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PS HUNGARY NEWSLETTER

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On 27 May 2015 amendments to the advertisement tax were adopted by the Parliament under exceptional procedure. According to the official explanation the correction has become necessary in a response to the criticism expressed and the investigations opened by the bodies of the European Commission. Consequently changes have been made to the tax rate, deductibility under corporate tax and applicability of allowances.

I TAX RATE – PRIMARY TAX LIABILITY

The tax base for advertisement publishers remains the turnover derived from advertisement activities, however the progressive tax schedule will be replaced by a flat rate of 5,3%. At the same time, however, the threshold for tax exemption will be lowered from HUF 500 M to HUF 100 M putting an extra burden to sector players in the lower tax brackets. As a result companies with an annual turnover of HUF 500 M - 5,000 M from advertising should expect a tax burden five times higher.

The changes are summarized in the following table.

Tax base (in million HUF)	Tax rate	
	2014	Starting 1 January 2015
0 – 100	0%	0%
100 – 500	0%	5,3%
500 – 5 000	1%	
5 000 – 10 000	10%	
10 000 – 15 000	20%	
15 000 – 20 000	30%	
20 000 –	50%	

ADVERTISEMENT TAX CHANGES IN HUNGARY



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II TAX RATE – SECONDARY TAX LIABILITY

Regulations applicable for companies subject to advertisement tax due to their position as advertisers (purchasing advertising services from publishers) will become more favourable: the current tax rate of 20% on advertising expenses in excess of HUF 2.5 M not supported with the declaration of the publisher will be dropped to 5%.

III APPLICABILITY OF TAX ALLOWANCES, OTHER CLARIFICATIONS

The temporary provision allowing for the use of carry forward losses to decrease the 2014 tax base only for companies with a negative or zero 2013 PBT remains still in effect. Related parties will be obliged to determine their tax base on aggregated basis in fewer instances. The tax base of related parties will have to be considered jointly only if the related status is a direct consequence of a demerge performed after 15 August 2014. This regulation will be applicable retroactively.

IV DEDUCTIBILITY UNDER CORPORATE INCOME TAX

Advertisement expenses shall constitute a tax base increasing item only if their amount exceed HUF 30M and are unsupported by the declaration of the publisher.

This regulation will also be effective retroactively, even for the year 2014.

V EFFECTIVE DATE, APPLICABILITY

The new regulations are entering into force as of 5 July 2015. Based on information currently available companies will have the opportunity to choose between the "old" and "new" regulations and to apply the one which favours them the most both for the 2014 and 2015 tax years. This would be a definite advantage for companies with a tax base between HUF 100 M and 5,000 M ensuring either exemption or the availability of a favourable tax rate for the current business year.



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The purpose of our newsletter 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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