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Comparative Charts on Percentage Legislation in CEE

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| ISSUES | HUNGARY | SLOVAKIA | LITHUANIA | POLAND |
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| What is the percentage rate allowed to be designated? | 1+1% of personal income tax. | 2% of personal income tax and 2% of corporate income tax. ¹ | 2% of personal income tax. | 1% of personal income tax. |
| Who are entitled to designate the tax percentages? | Natural persons who are subject to the Personal Income Tax Act, including self-employed entrepreneurs and farmers. | Natural and legal persons who are subject to income tax under the Income Taxes Act; i.e. individuals and corporations. | Any natural person who is a permanent resident of Lithuania and is subject to income tax under the Residents' Income Tax Act. | Natural persons subject to income tax under the Personal Income Tax Act or the Lump Sum Income Tax Act (these exclude farmers that pay taxes under the Agricultural Tax Act). |
| Who are entitled to receive the 1% (2%) designations? | <p><u>(a) First 1%:</u></p> <ul style="list-style-type: none"> - Legally defined associations, foundations, public foundations; - A range of state institutions, e.g. the Hungarian Academy of Sciences, the National Scientific Research Fund, the Hungarian Opera House; - Specialized museums with a national scope; - Certain cultural institutions supported by the local or central government. | <p><u>Non-governmental organizations (NGOs):</u></p> <ul style="list-style-type: none"> - All four types of NGOs(i.e. civic associations, foundations, non-investment funds, nonprofit organizations providing public utility services); - Institutions of churches and religious societies (who are listed at the Ministry of Culture); - Organizations with an | <p><u>NGOs or public institutions</u> (entitled to receive tax free charitable donations under the Charity and Sponsorship Law):</p> <ul style="list-style-type: none"> - All registered NGOs, (i.e. societal organizations, associations, charity and sponsorship funds, public agencies); - Churches and religious communities, societies and centers; | <p><u>Organizations with a public benefit status:</u></p> <ul style="list-style-type: none"> - NGOs (primarily foundations or associations); - Entities of churches that pursue a public benefit activity; - Unions of local authorities. |

¹ As of 2004. Previously individuals could designate 1% of their income tax paid.

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| | <p><u>(b) Second 1%:</u> - Churches, religious denominations and religious communities; - A specific budgetary priority objective as defined in the Budget Act of the given year.</p> | <p>international component (registered at the Ministry of Interior, e.g. local office of an international NGO); - the Slovak Red Cross.</p> | <p>- trade unions; - all public institutions (schools, museums, health care institutions, etc.).</p> | |
| <p>How are national organizations with branches treated?</p> | <p>Branches that are locally registered as a nonprofit organization and therefore have their own legal personality are entitled to receive the 1% designations.</p> | <p>Branches, who have acquired legal status, are entitled to receive the 2% separately from the central organization. To this end, they need to be acknowledged by the central organization and show the deed of establishment by this organization.</p> | <p>Most branches have a separate legal body and are entitled to receive the 2% designations.²</p> | <p>Branches of a national organization are treated as a local NGO for the 1% purposes. Provided they have the public benefit status locally, they are entitled to receive the designations.</p> |

² The situation is going to change after new NGO laws will be passed, approximated with the new Civil Code, according to which the branches should not have separate legal entity. A re-organization of branches may take place throughout 2004.

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| <p>What are the criteria for entitlement for those kinds of organizations?</p> | <ul style="list-style-type: none"> - To have been registered at least two years prior to the year of designation; - In case of an outstandingly public benefit organization, to have been registered at least one year prior to the year of designation; - To have been, according to its founding document, conducting a public benefit activity (as specified in the PBO law) for at least one year prior to the year of designation; - To have a domestic address as its domicile; - To operate in the interest of the domestic population or cross-border Hungarians; - To declare in its statutes that it does not conduct direct political activity (as defined in the PBO law); - To declare that it does not | <ul style="list-style-type: none"> - To be engaged in one of seven groups of activities listed in the tax law (including activities in the areas of human rights, environment, health and education, sport activities of children, youth and handicapped citizens, social aid, spiritual, natural and cultural values); - To be included in the central register of beneficiaries in the year prior to the designation; - To have been established no later than the calendar year preceding the registration thereof; - To have no public debts; - To have a bank account. | <ul style="list-style-type: none"> - To be entitled to sponsorship and receive a public benefit status under the Law on Charity and Sponsorship; - This currently means that registered public or private nonprofit organizations are entitled if they conduct a public benefit activity defined in the law. - As of 2004, these organizations will have to apply for public benefit status if they wish to be entitled to receive tax-free gifts as well as 2% designations. | <p>To have the status of public benefit. This requires, among others:</p> <ul style="list-style-type: none"> - To engage in one of the public benefit activities listed in the PBA law³; - To conduct activities serving the good of all of society or of a specific group that is disadvantaged and in difficult living conditions; - That the above activities are the only activities undertaken by the NGO (member services also qualify as such); - That it does not conduct economic (commercial) activities, or the economic activities of the organization are limited only to the fulfilment of statutory activities; - That their entire income is dedicated to the performance |

³ Art. 4 of the Polish Law on Public Benefit Activity and Volunteerism (published: The Law Journal nr 96, pt 873)

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| | <p>have an outstanding public debt; or if it has, to authorize the tax authority to use the amount of the designations to offset the public debt.</p> | | | <p>of the public benefit activities;</p> <ul style="list-style-type: none"> - That they have a collective supervisory body separate from the management board and overseeing it; - That their statutes contain provisions against self-dealing, as specified in the PBA Law.⁴ <p>In case of Church units similar criteria apply, with certain differences (among others the public benefit activity does not have to be the only activity).</p> |
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⁴ Art. 20 pt. 7 of the Polish Law on Public Benefit Activity and Volunteerism. Among others, prohibition to provide loans, transfer property of an NGO or buying goods or services under special conditions for members of an organization, members of bodies, employees, and their relatives.

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| Who decides on the entitlement of beneficiaries? | The tax authority (APEH) decides whether the beneficiary satisfies all conditions. | The notary offices decide upon entitlement by including the organization in the register of beneficiaries. The register is kept by the Chamber of Notaries. | A special department of the Land Registry is being formed for this purpose which will decide on the entitlement of the organizations. | The local registry court decides upon the status of public benefit and enters the organization into the National Court Register. |
| Have minimum amounts of the designation been specified? | No. (In the original version of the law, a minimum amount was specified with the reasoning that administrative costs of the transfer would exceed the amount transferred.) | 20 Slovak koruny (about 0.5 euro) in case of natural person taxpayers; 250 koruny (about 6.25 euros) in case of a legal person taxpayer. | 10 Litas (about 3 euros) | No minimum amount is determined. |
| What can the designated money be used for? | May be used to further the statutory (public benefit) activities of the beneficiary. This does not include general operating expenses, but includes indirect program expenses (such as salaries of program staff). The funds do not need to be used within a one year time period. | May be used to further public benefit activities defined in the tax law. The funds have to be used by the end of the next financial year. | May be used for any activity related to the public benefit goals that are stated in the organization's by-laws. There is no time limit. | May be used for any purpose including general purposes. There is no time limit. |

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| How many beneficiaries may one taxpayer designate to? | One taxpayer may designate to one nonprofit beneficiary (or listed budget institution), and to one church (or the special priority objective specified in the state budget). | A natural person taxpayer may designate to one beneficiary, while a legal person taxpayer may designate to several, as long as each receive over 250 koruny (about 6.25 euros). | One taxpayer may designate up to 2% of his or her tax liability to any number of beneficiaries, indicating the percentage of the income tax to be transferred to each. | One taxpayer may designate to any number of beneficiary organizations amounts in any size up to 1% of their tax liability. |
| Is there a need to have a register of the potential beneficiary organizations? How is the register organized? | There is no requirement for the organizations entitled to receive the 1% designations to be separately registered. However, there is a requirement for churches to obtain a “technical tax number”. The tax authority publishes a list of registered churches each year from among which taxpayers have to choose. | The Central Notary Register contains the list of qualifying organizations. | After mid 2004, the Land Registry shall have a list of public benefit organizations that will be entitled to receive the designations. Before that, there is no specific register. | The National Court Registry will have the entries of public benefit organizations entitled to receive the designations. This same register has the records of all nonprofit entities (including, e.g. public hospitals). The court will also enter records on public benefit organizations that are not already registered as a legal entity. |
| What are reporting requirements for the beneficiaries? | The organization has to publish a report on the use of funds – including if and to what extent they were retained for later use – by 31 October of the year following the receipt of funds. This has | If a beneficiary receives over 100,000 koruny (about 2,500 euros), they should send a report with a breakdown of the funds to the Ministry of Justice to be published in the Commercial Bulletin. The | Beneficiaries have to publish two annual reports – one shall declare received and distributed grants or charitable gifts, another one is an annual account of the organization’s activities. | Beneficiaries will have to report as required under the PBA Law. This means an annual report on the activities and finances of the organization, that has to published in a way that is |

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| | to be published in the form of a press announcement and an original copy of the published report has to be archived as a proof for tax inspection purposes. | deadline for sending the report is one year following the date of publishing the List of Beneficiaries of the previous year (issued by the tax authority by January 31 of the year of designation). NGOs that have gained over 1,000,000 koruny (about 25,000 euros) in total, are also required to secure an audit of their financial statement. These NGOs need to send the audit result together with details on how this money was spent, to the Commercial Bulletin. | These reports shall be accessible to the public (except very specific details regarding donors and grant recipients). | accessible for anyone interested; and has to be additionally submitted to the Minister of Labor and Social Affairs. |
| How are disputes settled? | If the beneficiary misses the 30 day deadline open to prove their entitlement each year, the provisions of the Administrative Procedure Act apply. ⁵ If the beneficiary fails to substantively prove its entitlement, the tax authority will issue a resolution that | The recipient is required to use the funds from 2% for those activities that are enumerated in the law until the end of the year, following the year in which it has received the funds. If the recipient fails to fulfill this requirement, it needs to return the funds to the state | In case of any dispute regarding the implementation of the Resident's Income Tax Law and activities of the Tax Authority, the taxpayer may appeal to the Administrative Court. The Administrative Court usually considers cases within 30 days. Further actions are dealt with | Disputes between the taxpayer and the tax administration are settled on the basis of the tax ordinance in the Courts of First and Second instance and then in the Administrative Court. Any disputes between the taxpayer and a public benefit organisation are to be dealt |

⁵ § 40 of Act IV of 1957 on the General Rules of Administrative Procedure, which allows for a remedy in case the delay is properly justified.

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| | <p>may be appealed in the competent court. The court will conduct an expedited procedure within 15 days and may change the resolution. In case the tax authority finds the designation of the taxpayer invalid, it issues a resolution, against which the taxpayer may appeal and the standard procedures of the Administrative Procedure Act will apply.</p> | <p>budget within 90 days from the day when failure occurs. Generally, provisions of special legislation concerning the breach of the budget discipline will apply.</p> <p>If the beneficiary winds up between the time of registering and the time of transferring the funds, it loses its entitlement to receive the designations. If the beneficiary winds up within 12 months following the transfer of funds, it shall refund the payment to the tax administration.</p> | <p>according to the Civil Proceedings Code.</p> | <p>with under the Civil Code.</p> |
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| <i>Taxpayers</i> | | | | |
| How and when is the designation made? | <p>The designation is made at the time of filing the tax return.</p> <p>The deadline is 20 March (for self-employed entrepreneurs, 15 February) of the year following the calendar year for which the tax return is filed.</p> <p>The taxpayer has to fill in one or two separate forms (one for an NGO or listed state institution, and one for a church or the priority budgetary objective). S/he has to place these forms in a sealed envelope and enclose it with the tax return filed.</p> | <p>The designation is made within 15 days of filing the tax return in a separate statement.</p> <p>The deadline for making the designation in general is 15 April of the year following the calendar year for which the tax return is filed (31 March being the deadline for tax return).</p> <p>In case of employees, the deadline is 30 April. For corporate taxpayers it is 15 April.</p> | <p>Taxpayers need to make a designation application to the competent tax authority together with the annual income tax return.</p> <p>For those who are not obliged to submit an annual income tax return, the application is to be made between the end of the taxing period and before 1 May. Alternatively, they may submit their application through their employers (see below).</p> <p>Taxpayers who have made invalid applications will be notified and may resubmit the application before 1 July .</p> | <p>The designation needs to be made between 1 January and the day of submission of the tax return – no later than 30 April following the year for which taxes are paid.</p> <p>The taxpayer makes the designation by personally transferring 1% of the tax liability of the previous year to a qualified beneficiary. This transfer may be done to a bank account of the beneficiary directly.</p> <p>Taxpayers have to keep the proof of this transfer.</p> |
| What are data that the taxpayers have to fill in order to designate effectively? | <p>Taxpayers have to provide the exact tax identification number (TIN) of the beneficiary organization (in case of churches this is called a technical registration number) and may optionally</p> | <p>Taxpayers have to provide the details of identification of the taxpayer (name, address, personal identification number), the amount corresponding to the 2% of his/her tax, the tax period</p> | <p>The application should include: The tax period being reported on; name, address and personal identification (PIN) number of the taxpayer; the name, address, identification</p> | <p>The taxpayer has to declare that payment was made of an amount equal to 1% of his/her tax liability in their tax return forms.</p> |

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| | <p>provide the name of the organization or church. In case of doubt, the beneficiary will be identified based on its TIN number. If the TIN number is missing, the designation will be valid only if the beneficiary can be unmistakably identified based on its name. In addition, the taxpayer has to indicate his or her own name, address and TIN number on the envelope.</p> | <p>(year) to which the statement relates, and identification data for the beneficiary (name, address, legal form and ID number.)</p> | <p>code, bank account number, bank code of the beneficiary organization(s); and the percentage of the income tax to be transferred to each beneficiary.</p> | |
| <p>To what extent are forms and data provided by the government?</p> | <p>The government provides a form enclosed with the tax return package but taxpayers do not have to use this one; a photocopy of it or even a sheet of paper modeled on it will suffice as long as it has all the exact data required. The tax authority provides a list of the technical number of the cca. 100 churches in the tax return package.</p> | <p>The Ministry of Finance publishes the recommended format of the statement. The Chamber of Notaries publishes the list of potential recipients by January 15, which is available at the tax offices. The Slovak Tax Headquarters discloses the yearly overview (list) of beneficiaries for the previous year, by 31 January of the current year.</p> | <p>The tax administration provides a form to the taxpayers. The list of beneficiaries will be maintained at the Land Registry department.</p> | <p>No data is provided by the government.</p> |

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| <i>Taxpayers</i> | | | | |
| Are designations anonymous? | Yes, designations are anonymous based on the data protection rules. (See also procedure below.) | Yes, due to data protection rules. | Yes, due to data protection rules. | No. Because the transfer is made directly by the taxpayer to the public benefit organization, the identity of the designator is known to the beneficiary. |
| What are regulations for the employers filling the tax return? | In cases where the employer files a report in lieu of the personal income tax return for the employee, the employee has to hand the sealed envelope containing the designation forms to the employer. This envelope has to bear the signature of the employee over the seal. The employer sends the envelopes along with the report to the tax authority. | If, by 15 February, the employee has requested the employer for an annual clearing of tax advances, the employer needs to give the employee a certificate stating how much the 2% of the employee's tax amounted to in the previous year. The employee will send this certificate along with its statement of designation to the tax authority. In this case, the deadline for submitting the designation will be April 30. If the employee does not ask for an annual clearing of tax advances, he/she has to file the tax return. | In cases where the taxpayer submits the tax return through an employer, the employer should forward the collected applications to the tax authority before 1 May. These applications have to be placed in a sealed envelope that is signed by the taxpayer across the seal. | In Poland, employers or social security authorities are entitled to submit reports in lieu of tax return for employees only if the employees have no other income and do not claim any tax benefits. The 1% apparently qualifies as a benefit and therefore, these employees will not have the option of making the 1% transfer to a beneficiary. |

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| <i>Tax authority</i> | | | | |
| What procedures does the tax authority follow to get the designation to the beneficiary? | <p>The tax authority separates the envelopes and the designation forms, thereby ensuring for the data protection. The envelopes are coded and may be realigned only in case of a dispute or if the taxpayer demands information on his/her own designation. The tax authority sends a notification to the beneficiaries by 1 September of the given year. In this letter, the tax authority indicates the amount the beneficiary will be entitled to receive and calls for proof of the entitlement.</p> <p>NGOs have 30 days to prove that they satisfy all the legal conditions. Upon successful verification, the tax authority is obliged to transfer the funds by 30 November of the given year.</p> | <p>The tax authority has sixty (60) days to check compliance with the legal conditions by the taxpayer and by the beneficiary and to transfer the amounts designated to the beneficiary.</p> | <p>The tax authority checks whether the beneficiaries are entitled to receive the designations, and calculates the income tax amount transferable to them (based on the instructions of the taxpayer).</p> <p>This amount should then be transferred to the beneficiaries no later than 15 November of the given year.</p> | <p>The tax authority will check the entitlement of the beneficiary organization and the amount of transfer made. In case a refund is due, the tax authority will transfer the refund to the taxpayer within three months of the declaration.</p> |

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| <i>Tax authority</i> | | | | |
| What happens if the wrong amount was transferred? | The amount once transferred by the tax authority may not be changed. If during a revision the amount transferred to the beneficiary turns out to be bigger than what should have been transferred, the taxpayer is obliged to pay to the tax authority 1% of the difference (if this is higher than 1000 HUF - 4 euros). | In case of a tax overpayment, such overpayment shall be reduced by the difference between the amount paid to the beneficiary and the amount corresponding to 2% of the adjusted tax liability, i.e. the taxpayer bears the burden of overpayment. | If the amount transferred to the beneficiary/ies turns out to be bigger than what should have been transferred, the overpaid amount should be extracted from the beneficiaries as provided for in the relevant regulation. ⁶ | If the taxpayer transferred an amount higher than 1% of his/her tax liability as determined by the tax authority, the taxpayer will only receive the refund of the adjusted 1%. The taxpayer may claim the difference from the beneficiary organization on their own initiative, but there is no obligation of the beneficiary to pay it back. |

⁶ Implementation Order by the Lithuanian Minister of Finance (2002.09.25 No. 305)

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| NGOs | | | | |
| By when will the NGO (beneficiary) be able to collect its designations? | As a rule, they should receive the funds by 30 November. In case the NGO beneficiary was in a delay but could later prove its entitlement, the funds may be transferred later. However, no funds may be transferred more than a year from the notification, except in cases where a dispute was settled with an enforceable ruling of the court. | As a rule, NGOs should receive the funds on their bank accounts by 30 June of the given year (i.e. 60 days from the deadline of submission of the statements). | As a general rule, 15 November is the deadline for the tax authority to transfer the funds designated. | Directly from taxpayers transfers. The transfer should be done between 1 January and the day of filing the tax return (no later than 30 April). |
| What are the procedural requirements for the NGOs (beneficiaries) to be able to collect their designations? | The NGO has to prove its entitlement by submitting documents and declarations in support of the conditions prescribed by the law (see Criteria for entitlement, above), within the 30 days open for submission. In practice this means: - the founding document; - a copy of the court registration letter; - a declaration regarding | NGOs have to prove their entitlement to be registered in the Notary Register. In order to do this, starting from 1 September (to 15 December) the NGOs need to submit all documentation needed for the registration (see Criteria for entitlement, above). The notary office shall issue a certificate of compliance with all legal conditions and enter the | Organizations have to be registered public or private nonprofit organizations that pursue at least one public benefit goal as defined by the Charity and Sponsorship Law. | NGOs have to prove their entitlement to be registered as public benefit organizations under the PBA Law. In order to do this, they need to submit a registration application to the Court with all documents proving entitlement (see Criteria for entitlement, above). NGOs should pay for publishing the information in the official |

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| | <p>public debt; - in case of an outstandingly public benefit organization that was registered more than one but less than two years before the year of the designation, a contract with a responsible state organ on conducting a public benefit activity; - in case of a museum, library etc. proof of having received direct support from the central or local government to conduct its public benefit activity.</p> | <p>NGO in the register. The Chamber of Notaries shall publish the list of beneficiaries by 15 January of the year in which the designations are to be made.</p> | | <p>court journal.</p> |
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