

Hungary: EU VAT regulation takes effect

An article by the CMS CEE Tax Group

July 2011

Hungary: EU VAT regulation takes effect

On 1 July 2011, the new EU VAT Regulation became directly applicable and therefore takes precedence over domestic VAT laws and practice in all EU member states.

The Regulation contains provisions which explain or interpret the EU VAT Directive and is an important step towards adopting a uniform understanding of VAT rules in the EU.

The key changes affecting VAT in Hungary are:

- different definitions (from those in the Hungarian VAT Act) for 'place of establishment', 'fixed establishment', 'permanent address' and 'usual residence'
- detailed rules on the obligation of taxpayers when checking the tax status of foreign business partners. These include a lot of safe havens which were not clearly available until now
- detailed explanation of the place of supply of services such as hotel intermediary services and admission to cultural and sporting events
- a detailed definition of 'restaurant and catering' services which means that VAT will be 18% on take-away pastries and bakery products but 25% if consumed in restaurant/catering settings
- a detailed definition (with examples) of what is and is not to be regarded as electronically supplied services

Law: Council Implementing Regulation No. 282/2011/EU; Council Directive 112/2006/EC

For further information on this tax analysis and thought, please contact:

Eszter Kálmán
Senior Associate – CMS Cameron McKenna LLP, Budapest
T +36 1 483 4800
E eszter.kalman@cms-cmck.com

Tamás Fehér
Associate – CMS Cameron McKenna LLP, Budapest
T +36 1 483 4818
E tamas.feher@cms-cmck.com

The views and opinions expressed in this article are meant to stimulate thought and discussion. They relate to circumstances prevailing at the date of its original publication and may not have been updated to reflect subsequent developments. This CMS article does not purport to constitute legal or professional advice.

CMS Legal Services EEIG is a European Economic Interest Grouping that coordinates an organisation of independent member firms. CMS Legal Services EEIG provides no client services. Such services are solely provided by the member firms in their respective jurisdictions. In certain circumstances, CMS is used as a brand or business name of some or all of the member firms. CMS Legal Services EEIG and its member firms are legally distinct and separate entities. They do not have, and nothing contained herein shall be construed to place these entities in, the relationship of parents, subsidiaries, agents, partners or joint ventures. No member firm has any authority (actual, apparent, implied or otherwise) to bind CMS Legal Services EEIG or any other member firm in any manner whatsoever.

CMS member firms are: CMS Adonnino Ascoli & Cavasola Scamoni (Italy); CMS Albiñana & Suárez de Lezo S.L.P. (Spain); CMS Bureau Francis Lefebvre (France); CMS Cameron McKenna LLP (UK); CMS DeBacker (Belgium); CMS Derks Star Busmann (Netherlands); CMS von Erlach Henrici Ltd. (Switzerland); CMS Hasche Sigle (Germany) and CMS Reich-Rohrwig Hainz Rechtsanwälte GmbH (Austria).

CMS offices and associated offices: Amsterdam, Berlin, Brussels, London, Madrid, Paris, Rome, Vienna, Zurich, Aberdeen, Algiers, Antwerp, Beijing, Belgrade, Bratislava, Bristol, Bucharest, Budapest, Buenos Aires, Casablanca, Cologne, Dresden, Duesseldorf, Edinburgh, Frankfurt, Hamburg, Kyiv, Leipzig, Ljubljana, Luxembourg, Lyon, Marbella, Milan, Montevideo, Moscow, Munich, Prague, Rio de Janeiro, Sarajevo, Seville, Shanghai, Sofia, Strasbourg, Stuttgart, Tirana, Utrecht, Warsaw and Zagreb.

www.cmslegal.com