

THE IMPACT OF THE DIGITALISATION TO THE TAXATION*

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I. INTRODUCTION

In the past few years there were many changes in the taxation as an impact of the digitalisation. This article aims to overview these impacts in different types of taxes. Firstly I give an overview of the Hungarian taxes, and then I deal with the personal income tax¹, because from the 1 January 2017 the National Tax and Customs Administration² prepare the draft personal income tax return. It is electronic opportunity. Then I focus to the compulsory electronic contact keeping, because from 2018, all companies will have an obligation to keep contact electronically with authorities (including the tax authority). I analyze the Hungarian Electronic Trade and Transport Control System - the so called "EKAER" System. Finally I present the online invoice system.

II. TAXES IN HUNGARY IN GENERAL

Taxation in Hungary is divided into central and local levels. While central taxes constitute the revenues of the state budget, local taxes are due to the municipalities.

Central taxes may be divided into general and special categories based on their intended purpose. General taxes include the traditional tax types (corporate income tax, value added tax, personal income tax) while special taxes include the tax types levied on specific industries/sectors (income tax of energy utilities, levies on financial organisations and credit institutions, credit institution contribution, energy tax, public utility tax, telecommunication tax, advertisement tax, public health product tax).

Levying and determining the rate of local taxes (the material ones being local business tax, land tax, building tax) falls within the competence of the individual municipalities.

In Hungary, the general rule applicable to taxation is the principle of self-assessment. Enterprises and individuals are required to assess, declare and pay their taxes themselves. Beside self-assessment, in certain cases, the authority may charge or levy taxes based on filing. For example, tax is charged in the case of VAT on

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¹ In abbreviation: PIT

² In abbreviation: NTCA

imports of goods, registration tax, local communal tax and building tax, while it is levied in the case of duty on the transfer of property and procedural stamp duty. Stamp duties and contributions also play an important role in the system of equal tax treatment.

In the Hungarian tax policy regime, central taxes are being shifted from income to consumption and from general taxes to special levies.³

III. ELECTRONIC PERSONAL INCOME TAX RETURN (eSZJA)

The state tax and customs authority shall prepare a provisional tax return from the data it has available in its records for private individuals on the basis of information received from the payer by the last day of February of the year following the tax year.⁴

The state tax and customs authority shall prepare a provisional personal income tax return for private individuals and shall make it available through an electronic platform set up for that purpose using the electronic identification service provided for in Act CCXXII of 2015 on the General Rules for Trust Services for Electronic Transactions⁵ after 15 March of the year following the tax year.⁶

Where a taxpayer who does not have the means required to maintain electronic communication provided for in the ET Act is yet to file his tax return, he may send a request by 15 March of the year following the tax year by post, by means of a short text message sent through a telecommunications equipment or by way of electronic means to the state tax and customs authority for having the provisional tax return referred to in Subsection (1) prepared on paper and sent to him by post. The request shall contain the private individual's date of birth and tax identification code as well. Upon registration of the request sent by way of electronic means or in a short text message the state tax and customs authority shall notify the private individual thereof by the same means of communication the private individual used for sending the request. The private individual's contact information may be processed solely in connection with requesting provisional tax returns.⁷

The provisional tax return shall indicate, relying on the state tax and customs authority's records, the private individual's:

- a) income earned during the tax year under the Personal Income Tax Act, and the tax payable on such income;
- b) income earned during the tax year under the Act on Simplified Contribution to Public Revenues, and the tax payable on such income;
- c) income received under a relationship provided for in the Act on Simplified Employment above the framework amount exempted under the Personal Income Tax Act;

³ <https://doingbusinessinhungary.com/taxation> (2019-05-14)

⁴ PIT 12/B §

⁵ hereinafter referred to as "ET Act"

⁶ PIT 12/C § (1)

⁷ PIT 12/C § (2)

- d) revenue comprising the special tax base falling within the scope of the act laying down rules for the special tax charged on certain specific income of private individuals, comprising the special tax base;
- e) income on which the social contribution tax is charged under the Act on Social Contribution Tax, and the amount of social contribution tax payable on such income.⁸

If the private individual disagrees with the data indicated in the provisional tax return, or with the underlying data which are available in the state tax and customs authority's records, he shall have the right to make the necessary corrections in, and additions to, the data contained in the provisional tax return by 20 May of the year following the tax year through the electronic platform set up for that purpose, or may submit a tax return using the form prescribed for that purpose. Corrections in, and additions to, the data contained in the provisional tax return sent by post can be made via an electronic platform accessible through the electronic identification service provided for in the ET Act, or by submitting a tax return prepared without the assistance of the tax authority.⁹

Nonresident private individuals may declare by 30 April of the year following the tax year that in the tax year of the acquisition of the income he was not subject to tax liability in Hungary on account of his nonresident status.¹⁰

If the private individual makes no corrections in, and/or additions to, the data contained in the provisional tax return by 20 May of the year following the tax year, or fails to comply with the obligation of declaration by any other means, this shall be construed - except as provided under Subsection (5) hereof and Subsection (2) of Section 11/A - as the taxpayer's agreement with the contents of the provisional tax return, and the provisional tax return shall then be treated as if it was submitted by the private individual.¹¹

By way of derogation from Subsection (6), small-scale agricultural producers who acquired any taxable income, private individuals liable to pay value added tax and private entrepreneurs shall be construed to have met their obligation relating to submission of a tax return when lodging a tax return drawn up based on the provisional tax return or prepared without the tax authority's involvement.¹²

If - in accordance with Subsection (4) - the private individual made any correction in, or addition to, the provisional tax return prepared by the tax authority, or complied with the obligation of declaration by any other means, the corrected, revised tax return or the tax return prepared by the private individual without assistance from the tax authority shall qualify as the private individual's personal income tax return. If the state tax and customs authority accepts the justification submitted together with the tax return filed past the deadline for filing the tax return, the tax return thus submitted shall qualify as the private individual's tax return.¹³

⁸ PIT 12/C § (3)

⁹ PIT 12/C § (4)

¹⁰ PIT 12/C § (5)

¹¹ PIT 12/C § (6)

¹² PIT 12/C § (7)

¹³ PIT 12/C § (8)

Where a private individual files several tax returns, the one that was filed first shall be treated as the taxpayer's tax return.¹⁴

Private individuals shall pay the tax due by the deadline prescribed for filing the tax return. The state tax and customs authority shall effect tax refunds within thirty days following the date of receipt of all data and information required for the refund. Receipt of the data and information required for refund by the state tax and customs authority shall be construed, for the purposes of tax laws and regulations, as receipt of the claim for the disbursement of central subsidies. The state tax and customs authority shall have power to exercise its right to withhold funds in connection with any outstanding public dues it has on record at the payment due date. If the private individual fails to submit to the state tax and customs authority the data and information required for refund by the deadline for filing the tax return, the tax refund shall not be effected, in which case the private individual is to submit a special request for payment of the tax refund.¹⁵

Where a private individual who has the means required to maintain electronic communication provided for in the ET Act is eligible for tax refund or is liable to pay any tax, however, he failed to make any corrections in, and/or additions to, the data contained in the provisional tax return by 30 April of the year following the tax year, and failed to comply with the obligation of declaration by any other means, the state tax and customs authority shall send a notice by way of electronic means on the amount of tax to be refunded or paid, including any discrepancy in the data of record on such taxes.¹⁶

Where a taxpayer, who does not have the means required to maintain electronic communication provided for in the ET Act, is eligible for tax refund or is liable to pay any tax, and he did not request a paper-based draft tax return by the deadline referred to in Subsection (2), and failed to comply with the obligation of declaration by any other means, the state tax and customs authority shall send a notice by post by 30 April of the year following the tax year on the amount of tax to be refunded or paid, including any discrepancy in the data of record on such taxes.¹⁷

Private individuals shall be allowed to make corrections in the provisional tax return recognized as a tax return, or in the tax return prepared on the basis of a provisional tax return by way of self-audit through the electronic platform set up for that purpose, or may submit the self-audit using the form prescribed for that purpose.¹⁸

The private individual may comply with the obligation of declaration upon the revision, supplementing the provisional tax return prepared by the state tax authority if:

- a) he was an agricultural smallholder during the tax year and his income from this activity was taxable, except if the income from such activity is not taxable and consequently no obligation of declaration applies;
- b) he has selected flat-rate taxation in connection with private lodging services he has provided during the tax year;

¹⁴ PIT 12/C § (9)

¹⁵ PIT 12/C § (10)

¹⁶ PIT 12/C § (11)

¹⁷ PIT 12/C § (12)

¹⁸ PIT 12/C § (13)

- c) he has made a request in writing to the payer (employer) for the deduction of expenses when determining the tax advance for any revenues received during the tax year, not including a statement pertaining to expenses which may be claimed without substantiation under this Act;
- d) he has acquired any income from swaps during the tax year;
- e) he has any over/under-payment penalty according to the provisions on tax advance payments;
- f) he has earned any income during the tax year from a source other than a payer, or any other income on which the tax or tax advance has to be assessed by the private individual himself;
- g) he is entitled to modify the tax assessed by the payer in his tax return during the tax year;
- h) he has any income during the tax year that is (also) taxable abroad or that is earned at a place other than Hungary as the place of gainful activity;
- i) he is a nonresident private individual and did not make a statement under Subsection (5) of Section 12/C;
- j) he has acquired income from controlled capital market transactions, provided that the income is not, or not exclusively based on a certificate provided by an investment service provider recognized as a payer;
- k) he writes off any tax during the tax year that was deducted from the dividend advance received prior to the tax year from the tax on approved dividends;
- l) he is liable to pay special tax under the Act on Simplified Contribution to Public Revenues relating to any income or if he has assumed the obligation of assessment, declaration and payment of simplified contributions to public revenues - that is payable by the private individual and the payer - from the payer;
- m) he is liable to pay an advance on social contribution tax relating to any income;
- n) his tax shall (may) be assessed in his tax return pursuant to specific provisions of this Act;
- o) he was a private entrepreneur, unless he has suspended his entrepreneurial activities during the entire tax year, and consequently no obligation of declaration applies.¹⁹

IV.COMPULSORY ELECTRONIC CONTACT KEEPING

From 2018, all companies will have an obligation to keep contact electronically with authorities (including the tax authority). Electronic contact means communication through an electronic channel in both directions.

Private entrepreneurs are entitled to electronic contact keeping through the Central Administration Register²⁰/CAR portal.

Central Administration Register allows natural person users to get in contact safely with a one-time log-in with the bodies providing electronic public administration and services subject to the verification of their personal identity.

¹⁹ PIT 12/D §

²⁰ In abbreviation: CAR

From 2018, business association no longer use the CAR portal for the purpose of electronic contact keeping but the *Cégkapu* portal created specifically for this purpose after compulsory registration at *Cégkapu*. *Cégkapu* is an official storage space provided to business organizations serving electronic administration and contact keeping. All official documents from authorities are received directly at *Cégkapu* and the *Cégkapu* officer and the *Cégkapu* administrators authorized by the officer to act in specific matters are also only able to get in touch with authorities through *Cégkapu*.

What are the forms of enterprise? What are their features?

- Independent/private entrepreneur
- business association,
- branch office or
- commercial representative office.

V. THE HUNGARIAN ELECTRONIC TRADE AND TRANSPORT CONTROL SYSTEM - THE “EKAER” SYSTEM

Hungary introduced the EKAR system to fight against tax fraud. The aim of the system is to track the actual route of goods and to ensure public revenues generated during the acquisition and sale of goods.

The objective of the system is to strengthen the market positions of compliant economic operators, to make circulation of goods more transparent, to eliminate fraud related to food products often endangering human health and; last but not least, to eliminate tax evaders.

The following taxpayers are required to register and report under EKAER:

- who acquire or import goods from the European Union to Hungary by means of a vehicle that is subject to toll,
- who sell or export goods from Hungary to the European Union by means of a vehicle that is subject to toll,
- who is engaged in the first taxable sale of goods to an entity other than a consumer by means of a vehicle that is subject to toll.

Failure to register may lead to the seizure of the consignment and may give rise to a fine up to 40 percent of the value of the goods.

Recapitulative (VIES) report

Taxpayers are required to file a consolidated statement regarding the products sold and the services rendered within the European Community and the products procured and services used from the European Community on a monthly or quarterly basis. The recapitulative report is to be filed with the same frequency as VAT returns.

Recapitulative report

From 1 July 2018, VAT-able persons will have to file a detailed declaration on the invoices accepted of acquisitions of goods and services in which the amount of

VAT charged reaches or exceeds HUF 100,000. The taxpayer may fulfil the obligation of submitting recapitulative reports voluntarily, independently from a limit value.

Real time online supply of data on invoices

After 1 July 2018, all taxable persons registered in Hungary will have to supply data electronically on the invoices issued to domestic taxable persons on supplies of goods and services in which the amount of tax charged reaches or exceeds HUF 100,000.

Invoicing software notification

All taxpayers are obliged to notify the invoicing software used by them to the tax authority. The invoicing software is required to have an independent but integrated function titled “tax authority inspection data disclosure” that can export data concerning the invoices issued in the format prescribed by the tax authority (“NAV”).

Tax filing and payment deadlines

Depending on the amount of their tax liability, taxpayers are required to file tax returns and pay the tax on a monthly, quarterly or annual basis until the 20th day of the month following the return period and, for annual filers, until 25 February of the year following the tax year. A liability to file a recapitulative statement or recapitulative report may also arise in relation to the filing obligation. In other words, there is no “preliminary” and final tax return in the Hungarian system but rather all tax returns filed are considered a final statement.

VAT refund to foreign entities

As of 1 January 2010, taxable entities seated in another EU member state are entitled to reclaim the Hungarian VAT by electronically submitting an application to the tax authority of the country where they are seated.

Taxpayers established in eligible third countries (Switzerland, Liechtenstein, Norway and Serbia) can submit their applications directly to the Hungarian tax authority either in paper format or electronically.

Taxpayers with a registered office or permanent site in Hungary have to apply to the National Tax and Customs Administration (NAV) for the reclaim of the value added tax paid in another member state of the European Community (foreign VAT). NAV only has a preliminary filtering role in the procedure if the applicants fulfil the requirements of the law. The office is required to forward applications to the foreign authorities within 15 days of their receipt. The deadline for receiving applications is 30 September of the year following the relevant year.

By using EKÁER the actual route of the goods can be tracked because transport related data (name and quantity of goods, consignee, consignor,

registration number of vehicle, etc.) have to be registered in a central electronic system before starting the transport. Some of these data (product weight, value, and registration number of vehicle) can be modified up until the arrival of the cargo and can be registered in the system on the first working day after the time of arrival to the address of receipt (unloading). Stating the registration number of the vehicle is not a precondition to determining the EKAER number but it has to be registered up until the start of transport.

The obligation for making data submissions mainly affects the domestic trading parties, the seller and the buyer.

A precondition for registration in EKAER is the access to the Client Gateway. Those already having access to the Client Gateway can create a right of access to the EKAER electronic surface in two steps:

- First the legal representative, permanent trustee of the taxpayer (primary user) applies for username and password then
 - after log-in to the EKAER electronic surface they apply for access rights for those persons (secondary users) who may submit or modify data.
- The obligation to submit data applies for each and every road transport of goods performed by using vehicles subject to road toll payment (i.e. vehicles exceeding 3.5 tons of maximum gross weight).

It is obligatory to report:

- for the consignee/recipient: intra-Community buying and import for other purposes,
- for the seller/consignor: sales to another EU Member State and export for other purposes;
- for the seller: first taxable domestic sale if it is not for an end-user.

Domestic products subject to reverse taxation are not exempt from the obligation to submit data.

However, certain goods are exempt from the data submission obligation, e.g. relief supplies or vehicles participating in disaster relief, or road transport in the context of collecting freight if the quantity/value of the given product does not exceed the limit specified in the law, and in the case of transporting certain excise goods specified in the law. Non-risky goods with a net value not exceeding 2 million HUF and with a weight not exceeding 2.5 tons are exempt from the data submission obligation.

In the case of certain goods (risky food products and other risky products) the rules for submitting data in EKAER cover also their transport by vehicles not subject to road toll payment (vehicles with lower than 3.5 tons of maximum gross weight), depending on the value and weight limits of those goods. This limit for risky food products is 200 kg or net 250000 HUF, for other types of risky products it is 500 kg or net 1 million HUF. The range of risky products can be found in the Annex to the Regulation of the minister of national economy.

In the case of food products within the competence of the National Food Chain Safety Office a so-called FELIR identification number is also needed which requires the registration of the company and the first Hungarian place of storage.

In addition to submitting data, from 1 February 2015 a guarantee must be provided and maintained for risky food products and other risky products throughout the business operation. An exception from this is the export from Hungary to another EU Member State. The amount of security is 15 % of the net value of risky products registered in EKÁER in the course of 60 days prior to the submission of data (including the day of the submission); this may be reduced in some cases. The following entities may be exempted from the provision of a guarantee:

- taxpayers included in the database of qualified taxpayers or
- taxpayers that have been in business for at least 2 years, are included in the database for taxpayers free of public debt and the tax number of whom has not been suspended at the time of the data submission.

The system generates an EKÁER number valid for 15 days when data is submitted which is connected to the transport. The transport operator or transport organizer has to be informed about the EKÁER number.

Unreported goods shall be deemed of unconfirmed origin, upon which a default penalty amounting up to 40% of the value of the unreported goods may be imposed. The National Tax and Customs Administration may seize the goods to the extent of the amount of the default penalty or use an official seal.²¹

There are exemptions from submission of data.²²

²¹ Decree 5/2015 (Feb 27) of the Ministry for the National Economy on the operation of the *Electronic Public Road Transportation Control System*

²² Exempt from the obligation to submit data:

- vehicles of the Hungarian Defence Forces and the Military National Security Service, vehicles of law enforcement agencies according to the act on national defence, Hungarian Defence Forces and on measures applicable in special law, and vehicles of the Parliamentary Guard;
- official or service vehicles of foreign armed forces stationing in or passing through Hungary, and of international military headquarters set up in Hungary for service purposes, and vehicles of other organisations exempted on the basis of international treaties, agreements and reciprocity;
- vehicles participating in preventing or averting damages caused by a disaster defined in the act on disaster relief;
- vehicles covered by international treaties or agreements (NATO, Schengen Agreement) and reciprocity;
- vehicles transporting non-commercial (free of charge) humanitarian relief supplies;
- vehicles exclusively transporting goods covered by the law on excise taxes and special regulations on the distribution of excise goods: alcoholic products, beer, wine, sparkling wine, intermediate alcoholic products, tobacco products, dried tobacco, controlled mineral oil products, bioethanol, biodiesel, E85 or several from these;
- the taxpayer, if the weight of non-risky goods sent by him or addressed to him in one transport with the same vehicle subject to road toll payment does not exceed 2500 kg or if the non-taxed value of those goods does not exceed 2 million HUF;
- the taxpayer, if goods sent by him or addressed to him in one transport with the same vehicle subject to road toll payment:
 - the weight of risky food products does not exceed 200 kg or its non-taxed value 250 000 HUF,
 - the weight of other risky products does not exceed 500 kg or its non-taxed value 1 million HUF.
- Exemption from the obligation to provide a risk security
- Security must be provided only if the taxpayer
- imports risky products from another EU Member State to Hungary or imports for other purposes, including bringing own products to Hungary from another EU Member State;
- sells risky products as a first taxable domestic sale for not an end-user.

The taxpayer is exempt from the obligation to provide a risk security if

- they are included in the database of qualified taxpayers or
- if they meet all of the following conditions:
 - have been in business for at least 2 years and

The electronic trade and transport control system “EKAER” in practice

For transporting goods on public roads via any motor vehicles subject to charge it will be required to apply for an EKAER number. Every number will be valid for 15 days and those organizing and executing the transit must have them as it must be presented during potential roadside checks by the authorities.

In Hungary only vehicles over 3,5 tons are subject to paying usage-proportional road toll when using highways and other and other roads and road sections defined by law. This toll is proportional to the distance travelled on tolled roads and is determined by the axle number and EURO class of the vehicle. Vehicles under 3,5 tons using tolled roads, e.g. highways have to pay toll in a vignette system, where the toll is not proportional to the distance travelled but a fixed price have to paid for a certain period of time.

Those who transport goods to Hungary using public roads from member states of the European Union, who transport goods from Hungary to member states of the European Union and everyone engaging in taxable product selling via public road transportation not targeting end users are obliged to apply for an EKAER number for every transport.

Law also recognizes potentially hazardous foods and potentially hazardous products. Detailed regulations on hazardous products will be defined by a decree which will be issued by the Ministry of National Economy; details of this regulation are not yet known.

It applies to these products, that over a certain weight and value limit they are subject to notification even is transporting is carried out by a vehicle which is no subject to paying usage-proportional toll. In the case of hazardous foods the limit for notification is a minimum of 200 kilograms or a value 250 000 forints without taxes for one recipient. In the case of other hazardous products for one recipient the limit is a minimum of 500 kilograms or a value of 1 million forints without taxes. Every vehicle which transports international aid and every military vehicle are exempt from the obligation of applying for an EKAER number.

All taxpayers engaged in activities involving transportation using public roads and transporting hazardous products has to pay a *security deposit*. Wage transport is exempt from this rule.

Regulation gives a detailed description about how the security deposit should be calculated. If a transporter starts multiple shipments at the same time or has multiple shipments on the way, they only have to pay a security deposit for the one with the most value.

Obligation to provide a security deposit can be fulfilled either by paying the required amount of money to the account created by the national tax authority of via guarantee. The authority provides an opportunity for query and monitoring on an electronic interface for taxpayers who are obliged to pay a deposit.

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- are included in the database for taxpayers with no public debt and
 - their tax number has not been suspended at the time of the data submission.

Exempt from paying a security deposit are all taxpayers, who are registered in the system of the national tax authority as qualified taxpayers; and all taxpayers who are registered in the database for public debt-free taxpayers for at least two years and their tax number is not under suspension at the time of statement.

If the type of the cargo, risk factors or lack of consistency between the cargo and its designation justifies it, or if the taxpayer in question refuses declaration, the authority locks down the cargo so its identity can be verified, except in the case of live animals and highly perishable products. This can be done via sealing the cargo or cargo space with an official seal, the integrity of which can be verified by the authority in the country. Removal of the seal is a decision to be made by the authority.

If the taxpayer fails to meet their obligation to apply for an EKAER number or to report the entire shipment, than the shipment or its undeclared part is considered a product of unverified origin, and the authority can impose a default penalty. Default penalty can be a maximum 40% of the value of the product of unverified origin.

Besides the imposed penalty the authority can lock down products meeting in value the amount of the penalty, except if the cargo comprises live animals or highly perishable products. Imposer of the fine shall issue a decree, make a report and seize the products or transport them for preservation on the expense of the taxpayer.

VI. THE SYSTEM OF ONLINE INVOICE

As of 1 July 2018 it is obligatory to provide data on the invoices containing charged value added tax at least of 100,000 HUF, issued of the transactions between domestic taxpayers.

As of 1 July 2018 the data disclosure regarding the data of the invoices issued (and documents to be regarded as equivalent to invoice) shall be fulfilled after the issuance, within a short period of time, by electronic means. In case of invoicing with the use of billing/accounting software the invoice data shall be transmitted to the NTCA without human intervention, via the public internet immediately, after the preparation of the invoice.

Data of the invoice shall be recorded on web interface in case of invoicing with the application of form, e.g. invoice pad (accordingly manual invoicing). The data report shall be fulfilled within five calendar days. This deadline is shortened if the invoice contains charged tax of 500,000 HUF or more than this amount. The data of the invoice containing of HUF 500,000 or more charged tax shall be recorded on web interface on the day after the day on which the invoice was issued.

The data disclosure liability in principle is covered by such an invoices issued on the transactions between domestic taxpayers in which there is HUF 100,000 or more charged tax.

The objective of the introduction of the online data report and of the establishment of the data management system is to further whiten the economy by discouraging tax frauds. This is complemented by the free online invoicing function, as a service of the NTCA. With this development a large amount of

invoice turnover become visible and traceable for the NTCA consequently the risk management can be more effective and the VAT revenues can be significantly increased.

Within the system of online invoice

- real-time data on the issued invoices arrive to the NTCA,
- issued invoices can be queried by recipients of invoices and issuers of invoices as well,
- large amount of the invoice data is rapidly available for the purpose of effective risk analysis and audit which is assisting the detection of tax frauds,
- with the automation of the data report, the administrative burdens are reducing for users of billing/invoicing software,
- the new system substitutes the consolidated data report of issuers of invoices.

The basis of the solution is such a combined IT system which is able

- to receive and to control the invoice data that were sent in an electronic standard message as well as to confirm the sending, with the application of a system-system connection provided to taxpayers,
- to support manual recording of invoice data on a web portal,
- to trace economic activities and processes via the immediately available invoice data.

The online invoice assists the tax audit work of the NTCA, it makes the economic processes more transparent and broadens the group of the compliant taxpayers.²³

The registration procedure in the online invoice system

Pursuant to point 9 of Schedule No. 10 of the Act CXXVII of 2007 on Value Added Tax²⁴ being in force as of 1st July 2018 the data disclosure within the meaning of points 5 to 8 of the Schedule referred to above shall be fulfilled on the electronic platform provided by our Administration (in the case of issued invoices containing input tax reaching the amount determined by the referred legal regulation, the taxpayer obliged to do so has to perform data disclosure in relation to the data of concerned invoice to the state tax and customs authority).

Registration is needed for the fulfilment of data disclosure obligation, which has to be accomplished either by the ones using invoicing program or by the ones using an invoice pad (invoice issued manually).

Taxpayer registration

The precondition for the fulfilment of data disclosure is an existing so-called “client gateway” access (KÜNY storage) of the taxpayer, the legal representative of the taxpayer or rather the appointed agent of the taxpayer.

²³ Act CXXVII of 2007 on the Value Added Tax Chapter X INVOICING Rules on the Issue of Invoices

²⁴ hereinafter referred to as VAT Act

30 minutes are available for carrying out the registration, however, because of security reasons, which are the re-identification at the client gate, 5 minutes are granted for tax identification code to be provided.

In the possession of the Client Gateway access the single registration of the taxpayer, the legal representative of the taxpayer or the appointed agent of the taxpayer is necessary for the fulfilment of the data disclosure on the electronic platform of the Online Invoice System.

A person registered by the state tax and customs authority can be considered as *legal representative* of the taxpayer who is entitled to represent the taxpayer according to the legislation applicable to the taxpayer. In the case of legal representatives, the state tax and customs authority *ex officio* provides the procedural right of the legal representatives as of 2014 (the so-called automatic right creation).

Appointed agent of the taxpayer registered by the state tax and customs authority is entitled to perform the registration if

- s/he is entitled for full representation in all types of cases before the state tax and customs authority;
- s/he is entitled to administer all taxation cases;
- s/he is entitled to administer all declaration, data disclosures/-supplies related to taxation and all report, submission and application;
- s/he is entitled to administer all data disclosure;
- s/he is entitled to administer the data disclosures related to value added tax.

Process of the registration of taxpayer's representative, i.e. process of user's registration

As it was already mentioned before, the taxpayer liable to data disclosure must be registered in the *Online Invoice System* to secure the fulfilment of obligation a registration, which can be conducted by the legal representative or appointed agent entitled thereto on behalf of the taxpayer liable to data disclosure. The natural person registering the taxpayer is a so-called "*primary user*".

In order for the person liable to data disclosure to be able to perform his / her obligation according to legal provisions and without any human intervention in connection with data from his / her invoices produced by his / her invoicing programme, registration of a so-called "*technical user*" is also necessary. After registration of the technical user, those data will be available that are necessary for the communication between the taxpayer's invoicing programme and NTCA's server.

In order to perform data disclosure obligation, a so-called "*secondary user*" can also be created. The secondary user is created by the primary user with access rights defined by him / her.

In the course of client registration, technical user and secondary user can be created in one step as well; however, a user can also be created later on after the successful registration, after logging in the Online Invoice portal.

VII. FINAL THOUGHTS- THE IMPACT OF THE DIGITALISATION: PAPERLESS TAX AUTHORITY?

Hungary's National Tax and Customs Authority (NAV) will become a paperless institution by 2021, Finance Minister Mihály Varga said last year.

NAV's electronic services are becoming more and more widespread, indicating that taxpayers are on board with making the office completely paperless within a few years, the finance ministry quoted Varga as saying at a meeting.

The move to have NAV prepare all corporate tax returns by 2021 will halve the administrative burdens on businesses, the minister said, adding that the authority would offer a growing number of services over the coming years.

Finance minister noted that since 2017, NAV prepares personal income tax returns. Starting 2018, the authority also prepares corporate excise tax filings. The tax authority can have a key role in boosting the competitiveness of businesses.

The minister also said that over the next few weeks, NAV will be ready to assist companies in adapting to its new online invoicing system and with registering vending machines for mandatory electronic reporting.²⁵

We hope that it will become reality.

LEGAL BACKGROUND

- Act CXVII of 1995 on Personal Income Tax
- Act CXXVII of 2007 on the Value Added Tax Chapter X INVOICING Rules on the Issue of Invoices
- Decree 5/2015 (Feb 27) of the Ministry for the National Economy on the operation of the *Electronic Public Road Transportation Control System*

²⁵ <https://www.xpatloop.com/channels/2018/06/finance-minister-tax-authority-to-go-paperless-by-2021.html> (2019-05-14)