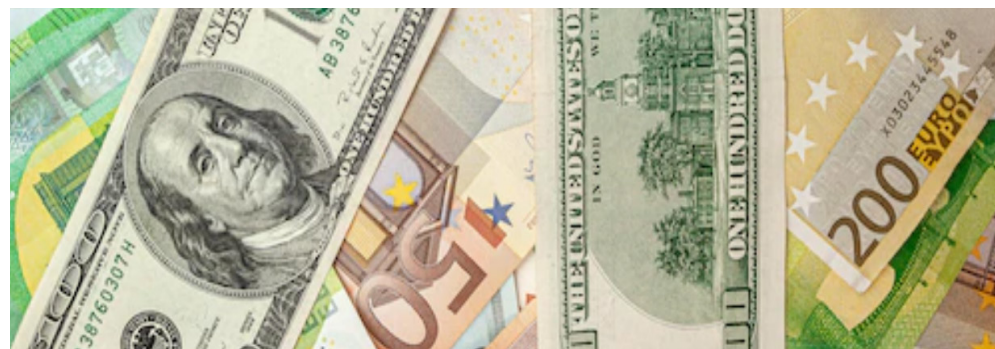


Example: The taxpayer's HIPA advance payment is HUF 12,450,000, the due date is 16 March 2023. The taxpayer transfers USD 30,740.74 on 13 March 2023, which, based on the MNB exchange rate on 13 March (405 HUF/USD), gives back the HUF amount above.

The USD transfer will arrive to the dedicated account of the MÁK, in the lucky case on 13 March, so that it will be converted into HUF at the 13 March MNB exchange rate and immediately transferred to the municipality's own account. The date of payment of the tax will be 13 March.

If the remittance is received by the MÁK on 14 March, when the official exchange rate is 407 HUF/USD and thus USD 30,740.74 will be HUF 12,511,481, and it will go on to the municipality.

On the other hand, if on 14 March the exchange rate changes to 403 HUF/USD, the same USD amount will be HUF 12,388,519, and this amount will be credited and transferred to the account of the Municipality by the MÁK.



When does it come into force? How long does the government regulation remain in force?

The government decree allowing HIPA to be paid in a currency other than HUF was published on 26 September 2022 and came into force on 27 September 2022. We would like to point out that the government decree is for the duration of the state of war and will expire when the state of war ends, but we expect that the possibility provided for in the decree may be raised to the level of a law in the future.

We will, of course, inform all concerned in due course.

