TAX CONSULTING

SUPPORT IN RELATION TO CORPORATE TAX TAXPAYER GROUP STATUS

From the tax year 2019, groups may opt for **group taxpayer status for corporate tax purposes**, which comes with many advantages for both the group and its members. However, the time available for preparation, decision making and the assessment of consequences is extremely short as the relevant application has to be filed with HU TA until 15 January 2019. We would like to help our clients in the preparation of this decision inducing substantial changes and in operation as a corporate tax taxpayment group.

WHO IS ELIGIBLE FOR CORPORATE TAX TAXPAYER GROUP STATUS?

The members of the taxpayer group to be created have to be companies qualifying as Hungarian resident taxpayers,

- in the case of which one of the taxpayers holds directly or indirectly an at least **75% of the voting rights** in the other taxpayer or in the case of which another person holds directly or indirectly at least 75% of the voting rights in the taxpayers, and
- which **have the same balance sheet date and currency of accounting** and
- in the case of which the preparation of the **financial statements** and the closing of accounting takes place **on a standard basis** in accordance with the provisions of either the Act on Accounting or IFRS.

WHAT BENEFITS COME WITH CORPORATE TAX TAXPAYER GROUP STATUS?

- One of the most important advantages is that **the losses of group members will become usable within the group**. The tax base assessed as the amount of the positive tax bases of the group members may be reduced (in accordance with special rules) by the amount of the loss carried forward from negative tax bases of the group members. This represents a **potential tax saving opportunity** relative to individually assessed tax bases.
- The other major benefit deriving from this measure is that the **provisions relating to related party transactions will not be applicable to the transactions concluded between tax group members**, which means that group members will not be obliged to determine the arm's length price for corporate tax purposes and adjust their tax bases in the case of variance from the arm's length price and will not have to document these transactions. The **transfer pricing documentation obligation** prescribed in the Corporate Tax Act **will only have to be fulfilled at group level** thanks to which companies can save the preparation of quite a number of transfer pricing documentations.
- A further favourable feature of taxpayer groups is that it does not prevent companies from the **application of tax allowances**, be it tax allowances acquired before becoming a taxpayer group or while having group taxpayer status.
- In the case of choosing simultaneous **group VAT taxpayer status further reduction of administration obligations** can be achieved through the arising synergies and a financing advantage can also be achieved.

WHAT ARE THE RISKS RELATING TO THE FORMING OF A CORPORATE TAX TAXPAYER GROUP?

As we are talking about a completely new regulation, a part of the detailed rules is still under development and a number of questions may have to be answered in practical application such as

- how can earlier carried forward losses of the group members be used in the future;
- can a company suffer a disadvantage if becoming a member of a corporate tax taxpayer group because of the new interest deductibility rule;
- what records are required in the future for the substantiation of the arm's length price for the purposes of other tax types (e.g. VAT, local business tax etc.);
- can a tax base adjustment obligation arise among members of the taxpayer group in other tax types.

HOW CAN WE HELP?

On the one hand, we wish to help clients in the preparation of the decision of whether or not to choose corporate tax group taxpayer status.

In addition, we give clients an opportunity for consulting our experts in relation to the questions to be solved in practical implementation:

- can corporate tax taxpayer group status be applied and to which members of the group;
- what effect can the forming of a corporate tax taxpayer group have on the tax base;
- preparation of comparable analyses (tax planning based on the data / budget figures of the previous period);
- personal consultation opportunity;
- what administrative costs may arise as a result of choosing corporate tax taxpayer group status and will these be recovered;
- administration and compliance services (preparation and filing of the application with HU TA, checking of tax calculations, preparation of tax returns);
- expert assessment of the questions arising during application and, if necessary, the preparation of ruling requests.

If you are interested in the above services, do not hesitate to contact our expert colleagues at the contact details provided!

RSM HUNGARY TAX AND FINANCIAL ADVISORY SERVICES PLC.

Accounting, tax consulting, payroll, digital solutions – these are the pillars of RSM Hungary Plc.

Thanks to the outstanding quality we deliver our company is now acknowledged as one of the dominant market players of the Hungarian consulting community. In order to provide our clients with full range of financial consulting services RSM Audit Plc.'s services complement the activities of RSM Hungary Plc., and the legal representation and consultation services are provided by RSM Legal Szűcs & Partners Attorneys-at-law.

In addition to medium-sized Hungarian enterprises, foreign-owned multinational companies also represent a significant part of our client portfolio.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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