Executive summary

The Hungarian Ministry for National Economy has published a draft proposal to amend the currently effective Invoicing Decree (No. 23/2014) with respect to live invoice data reporting, with effect from 1 July 2018.

The proposal contains the new XML data structure and the main legislative framework, based on which businesses can already begin their development projects.

Detailed discussion

Main features of the upcoming live invoice data reporting

As noted, the planned go live date is 1 July 2018 and the requirement will apply to all domestic B2B (business to business) invoices in which at least HUF100,000 (approx. €320) value added tax (VAT) is charged.

Failure to meet the new obligation may result in a penalty up to HUF500,000 (approx. €1,700) per invoice. The current data export requirement will continue to apply, the proposal does not impact this obligation.
Sales side domestic summary reporting will be abolished at the same time that live invoice data reporting commences. Purchase side domestic summary reporting will however remain in place, with the VAT value threshold decreasing from HUF1 million to HUF100,000 as of 1 July 2018.

The proposal
The proposal contains the new XML data structure, which is significantly more complex than the schema of the current data export XML.

The proposal however only prescribes the compulsory reporting of invoice data which is mandatory based on the VAT Act, additional data reporting is optional.

The published schema may still be amended, but major structural modifications are not anticipated.

Taxpayers will be required to upload their invoice data at the time of the issuance of the invoice, but in any case, no later than within 24 hours. In the case of a system outage, the invoices issued should be reported within 24 hours after the system is back on-line.

The registration process for invoicing software will be amended, there will be a separate process for live invoice data reporting purposes.

The “KOBAK” test platform
Data files prepared according to the new XML schema can be tested on the tax authority’s designated portal (so-called “KOBAK”). The KOBAK platform will provide amenities for the formal check of XML files, but no substantial review will be available on this site.

KOBAK usage and registration details are available on a second website (though currently only in Hungarian):

Steps to prepare
To avoid the risk of potential interruptions in a company’s billing function upon the go live of the reporting, taxpayers should consider taking immediate actions to develop the live invoice data reporting function. The preparatory steps and developments will require significant combined information technology (IT) and tax capacities, and can therefore be time consuming. Hence, a time sensitive workplan should be developed.

Immediate action items to consider
Taxpayers should consider taking the following action to prepare for the go-live date:

- Mapping of the new XML schema, which provides the IT development team with a blueprint via listing the data fields, providing field descriptions, etc.
- Preparing a correlation table, i.e., a gap analysis between the old (data export) and the new (live invoice data reporting) XML data maps, to capture surplus data and development needs
- Preparing invoice maps, which involves the identification of relevant data elements on invoice templates, and the linking of these data elements to the XML report fields
- Amending invoice templates for the proper execution of live reporting (if necessary)
- Identifying the data sources within the ERP/billing systems, and configuration of data queries
- Developing the XML conversion engine (application), which will be capable of converting the extracted invoice data into the required XML format, and later on will perform the online communication functions
- Testing the generated XML files via the KOBAK platform, troubleshooting as needed

Steps to take during the second development phase
The following actions should be taken when the “live” web-based invoice data reporting test platform opens up, expectedly in January 2018:

- Testing the online communication functions of the XML conversion application, with troubleshooting as needed
- Developing the sales side data reconciliation to check consistency among sales invoices (accounts receivable analytics) and submitted XML reports
- Developing the purchase side data reconciliation to check consistency among purchase invoices (accounts payable analytics) and XML reports submitted by vendors (as a token of due care)
- Developing formal and logical checks embedded in the process of live invoice data reporting, to flag XML formal and logical errors before XML submission
Additional considerations

If a company has not yet developed or validated its data export function (applicable as of early 2016), this requirement should be executed. Failing to comply with this requirement can lead to repeated default penalties and thus the potential loss of the “trusted taxpayer” status, or even the forfeiture of the authorized economic operator (AEO) license.

Taxpayers should also automate the domestic summary reporting of invoice data. Manual data entry can entail excessive time investment and risk of typos, especially after the reduction of the reporting VAT value threshold to HUF100,000.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Advisory Kft, Budapest

- Tamás Vékási +36 1 451 8220 tamas.vekasi@hu.ey.com
- Péter Molnár +36 1 451 8615 peter.molnar@hu.ey.com
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

© 2017 EYGM Limited.
All Rights Reserved.

EYG no. 04334-171Gbl
1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com