Executive summary

On 29 April 2017, the Hungarian Ministry for National Economy issued a press release reporting that the go live date of the new online sales invoice data reporting will be postponed until 1 July 2018. However, as an introductory measure, the Ministry plans to start a test platform as of 1 July 2017.

The press release reports that the Ministry intends to create a system that “generates the least possible administrative burden, is very easily operated, and provides sufficient testing time for businesses.”

Detailed discussion

The main parameters of the live reporting requirement are still expected to be the following:

- The requirement will apply to all domestic business to business invoices in which at least HUF100,000 (approximately €320) value added tax (VAT) is charged.
- The requirement will also apply to entities which are only VAT registered in Hungary as well as to those whose invoicing function is managed abroad.
- Failure to meet the new obligation may result in a penalty up to HUF500,000 (approx. €1,700 per invoice).
The press release also notes that as of 1 July 2017, the domestic summary reporting threshold will remain unchanged; i.e., the threshold will continue to be HUF1 million instead of the anticipated HUF100,000.

The technical characteristics of the online data reporting are still unknown, with special regard to the following:

> There is no available information on whether taxpayers will have to submit the data of their already issued invoices to the Tax Authority or if they will need to upload their draft invoice data first, wait for approval from the Tax Authority servers and then issue the invoice with the received verification ID indicated.

> It is uncertain whether “trusted” taxpayers will be allowed to apply simplified reporting, or whether there will be any sort of simplification in their favor; i.e., whether the rules will at all differentiate among taxpayers.

**How to prepare?**

In order to prepare for the live invoice data reporting, it is advisable for taxpayers to identify the affected systems, people and processes within their organization, as well as assessing and planning the necessary tax and IT human resources (both in-house and external) and financing needs in due time.

> Note that the sales invoicing process may require an overhaul to accommodate the Tax Authority’s pre-approval step and invoice template updates.

> Vendor invoice data reconciliation may need a cross check among various data sources (AP data, inventory movements, EKAER data, etc.).

The live data reporting file format is expected to be largely based on the (XML) file format currently applicable for the (on demand) data export requirement. This data export functionality is a compulsory invoicing software requirement in Hungary since 1 January 2016. Therefore developing and verifying the data export function is a strongly recommended step towards live reporting readiness.

> Developing and verifying the current XML reporting function is also required to mitigate penalty risks. This function has been a focus of recent tax audits and incurred penalties may lead to losing the “trusted” taxpayer qualification or even the Authorized Economic Operator (AEO) classification of the company.

Taxpayers should consider introducing process-embedded diagnostics in respect to the XML data export files to monitor potential inconsistencies.

Taxpayers should also consider introducing an automated method of completing domestic summary reports. This method can significantly accelerate the VAT reporting procedure and can mitigate the risks of manual data entry (e.g. typos), irrespective of whether the reporting threshold will be reduced.

**Endnote**

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Indirect Tax

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