

SME INFO HU

AUTUMN TAX PACKAGE 2024 - CHANGES OF THE ACT ON GLOBAL MINIMUM TAX



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.

© Copyrights 2024,
Process Solutions
– All rights reserved

The Global Minimum Tax Act entered into force on 31 December 2023, and multinational and large-scale domestic groups falling within its scope will first be required to fulfil their filing obligations for 2024 by 30 June 2026. In addition to drafting clarifications and the introduction of a method of allocating the additional top-up tax amount under UTPR among group members, the autumn tax package 2024 includes two major

adjustments to the reporting and declaration obligations of those, covered by it. On the one hand, the data content of the reporting obligation due on 31 December 2024 for calendar-year taxpayers has been declared and on the other hand, advance payment obligation has been introduced from 2025 onwards.

The SME Team

1 INTRODUCTION

In our publication on the current amendments to the Global Minimum Tax Act, we report on the two most important changes concerning the obligations of those subject to the global minimum tax, published in Gazette No. 119 on 28 November 2024, as part of the autumn tax package. The addendum concerning the scope of data to be reported also affects the reporting obligation due on 31 December 2024, in this regard, the Tax Authority (NAV), helping taxpayers prepare for data reporting, published the draft forms, filling instructions and the document supporting the preparation of the xml on 15 November 2024. Since then, both the form and the instructions for filling in have been available on ONYA's interface, both in Hungarian and English. Furthermore, we briefly summarize the essence and practical significance of an ongoing proposal „DAC9”, already adopted by the European Commission to reduce the administrative burden of those subject to the global minimum tax.

2 TAXPAYER NOTIFYING RULES

According to the Global Minimum Tax Act, a domestic group member or, according to the current legislative amendment, a designated local entity acting on behalf of all domestic group members must submit a declaration of their top-up taxpayer status to NAV, presenting the MNE Group, a large domestic group, within 12 months from the start date of the tax year subject to top-up tax liability.

The reporting obligation first concerns calendar-year tax payers subject to



The subject of the top-up tax is a group member resident in Hungary, which is a member of a MNE Group or a large domestic group of companies whose annual revenue (including the income of the excluded entity) according to the consolidated financial statements of the ultimate parent company is equal to or more than EUR 750 million in at least two of the four tax years immediately preceding the tax year..

the global minimum tax with a due date of 31 December 2024.

2.1 Scope of data to be reported according to the legislative amendment

According to the legislative amendment, the reporting obligation covers the following data and information:

- identification data of group companies (e.g. company name, tax number),

- residence of members, qualification of members under the Global Minimum Tax Act,
- the structure of the group and the members' controlling interests in other group members.



The exact interpretation of the members' qualification according to the global minimum tax, and thus the data to be reported, cannot be clarified from the text and definitions of the Act itself.

2.2 Content of the notification according to the forms published by the tax authority and instructions for completion

The data content of the notification form published by NAV varies depending on whether each member individually fulfils the reporting obligation in the case of several domestic group members, or the group designates an organization that fulfils it on behalf of each.

The table below summarises the data to be reported in these two cases.⁽¹⁾



Data sheet/ Reporting group member	Member or group members individually	Designated organization on behalf of each domestic group member
GLOBEA main data sheet	<p>The following information of the notifying member:</p> <ul style="list-style-type: none"> • tax ID number, • company name, • name and phone number of the administrator. <p>Declaration:</p> <ul style="list-style-type: none"> • the announcement is made by the company for itself, • number of domestic members subject to top-up tax liability (including the notifying member), • classification as a group member or ultimate parent entity, • type of the Hungarian due top-up tax liability due (qualified domestic top-up tax, qualified IIR, UTPR from 2025, none). 	<p>The following information of the notifying member:</p> <ul style="list-style-type: none"> • tax ID number, • company name, • name and phone number of the administrator. <p>Declaration:</p> <ul style="list-style-type: none"> • the announcement is made by the company on behalf of each domestic group member, • classification as a group member or ultimate parent entity • type of the Hungarian due top-up tax liability due (qualified domestic top-up tax, qualified IIR, UTPR from 2025, none).
It is optional to fill in whether the reporting entity or ultimate parent company will submit top-up tax information return or top-up tax return for the given tax year.		
GLOBEA- PARENT data sheet	<p>The following information of the ultimate parent entity, if the notifying party is a group member:</p> <ul style="list-style-type: none"> • full company name, • tax residency according to the local Minimum Tax Act, • tax ID, EU tax ID number, • type of the Hungarian due top-up tax liability due (qualified domestic top-up tax, qualified IIR, UTPR from 2025, none) <p>It is optional to fill in whether the ultimate parent company will submit top-up tax information return or top-up tax return for the given tax year</p>	
GLOBEM sub data sheet	<ul style="list-style-type: none"> • N/A 	<p>The following information of the domestic group members belonging to the Group:</p> <ul style="list-style-type: none"> • full company name, • tax ID, EU tax ID number, • type of the Hungarian due top-up tax liability due (qualified domestic top-up tax, qualified IIR, UTPR from 2025, none) <p>It is optional to fill in whether the reporting entity will submit top-up tax information return or top-up tax return for the given tax year.</p>



Based on the tax authority's form and instructions, it can be seen, that contrary to the text of the Act, the scope of data to be reported (for now) refers to members resident in Hungary and the ultimate parent company of the group, and no information on other shareholder relationships needs to be provided.

2.3 Possibility to correct reported data

According to the instructions for completion, if the taxpayer notices that any data of the application received and processed by the Tax Authority is incorrect or missing, it has the opportunity, to correct the data within the limitation period, i.e. by the end of the fifth year following the year in which the reporting obligation is due.

2.4 Sanctioning failure or delay in complying with the reporting obligation

NAV may impose a default penalty of HUF 5 million in case of failure or delay in fulfilling the reporting obligation, but no fine may be imposed for tax years starting before 31 December 2026 if the group member acted as expected of the group member in the given situation.⁽¹⁾

3 TOP-UP TAX ADVANCE PAYMENT RULES

The part of the Act relating to the obligation to declare and provide data has been supplemented with advance payment rules.

The tax advance will be due by the 20th day of the eleventh month from the last day of the tax year covered by qualified domestic top-up tax, i.e. for the first time by 20 November 2025 for calendar year taxpayers.

The amount of the qualified domestic top-up tax advance shall be the amount of qualified domestic top-up tax expected to be payable for the tax year and shall be the subject of a return.



Late payment allowances, tax penalties and default penalties shall not apply in the event of a breach of this obligation, if the group member has acted as would be expected of the group member in the particular situation.

4 THE IMPORTANCE OF THE DAC9 PROPOSAL ADOPTED BY THE EUROPEAN COMMISSION

On 28 October 2024, the European Commission adopted the so-called „DAC9” proposal to amend the Directive on administrative cooperation in the field of taxation (Directive 2011/16/EU („DAC”) to make it easier for companies to comply with filing obligations under the Global Minimum Tax Directive.⁽¹⁾

The essence of the facilitation is that multinational companies only have to submit one top-up tax information return for the entire group, instead of all group members having to do so in their country of residence.

According to the proposal, in order to simplify:

- a system for the exchange of information between tax administrations will be established, and
- a form for reporting certain tax-related information will be introduced.

If the proposal will be adopted by the Council of the EU, Member States will have to transpose it into their jurisdiction by 31 December 2025 at the latest. The first top-up tax information return report for 2024 is required by 30 June 2026 and data will have to be exchanged between competent tax authorities by 31 December 2026 at the latest.



In practice, the adoption of the proposal would significantly reduce the administrative obligation of group members in Hungary, if another member within the group were appointed to provide data for the entire group, but obviously, the Hungarian subsidiary or branch should still be able to provide, and the designated group member will also expect to receive the detailed data necessary to prepare the calculation.

References:

- 1 <https://nav.gov.hu/ado/tarsasagi/elerheto-a-globe-adatlap-tervezete->
- 2 Section 227/B (a), Section 274/R of Act CL of 2017.
- 3 https://taxation-customs.ec.europa.eu/news/administrative-cooperation-taxation-2024-10-28_en

