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Act CXXVII of 2007

on Value Added Tax

In order to ensure continuous and reliable revenues, independent of any fluctuations in economic performance, required for carrying out the duties of the central budget,

With a view to a taxation system that remains neutral with regard to competition and that satisfies the needs of an efficient market economy for the production of goods,

Having regard to the obligations of Hungary in its capacity as a Member State of the European Union, in particular to the requirement for harmonization of the laws of the Member States relating to value added taxes, and

Taking into account the conclusions drawn since the introduction of value added tax in 1988,
Parliament has adopted the following act on value added tax:

PART ONE

GENERAL PROVISIONS

Chapter I

FUNDAMENTAL PROVISIONS

Introductory Provisions

Section 1

The value added tax paid under this Act (hereinafter referred to as “VAT”) shall comprise revenue for the central body of public finances.

Scope

Section 2

In accordance with this Act the following transactions shall be subject to VAT:

- a) the supply of goods and services for consideration within the domestic territory by a taxable person acting as such;
- b) the intra-Community (hereinafter referred to as “Community”) acquisition of goods for consideration within the domestic territory; and
- c) the importation of goods.

Section 3

The provisions of this Act shall apply:

- a) to persons and organizations taxed under Act XLIII of 2002 on Simplified Entrepreneurial Taxation (hereinafter referred to as “EVA Act”); and
- b) tobacco products with tax seals affixed as governed under the Act on Excise Taxes and Special Regulations on the Marketing of Excise Goods (hereinafter referred to as the “Excise Act”);
only if expressly prescribed by the EVA Act as regards Paragraph a), or by the Excise Act as regards Paragraph b).

Section 4

- (1) 'Domestic territory' shall mean the territory of the Republic of Hungary.
- (2) Community and its Member States, including their territory, are listed in Schedule No. 1.
- (3) Third States, including their territory, shall mean the countries other than the ones covered under Subsection (2).

Taxable Person

Section 5

(1) 'Taxable person' shall mean any person or organization having the capacity to perform legal acts who (that), in its own name, carries out in any place any economic activity, whatever the purpose or results of that activity. Matters relating to the capacity of the person or organization affected to perform legal acts are governed by national law, however, where a person or organization is lacking legal capacity according to the relevant national law, while they are recognized as having the capacity to perform legal acts under Hungarian law, the Hungarian law shall apply.

(2) In the event where economic activity is performed pertaining directly to the exploitation of a jointly owned movable tangible property or immovable property for consideration, the group of owners shall be treated as the taxable person. The group of owners shall exercise the obligations and rights stemming from their taxable status through their appointed representative. If no representative has been appointed, the owner holding the largest share shall be considered the representative, or the owner designated by the tax authority if all owners hold equal shares.

Economic Activity

Section 6

(1) 'Economic activity' shall mean any business activity carried out independently on a regular or continuing basis for the purposes of obtaining income, or that results in the obtainment of income.

(2) The concept of economic activity shall include any activity of producers, traders or persons supplying services, including industrial, agricultural and commercial activities, and activities of an intellectual or artistic nature carried out by persons within their professions.

(3) The exploitation of tangible or intangible property that comprises part of the assets of the taxable person's company or produced by that company, for the purposes of obtaining income therefrom, shall also be regarded as an economic activity.

(4) Where

a) a non-taxable person or organization having the capacity to perform legal acts in accordance with Subsection (1) of Section 5 (hereinafter referred to collectively as "person or organization") supplies a new means of transport, which is dispatched as a consignment or transported to the customer by the vendor or the customer, or on behalf of the vendor or the customer, to a destination outside the domestic territory but within the territory of the Community, also if dispatched or transported by others;

b) a non-taxable person or organization supplies - in a series of transactions - a building or parts of a building and of the land on which the building stands, provided that:

ba) it is supplied before first occupation, or

bb) the period elapsing, after first occupation, between the operative date of the occupancy permit of the relevant authority and the date of supply is less than two years [Subparagraphs ba) and bb) hereinafter referred to collectively as "building under construction or developed building land"];

c) a non-taxable person or organization supplies - in a series of transactions - building land (parts of a building land);

shall also be regarded as an economic activity and shall be subject to value added tax.

(5) Activities carried out under contract of employment or similar relationship, or any other legal relationship creating a bond to an employer which, as a consequence of the employer's liability, constitutes subordinate and superior positions in the conditions of and remuneration for such performance shall not be regarded as an economic activity carried out independently as mentioned in Subsection (1).

Section 7

(1) The activities of persons or organizations vested with powers in accordance with the Constitution of the Republic of Hungary, or with other legislation adopted under authorization conferred by the Constitution shall not be regarded as an economic activity, and shall not be subject to value added tax, in connection with exercising executive powers as defined in their charter document.

(2) 'Exercising executive powers' shall mean, among others, legislative and judicial activities, activities related to prosecution, defense, public policy, foreign affairs, furthermore, law enforcement and related administrative activities, public administration, regulatory control and financial control, judicial supervisory and monitoring activities, activities related to public finances, decision-making in connection with the distribution of Community aid and other international support, where the relevant provisions of Section 349 of Act IV of 1959 of the Civil Code (hereinafter referred to as "Civil Code") on liability for damages caused within the jurisdiction of government administration apply to liability for damages resulting from the exercise of the aforesaid powers.

(3) Subsection (2) notwithstanding, expropriation and the activities listed under Schedule No. 2 shall not be regarded as the exercise of executive powers.

Group Taxation Arrangement

Section 8

(1) The taxable persons:

a) who (that) have established their business inside the domestic territory or, in the absence of such a place of business, have their permanent address or they usually reside inside the domestic territory, and
b) who (that) are considered affiliated,
may together enter into a group taxation arrangement.

(2) Under the group taxation arrangement:

a) the taxable persons referred to in Subsection (1) (for the purposes of this Section hereinafter referred to as "member or members") cease to carry out their activities as taxable economic activities in their intra-group relationship, and independent taxable status of the members also ceases, save where Subsection (6) applies; and

b) any pursuit of economic activities in the members' relations with third parties results in a type of taxable status, where the rights and obligations stemming from such relationships apply jointly to all members participating in the group taxation arrangement.

(3) A group taxation arrangement may be established subject to the state tax authority's permission, granted upon an application submitted in writing and containing the express and unanimous understanding of all members concerned. The group taxation arrangement is not available to any taxable person who (that) holds membership in another group taxation arrangement, or has submitted an application to establish another group taxation arrangement, where this application is still pending. If there is any taxable person who (that) is able to comply with the requirements set out in Subsection (1), yet who wishes not to join the group taxation arrangement (for the purposes of this Section hereinafter referred to as "nonmember taxable person"), the application shall have attached the written consent of this nonmember taxable person for the creation of the group taxation arrangement. The application, and the declaration of consent of the nonmember taxable person, where applicable, shall also contain:

a) the members' appointed representative and the representative's declaration of unconditional acceptance; and

b) separately for each member:

ba) the member's name, address and tax number,

bb) proof of the legal status mentioned in Subsection (1),

bc) description of their filing and records systems, that must have facilities to identify the internal and external relations mentioned in Subsection (2) clearly and reliably,

bd) commitment to undertake the obligation described in Subsection (6);

c) in the case of nonmember taxable persons:

ca) the taxable person's name, address and tax number,

cb) proof of the legal status mentioned in Subsection (1),

cc) commitment to undertake the obligation described in Subsection (7).

(4) During the life of the group taxation arrangement all members participating in the group taxation arrangement shall be recognized - unless otherwise provided for by law - as a single taxable person collectively. The rights and obligations attaching to this particular taxable status shall be exercised in front of the courts and other authorities by the appointed representative of the group taxation arrangement.

(5) Any member who (that), before joining the group taxation arrangement was registered as a taxable person established in the domestic territory, shall discharge the obligation set out in this Act effective as on the day

(accounting date) preceding the operative date of the authorization that the state tax authority has granted under Subsection (3), as if it was terminated with succession.

(6) Any participating member of a group taxation arrangement - during and after the life of the group taxation arrangement - shall be subject to joint and several liability, collectively with all other members participating in the group taxation arrangement:

a) for the liabilities - defined in Subsections (5) and (9) - of any member participating in the group taxation arrangement incurred before joining the group taxation arrangement; and

b) for the liabilities of any member participating in the group taxation arrangement incurred under this Act during the life of the group taxation arrangement.

(7) A nonmember taxable person - during and after the life of the group taxation arrangement - shall be subject to joint and several liability, collectively with all members participating in the group taxation arrangement:

a) for the liabilities - defined in Subsections (5) and (9) - of any member participating in the group taxation arrangement incurred before joining the group taxation arrangement; and

b) for the liabilities of any member participating in the group taxation arrangement incurred under this Act during the life of the group taxation arrangement.

(8) A nonmember taxable person and any taxable person established during the life of the group taxation arrangement, who (that) is able to satisfy the conditions set out in Subsection (1) (for the purposes of this Section hereinafter referred to as “joining new taxable person”) shall have the option to join the group taxation arrangement. Joining the group taxation arrangement is subject to the state tax authority’s permission, granted upon an application submitted in writing and containing the express understanding of the nonmember and the joining new taxable person concerned. Furthermore, the application shall have attached the express and unanimous consent of all members of the group taxation arrangement for the admission of the said nonmember and the joining new taxable person. The application shall also contain proof of compliance:

a) with the requirements set out in Subparagraphs bc) and bd) of Subsection (3) for nonmember taxable persons;

b) with the requirements set out in Paragraph b) of Subsection (3) for joining new taxable persons.

(9) Any nonmember taxable person and joining new taxable person who (that) has decided to join the group taxation arrangement, shall discharge the obligation set out in this Act effective as on the day (accounting date) preceding the operative date of the authorization the state tax authority has granted under Subsection (8), as if it was terminated with succession.

(10) A member of a group taxation arrangement shall also have the option to withdraw from the group taxation arrangement. Withdrawal from the group taxation arrangement is subject to the state tax authority’s permission, granted upon an application submitted in writing and containing the express understanding of the nonmember taxable person concerned. Furthermore, the application shall have attached the express and unanimous consent of all other members of the group taxation arrangement for the withdrawal of the said member. Furthermore, the application shall have attached the commitment of the exiting member - effective as of the operative date of withdrawal - to undertake the obligation described in Subparagraph cc) of Subsection (3) in his capacity as a nonmember taxable person.

(11) A group taxation arrangement shall be terminated upon the withdrawal of the state tax authority’s permission. The state tax authority shall withdraw the authorization if:

a) so requested by any member participating in the group taxation arrangement, not including the withdrawal request specified in Subsection (10);

b) the representative resigns from his post, and the appointment and notification of a new representative did not take place as prescribed in Paragraph a) of Subsection (3);

c) any member participating in the group taxation arrangement fails to comply with the conditions set out in Subsection (1);

d) any of the requirements set out under Subparagraphs bc) and bd) of Subsection (3) are not satisfied during the life of the group taxation arrangement;

e) the condition set out in Subparagraph cc) of Subsection (3) is not satisfied during the life of the group taxation arrangement;

f) during the life of the group taxation arrangement a new taxable person is established, who (that) is able to comply with the conditions set out in Subsection (1), and who (that):

fa) fails to join the group taxation arrangement, and fails to discharge the obligations described in Paragraph c) of Subsection (3) in his capacity as a nonmember taxable person, or

fb) wishes to join the group taxation arrangement as a new member, however, the state tax authority refused to grant permission pursuant to Subsection (8);

g) all members participating in the group taxation arrangement are wound up without succession.

(12) Effective as of the operative date of the withdrawal of the state tax authority's permission mentioned in Subsection (11), all members participating in the group taxation arrangement shall discharge the obligation set out in this Act as if it was terminated with succession, except in the case where all members participating in the group taxation arrangement are wound up without succession.

Supply of Goods

Section 9

(1) 'Supply of goods' shall mean the transfer of the right to dispose of tangible property as owner, or any other transaction of the like, that produces similar results in terms of the right to dispose of tangible property.

(2) The tangible property referred to in Subsection (1):

a) shall also include natural resources that can be utilized as capital goods, as well as securities of the type which give the right to acquire the goods indicated therein;

b) shall not include money, cash-substitute payment instruments, non-cash payment instruments, and - with the exception set out in Paragraph a) - securities.

Section 10

The following shall also be regarded as a supply of goods:

a) the actual handing over of goods pursuant to a contract for the hire of goods for a certain period, or for the sale of goods on deferred terms, which provides that in the normal course of events ownership is to pass at the latest following the expiry of the period specified or upon payment of the final installment;

b) transfer of the right to dispose of goods pursuant to a consignment contract between the consignor and the consignee, provided that the supply of goods between the consignee and the third party affected does in fact take place pursuant to Subsection (1) of Section 9;

c) transfer of the right to dispose of goods as owner between a debtor and a creditor, provided that the creditor sells the goods - within the meaning of Subsection (1) of Section 9 - that were pledged as collateral security to cover an overdue claim, and has the right to claim the proceeds received from the sale in its entirety;

d) the actual handing over of a constructed structure that is in the progress of being registered in the real estate register to the customer, whether or not the customer has provided all or any part of the materials used for construction.

Section 11

(1) Supply of goods for consideration [Paragraph a) of Section 2] also means where a taxable person permanently disposes of goods forming part of his business assets - without any compensation - for his own or his employees' private use, more generally, for purposes other than those of his business, or if supplied to others free of charge, where the VAT on such goods or on its component was wholly or partly deductible by the taxable person.

(2) Supply of goods for consideration shall also mean:

a) the application by a taxable person for the purposes of his business goods for the manufacture of capital goods;

b) the application by a taxable person for the purposes of his business of goods:

ba) produced, constructed, extracted, processed, or

bb) purchased or imported in the course of such business,

where the VAT on such goods, had they been acquired from another taxable person, would not be wholly deductible;

c) the application of goods - other than tangible assets - by a taxable person for the purposes of a non-taxable area of activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application in accordance with Paragraph b);

d) the retention of goods by a taxable person, when he ceases to carry out a taxable economic activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application in accordance with Paragraph b).

(3) Supply of goods for consideration shall not cover:

a) charitable donations,

b) the supply of samples of goods and goods of small value free of charge by the taxable person for business purposes.

Section 12

(1) Furthermore, the supply of goods for consideration shall include where a taxable person transports goods forming part of his business assets or goods received as a consignment from the domestic territory to another Member State of the Community to cover the needs of his business. The transport of goods by or on behalf of the taxable person shall include all arrangements where goods are dispatched as a consignment or transported from one Member State to a destination in another Member State of the Community.

(2) The legal ramifications referred to in Subsection (1) shall not apply in connection with any of the following transactions:

a) the supply of the goods within the territory of the Member State of the Community in which the dispatch or transport of the consignment of goods ends, in accordance with the conditions laid down in Section 29;

b) the supply of the goods within the territory of the Member State of the Community in which the dispatch or transport of the consignment of goods ends, in accordance with the conditions laid down in Section 32;

c) the supply of the goods on board a ship, an aircraft or a train, in accordance with the conditions laid down in Section 33;

d) the supply of gas through the natural gas distribution system, or of electricity, in accordance with the conditions laid down in Section 34 or 35;

e) the supply of the goods in accordance with the conditions laid down in Sections 89, 98-104 and 107-109;

f) the supply of a service performed for the taxable person referred to in Subsection (1) and consisting of work on the goods in question physically carried out within the territory of the Member State of the Community in which the dispatch or transport of the goods ends, provided that the goods, after being worked upon, are returned to the domestic territory for the taxable person referred to in Subsection (1);

g) the temporary use of the goods within the territory of the Member State of the Community in which the dispatch or transport of the consignment of goods ends, for the purposes of the supply of services by the taxable person referred to in Subsection (1);

h) the temporary use of the goods of the taxable person referred to in Subsection (1), for a period not exceeding twenty-four months, within the territory of another Member State of the Community, in which the importation of the same goods from a third country with a view to their temporary use would be covered by the arrangements for temporary importation with full exemption from import duties;

i) the supply of goods by the taxable person referred to in Subsection (1) for his customer supplies in another Member State of the Community.

(3) If one of the conditions governing eligibility under Subsection (2) is no longer met, the legal ramifications referred to in Subsection (1) shall take effect immediately.

Supply of Services

Section 13

(1) 'Supply of services' shall mean any transaction which does not constitute a supply of goods within the meaning of this Act.

(2) The transaction referred to in Subsection (1) shall also cover the following:

a) the assignment of intangible property on a provisional or permanent basis;

b) the obligation for the cessation of an activity in whole or in part, or to refrain from an act, or to tolerate an act or situation.

(3) It shall not constitute a supply of services where:

a) payment of consideration is made by the person to whom goods or services are supplied, or by a third party, to the person supplying the goods or services; or

b) the person supplying the goods or services assigns his claim of consideration obtained in connection with the said supply to a third party;

provided that payment of consideration in the case referred to in Paragraph a) is made or the purchase price in the case referred to in Paragraph b) is paid in cash or using cash-substitute payment instrument or non-cash payment instrument.

(4)

Section 14

(1) Supply of services for consideration [Paragraph a) of Section 2] also means where a taxable person temporarily disposes of goods forming part of his business assets - without any compensation - for his own or his employees' private use, more generally, for purposes other than those of his business, or if transferred to others free of charge, where the VAT on such goods or on its component was wholly or partly deductible by the taxable person.

(2) Supply of services for consideration shall also mean the supply of services carried out free of charge by a taxable person for his private use or for that of his staff or, more generally, for purposes other than those of his business, where the VAT on such services was wholly or partly deductible by the taxable person.

(3) Supply of services for consideration shall not cover charitable donations.

Section 15

Where a taxable person acting in his own name but on behalf of another person takes part in a supply of services, he shall be considered to have received and supplied those services himself.

Common Provisions Relating to the Supply of Goods and the Supply of Services

Section 16

The supply of goods and services shall be treated equally whether they are supplied under contract, pursuant to a legal regulation, by court decision or decree (ruling) of an authority, or by way of auction.

Section 17

(1) The legal ramifications pertaining to the supply of goods or the supply of services shall not apply, where the taxable person supplies any goods or intangible property as a non-cash contribution to a company (hereinafter referred to collectively as "contribution"), if supplied in accordance with the conditions laid down in Subsections (1) and (2) of Section 18.

(2) Furthermore, the legal ramifications pertaining to the supply of goods or the supply of services shall not apply where the taxable person is terminated by succession, if supplied in accordance with the conditions laid down in Subsections (1) and (2) of Section 18.

(3) Termination by succession as referred to in Subsection (2) shall cover the following:

a) transformation of business associations in accordance with the Companies Act (including by merger, demerger and partial transformation);

b) transformation of cooperatives in accordance with the Act on Cooperatives (hereinafter referred to as "Coop Act");

c) if the cooperative is wound up without succession or transferred into a business association, transfer of the fellowship fund in accordance with the Coop Act to another cooperative or federation of cooperatives;

d) transformation of a sole proprietorship in accordance with the Act on Private Entrepreneurs and Sole Proprietorships;

e) death or loss of capacity of a private entrepreneur or a farmer, provided that their private entrepreneurial or agricultural activity is carried on:

ea) by their widow or heir in the case of death, or

eb) by the legal representative of the private entrepreneur or small-scale agricultural producer, in the event of loss of capacity, in his name and on his behalf;

f) the cases specified in Subsections (5), (9) and (12) of Section 8.

Section 18

(1) The taxable person acquiring any contribution in kind [Subsection (1) of Section 17], or any assets by way of succession [Subsection (2) of Section 17] and any intangible property (for the purposes of this Section hereinafter referred to as “assets”) must comply with all of the following requirements:

a) must be registered in the domestic territory as a taxable person at the time of acquisition or in direct consequence thereof;

b) must provide guarantees that the rights and obligations prescribed under this Act in connection with the assets acquired are conferred upon him - with the exception set out in Subsection (2) - at the time of acquisition;

c) must not have any legal status governed under this Act at the time of acquisition or subsequently that, owing to its character, is incompatible with or would be an impediment to discharging the obligations mentioned in Paragraph b).

(2) The person providing the contribution in kind, or in the case of termination with succession where the predecessor is not terminated, the predecessor shall be subject to joint and several liability within the period of limitation together with the receiving taxable person for discharging the obligations conferred under this Act relating to the assets mentioned in Paragraph b) of Subsection (1) before the time of acquisition of the assets.

(3) Where any of the requirements set out in Subsections (1) and (2) are not satisfied, in connection with the contribution in kind and succession the legal ramifications relating to the supply of goods and the supply of services shall take effect immediately upon the failure to satisfy the requirements in question.

Intra-Community Acquisition of Goods

Section 19

Paragraph b) of Section 2 covers the following cases:

a) the acquisition of goods by a taxable person or a non-taxable legal person, where the supplier taxable person is not exempted in the Member State of the Community where established according to the national law of that Member State of the Community that is considered equivalent to Articles 282 -292 of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (hereinafter referred to as “VAT Directive”), and where such supply of goods falls outside the scope of Sections 29 and 32;

b) the acquisition of a new means of transport;

c) the acquisition of products subject to excise tax by a taxable person or a non-taxable legal person, where the excise tax becomes chargeable in respect of the acquisitions;

[Paragraphs a)-c) hereinafter referred to collectively as “intra-Community acquisition of goods”].

Section 20

(1) By way of derogation from Paragraph a) of Section 19, the following transactions shall not be subject to VAT:

a) the Intra-Community acquisition of goods, where the supply of such goods within the domestic territory would be exempt pursuant to Sections 103, 104 and 107;

b) the intra-Community acquisition of second-hand goods [Paragraph a) of Subsection (1) of Section 213], works of art [Paragraph b) of Subsection (1) of Section 213], collectors’ items [Paragraph c) of Subsection (1) of Section 213] or antiques [Paragraph d) of Subsection (1) of Section 213], where the vendor is a taxable dealer [Paragraph e) of Subsection (1) of Section 213] acting as such and if able to prove that VAT has been applied to the goods in the Member State in which their dispatch or transport began according to the national law of that Member State of the Community that is considered equivalent to Articles 312-325 of the VAT Directive;

c) the intra-Community acquisition of second-hand goods, works of art, collectors’ items or antiques, where the vendor is an organizer of a sale by public auction [Paragraph f) of Subsection (1) of Section 213], acting as such and if able to prove that VAT has been applied to the goods in the Member State in which their dispatch or transport began according to the national law of that Member State of the Community that is considered equivalent to Articles 333-341 of the VAT Directive;

d) the intra-Community acquisition of goods - other than the acquisitions mentioned in Paragraphs a)-c), and the intra-Community acquisition of the goods referred to in Paragraphs b) and c) of Section 19 -, where the customer:

da) is a taxable person engaged in agricultural activity [Subsection (1) of Section 197] acting as such, or

db) is a taxable person who carries out only supplies of goods or services in respect of which VAT is not deductible, including the taxable person who is eligible for individual exemption, or

dc) is a non-taxable legal person.

(2) Paragraph d) of Subsection (1) shall apply only if the following conditions are met:

- a) during the current calendar year, the total value of intra-Community acquisitions of goods mentioned in Paragraph d) does not exceed the threshold of 10,000 euro, exclusive of VAT, for the year on the aggregate; and
- b) during the previous calendar year, the total value of intra-Community acquisitions of goods did not exceed the threshold provided for in Paragraph a).

(3) The threshold referred to under Paragraph a) of Subsection (2), which serves as the reference shall consist of the total value, due or paid in the Member States of the Community in which dispatch or transport of the consignment of goods began.

(4) Paragraph d) of Subsection (1) shall cease to apply, and may not be applied in connection with the intra-Community acquisition of goods upon which the value of such goods, exclusive of VAT, exceed the threshold referred to in Paragraph a) of Subsection (2).

(5) The customer referred to in Paragraph d) of Subsection (1) may, subject to prior notification lodged to the state tax authority, opt to apply the scheme provided for in Paragraph a) of Section 19 instead of the provisions contained in Subsection (1).

(6) Any customer who exercised the option referred to in Subsection (5) shall remain bound to this option for a period of the next two calendar years.

(7) Where a customer with a Community tax number who, although he did not exercise the option referred to in Subsection (5), disclosed his Community tax number in connection with the intra-Community acquisition of goods to the supplier of such goods, and the supplier acted accordingly, he shall be regarded as having applied Paragraph a) of Section 19, rather than Subsection (1) of this Section, to this transaction and to all subsequent transactions relating to the intra-Community acquisition of goods, provided that the transactions are completed by the end of the second calendar year following the year when the above-mentioned transaction is carried out.

Section 21

(1) 'Intra-Community acquisition of goods' shall mean the acquisition of the right to dispose as owner of movable tangible property dispatched or transported to the person acquiring the goods, by or on behalf of the vendor or the person acquiring the goods, or if dispatched or transported by others in a Member State of the Community other than that in which dispatch or transport of the consignment of goods began.

(2) Where goods acquired by a non-taxable legal person - designated or recognized as liable for payment of VAT - are dispatched or transported from a third country and imported by that non-taxable legal person into a Member State other than the Member State of the Community in which dispatch or transport of the consignment of goods ends, the goods shall be regarded as having been dispatched or transported from this latter Member State of the Community.

(3) If the place of importation of goods referred to in Subsection (2) is the domestic territory, the importer shall be entitled to a refund of the VAT paid in respect of the importation of the said goods, provided that the importer establishes that VAT has been applied to his intra-Community acquisition of goods in the Member State of the Community in which dispatch or transport of the consignment of goods ends.

Section 22

(1) The application by a taxable person, for the purposes of his business of goods dispatched as a consignment or transported to the domestic territory by or on behalf of that taxable person from another Member State of the Community, within which the goods were produced, extracted, processed, purchased or acquired within the meaning of Section 19, or into which they were imported by that taxable person for the purposes of his business, shall be treated as an intra-Community acquisition of goods for consideration [Paragraph b) of Section 2].

(2) The legal ramifications referred to in Subsection (1) shall not apply where transport would be subject to Subsection (2) of Section 12, as opposed to the supply of goods referred to in Subsection (1) of Section 12, under the conditions defined therein.

(3) Within the meaning of Subsection (1), in connection with the supply of goods by the taxable person for his customer supplies in the domestic territory, Subsection (2) shall apply subject to the exception that legal ramifications referred to in Subsection (1) shall not apply if:

a) the transport operator is not registered in the domestic territory as a taxable person in connection with this activity; and

b) the customer acquiring goods from customer supplies is a taxable person registered in the domestic territory, acting as such, has no legal status governed under this Act that, owing to its character, is incompatible with or would be an impediment to discharging the obligations mentioned in Subsection (5).

(4) Where any of the requirements referred to in Subsection (2) and set out in Subsection (3) are not satisfied, the legal ramifications referred to in Subsection (1) shall take effect immediately upon the failure to satisfy the requirements in question.

(5) In the application of Subsection (3), the legal ramifications referred to in Subsection (1) shall apply to the customer acquiring goods from customer supplies.

Section 23

Similarly, goods transported to the domestic territory in connection with the Republic of Hungary being a party to the North Atlantic Treaty, which have been purchased by the Hungarian Armed Forces and the ministry directed by the minister in charge of defense for the use of civilian staff in other Member States of the Community, but which they have not purchased according to the general rules governing taxation in those countries, shall be treated as an intra-Community acquisition of goods for consideration, where the importation of those goods would not be eligible for the exemption provided for in Paragraph h) of Subsection (1) of Section 93.

Importation of Goods

Section 24

(1) 'Importation of goods' shall mean the entry into the Community of goods which are not in free circulation within the meaning of Article 24 of the Treaty establishing the European Community (hereinafter referred to as "Treaty").

(2) The entry into the Community of goods which are in free circulation, coming from a third territory forming part of the customs territory of the Community and that is treated as a third country for the purposes of this Act, shall also be regarded as importation of goods.

Chapter II

PLACE OF TAXABLE TRANSACTIONS

Subchapter 1

Place of Supply of Goods

General Rule

Section 25

Where goods are not dispatched as a consignment or transported, the place of supply shall be deemed to be the place where the goods are located at the time when the supply takes place.

Particular Provisions

Section 26

Where goods are dispatched as a consignment or transported by the supplier, or by the customer, or by a third person on behalf of either the supplier or the customer, the place of supply shall be deemed to be the place where the goods are located at the time when dispatch or transport of the consignment of goods addressed to the name of the customer begins.

Section 27

(1) Where goods are resold several times, and they are dispatched as a consignment or transported directly from the first supplier in line addressed to the name of the last customer in line, Section 26 shall apply to a single supply of goods only.

(2) If, within the meaning of Subsection (1), goods are dispatched as a consignment or transported by a customer who also functions as a supplier, it shall be construed as the goods in question are being dispatched as a consignment or transported by such customer, acting as such, or by a third party on his behalf, until proven to the contrary.

(3) As regards the supplies of goods referred to in Subsection (1):

a) in connection with the ones made before the supply of goods where the place of supply is to be determined according to Section 26, the place of supply shall be deemed to be the place where the goods are located at the time when dispatch or transport of the consignment of goods addressed to the name of the customer begins;

b) in connection with the ones made after the supply of goods where the place of supply is to be determined according to Section 26, the place of supply shall be deemed to be the place where the goods are located at the time when dispatch or transport of the consignment of goods addressed to the name of the customer ends.

Section 28

By way of derogation from what is contained in Section 26, if dispatch or transport of the consignment of goods begins in a place outside the Community, the place of supply by the importer shall be deemed to be within the Member State of the Community of importation of the goods.

Section 29

(1) By way of derogation from Sections 26 and 28, the place of supply of goods dispatched as a consignment or transported by or on behalf of the supplier from a Member State of the Community other than that in which dispatch or transport of the consignment of goods ends shall be deemed to be the place where the goods are located at the time when dispatch or transport of the consignment of goods addressed to the name of the customer ends, where the following conditions are met:

a) the supply of goods:

aa) is carried out for a taxable person, or a non-taxable legal person, whose intra-Community acquisitions of goods are not subject to VAT pursuant to Paragraphs a) and d) of Subsection (1) of Section 20, or

ab) for any other non-taxable person or organization; and

b) the goods supplied:

ba) are neither new means of transport nor

bb) for assembly or installation, with or without a trial run, by or on behalf of the supplier.

(2) Where the goods supplied are dispatched as a consignment or transported from outside the territory of the Community and imported by the supplier into a Member State of the Community other than that in which dispatch or transport of the goods to the customer ends, for the purposes of Subsection (1) they shall be regarded as having been dispatched as a consignment or transported from the Member State of importation.

Section 30

(1) Provided the following conditions are met, Section 29 shall not apply to supplies of goods all of which are dispatched as a consignment or transported to the same Member State of the Community, where that Member State is the Member State in which dispatch or transport of the consignment of goods ends, provided that all of the following criteria are satisfied:

a) the goods supplied are not products subject to excise duty;

b) the total value, exclusive of VAT, of such supplies of the goods referred to in Paragraph a) effected under the conditions laid down in Section 29 within that Member State of the Community does not in any one calendar year exceed the threshold prescribed in the Member State in question;

c) the condition laid down in Paragraph b) was satisfied in the previous calendar year, where such supplies of goods did in fact take place.

(2) The threshold referred to in Paragraph b) of Subsection (1) shall be 35,000 euro or the equivalent in national currency in the territory of the Republic of Hungary.

(3) Subsection (1) shall cease to apply, and may not be applied in connection with the supplies of goods, upon which the value of such goods, exclusive of VAT, exceeds the threshold referred to in Paragraph b) of Subsection (1).

(4) Within the meaning of Subsection (1), where the goods are dispatched as a consignment or transported from the domestic territory, the taxable person may, subject to prior notification lodged to the state tax authority, opt to apply the scheme provided for in Section 29 instead of the provisions contained in Subsection (1).

(5) Any taxable person who (that) exercised the option referred to in Subsection (4) shall remain bound to this option for a period of the next two calendar years.

Section 31

Sections 29 and 30 shall not apply to supplies of second-hand goods, works of art, collectors' items and antiques, provided that the provisions of this Act are applied with the exceptions set out in Chapter XVI.

Section 32

Where goods are dispatched as a consignment or transported by the supplier, or by the customer, or by a third person on behalf of either the supplier or the customer, and the goods are supplied for assembly or installation, with or without a trial run, by or on behalf of the supplier, the place of supply shall be deemed to be the place where the assembly or installation takes place.

Section 33

(1) Where goods are supplied on board ships, aircraft or trains during the section of a passenger transport operation effected within the Community, the place of supply shall be deemed to be at the point of departure of the passenger transport operation.

(2) For the purposes of this Section and Subsection (2) of Section 45:

a) 'passenger transport within the Community' shall mean the operation effected without a stopover outside the Community, where the point of departure and the point of arrival of the passenger transport operation are located inside the Community;

b) 'point of departure of a passenger transport operation' shall mean the first scheduled point of passenger embarkation within the Community, regardless of any stopover outside the Community made previously;

c) 'point of arrival of a passenger transport operation' shall mean the last scheduled point of disembarkation within the Community, regardless of any stopover outside the Community made afterward.

(3) As regards roundtrip passenger transport services, the first leg and the second leg of the trip shall be treated separately, as independent passenger transport services.

Section 34

(1) In the case of the supply:

a) of gas through the natural gas distribution system, or

b) of electricity

to a taxable dealer, the place of supply shall be deemed to be the place where that taxable dealer has established his business or has a fixed establishment for which the goods are supplied, or, in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides.

(2) For the purposes of this Section, 'taxable dealer' shall mean a taxable person whose principal activity in respect of purchases of gas or electricity is reselling those products and whose own consumption of those products is negligible.

Section 35

(1) In the case of the supply of gas through the natural gas distribution system, or of electricity, where the conditions set out in Section 34 are not satisfied, the place of supply shall be deemed to be the place where the customer effectively uses and consumes the goods.

(2) Where all or part of the gas or electricity is not effectively consumed by the customer, for the purposes of Subsection (1) those non-consumed goods shall be deemed to have been used and consumed at the place where the customer has established his business or has a fixed establishment for which the goods are supplied. In the absence of such a place of business or fixed establishment, the customer shall be deemed to have used and consumed the goods at the place where he has his permanent address or usually resides.

Subchapter 2

Place of Supply of Services

Special Interpretation Principles

Section 36

(1) For the purposes of this subchapter:

a) any taxable person acting as a non-taxable person or organization shall be regarded as a taxable person in respect of all services received, except where the services are received by a taxable person for his private use or for that of his staff, in which case the person or organization shall be regarded non-taxable;

b) a non-taxable legal person shall be regarded taxable within the meaning of Paragraph *a)*, provided that:

ba) he has a Community tax number [Paragraph *a)* of Subsection (3) of Section 258], or should have one if registered in Hungary in that capacity,

bb) he has a tax number [Paragraph *b)* of Subsection (3) of Section 258], or should have one if registered in another Member State of the Community in that capacity.

(2) By way of derogation from Paragraph *a)* of Subsection (1), in the application of this subchapter, the persons and organizations whose taxable status is established on the basis of Subsection (4) of Section 6 shall be regarded as non-taxable persons in connection with services received under non-taxable status.

General Rules

Section 37

(1) The place of supply of services performed for a taxable person shall be deemed to be the place where the customer has established his business or has a fixed establishment, or, in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides.

(2) The place of supply of services performed for a non-taxable person shall be deemed to be the place where the supplier has established his business or has a fixed establishment, or, in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides.

Particular Provisions

Section 38

The place of supply of services by an intermediary acting in the name and on behalf of another person shall be the place where the underlying transaction is supplied.

Section 39

(1) The place of supply of services connected with immovable property, shall be the place where the property is located.

(2) The services connected with immovable property as referred to in Subsection (1) shall include, in particular, the services of estate agents and experts, the provision of accommodation in the hotel sector, the assignment of the right of use over immovable property, and services for the preparation and coordination of construction work.

Section 40

The place of supply of transport passengers shall be the place where the transport takes place, proportionately in terms of distances covered.

Section 41

(1) The place of supply of the transport of goods, other than the intra-Community transport of goods, performed for a non-taxable person shall be the place where the transport takes place, proportionately in terms of distances covered.

(2) Where intra-Community transport of goods is supplied for a non-taxable person, the place of supply shall be deemed to be the place of departure of the transport.

(3) Intra-Community transport of goods shall cover any transport of goods in respect of which the place of departure and the place of arrival are situated within the territories of two different Member States of the Community.

(4) For the purposes of Subsections (2) and (3):

a) 'place of departure of the transport of goods' shall mean the place where transport of the goods actually begins, irrespective of distances covered in order to reach the place where the goods are located;

b) 'place of arrival of the transport of goods' shall mean the place where transport of the goods actually ends.

Section 42

The place of supply of services and ancillary services relating to cultural, artistic, sporting, scientific, educational, entertainment or similar activities (such as fairs and exhibitions), including the supply of services of the organizers of such activities, shall be the place where those activities are physically carried out.

Section 43

(1) The place of supply of the following services, performed for a non-taxable person, shall be the place where the services are physically carried out:

a) ancillary activities relating to the transport of passengers and goods;

b) valuations of movable tangible property, exclusive of immovable property;

c) works on movable tangible property, exclusive of immovable property.

(2) The ancillary activities relating to the transport of passengers and goods referred to in Paragraph *a)* of Subsection (1) shall include loading, unloading, handling and similar activities.

Section 44

(1) The place of short-term hiring of a means of transport shall be the place where the means of transport is actually put at the disposal of the customer.

(2) For the purposes of Subsection (1), 'short-term' shall mean the continuous possession or use of the means of transport:

a) throughout a period of not more than ninety days in the case of vessels;

b) throughout a period of not more than thirty days in the case of means of transport not mentioned in Paragraph *a)*.

Section 45

(1) The place of supply of restaurant and catering services shall be the place where the services are physically carried out.

(2) By way of derogation from Subsection (1), the place of supply of restaurant and catering services which are physically carried out on board ships, aircraft or trains during the section of a passenger transport operation effected within the Community, shall be at the point of departure of the passenger transport operation. As regards roundtrip passenger transport services, the first leg and the second leg of the trip shall be treated separately, as independent passenger transport services.

Section 46

(1) The place of supply of the services referred to in this Section shall be the place where the customer is established, or, in the absence of such a place, the place where he has his permanent address or usually resides, provided that it is situated outside the Community.

(2) The services to which this Section applies are the following:

- a) temporary or permanent transfers and assignments of copyrights, patents, licenses, trade marks and similar rights;
- b) advertising services;
- c) the services of consultants, accountants, lawyers, tax experts, IT experts, translators and interpreters, and other similar services including - under the conditions set out in Subsection (4) - the services of engineers as well;
- d) data processing and the provision of information;
- e) banking, financial and insurance transactions, including reinsurance, with the exception of the hire of safes;
- f) assignment and or hiring-out of workers, the supply of staff;
- g) the hiring out of movable tangible property, with the exception of immovable property and all means of transport;
- h) the provision of access to, and of transport or transmission through, natural gas and electricity distribution systems and the provision of other services directly linked thereto;
- i) telecommunications services;
- j) radio and television broadcasting services;
- k) electronically supplied services.

(3) The provisions of this Section shall also apply to commitments to refrain from pursuing or exercising, in whole or in part, a business or professional activity, or from exercising a right referred to in Subsection (2) above on a temporary or permanent basis.

(4) This Section shall apply to the services of engineers if, due to its key characteristics, it does not fall within the scope of Section 39, Section 42 or Paragraphs *b*) and *c*) of Subsection (1) of Section 43.

(5) For the purposes of this Section, electronically supplied services shall include:

- a) hosting, website supply, web-hosting, distance maintenance of programs and equipment;
- b) the supply of software and updating thereof;
- c) the supply of images, text and information and making available of databases;
- d) the supply of music, films and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcasts and events, and the respective transmission and broadcasting of events for these purposes;
- e) supply of distance teaching;

provided that they are supplied through access to global information networks. Where the supplier of a service and the customer communicate via electronic mail over such networks - including the presentation and acceptance of an offer -, that shall not of itself mean that the service supplied is an electronically supplied service.

Section 47

Where the services referred to in Paragraph *k*) of Subsection (2) of Section 46 are supplied to non-taxable persons who are established in a Member State of the Community, or who have their permanent address or usually reside in a Member State of the Community, by a taxable person who has established his business outside the Community or has a fixed establishment there from which the service is supplied, or who, in the absence of such a place of business or fixed establishment, has his permanent address or usually resides outside the Community, the place of supply of the service referred to in Paragraph *k*) of Subsection (2) of Section 46 shall be the place where the non-taxable person is established, or where he has his permanent address or usually resides.

Section 48

Where the services referred to in Paragraphs *i*) and *j*) of Subsection (2) of Section 46 are supplied to non-taxable persons who are established in a Member State of the Community, or who have their permanent address or usually reside in a Member State of the Community, by a taxable person who has established his business outside the Community or has a fixed establishment there from which the service is supplied, or who, in the absence of such a place of business or fixed establishment, has his permanent address or usually resides outside the Community, the place of supply of the service referred to in Paragraphs *i*) and *j*) of Subsection (2) of Section 46 shall be the place where the non-taxable person is established, or where he has his permanent address or usually resides, provided that the services are in fact provided, and the relevant fees are charged in that Member State of the Community.

Section 49

By way of derogation from Section 37 and Section 44, the place of hiring of a means of transport, including railway cars, is:

a) the domestic territory if - according to Section 37 and Section 44 - the place of supply would be outside the territory of the Community, however, the services are in fact provided, and the relevant fees are charged in the domestic territory;

b) outside the territory of the Community, if - according to Section 37 and Section 44 - the place of supply would be in the domestic territory, however, the services are in fact provided, and the relevant fees are charged outside the Community.

Subchapter 3

Place of an Intra-Community Acquisition of Goods

General Rule

Section 50

The place of an intra-Community acquisition of goods shall be deemed to be the place where dispatch or transport of the consignment of goods to the person acquiring them ends.

Particular Provisions

Section 51

(1) Without prejudice to Section 50, the place of an intra-Community acquisition of goods as referred to in Paragraph a) of Section 19 shall be deemed to be within the territory of the Member State of the Community which issued the VAT identification number under which the person acquiring the goods made the acquisition, unless the person acquiring the goods, acting as such, establishes that VAT has been applied to that acquisition in accordance with Section 50 in that Member State of the Community.

(2) If VAT is applied to the acquisition in accordance with Subsection (1) and subsequently applied, pursuant to Section 50, to the acquisition in the Member State in which the intra-Community acquisition of goods takes place, the taxable amount shall be reduced according to Subsection (2) of Section 79.

Section 52

Subsection (1) of Section 51 shall not apply to the intra-Community acquisition of goods where the place of supply - in accordance with Section 50 - is the domestic territory, provided that:

a) the person acquiring the goods establishes that he has made the intra-Community acquisition for the purposes of a subsequent supply, within the domestic territory, for which the person to whom the supply is made has been designated in accordance with Section 141 as liable for payment of VAT; and

b) the person acquiring the goods has satisfied the obligations laid down in Article 265 of the VAT Directive relating to submission of the recapitulative statement according to the laws of the Member State of the Community which issued the customer with a VAT identification number.

Subchapter 4

Place of Importation of Goods

General Rule

Section 53

The place of importation of goods shall be the Member State within whose territory the goods are located when they enter the Community.

Particular Provisions

Section 54

(1) By way of derogation from Section 53, where, within the meaning of Subsection (1) of Section 24, goods are not in free circulation and are:

- a) placed under the customs formalities referred to in Paragraphs a) and b) of Subsection (1) of Section 111; or
- b) placed under the arrangements mentioned in Paragraph c) of Subsection (1) of Section 111; or
- c) placed under temporary importation arrangements with total exemption from import duty; or
- d) placed under external transit arrangements, the place of importation of such goods shall be the Member State of the Community within whose territory the goods cease to be covered by the customs formalities referred to in Paragraph a) or by the arrangements or situations referred to in Paragraphs b)-d).

(2) Subsection (1) shall also apply if the goods imported according to Subsection (2) of Section 24 are placed under the internal Community transit procedure.

Chapter III

CHARGEABILITY OF VAT, ASSESSMENT OF THE AMOUNT OF VAT PAYABLE

General Rules

Section 55

(1) VAT shall become chargeable upon the occurrence by virtue of which the legal conditions necessary for VAT to become chargeable are fulfilled (hereinafter referred to as “chargeable event”).

(2) The legal ramifications referred to in Subsection (1) shall also apply if an invoice is issued in the absence of a chargeable event. The said legal ramifications shall apply to the person or organization indicated in the invoice as the supplier of the goods or services in question, unless able to verify beyond doubt:

- a) that a chargeable event did not take place, or
- b) if it did, it was supplied by others,

and shall forthwith take action to have the invoice in question cancelled, or if the invoice is issued in his name by others, shall notify - without delay - the taxable person or organization shown on the invoice as the customer acquiring the goods or services as to whether Paragraph a) or b) applies.

Section 56

Unless otherwise prescribed in this Act, the amount of VAT payable shall be assessed at the time the chargeable event occurs.

Particular Provisions Concerning the Supply of Goods and the Supply of Services

Section 57

(1) In connection with the supply of goods and/or services, if the goods or services supplied are physically divisible and if there are no other impediments, partial supply shall also be recognized as a chargeable event.

(2) In connection with services supplied under judicial proceedings or other administrative proceedings, where the consideration payable is determined by court decision or by decree (ruling) of an authority, the delivery of such decision or decree (ruling) to the supplier of the service shall be construed as the chargeable event.

Section 58

(1) In connection with the supply of goods and/or services, where the parties agreed on payment facilities or deferred terms for a specific period of time, the chargeable event shall occur at the due date of payment of the consideration, to which the installment or deferment pertains.

(2) If the period to which the installment or deferment pertains is longer than twelve months, Subsection (1) notwithstanding:

a) the last day of the calendar year shall also be recognized as a chargeable event, provided that VAT is paid by the customer pursuant to Paragraph a) of Section 140, or

b) the last day of the twelfth month shall also be recognized as a chargeable event in cases other than those mentioned in Paragraph a).

(3) This Section shall not apply to the supplies of goods under Paragraph a) of Section 10.

Section 59

(1) In connection with the supply of goods and/or services, if any payment is made either in money or by way of a cash-substitute payment instrument before the fact, that is subsequently recognized to comprise part of the consideration payable (hereinafter referred to as "payment on account"), VAT shall become chargeable on receipt of the payment on account.

(2) The payment on account shall be applied in such a way that it contains the VAT payable on the amount received.

Section 60

(1) In connection with the supply of goods and/or services, if the taxable person acquiring the goods or the customer is liable for the VAT payable, VAT shall become chargeable:

a) upon receipt of the invoice or other similar document issued in proof of the completion of the transaction; or

b) no later than the time the payment is received; or

c) on the fifteenth day of the month following the date of the chargeable event.

(2) Of the options listed under Subsection (1) the one that comes first shall be applied.

(3) As regards the person liable for payment of VAT mentioned in Subsection (1), if between the time when the chargeable event has occurred and the time the VAT payable is in fact charged in accordance with Subsection (2):

a) any changes take place in his legal status regulated in this Act, following which no VAT may be demanded of him; or

b) his debts are assumed for consideration,

VAT shall be charged upon such person - by way of derogation from Subsection (2) - on the day preceding the change in legal status within the meaning of Paragraph a), or at the time of assumption of the debt within the meaning of Paragraph b).

(4) Other provisions of this Section notwithstanding, the VAT payable shall be charged according to Paragraph c) of Subsection (1) in connection with the supplies of goods exempted under the conditions set out in Section 89, with the exception that if the invoice on the transaction is made out before the fifteenth day of the month following the date of the chargeable event, the VAT becomes chargeable at the time of issue of the relevant invoice.

(5) This Section shall not apply to supplies of services in respect of which VAT is payable by the customer pursuant to Paragraph a) of Section 140.

Section 61

(1) In connection with the supply of goods and/or services, if the consideration is paid in money, using a cash-substitute payment instrument or a non-cash payment instrument, the taxable person supplying the goods or services:

a) using single-entry bookkeeping or those required to keep records only on their revenue; or

b) using double-entry bookkeeping, if they fall within the scope of the legal regulation governing the reporting and bookkeeping obligation of agencies funded by the central budget in terms of satisfying their obligation to keep records by employing the modified performance concept;

shall charge the VAT no later than the time the payment is received.

(2) If consideration is paid in installments, VAT shall become chargeable on receipt of the payment and on the amount received.

(3) If the consideration is not paid in full within forty-five days of the time of supply, VAT shall become chargeable - by way of derogation from Subsections (1) and (2) - on the first day following the above-specified time limit, also on the amount overdue.

(4) As regards the taxable person mentioned in Subsection (1), if between the time when the chargeable event has occurred and the time the VAT payable is in fact charged in accordance with Subsections (1)-(3):

a) any changes take place in his legal status regulated in this Act, following which no VAT may be demanded of him; or

b) his debts are assumed for consideration; or

c) he switches to double-entry bookkeeping;

VAT shall be charged upon such person - by way of derogation from Subsections (1)-(3) - on the day preceding the change in legal status within the meaning of Paragraph a), at the time of assumption of the debt within the meaning of Paragraph b), or on the balance sheet opening date within the meaning of Paragraph c).

(5) Taxable persons switching over from double-entry bookkeeping to either of the accounting methods referred to in Subsection (1) shall not be required to charge any additional VAT in respect of the goods or services supplied prior to the balance-sheet accounting date, also if the consideration is not paid up in full by the said accounting date.

Particular Provisions Relating to the Intra-Community Acquisition of Goods

Section 62

In connection with the intra-Community acquisition of goods the chargeability of VAT shall be determined according to the provisions of this Act pertaining to the supply of similar goods.

Section 63

(1) In connection with the intra-Community acquisition of goods VAT shall become chargeable upon receipt of the invoice issued in proof of completion of the transaction, or at the latest on the fifteenth day of the month following the date of the chargeable event.

(2) In connection with the intra-Community acquisition of goods, as regards the person liable for the payment of VAT, if between the time when the chargeable event has occurred and the time the VAT payable is in fact charged in accordance with Subsection (1):

a) any changes take place in his legal status regulated in this Act, following which no VAT may be demanded of him; or

b) his debts are assumed for consideration;

VAT shall be charged upon such person - by way of derogation from Subsection (1) - on the day preceding the change in legal status within the meaning of Paragraph a), or at the time of assumption of the debt within the meaning of Paragraph b).

Particular Provisions Relating to the Importation of Goods

Section 64

(1) Within the meaning of Section 54, VAT shall become chargeable upon termination of the customs status of the goods referred to in Paragraph a) of Subsection (1) of Section 54, or when the goods cease to be covered by those arrangements or situations referred to in Paragraphs b)-d) of Subsection (1) of Section 54.

(2) By way of derogation from Subsection (1), where imported goods are subject to customs duties, to agricultural levies or to charges having equivalent effect established under a common policy, the chargeable event shall occur and VAT shall become chargeable when the chargeable event in respect of those duties occurs and those duties become chargeable according to the relevant statutory provisions.

(3) Where imported goods are not subject to any of the duties referred to in Subsection (2) of this Section, as regards the chargeable event and the moment when VAT becomes chargeable the provisions in force governing customs duties shall apply.

Chapter IV

TAXABLE AMOUNT

Taxable Amount Relating to the Supply of Goods or Services

Section 65

In connection with the supply of goods and/or services the taxable amount - unless otherwise provided in this Act - shall include everything which constitutes consideration expressed in monetary terms obtained or to be obtained by the supplier, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the goods or services supplied.

Section 66

(1) In connection with the supply of goods and/or services, if the consideration is not expressed in monetary terms and it is not paid in cash or does not use a cash-substitute payment instrument or non-cash payment instrument, but is expressed in exchange for goods or services, both transaction shall be accounted independently, applying one as a consideration of the other.

(2) The taxable amount, if expressed in monetary terms, shall be determined by relying on the open market value of the goods or services.

Section 67

(1) In lieu of the consideration, the open market value shall be applied as the taxable amount if the supply of goods or services takes place between non-independent parties:

a) where the consideration charged is unreasonably higher than the open market value of the goods or services in question and the supplier does not have a full right of deduction;

b) where the consideration charged is unreasonably lower than the open market value of the goods or services in question and the recipient of the supply does not have a full right of deduction;

c) where the consideration charged is unreasonably lower than the open market value of the goods or services in question and the supplier does not have a full right of deduction, and the supply is subject to an exemption under Subsection (1) of Section 85, Subsection (1) of Section 86 or Section 87.

(2) Subsection (1) shall not apply where the consideration is determined by a binding statutory provision, or if the consideration is to be determined on the basis of the relevant legal regulations.

Section 68

In the application of Sections 11 and 12, the taxable amount shall be the purchase price of the goods or of similar goods or, in the absence of a purchase price, the cost price, determined at the time when the chargeable event occurs.

Section 69

In respect of the cases referred to in Section 14, the taxable amount - expressed in monetary terms - shall be the full cost to the taxable person of providing the services.

Section 70

(1) In connection with the supply of goods and/or services, the taxable amount shall include the following factors:

a) taxes, duties, levies, contributions, grants, agricultural levies and charges having equivalent effect, excluding the VAT itself as regulated in this Act;

b) incidental expenses, such as commission, agency fee, packing, transport and insurance costs, charged by the supplier of the goods and/or services to the customer purchasing said goods and/or services.

(2) Paragraph b) of Subsection (1) shall also apply to expenses covered by a separate agreement as incidental expenses.

Section 71

(1) In connection with the supply of goods and/or services the taxable amount shall not include the following factors:

- a) price reductions, discounts and rebates (hereinafter referred to collectively as “price discount”) provided for early payment relative to the original due date of the consideration; or
- b) price discounts granted relating to the quantity of goods or the extent of services previously supplied, up to the chargeable event, and other similar concessions provided for promotional purposes;
- c) amounts received by a taxable person from the customer - being the last in line in chain transactions -, as repayment of expenditure incurred in the name and on behalf of the customer, and entered in his books in a suspense account.

(2) The price discount mentioned in Paragraph b) of Subsection (1) shall be recognized as being provided for promotional purposes if:

- a) provided on a non-discretionary basis to customers under agreement and other persons who are independent from the supplier providing the price discount; or
- b) made available on a non-discretionary basis to customers under agreement and other persons who are independent from the supplier providing the price discount;
as fixed in advance, or if the amount of the price discount calculated according to this agreement and expressed in monetary terms - exclusive of VAT - is less than the aggregate consideration expressed in monetary terms - exclusive of VAT- payable for the supply of goods or services to which the price discount pertains.

(3) On the basis of a prior agreement between the taxable person and the customer, the taxable person providing the price discount may opt to apply the price discount expressed in monetary terms and provided under the conditions set out in Paragraphs a) and b) of Subsection (1) to comprise a part of the taxable amount of the goods and/or services supplied, or that it will not be deducted from the taxable amount subsequently [Subsection (3) of Section 77], provided that the amount of the price discount expressed in monetary terms is applied toward the price of the goods or services supplied by the taxable person providing the price discount or - under a prior agreement with this taxable person - by another party. In these cases, the latter transaction - up to the amount of the price discount expressed in monetary terms - shall be treated as supply of goods or services for consideration.

(4) In addition to the conditions set out in Paragraph c) of Subsection (1), the taxable person shall, within the said suspense account, show itemized records for the amounts received, and shall not exercise the right of deduction in connection with such amounts.

Taxable Amount of the Intra-Community Acquisition of Goods

Section 72

The taxable amount of the intra-Community acquisition of goods shall be determined according to Sections 65-67, 70 and 71, to the extent that they would be applicable to the similar supplies of goods.

Section 73

Where Section 22 and 23 applies, the taxable amount shall be the purchase price of the goods or of similar goods or, in the absence of a purchase price, the cost price, determined at the time when the chargeable event takes place.

Taxable Amount on Importation of Goods

Section 74

(1) In respect of the importation of goods, the taxable amount shall be the value for customs purposes, determined in accordance with the customs regulations in force at the time of the chargeable event.

(2) By way of derogation from Subsection (1), where goods temporarily exported from the Community are re-imported after having undergone, outside the Community, processing or working, by an importer, acting as such, without the goods in question being sold prior to importation, the taxable amount:

- a) shall be the consideration due or paid for the supply of processing or working; or
- b) shall be the appreciation in value achieved by the work performed on the imported goods, expressed in monetary terms, if the amount of consideration cannot be determined before the goods are re-imported in accordance

with Paragraph a), or if the value expressed in monetary terms is less than the appreciation in value achieved by the work performed on the goods in question.

Section 75

(1) In respect of the importation of goods, the taxable amount shall include the following factors, in so far as they are not already included in the value specified in Section 74:

a) taxes, duties, levies, contributions, grants, agricultural levies and charges having equivalent effect, due outside the Member State of importation, and those due by reason of importation, excluding the VAT to be levied as regulated in this Act;

b) incidental expenses, such as commission, agency fee, packing, transport and insurance costs, incurred up to the first place of destination within the territory of the Member State of importation.

(2) In the event that, apart from the first place of destination referred to in Paragraph b) of Subsection (1), there is another place of destination within the Community, the taxable amount shall also comprise the incidental expenses incurred to this latter place of destination.

(3) For the purposes of this Section, 'first place of destination' shall mean the place mentioned on the consignment note or on any other document. If no such mention is made, or if it cannot be clearly established or identified, the first place of destination shall be deemed to be the place of the first transfer of cargo in the Member State of importation.

Section 76

In respect of the importation of goods, the taxable amount shall not include the following factors:

a) price discounts provided for early payment relative to the original due date of the consideration; or

b) price discounts granted relating to the quantity of goods or the extent of services previously supplied.

Subsequent Reduction of the Taxable Amount

Section 77

(1) In respect of the supply of goods or services, and the intra-Community acquisition of goods, the taxable amount shall be reduced subsequently by any refund or reimbursement, due or paid, to the entitled person, if after the chargeable event:

a) the relevant transaction is declared rescinded and:

aa) the state of affairs having existed prior to the transaction is restored, or

ab) the transaction is declared valid for the period until the resolution of rescission is adopted, or

ac) the transaction is declared valid with the unjust advantage removed;

b) the relevant transaction is declared non-conforming and in consequence:

ba) the customer cancels the transaction, or

bb) the customer is granted a price discount.

(2) Furthermore, the taxable amount shall be reduced if:

a) the payment made on account is refunded due to lack of conformity;

b) in the case of the supply or hiring of goods under Paragraph a) of Section 10 the obligor cancels the transaction for lack of payment of the consideration in full, and the state of affairs having existed prior to the transaction is restored, or if this is not possible, the transaction is declared valid for the period up to the time of cancellation;

c) upon the redemption of redeemable packaging materials.

(3) The taxable amount may be reduced subsequently if a price discount is granted under Paragraph a) or b) of Subsection (1) of Section 71 after the chargeable event.

Section 78

(1) Section 77 may be applied on condition if the obligor takes measures:

a) to have the invoice on the transaction cancelled:

aa) in the cases referred to in Subparagraphs aa) and ba) of Subsection (1), and in Paragraph a) of Subsection (2) of Section 77,

ab) in the case referred to in Paragraph *b*) of Subsection (2) of Section 77 if the state of affairs having existed prior to the transaction is restored;

b) to have the invoice on the transaction modified in the cases other than what is described in Paragraph *a*).

(2) If an invoice is not made out on a transaction in the cases where the obligor is not required to issue an invoice in accordance with this Act, subsequent reduction of the taxable amount shall not be impeded in the cases under Subsections (1) and (2) of Section 77 by non-compliance with the provisions set out in Subsection (1).

(3) In the event where in consequence of the subsequent reduction of the taxable amount the amount of VAT payable as assessed and declared previously is also reduced, the obligor shall be able to deduct it from the amount of VAT calculated according to Subsection (1) of Section 131 as payable, at the earliest, during the tax period:

a) when the invoice on voiding or amending the original invoice is at the customer's disposal;

b) if the obligor refunds the consideration to the customer, or repays the payment on account, or returns the fee on redeemable packaging materials in the cases other than those described in Paragraph a).

Section 79

(1) In connection with the intra-Community acquisition of goods, if the customer received any refund of excise tax in a Member State of the Community other than the one in which the dispatch or transport of the goods began, the amount of excise tax refunded shall be applied - as verified - to reduce the taxable amount, provided that the goods in question are recognized as products subject to excise tax in the domestic territory as well.

(2) In the application of Subsection (2) of Section 51, the taxable amount of intra-Community acquisition of goods may be reduced by the amount verified as the taxable amount applied in another Member State of the Community where the intra-Community acquisition took place in accordance with Section 50.

Taxable Amount Expressed in Forint

Section 80

(1) In connection with the supply of goods, the supply of services and intra-Community acquisition of goods, where the taxable amount is expressed in a foreign currency, the exchange rate specified in Subsection (2) shall be applied when translating the taxable amount into forints:

a) that is in effect at the time VAT is charged in connection with the intra-Community acquisition of goods and with any payment on account, in the cases defined under Section 60;

b) that is in effect at the time the invoice is issued in the case of Section 58;

c) that is in effect at the time the chargeable event occurs in all other cases.

(2) The exchange rate applicable shall constitute the latest forint price of a specific unit of the given foreign currency, in effect at the time referred to in Subsection (1), that is:

a) listed by a credit institution authorized in the domestic territory to engage in money exchange operations as the selling rate;

b) officially quoted by the Magyar Nemzeti Bank (hereinafter referred to as "MNB"), provided that the person requiring the translation into forint (for the purposes of this Section hereinafter referred to as "obligor") so decided, and provided the state tax authority with an advance notice accordingly.

(3) The option referred to in Paragraph b) of Subsection (2) may be exercised covering all supplies of goods or services, and intra-Community acquisitions of goods, where the taxable amount is expressed in a foreign currency.

(4) Any obligor who (that) exercised the option referred to in Paragraph b) of Subsection (2) shall remain bound to this option for a period of the next two calendar years.

(5) In the event that the given currency is not listed as described in Paragraph a) of Subsection (2), translation to forint shall take place relying on the euro equivalent of a specified unit of the foreign currency in question published by the MNB for the calendar quarter preceding the time specified in Subsection (1).

Section 81

In respect of the importation of goods, if the taxable amount is expressed in a foreign currency, translation to forint shall take place relying on the exchange rate that is to be used for determining the value for customs purposes, including the case contained in Subsection (2) of Section 74.

Chapter V

RATE OF TAX

Section 82

- (1) The amount of VAT to be charged shall be 25 per cent of the taxable amount.
- (2) In respect of the goods and services listed under Schedule No. 3, the amount of tax to be charged shall be five per cent of the taxable amount.
- (3) As regards the goods and services listed in Schedule No. 3/A, the amount of VAT to be charged shall be 18 per cent of the taxable amount.

Section 83

Where a payment expressed in monetary terms is made such that it contains VAT, the percentage of VAT it contains shall be:

- a) 20 per cent of the full amount paid under Subsection (1) of Section 82,
- b) 4.76 per cent of the full amount paid under Subsection (2) of Section 82.
- c) 15.25 per cent of the full amount paid under Subsection (3) of Section 82,

Section 84

- (1) VAT shall be charged at the rate in effect at the time the chargeable event takes place.
- (2) By way of derogation from Subsection (1), in connection with:
 - a) the intra-Community acquisition of goods;
 - b) any payment on account;
 - c) the case described in Section 60; and
 - d) the cases described in Subsections (2) and (3) of Section 64;VAT shall be charged using the rate in effect at the time when VAT becomes chargeable.

Chapter VI

EXEMPTIONS

Exemptions for Certain Activities in the Public Interest

Section 85

- (1) The following transactions shall be exempt:**
- a) the supply of public postal services;
 - b) hospital and medical care and closely related activities undertaken by public service bodies or, under social conditions comparable with those applicable to public service bodies, by hospitals, centers for medical treatment or diagnosis and other duly recognized establishments of a similar nature;
 - c) the provision of medical care and closely related activities in the exercise of the medical and paramedical professions in their professional capacity;
 - d) the supply of human organs, blood (including sensitive blood fractions as laid down in specific other legislation) and milk, and the supply of services in connection with donation of the aforementioned and human organs;
 - e) the supply of services by dental technicians in their professional capacity and the supply of dental prostheses by dentists and dental technicians;
 - f) the supply of services - other than catering, if the consideration payable is to be provided separately - and of goods closely linked to welfare and social security work, by public service bodies, acting as such;
 - g) the supply of services and of goods closely linked to the protection of children and young persons by public service bodies, acting as such;

h) the supply of services - other than catering, if the consideration payable is to be provided separately - and of goods closely linked to nursery care by public service bodies, acting as such;

i) the provision of children's or young people's education, kindergarten, school or university education - other than catering, if the consideration payable is to be provided separately -, vocational training or retraining and other education services specified in Subsection (2), including the supply of services - other than catering, if the consideration payable is to be provided separately - and of goods closely related thereto, by public service bodies, and by public education institutions, institutions of higher learning and other bodies providing adult education, or - under international treaty - by foreign cultural institutions, acting as such, in the domestic territory, as having similar objects;

j) the provision of services by teachers and other educators and covering kindergarten, school or university education and other education services specified in Subsection (2), including tuition given privately by teachers in connection with the aforementioned;

k) the supply of staff by religious or philosophical institutions registered as a legal person by the court or admitted to other registers of the authorities for the purpose of the activities referred to in Paragraphs b), f), g), h) and i) and with a view to spiritual welfare;

l) the supply of services, and the supply of goods closely linked thereto, to their members in their common interest in return for a subscription fixed in accordance with their rules by non-profit-making persons or organizations - registered by the court or admitted to other registers of the authorities - operating under bylaws or a charter document:

la) provided that they are financed solely by the membership contributions prescribed in tune with the bylaws, that applies to all members, other similar contributions, government subsidies and other donations, and the profit from their own activities that may be deducted from the pretax profit according to the Act on Corporate Tax and Dividend Tax, and

lb) that, consistent with the common goal, functions as a body serving the interest of the society in general, political objectives, the interests of workers and employers, trade and professional functions, religious or philosophical, patriotic, humanitarian, charitable and heritage preservation objectives;

m) the supply of certain services closely linked to sport or physical education by public service bodies, acting as such,

ma) to natural persons taking part in sport or physical education,

mb) to other persons or organizations, ordering such services for the benefit of natural persons, excluding swimming pool and beach services, the viewing of sports events, and the lease of immovable sports facilities (part of a sports facility) for the purposes of sport and physical education;

n) the supply of certain cultural services relating to the arrangement and organization of exhibitions, fairs and shows of folk art or hand-crafted articles, and the supply of goods closely linked thereto, by public service bodies or persons or organizations holding a certificate of folk art and design, acting as such, meaning unique or limited edition folk art or hand-crafted articles approved and numbered by a panel of experts and produced without the use of any industrial technology;

o) the activities, other than those of a commercial nature, carried out by public radio and television bodies.

(2) Other education services shall include:

a) adult education for a vocation listed in the National Training Register, training and further training, pre-examination classes, including related examination activities;

b) education, training and further training provided by institutions accredited under the Act on Adult Education and organized in accordance with other legislation, pre-examination classes, including related examination activities;

c) language proficiency examination for a state or internationally approved language certificate;

d) organization and coordination of tutorial and educational competitions.

(3) Where either of the activities specified in Subsections (1) and (2):

a) is subject to authorization (activity-specific authorization) by the competent authority as prescribed by law, not including local government resolutions, exemption for the related supply of goods or services may be provided only if the person or organization affected is in possession of such authorization;

b) is subject to qualification, and unless an exemption is provided by legal regulations, not including local government resolutions, exemption for the related supply of goods or services may be provided only if the person or organization affected has at least one natural person among the persons working to its benefit and on its behalf who satisfies the qualification requirements set out in legal regulations.

(4) For the purposes of this Section 'public service bodies' shall mean:

a) budgetary agencies to the extent of the activities indicated in their charter document;

b) non-governmental organizations, federation of non-governmental organizations, groupings, public bodies, national athletic associations with respect to their activities indicated in the bylaws (articles of association), including the facilities they operate (maintain) to the extent of the activities indicated in the bylaws (charter document);

c) churches registered according to the Act on the Freedom of Belief and Religion and on the Church, including the independent organizational units of religious organizations, if their bylaws so provide, and the federation of churches and religious organizations to the extent of the activities indicated in their charter document, and the institutions they operate (maintain) to the extent of the activities indicated in the institutions' bylaws (charter document);

d) foundations and public foundations to the extent of the activities indicated in their bylaws (charter document), and the institutions they operate (maintain) to the extent of the activities indicated in the institutions' bylaws (charter document);

e) public-benefit organizations and nonprofit business association to the extent of the activities indicated in their bylaws (charter document);

f) persons or organizations registered as public-benefit organizations or priority public-benefit organizations according to the Act on Public Benefit Organizations to the extent of the activities in the public interest indicated in their bylaws (charter document);

g) any person or organization - other than those governed under Paragraphs a) to f) -, who (that) is engaged in activities within the framework of the compulsory social insurance system for the benefit of insured persons and other beneficiaries as governed by the social security and other regulations;

h) persons or organizations - other than those governed under Paragraphs a) to g) -, subject to all of the following conditions:

ha) the bodies - in accordance with their bylaws (charter document) - must not systematically aim to make a profit, and any surpluses nevertheless arising must be assigned to the continuance, improvement or the expansion of the services supplied as specified in Subsections (1) and (2),

hb) those bodies must be managed and administered on an essentially voluntary basis by persons who have no direct or indirect interest, either themselves or through intermediaries, in the results of the activities concerned,

hc) those bodies must charge prices for the supply of goods or the supply of services performed within the framework of either activity under Subsections (1) and (2), which are governed by and are in compliance with the Act on Price Control Regulations (hereinafter referred to as "PRA"), or which are lower than those charged on the market for similar goods or services.

(5) Paragraph h) of Subsection (4) notwithstanding, a person or organization shall not be recognized as a public service body if - pursuant to the provisions of Act LVII of 1996 on the Prohibition of Unfair Trading Practices and Unfair Competition (hereinafter referred to as "UMPA"), and in connection with either of the activities described under Subsections (1) and (2) - the court of law or any other regulatory resolution:

a) declared it guilty of some infringement, and ordered it to publish a statement of correction in connection with any misleading information [Paragraphs d) and h) of Subsection (1) of Section 77 of the UMPA, and Paragraphs a) and c) of Subsection (2) of Section 86], from the operative date of the resolution until the end of the following calendar year;

b) prohibited the further continuation of the illegal conduct or ordered the termination of the infringement, and sanctioned said person or organization if found guilty of some infringement [Paragraphs e)-g) of Subsection (1) of Section 77 of the UMPA, and Paragraphs b) and d) of Subsection (2) of Section 86], from the operative date of the resolution until the end of the second calendar year;

c) declared it guilty of illegal action resulting in a grievance that affects a wide range of consumers or is of a considerable magnitude, and ordered it to reduce the price, to repair or replace the goods, or to refund the price [Section 92 of the UMPA], from the operative date of the resolution until the end of the third calendar year.

Exemption for Other Special Activities

Section 86

(1) The following services shall be exempt:

a) insurance and reinsurance services, including related services performed by insurance brokers and insurance agents, acting as such, furthermore, the supply of services vis-à-vis parties under the majority control of persons or organizations authorized to provide life assurance or non-life insurance services, where such services are directly

required for one of the parties in connection with its insurance and reinsurance services and the amount of the consideration that is due or paid to the other party does not exceed the verified expenses of that party incurred in connection with such activity;

b) the granting and the negotiation of credit and other similar services (for the purposes of this Section hereinafter referred to as “credit”) and the management of credit by the person granting it;

c) the negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit;

d) services, including negotiation, concerning deposit and current accounts, payments, transfers, debts, checks and other negotiable instruments, but excluding debt collection;

e) services, including negotiation, concerning currency, bank notes and coins used as the Hungarian legal tender and other currencies, with the exception of collectors’ items, that is to say, gold, silver or other metal coins or bank notes which are not normally used as legal tender or coins of numismatic interest;

f) services, including negotiation but not management or safekeeping, in materialized securities, interests in legal persons and business associations lacking the legal status of a legal person, debentures and other securities, but excluding documents establishing title to goods, including the transfer of rights or securities and the related services;

g) the management of investment funds, and venture capital funds, and portfolio management services provided to private pension funds, voluntary mutual insurance funds and employer sponsored pension institutions;

h) the supply at face value of postage stamps valid for use for postal services within the domestic territory, and the supply at face value of fiscal stamps and other similar stamps issued by the authorities;

i) betting, lotteries and other forms of gambling, including negotiation, subject to the conditions and limitations laid down in the Act on Gambling Operations;

j) the supply of a building or parts of a building and the land on which it stands, with the exception of any building or parts of a building and the land on which it stands:

ja) that is supplied before first occupation; or

jb) where the period elapsing, after first occupation, between the operative date of the occupancy permit of the relevant authority and the date of supply is less than two years;

k) the supply of land or part of land which has not been built on other than the supply of building land or part of a building land;

l) the leasing or letting of immovable property or part thereof.

(2) The following shall be excluded from the exemption provided for in Paragraph l) of Subsection (1):

a) the provision of accommodation in the hotel sector or in sectors with a similar function;

b) the letting of premises and sites for the parking of vehicles;

c) the letting of permanently installed equipment and machinery;

d) the hire of safes.

Section 87

The following transactions shall be exempted:

a) the supply of goods used solely for the supply of goods or services exempted under Subsection (1) of Section 85 or Subsection (1) of Section 86, or used for other reasons, if those goods have not given rise to deductibility;

b) the supply of goods on the acquisition or application of which VAT was not deductible, pursuant to Section 124 or 125.

Option for Taxation

Section 88

(1) By way of derogation from Subsection (1) of Section 86, the taxable persons registered in the domestic territory shall have the right, subject to prior notification of the state tax authority, to opt for the taxation:

a) of the supply of goods mentioned in Paragraphs j) and k) of Subsection (1) of Section 86; or

b) of the supply of services mentioned in Paragraph l) of Subsection (1) of Section 86.

(2) In the cases described in Subsection (1) the tax rate mentioned in Subsection (1) of Section 82 shall be applied.

(3) The option referred to in Subsection (1) may be exercised separately or collectively, however, the option for taxation - with the exception set out in Subsection (4) - shall apply to all supplies of goods and supplies of services covered by Paragraph a) and/or b) of Subsection (1).

(4) Taxable persons established in the domestic territory may exercise - separately or collectively - the options referred to in Paragraphs *a*) and *b*) of Subsection (1) solely to immovable properties other than residential buildings.

(5) Any taxable person who exercised the option referred to in Subsection (1) shall remain bound to this option for a period of the next five calendar years.

Exemptions for Intra-Community Supply of Goods

Section 89

(1) Subject to the exceptions set out in Subsections (2) and (3), exemption shall be granted to the supply of goods dispatched as a consignment or transported to a destination outside the domestic territory but within the Community, by or on behalf of the vendor or the person acquiring the goods, for another taxable person, or for a non-taxable legal person acting as such in a Member State of the Community other than the domestic territory, or by or on behalf of a person identified for VAT purposes in a Member State other than the domestic territory for a non-taxable legal person.

(2) Exemption shall be granted to the supply of new means of transport, dispatched as a consignment or transported to the customer at a destination outside the domestic territory but - addressed to the customer - within the Community, irrespective of whether it is dispatched as a consignment or transported by or on behalf of the vendor or the customer, or by a third person on behalf of either the supplier or the customer:

a) for taxable persons, acting as such in a Member State of the Community other than the domestic territory, or for any other non-taxable legal person - designated or recognized as liable for payment of VAT - identified for VAT purposes in a Member State other than the domestic territory, whose intra-Community acquisitions of goods are not subject to VAT pursuant to Article 3(1) of the VAT Directive in accordance with the national law of that Member State; or

b) for any non-taxable person or organization other than those described in Paragraph a).

(3) Exemption shall be granted to the supply of products subject to excise duty, dispatched as a consignment or transported to a destination outside the domestic territory but - addressed to the customer - within the Community, irrespective of whether it is dispatched as a consignment or transported by or on behalf of the vendor or the customer, for taxable persons, acting as such in a Member State of the Community other than the domestic territory, or for any other non-taxable legal person - designated or recognized as liable for payment of VAT - identified for VAT purposes in a Member State other than the domestic territory:

a) whose intra-Community acquisitions of goods are not subject to VAT pursuant to Article 3(1) of the VAT Directive in accordance with the national law of that Member State; and

b) where those acquisitions of excise products are subject to excise tax in accordance with Council Directive 2008/118/EC of 16 December 2008 concerning the general arrangements for excise duty and repealing Directive 92/12/EEC (hereinafter referred to as "Excise Directive").

(4) Exemption shall be granted to the supply of goods under Subsection (1) of Section 12, which would have been entitled to exemption under Subsection (1), (2) or (3) if it had been made on behalf of another taxable person.

Section 90

(1) Subsection (1) of Section 89 shall not apply if:

a) the taxable person supplying the goods is granted individual tax exemption; or

b) the taxable person acquiring the goods, acting as such in a Member State of the Community other than the domestic territory, or for any other non-taxable legal person - designated or recognized as liable for payment of VAT - is identified for VAT purposes in a Member State other than the domestic territory, whose acquisitions of goods are not subject to VAT pursuant to Article 3(1) of the VAT Directive in accordance with the national law of that Member State.

(2) Subsection (3) of Section 89 shall not apply if the taxable person supplying the goods is granted individual tax exemption.

(3) Subsection (1) of Section 89 and Subsections (3) and (4) of Section 89 shall not apply to the supply of second-hand goods, works of art, collectors' items and antiques, provided that the provisions of this Act are applied with the exceptions set out in Chapter XVI.

Exemptions for Intra-Community Acquisitions of Goods

Section 91

(1) The following intra-Community acquisition of goods shall be exempted:

- a) the supplies which are exempted under Paragraph a) of Section 2;
- b) the importation of goods under Paragraph c) of Section 2, which are exempted under Subsection (1) of Section 93, Subsection (1) of Section 94 and under Section 97;
- c) the intra-Community acquisition of goods where, pursuant to Chapter XVIII, the person acquiring the goods would in all circumstances be entitled to full reimbursement of the VAT due under Paragraph b) of Section 2.

(2) The following intra-Community acquisition of goods shall also be exempt, where the following conditions are met:

- a) the acquisition of goods is made by a taxable person who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory but is identified for VAT purposes in another Member State of the Community;
- b) the acquisition of goods is made for the purposes of the subsequent supply of those goods in the domestic territory by the taxable person referred to in Paragraph a);
- c) the goods thus acquired by the taxable person referred to in Paragraph a) are directly dispatched as a consignment or transported to the name of the customer to whom the goods referred to in Paragraph b) are supplied, from a Member State other than that in which he is identified for VAT purposes, to the person for whom he is to carry out the subsequent supply;
- d) the taxable person or non-taxable legal person referred to in Paragraph b) has been designated as liable for payment of the VAT due on the supply, and registered by the state tax authority.

Exemptions for Intra-Community Transport Services

Section 92

The following intra-Community transport of goods shall be exempted:

- a) transport of goods to and from the islands making up the autonomous regions of the Azores and Madeira;
- b) the supply of transport of goods between the islands mentioned in Paragraph a).

Exemptions on the Importation of Goods

Section 93

(1) The following transactions shall be exempt:

- a) the final importation of goods of which the supply by a taxable person would be exempt under Paragraph a) of Section 2;
- b) the final importation of goods governed under Subsection (1) of Section 24, if those goods are exempt from customs duties under Council Regulation (EEC) No 918/83 of 28 March 1983 setting up a Community system of relief from customs duty (hereinafter referred to as “Customs Relief Regulation”), and under the Act on the Implementation of Community Customs Laws (hereinafter referred to as “Customs Act”), provided that this Act contains no provisions to the contrary;
- c) the final importation of goods governed under Subsection (2) of Section 24, which would be entitled to exemption under Paragraph b) if they had been imported within the meaning of Subsection (1) of Section 24;
- d) the reimportation of goods that were previously supplied to a destination outside the Community [Subsection (1) of Section 98], by the person who exported them, in the state in which they were exported, where those goods are exempt from customs duties;
- e) the reimportation, by the person who exported them, of goods in the state in which they were exported - including if repaired or exchanged under warranty -, where those goods are exempt from customs duties, by the taxable person who exported them under the temporary exportation procedure;
- f) the importation, under diplomatic and consular arrangements, of goods which are exempt from customs duties;
- g) the importation of goods by international bodies recognized as such by the public authorities of the Republic of Hungary, or by the representative offices or members of such bodies, within the limits and under the conditions laid down by the international conventions establishing the bodies or by headquarters agreements, as promulgated,

provided that the aforesaid international convention provides for the cancellation or reimbursement of indirect taxes which are usually built into the customs duty and/or into the price of the goods or services;

h) the importation of goods by the armed forces of any State that is a party to the North Atlantic Treaty - other than the Hungarian Armed Forces - for the use of those forces or the civilian staff accompanying them or for supplying their messes or canteens where such forces take part in the common defense effort;

i) the importation of goods by the armed forces of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "United Kingdom") stationed in the island of Cyprus pursuant to the Treaty of Establishment concerning the Republic of Cyprus, dated 16 August 1960, which are for the use of those forces or the civilian staff accompanying them or for supplying their messes or canteens;

j) the importation into ports, by sea fishing companies, of their catches, unprocessed or after undergoing preservation for marketing but before being supplied;

k) the importation of gold by any central bank;

l) the importation of gas through the natural gas distribution system;

m) the importation of electricity.

(2) The supply of services relating to the importation of goods shall be exempted, where the value of such services is included in the taxable amount in accordance with Section 74, or Paragraph b) of Subsection (1) and Subsection (2) of Section 75.

Section 94

(1) Exemption shall be granted, in due consideration of the conditions mentioned in Paragraph b) of Subsection (1) of Section 93:

a) under the conditions laid down in and apart from the importation of goods specified in Chapter I, Title VII of the Customs Relief Regulation, 500 grams of coffee or 200 grams of extracts and concentrates of coffee, and 100 grams of tea or 40 grams of extracts and concentrates of tea;

b) under the conditions laid down in and apart from the importation of goods specified in Chapter I, Title IX of the Customs Relief Regulation, the importation of thoroughbred horses of maximum six months of age, if conceived in the domestic territory and born in a third country upon being dispatched as a consignment and transported temporarily to a destination outside the Community;

c) on the importation of goods specified in Chapter I, Title VI of the Customs Relief Regulation, the total value of which does not exceed 22 euro;

d) the importation of goods specified in Articles 50 and 51 of Chapter I, Title XII of the Customs Relief Regulation, if supplied without consideration, or if supplied for consideration but the supplier is a non-taxable person or organization.

(2) By way of derogation from Paragraph b) of Subsection (1) of Section 93, exemption shall not apply to the following transactions:

a) the importation of goods governed under Title III of Chapter I of the Customs Relief Regulation, for fuels;

b)

c) the importation of goods governed under Title V of Chapter I of the Customs Relief Regulation, for computers and other related accessories;

d) the importation of goods governed under Title VIII of Chapter I of the Customs Relief Regulation, where the VAT would not be wholly deductible for the acquisition of goods by the taxable importer;

e)

f) subject to the exception set out in Paragraph d) of Subsection (1), the importation of goods governed under Title XII of Chapter I of the Customs Relief Regulation;

g) the importation of goods governed under Title XIII of Chapter I of the Customs Relief Regulation, for animals specially prepared for laboratory use imported for consideration;

h) the importation of goods governed under Title XIV/a of Chapter I of the Customs Relief Regulation;

i) the importation of goods governed under Article 65(1)a) of Title XVI of Chapter I of the Customs Relief Regulation, for consideration;

j) the importation of goods governed under Articles 70-72 and Articles 75-78 of Title XVI of Chapter I of the Customs Relief Regulation, by the handicapped person acting as the importer;

k) the importation of goods governed under Title XXV of Chapter I of the Customs Relief Regulation, if the consideration is not included in the taxable amount, shown as incidental expenses, assessed according to Section 74, or Paragraph b) of Subsection (1) and Subsection (2) of Section 75.

Section 95

(1) Exemption shall be granted to the importation of goods where the following conditions are met:

- a)* the importer supplies the goods under exemption in accordance with Section 89;
- b)* the goods referred to in Paragraph *a)* are dispatched as a consignment or transported from the domestic territory within the time limit specified in Subsection (3) following the delivery of the resolution for the release of the goods in question into free circulation;
- c)* the importer provides a VAT bond, subject to the exceptions set out in Subsection (4), in accordance with the Customs Act;
- d)* the goods are not used or consumed in the domestic territory;
- e)* the goods are presented upon the customs authority's request.

(2) Appropriate documentary evidence (such as, in particular, a contract or other similar commercial document) must be provided together with the declaration for releasing the goods into free circulation to verify compliance with the condition set out in Paragraph *a)* of Subsection (1), that contains the name and address of the customer identified as a taxable person in another Member State of the Community for VAT purposes, including the tax number under which the customer is subject to pay VAT on such acquisition in accordance with the national law of that Member State.

(3) The time limit referred to in Paragraph *b)* of Subsection (1) shall be thirty days, and it may be extended upon the importer's justified request by the customs authority on one occasion, by an additional thirty days.

(4) If the importer has appointed a financial representative to act on his behalf, this financial representative shall be permitted to provide the VAT bond in his own name and on the importer's behalf, in accordance with the Customs Act.

(5) Where the exemption referred to in Subsection (1) applies, the customs authority shall assess the customs duty before the goods are released for free circulation, and shall simultaneously suspend the payment of such duty.

(6) By way of derogation from Subsection (5), the exemption shall not apply and the customs authority shall demand payment of the VAT assessed in the event of non-compliance with either of the requirements set out under Paragraphs *c)-e)* of Subsection (1) and Subsection (2) of this Section before the goods are released for free circulation.

(7) Suspension of the payment of VAT shall be terminated in the event of:

- a)* full compliance with the conditions set out in Subsections (1) and (9), upon which exemption arises;
- b)* non-compliance with either of the conditions set out in Subsections (1) and (9), upon which exemption shall not apply.

(8) In the event if the suspension of the payment of VAT is terminated according to Paragraph *a)* of Subsection (7), the customs authority shall exempt the importer in question from the payment of VAT definitively.

(9) The resolution referred to in Subsection (8) may be adopted if the importer, or his financial representative, is able to verify within fifteen days following the expiry of the time limit specified in Subsection (3):

- a)* of having satisfied the condition set out in Paragraph *b)* of Subsection (1); and
- b)* of having satisfied, in connection with Paragraph *a)* of Subsection (1):
 - ba)* the obligation to file a recapitulative statement under the Act on The Rules of Taxation (hereinafter referred to as "RTA"),
 - bb)* the obligation of declaration [Section 184], if the obligation mentioned in Subparagraph *ba)* falls due past the fifteenth day subsequent to the expiry of the deadline specified in Subsection (3), or
 - bc)* the obligation of assessment of the amount of VAT payable [Subsection (4) of Section 60] by producing an invoice issued in proof of completion of the transaction or - failing this - other similar document in proof of discharging the obligation, if the obligation mentioned in Subparagraph *bb)* falls due past the fifteenth day subsequent to the expiry of the deadline specified in Subsection (3).

(10) In the event if the suspension of the payment of VAT is terminated according to Paragraph *b)* of Subsection (7), the customs authority shall order the importer to pay the VAT assessed, also containing provisions concerning the legal consequences relating to such payment with retroactive effect to the date when the resolution on releasing the goods into free circulation was adopted.

(11) The customs authority shall release the VAT bond provided according to Paragraph *c)* of Subsection (1):

- a)* at the time when the resolution mentioned in Subsection (8) is adopted; or
- b)* based on the resolution mentioned in Subsection (10), if the importer has paid the VAT.

Section 96

(1) If the importer is represented in customs proceedings by an indirect customs representative, VAT shall be paid by the indirect customs representative, the power of attorney the importer has supplied in writing may also cover the indirect customs representative's entitlement to enforce the exemption referred to in Section 95 on the importer's behalf. Such authorization shall be considered valid if:

a) the importer is not registered as a taxable person in the domestic territory, or would be subject to registration in the domestic territory solely in connection with the supply of goods under Paragraph a) of Subsection (1) of Section 95, and

b) the indirect customs representative must be registered in the domestic territory and must have a Community tax number, and must be a taxable person established in the domestic territory, who has no legal status governed under this Act on the strength of which no VAT may be demanded of him.

(2) The power of attorney referred to in Subsection (1) shall be submitted to the customs authority together with the declaration for releasing the goods into free circulation.

(3) In possession of a valid power of attorney, the indirect customs representative shall be liable to satisfy the conditions prescribed under Section 95 for exemption, covering compliance with the obligation related to the supply of goods under Paragraph a) of Subsection (1) of Section 95, as defined in this Act and in the RTA, acting in his own name, and:

a) issuing the invoice in proof of completion of the transaction as the representative of the importer;

b) keeping separate records for each importer, broken further down according to transactions;

c) disclosing data relating to a particular transaction in his tax return and recapitulative statement separate from his own records.

(4) In the cases defined under Subsections (6) and (10) of Section 95, the indirect customs representative shall be subject to joint and several liability for the payment of VAT with the importer.

(5) Termination of the personal service contract between the importer and the indirect customs representative, or withdrawal of the power of attorney shall have no effect on the indirect customs representative's liability for the payment of VAT under Subsection (4), if it takes place following submission of the power of attorney to the customs authority according to Subsection (2).

Section 97

Sections 93-95 notwithstanding, the importation of goods shall be exempted where it is adjacent to any duty-free admission prescribed by international convention promulgated by legal regulation, except for the duty-free admission of goods specified in the legal regulation promulgating the Agreement on the Importation of Educational, Science and Cultural Materials.

Exemptions for the Exportation of Goods from the Territory of the Community

Section 98

(1) The supply of goods to a destination outside the Community shall be exempt if:

a) dispatched as a consignment or transported from the domestic territory by or on behalf of the vendor;

b) dispatched as a consignment or transported from the domestic territory by or on behalf of a customer, if in compliance with the other conditions set out in Subsections (3) and (4), and in Sections 99 and 100.

(2) The provisions contained in Subsection (1) may be implemented subject to the following conditions:

a) the goods are to be transported from the territory of the Community at the time of supply, within not more than ninety days from the date of the chargeable event, with proof of exportation endorsed by the customs office of exit from the Community; and

b) within the time limit specified in Paragraph a) the goods supplied may not be used or consumed - with the exception of sampling and trial production.

(3) Paragraph b) of Subsection (1) may be implemented - subject to the exceptions set out in Sections 99 and 100 - if the acquisition of goods is made by a customer who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory.

(4) Subsection (3) notwithstanding, the exemption referred to in Subsection (1) shall not apply in connection with goods transported by the customer himself for the equipping, fuelling and provisioning of pleasure boats and private aircraft or any other means of transport for private use.

Section 99

(1) Where the aforesaid customer is a foreign traveler and the supply of products or goods (hereinafter referred to as “goods”) relates to goods to be carried in the personal luggage of the foreign traveler, the exemption referred to in Subsection (1) of Section 98 shall apply only if the following conditions are met:

- a) the total value of the supply, including VAT, is more than 175 euro or the equivalent in national currency;
- b) the foreign traveler is able to produce a valid travel document or some other form of identification in the form of a document recognized by the Republic of Hungary (hereinafter referred to collectively as “travel document”);
- c) the goods are to be transported from the territory of the Community with proof of exportation endorsed by the customs office of exit from the Community by affixing its seal on a form prescribed by the state tax authority for this particular purpose, or another standard form approved by the state tax authority and containing the information specified in Subsection (10) (hereinafter referred to collectively as “VAT refund application form”), with an original copy of the invoice on the supply of the goods in question attached.

(2) With a view to the implementation of exemption, the supplier of the goods - in addition to issuing an invoice shall also be liable to fill out the VAT refund application form when so requested by the foreign traveler. The particulars contained on the invoice and on the VAT refund application form for the identification of the foreign traveler shall coincide with those indicated in the foreign traveler’s travel document. The foreign traveler is required to present his/her travel document to the vendor. A VAT refund application form may be used for a single transaction and must contain the same information as the invoice made out on the relevant supply of goods. The vendor shall make out the VAT refund application form in three copies, where the first two copies shall be handed to the foreign traveler, and the third shall be retained by the vendor for its own records.

(3) If the exportation referred to in Paragraph c) of Subsection (1) is endorsed by the customs authority, it shall withhold the second copy of the VAT refund application form, sealed and endorsed, from the foreign traveler.

(4) Claiming exemption may be implemented subject to the following conditions:

- a) the vendor must retain possession of the first copy of the VAT refund application form, signed, sealed and endorsed in accordance with Paragraph c) of Subsection (1); furthermore
- b) if at the time the supply of goods is carried out the VAT is charged, the vendor shall refund this VAT to the foreign traveler in accordance with Subsections (5)-(8).

(5) Refund of VAT may be requested from the vendor by the foreign traveler personally, or by his/her representative or proxy acting in his/her name and on his/her behalf. If the foreign traveler:

- a) is acting in person, he/she must present his/her travel document;
- b) is not acting in person, the person acting in his/her name and on his/her behalf must present a power of attorney made out in his/her name in writing.

(6) When claiming a refund, the foreign traveler, or his/her proxy or representative, shall:

- a) hand over to the vendor the first copy of the VAT refund application form, signed, sealed and endorsed in accordance with Paragraph c) of Subsection (1); and
- b) present to the vendor the original copy of the invoice made out on the supply of goods.

(7) The refund shall be paid to the foreign traveler in forints, in cash. However, the currency and the terms of payment may be altered subject to mutual consent by the vendor and the foreign traveler.

(8) It is the vendor’s responsibility to ensure that the invoice made out on the supply of goods cannot be used for claiming any additional refund. To this end, prior to endorsement the passage “VAT refunded” shall be affixed on the original copy of the invoice, of which the vendor shall make a photocopy, and shall keep this photocopy on file.

(9) In the event that VAT was charged according to Paragraph b) of Subsection (4), and the vendor has already assessed and declared this VAT as payable, the vendor shall be entitled to deduct the amount of VAT refunded to the foreign traveler, at the earliest in the tax period when the refund was in fact paid out, from the amount of VAT liability assessed according to Subsection (1) of Section 131, provided that this sum is shown in his records separately.

(10) The VAT refund application form must contain the following information:

- a) name, address and tax number of the vendor;
- b) name and address of the foreign traveler and the number of his/her travel document;
- c) number of the invoice made out on the supply of goods;
- d) total invoiced amount on the supply of goods, inclusive of VAT;

e) a place where it can be signed and sealed in proof of exportation endorsed by the customs office of exit from the territory of the Community.

(11) The VAT refund application form shall be printed in at least four languages (Hungarian, English, German and Russian), and shall be filled out in Hungarian.

Section 100

(1) In connection with the acquisition of goods by a person or organization engaged in activities in the public interest, the exemption referred to in Subsection (1) of Section 98 may be implemented only if the goods are used by the person or organization engaged in activities in the public interest exclusively as part of their humanitarian, charitable or teaching activities outside the Community.

(2) In the event that goods supplied to a person or organization engaged in activities in the public interest are not dispatched as a consignment or transport out of the Community by the said person or organization, or by others on their behalf, the exemption referred to in Subsection (1) of Section 98 shall be granted to such person or organization engaged in activities in the public interest in the form of a right to a refund.

(3) The obligation of verification conferred upon persons or organizations engaged in activities in the public interest concerning the right to claim any VAT refund, the information required for applications for refund, and other regulations relating to procedure concerning the right to claim VAT refunds shall be laid down in specific other legislation.

Section 101

(1) Work performed in the domestic territory on goods - other than immovable property - that were acquired or imported for this particular purpose shall be exempt, if they are dispatched as a consignment or transported following completion of the works - under the conditions set out in Subsection (2) - to a destination outside the Community, if dispatched as a consignment or transported from the domestic territory:

a) by or on behalf of the supplier;

b) by or on behalf of a customer, if in compliance with the other conditions set out in Subsections (3).

(2) The provisions contained in Subsection (1) may be implemented subject to the following conditions:

a) the goods are to be transported from the territory of the Community at the time of supply, within not more than ninety days from the date of the chargeable event, with proof of exportation endorsed by the customs office of exit from the Community; and

b) within the time limit specified in Paragraph a) the goods supplied may not be used or consumed - with the exception of sampling and trial production.

(3) Paragraph b) of Subsection (1) may be implemented if the acquisition of goods is made by a customer who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory.

Section 102

(1) Exemption shall be granted for the supply of services - other than the supplies of services exempted under Subsection (1) of Section 85 and Subsection (1) of Section 86 - if it is directly related to goods:

a) which are governed under Section 54;

b) which are transported from the territory of the Community under the export procedure, with proof of exportation endorsed by the customs office of exit from the Community;

c) on which work is performed under exemption in accordance with Subsection (1) of Section 101.

(2) Subsection (1) shall apply to the transport of goods and ancillary transport activities.

Exemptions Related to the International Transport of Passengers

Section 103

(1) The supply of goods for the fuelling and provisioning of vessels shall be exempted if used:

a) exclusively or chiefly for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities;

b) for rescue or assistance at sea, or for inshore fishing, with the exception, in the case of vessels used for inshore fishing, of ships' provisions;

c) for the fuelling and provisioning of fighting ships, falling within the combined nomenclature (CN) code 8906 10 00 (hereinafter referred to as "tariff heading") as specified in Council Regulation (EEC) No. 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, leaving their territory and bound for ports or anchorages outside the domestic territory.

(2) The following transactions shall also be exempted:

a) the supply, hiring, repair and maintenance, refurbishment or modification of the vessels referred to in Paragraphs a) and b) of Subsection (1), including the equipment incorporated or used therein;

b) the supply of services other than those referred to in Paragraph a), to meet the direct needs of the vessels referred to in Paragraphs a) and b) of Subsection (1) or of their cargoes.

Section 104

(1) The supply of goods for the fuelling and provisioning of aircraft used by airlines operating for reward exclusively or chiefly on international routes shall be exempted.

(2) The following transactions shall also be exempted:

a) the supply, modification, repair, maintenance, chartering and hiring of the aircraft referred to in Subsection (1), and the supply, hiring, repair and maintenance of equipment incorporated or used therein;

b) the supply of services, other than those referred to in Paragraph a), to meet the direct needs of the aircraft referred to in Subsection (1) or of their cargoes.

Section 105

The transport of passengers shall be exempt if either the point of arrival or the point of destination, or both, are located outside the domestic territory.

Section 106

The supply of goods on board ships, aircraft or trains in the course of passenger transport within the Community shall be exempt if intended for consumption on board of the means of transport in question.

Exemptions Relating to Certain Transactions Treated as Exports

Section 107

(1) The following supplies of goods and supplies of services shall be exempted if:

a) supplied under diplomatic and consular arrangements for official purposes, or for private purposes for the staff of diplomatic missions and consular posts, subject to reciprocity;

b) supplied to international bodies recognized as such by the public authorities of the Republic of Hungary, or by their representative offices for official purposes (hereinafter referred to as "international bodies"), or for private purposes for the staff of such international bodies, within the limits and under the conditions laid down by the international conventions establishing the bodies or by headquarters agreements, as promulgated, provided that the aforesaid international convention provides for the cancellation or reimbursement of indirect taxes which are usually built into the customs duty and/or into the price of the goods or services;

c) supplied to the armed forces of any State that is a party to the North Atlantic Treaty stationed in the domestic territory - other than the Hungarian Armed Forces - for the use of those forces or the civilian staff accompanying them or for supplying their messes or canteens where such forces take part in the common defense effort;

d) supplied outside the domestic territory to the armed forces of any State that is a party to the North Atlantic Treaty stationed in another Member State of the Community - other than the armed forces of this Member State - for the use of those forces or the civilian staff accompanying them or for supplying their messes or canteens where such forces take part in the common defense effort;

e) supplied to the armed forces of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "United Kingdom") stationed in the island of Cyprus pursuant to the Treaty of Establishment concerning the

Republic of Cyprus, dated 16 August 1960, which are for the use of those forces or the civilian staff accompanying them or for supplying their messes or canteens.

(2) In addition to the conditions set out in Subsection (1), the exemption granted therein for the supply of goods may be implemented if the goods supplied are dispatched as a consignment in the domestic territory or transported from the domestic territory at the time the goods are supplied or within not more than ninety days from the date of the chargeable event - addressed to the name of the customer referred to in Subsection (1) - with proof of exportation, where - within the said time limit - the goods supplied may not be used or consumed, with the exception of sampling and trial production, with a consignment note or any other document accompanying the goods supplied attached:

a) except as regards Paragraph b) of Subsection (1), if the international convention mentioned therein expressly provides otherwise concerning the supply of goods under exemption and on the conditions for its implementation;
b) with the exception of Paragraph c) of Subsection (1).

(3) The exemption referred to in Subsection (1) shall be granted to the customer in the form of a right to refund:

a) of the VAT charged on the services specified in Subsection (1):

aa) except as regards Paragraph b) of Subsection (1), if the international convention mentioned therein expressly provides otherwise concerning the supply of services under exemption and on the conditions for its implementation;
and

ab) with the exception of Paragraph c) of Subsection (1);

b) in the event that the goods are not exported within the meaning of Subsection (2).

(4) Reciprocity under Paragraph a) of Subsection (1) shall be determined by the minister in charge of foreign policies.

(5) Where an international convention that was concluded before the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union, and that was promulgated by an act or government decree, expressly provides for the cancellation or reimbursement of indirect taxes which are usually built into the price of goods or services, the persons designated in the aforementioned international convention shall be entitled to the exemption under Subsection (1), where in the application thereof the beneficiary:

a) shall be treated as an officer of the international body mentioned in Paragraph b) of Subsection (1), if a natural person;

b) shall be treated as the international body, if a person or organization other than those mentioned in Paragraph a).

Section 108

(1) The official purposes mentioned in Paragraphs a) and b) of Subsection (1) of Section 107 shall cover the acquisitions of goods and services - unless the international convention mentioned in Paragraph b) of Subsection (1) of Section 107 expressly provides otherwise - made in connection with the regular operations of the diplomatic missions, consular posts and international bodies and shown in their accounting records under financial expenses.

(2) In respect of the services of restaurants and other public catering services, official purposes shall be recognized in connection with any function held by diplomatic missions, consular posts and international bodies only if at least ten persons are invited and attending, as verified in writing by the head of the diplomatic mission, consular post or international body in question.

(3) The exemption provided under Paragraphs a) and b) of Subsection (1) of Section 107 for private purposes shall be available to the staff of diplomatic missions and consular posts and to officers of international bodies up to the limit determined according to reciprocity for any calendar year, up to maximum 300,000 forints, unless the international convention mentioned in Paragraph b) of Subsection (1) of Section 107 expressly provides otherwise.

(4) The amount limit described in Subsection (3):

a) shall include refunds of excise taxes granted under the Excise Act to the staff of diplomatic missions and consular posts and to officers of international bodies;

b) shall not include the exemptions made available to the staff of diplomatic missions and consular posts and to officers of international bodies - without any limit - in connection with the acquisitions of goods and services made in replacement, or as compensation for damages in the insured property.

(5) The amount limit specified in Subsection (3) may be combined within a family, relating to persons living in the same household.

(6) For the purposes of Paragraphs a) and b) of Subsection (1) of Section 107, unless the international convention mentioned in Paragraph b) of Subsection (1) of Section 107 expressly provides otherwise:

a) staff of diplomatic missions shall cover:

aa) the natural persons referred to in Article 1 e) and f) of the Vienna Convention on diplomatic relations of 28 April 1961, provided that the competent authorities of the host Member State recognized the person in question in such capacity;

ab) the family members living in the same household with the person referred to in Subparagraph aa), provided that the competent authorities of the host Member State recognized the person in question in such capacity;

b) staff of consular posts shall cover:

ba) the natural persons referred to in Article 1 c)-e) of the Vienna Convention on consular relations of 24 April 1963, provided that the competent authorities of the host Member State recognized the person in question in such capacity;

bb) the family members living in the same household with the person referred to in Subparagraph ba), provided that the competent authorities of the host Member State recognized the person in question in such capacity;

c) officers of international bodies shall cover:

ca) the natural persons to whom exemption for the cancellation or reimbursement of indirect taxes which are usually built into the customs duty and/or into the price of the goods or services is granted individually under the international conventions mentioned in mentioned in Paragraph b) of Subsection (1) of Section 107, provided that the competent authorities of the host Member State recognized the person in question in such capacity; and

cb) the family members living in the same household with the person referred to in Subparagraph ca), provided that the competent authorities of the host Member State recognized the person in question in such capacity.

(7) Subsection (6) notwithstanding, exemption shall not be granted to Hungarian nationals and to persons holding permanent residence status.

(8) The taxable person claiming exemption under Section 107 shall be liable to pay the VAT that should have been charged, or if the exemption is granted to such person in the form of a right to refund, the amount of VAT refunded without entitlement shall be repaid.

Section 109

The supply of gold to any central bank shall be exempted.

Exemptions for the Supply of Services by Intermediaries

Section 110

(1) Exemption shall be granted for the supply of services by intermediaries, acting in the name and on behalf of another person, where:

a) they are entitled to exemption under Sections 98-109;

b) these transactions are carried out outside the Community.

(2) The exemption referred to in Subsection (1) shall not apply to travel agents who, in the name and on behalf of travelers [Paragraph c) of Subsection (1) of Section 206], supply services which are carried out in other Member States of the Community.

Exemptions for Transactions Relating to International Trade

Section 111

(1) Exemption shall be granted for the supply of goods and the intra-Community acquisition of goods:

a) which are intended to be presented to customs and, where applicable, placed in temporary storage; or

b) which are intended to be placed in a free zone or in a free warehouse; or

c) which are intended to be placed under customs warehousing arrangements or inward processing arrangements under the suspension system.

(2) The exemption referred to in Subsection (1) shall also apply to any subsequent supply of goods:

a) that has no effect on the customs status of the goods as mentioned in Paragraphs a) and b) of Subsection (1); or

b) that has no effect on the goods being placed under the arrangements mentioned in Paragraph c) of Subsection (1).

(3) The provision of services directly linked to the goods mentioned under Subsections (1) and (2) shall also be exempted.

Section 112

- (1) The following transactions shall be exempt:
- a) goods imported according to Subsection (1) of Section 24 if it has no effect on being placed under temporary importation arrangements with total exemption from import duty, or under external transit arrangements; or
 - b) goods imported according to Subsection (2) of Section 24 if it has no effect on being placed under temporary importation arrangements with total exemption from import duty, or under internal transit arrangements.
- (2) The provision of services directly linked to the goods mentioned under Subsection (1) shall also be exempted.

Section 113

- (1) Exemption shall be granted for the supply of goods and intra-Community acquisition of goods which are intended to be placed under tax warehousing arrangements.
- (2) Goods may not be placed under tax warehousing arrangements:
- a) which are treated as non-Community goods according to Point 7 of Article 4 of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code; and
 - b) which are intended to be supplied at the retail stage.
- (3) The rules for tax warehouse arrangements are contained in Schedule No. 4.

Section 114

By way of derogation from Paragraph b) of Subsection (2) of Section 113, goods may be placed under tax warehouse arrangements if supplied - including intra-Community acquisitions - to a taxable person intended to be supplied - as verified - to passengers on board an aircraft flying to a destination outside the territory of the Community.

Section 115

The exemption referred to in Subsection (1) of Section 113 shall also apply to any subsequent supply of goods that has no effect on the goods being placed under tax warehousing arrangements.

Section 116

The provision of services directly linked to goods placed under tax warehousing arrangements shall also be exempted.

Section 117

The supply of goods and the intra-Community acquisition of goods that occurs in accordance with Section 54 concurrently with:

- a) the importation of goods when they cease to be covered by the customs formalities referred to in Paragraph a) or b) of Subsection (1) of Section 111; or
 - b) the importation of goods when they cease to be covered by the arrangements or situations referred to in Paragraph c) of Subsection (1) of Section 111 or Subsection (1) of Section 112;
- shall be exempt.

Section 118

For the purposes of this Title, services directly linked to the goods mentioned under Subsection (3) of Section 111, Subsection (2) of Section 112 and Section 116 shall mean, in particular, the transport of goods, the ancillary activities relating to the transport of goods, as well as work performed on the goods and valuations of movable tangible property.

Chapter VII

DEDUCTIONS

Origin and Scope of Right of Deduction

Section 119

(1) Unless otherwise prescribed in this Act, a right of deduction shall arise at the time the deductible tax applied at the preceding stage becomes chargeable [Section 120].

(2) Where Section 61 applies to the supplier of goods or services in a transaction upon which VAT becomes chargeable, the right of deduction shall arise - unless this Act provides otherwise - at the time the transaction underlying the right to charge VAT the is carried out.

Section 120

In so far as the goods and services are used for the purposes of the taxed transactions of a taxable person, acting as such, the taxable person shall be entitled to deduct the following from the VAT which he is liable to pay:

- a) the VAT due or paid in that Member State in respect of the acquisition of goods or services, carried out or to be carried out by another taxable person, including the persons and organizations taxed under the EVA Act;
 - b) the VAT due in respect of acquisitions of goods - including intra-Community acquisition of goods - and services;
 - c) the VAT:
 - ca) paid in respect of the importation of goods by the taxable person or its indirect customs representative; or
 - cb) due in respect of the importation of goods as charged by the taxable person or its indirect customs representative;
 - d) paid as a payment on account;
 - e) the VAT due in respect of transactions treated as supplies of goods pursuant to Paragraphs a) and b) of Subsection (2) of Section 11;
- [Paragraphs a)-e) hereinafter referred to collectively as “VAT applied at the preceding stage”].

Section 121

In addition to the above, the taxable person shall be entitled to deduct the VAT applied at the preceding stage in so far as the goods and services are used for the purposes of the following:

- a) transactions relating to the activities carried out outside the domestic territory, in respect of which VAT would be deductible if they had been carried out in the domestic territory;
- b) the supply of goods and services which are exempt pursuant to Sections 89 and 92, Subsection (2) of Section 93, and Sections 98-117;
- c) the supply of services which are exempt pursuant to Paragraphs a)-f) of Subsection (1) of Section 86, where:
 - ca) the customer is established outside the Community, or who, in the absence of such a place of business has his permanent address or usually resides outside the Community; or
 - cb) those transactions relate directly to exempted goods to be exported under Subsection (1) of Section 98, or to goods on which any work is performed under exemption in accordance with Subsection (1) of Section 101.

Section 122

(1) As regards the persons and organizations, whose taxable status is established solely on the basis of Subsection (4) of Section 6, the right of deduction shall arise upon compliance with the conditions defined therein.

- (2) The VAT applied at the preceding stage:
- a) under Paragraph a) of Subsection (4) of Section 6 may not exceed the amount that would be payable if the supply of goods in question would be subject to VAT;
 - b) under Paragraphs b) and c) of Subsection (4) of Section 6 may not exceed the amount of VAT charged on the supply of goods in question.

Apportionment of VAT Applied at the Preceding Stage

Section 123

(1) If a taxable person is engaged in the supply of goods and services giving rise to the deductibility of VAT according to Sections 120 and 121 (hereinafter referred to as “supply of goods and services giving rise to the deductibility of VAT”) and also engaged in the supply of goods and services in connection with which the VAT is not deductible, the VAT applied at the preceding stage may be deducted only in connection with the supply of goods or services in respect of which VAT is deductible.

(2) In order to determine the amount of VAT applied at the preceding stage that is deductible separate from the amount that is not, the taxable person shall keep sufficiently detailed records with facilities to provide reliable and credible information to monitor the right of deduction from the time of its origin, and to monitor compliance in terms of whether the goods and services are used in connection with the supply of goods and services giving rise to the deductibility of VAT or with the supply of goods and services where VAT is not deductible (itemized breakdown).

(3) If the VAT cannot be properly apportioned due to the nature of the goods or services, or to the nature of their use with the itemized breakdown method, the taxable person may carry out the apportionment by other means, provided that they satisfy the requirements set out in Subsection (1). Failing this, where the VAT applied at the preceding stage cannot be apportioned using the itemized breakdown method, it shall be divided using the formula specified in Schedule No. 5.

Restrictions on the Right of Deduction

Section 124

(1) Sections 120 and 121 notwithstanding, VAT applied at the preceding stage may not be deducted in connection with the following transactions:

- a) supplies of motor fuels (tariff headings 2710 11 41, 2710 11 45, 2710 11 49, 2710 11 59);
- b) supplies of fuels other than what is contained in Paragraph a), if used in connection with the operation of a passenger car (tariff heading 8703);
- c) supplies of other goods, not mentioned in Paragraphs a) and b), if used in connection with the operation or maintenance of a passenger car;
- d) supplies of passenger cars;
- e) supplies of motorcycles above 125 cubic centimeters of displacement capacity (under tariff heading 8711);
- f) supplies of yachts (tariff heading 8903);
- g) supplies of vessels other than those described in Paragraph f) (tariff heading 8903), if suitable for sports or entertainment purposes;
- h) supplies of residential properties;
- i) supplies of goods and materials for the construction or remodeling of residential properties;
- j) supplies of foods;
- k) supplies of beverages.

(2) Sections 120 and 121 notwithstanding, VAT may not be deducted in connection with the following additional transactions:

- a) the leasing or letting of the goods referred to in Paragraphs d)-g) of Subsection (1);
- b) services ancillary to the operation or maintenance of passenger cars;
- c) services ancillary to the construction or remodeling of residential properties;
- d) taxi services (in the Central Statistical Office List of Services - hereinafter referred to as “SZJ - 60.22.11”);
- e) parking services;
- f) highway toll services;
- g) services of restaurants and other public catering services;
- h) entertainment services (SZJ 55.40, 92.33, 92.34, 92.72).

(3) Sections 120 and 121 notwithstanding, thirty per cent of the VAT may not be deducted in connection with the following additional transactions:

- a) telephone services (SZJ 64.20.11 and 64.20.12);
- b) mobile telephone services (SZJ 64.20.13);
- c) Internet-protocol-based voice transmission services (under SZJ 64.20.16).

Exceptions from Restrictions on the Right of Deduction

Section 125

(1) By way of derogation from Section 124, VAT may be deducted:

a) in connection with the goods mentioned in Paragraphs a)-g) and i)-k) of Subsection (1) of Section 124 if purchased for the purpose of resale, and verified as such;

b) in connection with Paragraph *h)* of Subsection (1) of Section 124, if the residential property is purchased for the purpose of resale, with the exception that if the residential property is covered by Paragraph *j)* of Subsection (1) of Section 86, the supplier taxable person must exercise the option specified in Section 88;

c) in connection with Paragraphs d)-h) of Subsection (1) of Section 124, if the goods in question are supplied in accordance with Paragraph a) or b) of Subsection (4) of Section 6, and verified as such;

d) in connection with Subsection (2) of Section 124, if the services are procured with a view to the supply of services under Section 15, and verified as such;

e) in connection with Subsection (3) of Section 124, where at least thirty per cent of the consideration due for the supply of services is included in the taxable amount of the services supplied under Section 15, and verified as such.

(2) By way of derogation from Section 124, VAT may be deducted in connection with the application by a taxable person for the purposes of his business goods:

a) used - as verified - chiefly for the supply of taxi services in the case mentioned in Paragraph *d)* of Subsection (1) of Section 124;

b) used - as verified - chiefly for leasing or letting in the cases mentioned under Paragraphs *d)-g)* of Subsection (1) of Section 124;

c) used - as verified - chiefly in the cases mentioned in Paragraph *c)* of Subsection (1) of Section 124 and Paragraphs *a)* and *b)* of Subsection (2) of Section 124, as being included in the taxable amount - shown under material costs - of the goods supplied under Paragraph *b)*;

d) used - as verified - chiefly for leasing or letting in the case mentioned in Paragraph *h)* of Subsection (1) of Section 124, and the taxable person did exercise the option specified in Section 88 by opting for taxation;

e) used - as verified - chiefly in the cases mentioned in Paragraph *i)* of Subsection (1) of Section 124 and Paragraph *c)* of Subsection (2) of Section 124, as being included in the taxable amount - shown under material costs - of the taxable goods supplied under Paragraph *d)*;

f) used - as verified - chiefly in the cases mentioned in Paragraph *i)* of Subsection (1) of Section 124 and Paragraph *c)* of Subsection (2) of Section 124, as being included in the taxable amount - shown under material costs - of residential properties sold, with the exception that if the residential property in question is covered by Paragraph *j)* of Subsection (1) of Section 86, supplier taxable person must exercise the option specified in Section 88;

g) used - as verified - chiefly in the cases mentioned in Paragraphs *j)* and *k)* of Subsection (1) of Section 124, as being included in the taxable amount - shown under material costs - of other goods and services supplied;

h) used - as verified - chiefly for the operation and maintenance of a motorized land vehicle, the gross weight of which exceeds 3.5 tons, in the cases mentioned in Paragraphs *e)* and *f)* of Subsection (2) of Section 124.

Section 126

(1) With a view to the obligation of verification mentioned in Section 125, the taxable person is required to keep separate records with facilities to provide reliable and credible information to monitor compliance with the conditions prescribed therein for the exemptions from restrictions on the right of deduction.

(2) For the purposes of Section 125, 'chiefly' means where compliance with the conditions prescribed for the exemptions from restrictions on the right of deduction is accomplished covering at least ninety per cent of the said conditions within a reasonable timeframe.

(3) With a view to measuring compliance with the requirements set out in Subsection (2), the taxable person is required to rely on a numerical index that is expected to yield the most objective result taking into view the nature of the goods and services in question, and the nature of the use of such goods and services.

Conditions for Exercising the Right of Deduction

Section 127

(1) In order to exercise the right of deduction, a taxable person must meet the following conditions:

a) for the purposes of deductions pursuant to Paragraph a) of Section 120, he must hold an invoice drawn up in his name;

b) for the purposes referred to in Paragraph b) of Section 120,

ba) in connection with the intra-Community acquisition of goods, he must hold an invoice for the transaction drawn up in his name;

bb) in cases other than what is mentioned in Subparagraph ba), he must hold an invoice for the transaction drawn up in his name, or if an invoice is not at the taxable person's disposal at the time when VAT becomes chargeable, he must hold all documents which may be necessary for determining the amount of VAT;

c) for the purposes of deductions pursuant to Paragraph c) of Section 120, he must hold the resolution releasing the goods into free circulation, and:

ca) for the purposes of deductions pursuant to Subparagraph ca) of Section 120, he must hold a document made to his name in proof of payment of VAT, or if VAT was paid by his indirect customs representative, a statement from the indirect customs representative made out to the taxable person's name, verifying payment of VAT;

cb) for the purposes of deductions pursuant to Subparagraph cb) of Section 120, he must hold all documents which may be necessary for determining the amount of VAT, or if VAT was assessed by his indirect customs representative, a statement from the indirect customs representative made out to the taxable person's name, verifying assessment and declaration of VAT liability;

d) for the purposes of deductions pursuant to Paragraph d) of Section 120, he must hold an invoice made out to his name, verifying that payment on account has in fact been made;

e) for the purposes of deductions pursuant to Paragraph e) of Section 120, he must hold all documents which may be necessary for determining the amount of VAT.

(2) If the taxable person is wound up before the right of deduction is in fact exercised, however, there is a taxable person recognized as a successor to take over the rights and obligations governed under this Act, the right of deduction may be exercised by the successor taxable person - without prejudice to other conditions for exercising the right of deduction - even if the documents referred to in Subsection (1) are made out to the name of the predecessor.

(3) A person or organization whose taxable status is established solely on the basis of Subsection (4) of Section 6 may exercise the right of deduction - without prejudice to the other conditions for exercising the right of deduction - relying on the documents referred to in Subsection (1) that were drawn up before the origin of their taxable status and made out to the name of the owner, as substantiated, of the goods mentioned in Subsection (4) of Section 6 or made out to the name of its predecessor, as substantiated.

(4) The amount of VAT applied at the preceding stage that may be deducted may not exceed the amount indicated in the document described in Subsection (1), shown as VAT, or that can be calculated as such.

(5) Without prejudice to Subsection (4), the amount of VAT applied at the preceding stage that may be deducted may not exceed the amount of VAT that is to be determined based on the open market value of the goods or services in question in the event where the taxable amount is to be assessed in accordance with Subsection (1) of Section 67.

(6) If the document referred to in Subsection (1) is made out in a language other than Hungarian, in the course of an audit conducted within the framework of administrative tax proceedings the taxable person exercising the right of deduction may be compelled to furnish an official Hungarian translation at his own expense, where there is no other way to ascertain the relevant facts of a case.

Section 128

Section 127 shall also apply in the cases where the right of deduction originates from Section 121.

Assignment of the Right of Deduction

Section 129

(1) The right of deduction of an importer relating to the VAT charged at the preceding stage on the importation of goods may be assigned upon his indirect customs representative if:

a) the importer had the right of deduction without any restrictions at the time of origin of the right of deduction and subsequently; and

b) the importer provides a statement to his customs representative concerning compliance with the condition mentioned in Paragraph a).

(2) The indirect customs representative may exercise the right of deduction conferred under Subsection (1) - other conditions for the exercise of the right of deduction notwithstanding - if:

a) he holds the statement made out to his name in accordance with Paragraph b) of Subsection (1); and
b) in his capacity as a taxable person registered in the domestic territory, he has no legal status governed under this Act that, owing to its character, poses an impediment to the right of deduction.

(3) In the event where the right of deduction conferred under Subsection (1) is exercised by the indirect customs representative, the importer's right of deduction relating to the importation of goods terminates.

Section 130

(1) The statement specified in Subparagraphs ca) and cb) of Subsection (1) of Section 127, and in Paragraph b) of Subsection (1) of Section 129, shall specify, in addition to what is contained therein:

a) the name, address and tax number of the person providing the statement;
b) the information required for the identification of the importation of goods beyond doubt.

(2) The statement must be made in writing.

Procedures for Exercising the Right of Deduction

Section 131

(1) A taxable person established in the domestic territory may make the deduction by subtracting from the total amount of VAT due for a given tax period the total amount of VAT in respect of which, during the same or previous period or periods, the right of deduction has arisen.

(2) If the margin calculated according to Subsection (1) is negative, the taxable person established in the domestic territory:

a) may apply the difference during the next tax period, and subtract it from the total amount of VAT due for that tax period as calculated according to Subsection (1); or

b) may reclaim the difference from the state tax authority under the conditions and method set out in Section 186.

Section 132

(1) In the event where change occurs in the factors used to determine the amount to be deducted following the time of origin of the right of deduction, the amount of VAT applied at the preceding stage that was originally deductible shall be adjusted according to Subsections (2)-(4).

(2) If the adjustment required in consequence of the change mentioned in Subsection (1) means that the amount of VAT applied at the preceding stage that was originally deductible has to be reduced, the taxable person shall apply such margin as if it were to be added to the amount of VAT liability calculated according to Subsection (1) of Section 131 in the tax period - with the exception set out in Subsection (3) - when the change referred to in Subsection (1) did occur.

(3) In the event that the VAT applied at the preceding stage that was originally deductible is based directly on a document mentioned in Subsection (1) of Section 127 that was issued by another party (authority), the margin specified in Subsection (2) shall be applied in the tax period when a document drawn up to modify or cancel the document mentioned in Subsection (1) of Section 127 underlying the margin is made available to the taxable person, but not later than the fifteenth day of the month following the month when the document voiding or amending the original document was issued.

(4) If the adjustment required in consequence of the change mentioned in Subsection (1) means that the amount of VAT applied at the preceding stage that was originally deductible has to be increased, the taxable person shall be entitled - without prejudice to other conditions for exercising the right of deduction - to apply such margin as if it were to be added to the amount of VAT liability deductible according to Subsection (1) of Section 131 in the tax period, when a document drawn up to modify the document mentioned in Subsection (1) of Section 127 underlying the margin is made available to the taxable person.

Section 133

In the application of Section 132, the following shall not be treated as a change in the factors used to determine the amount of VAT to be deducted:

- a) transactions remaining totally or partially unpaid;
- b) the cases referred to in Subsection (3) of Section 11 and Subsection (3) of Section 14;
- c) destruction, loss or theft of property duly proved or confirmed by the taxable person that it was caused by an unavoidable event beyond his control, and the taxable person is able to verify it as such;
- d) any other types of damage other than those mentioned in Paragraph c), if the taxable person is able to verify of having taken all measures within reason to avoid or mitigate the losses.

Particular Provisions Relating to Tangible Assets

Section 134

(1) Where Paragraph a) of Subsection (2) of Section 11 applies, the taxable person may exercise the right of deduction in connection with goods or services used for the purposes of his business of goods produced, where the VAT applied at the preceding stage on such goods or services would not otherwise be wholly or partly deductible.

(2) Without prejudice to the other conditions for exercising the right of deduction, the right of deduction referred to in Subsection (1) shall arise at the time when the goods produced for the purposes of his business are first put into service.

Section 135

(1) If the taxable person is using a capital goods for the purposes of his business, the right of deduction may be exercised as of the month when the goods are first put into service:

- a) for a period of sixty months in the case of movable tangible properties;
- b) for a period of two hundred and forty months in the case of immovable properties,
 - without prejudice to the other conditions for exercising the right of deduction - and in due observation of the provisions laid down in this Section and in Section 136.

(2) Taking into consideration the time limits defined in Subsection (1), during the last tax period of any calendar year in which the twelfth month usually occurs after eleven months, the taxable person shall adjust the amount of VAT applied at the preceding stage on the capital goods covering:

- a) one-fifth of the VAT charged on movable tangible property;
 - b) one-twentieth of the VAT charged on immovable property;
- in the event where any change occurs in the factors used to determine the amount to be deducted following the time when the goods in question are placed into service, and the resulting difference reaches or exceeds 10,000 forints in terms of absolute value.

(3) The provisions contained in Subsections (2) and (4) of Section 132 shall also apply to the difference specified in Subsection (2).

Section 136

(1) If the taxable person transfers the capital goods inside the time limit specified in Subsection (1) of Section 135, the amount of VAT charged for the month when the transfer took place and for the months remaining from the period under review:

- a) may be deducted in full in connection with such transfer, in respect of which VAT would be deductible;
- b) may not be deducted in full, in respect of which VAT would not be deductible.

(2) In the event that any difference arises in the amount of VAT applied at the preceding stage that was originally deductible as specified in Subsection (1), and the resulting difference reaches or exceeds 1,000 forints in terms of absolute value, the provisions of Subsections (2) and (4) of Section 132 shall apply.

Suspension and Lapse of the Right of Deduction

Section 137

(1) In the event that the state tax authority has suspended - in accordance with the RTA - the tax number of a taxable person, the taxable person shall not be able to exercise the right of deduction effective as of the operative date of the resolution ordering the suspension of his tax number, other conditions for the exercise of the right of deduction notwithstanding.

(2) In the event that the state tax authority has terminated - in accordance with the RTA - the suspension of the tax number of a taxable person, without the withdrawal of the taxable person's tax number, the taxable person shall be able to exercise the right of deduction effective as of the operative date of the resolution ordering the suspension of his tax number, other conditions for the exercise of the right of deduction notwithstanding.

(3) In the event that the state tax authority has terminated - in accordance with the RTA - the suspension of the tax number of a taxable person upon the withdrawal of the taxable person's tax number, the taxable person's right of deduction shall lapse effective as of the operative date of the resolution ordering the suspension of his tax number.

Chapter VIII

PERSON LIABLE FOR PAYMENT OF VAT

Section 137/A.

Where a taxable person who has established his business or has a fixed establishment in Hungary, is engaged in the supply of goods or services without the involvement of his domestic fixed establishment, for the purposes of this Chapter such taxable person shall not be regarded as established in Hungary.

Person Liable for Payment of VAT in Connection with the Supply of Goods or Services

Section 138

Unless otherwise prescribed in this Act, in connection with the supply of goods and/or services VAT is payable by the taxable person who carries out the transaction acting in his own name.

Section 139

If the place of the supply of goods is to be determined either under Section 32, 34 or 35, VAT shall be paid by the customer identified for VAT purposes in the domestic territory, where the goods are supplied by a taxable person who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory.

Section 140

If the place of supply of goods is to be determined:

a) under Subsection (1) of Section 37, VAT shall be paid by the customer identified for VAT purposes under Section 36,

b) under either Section 39, 40, 42, 44 or 46, VAT shall be paid by the customer identified for VAT purposes in the domestic territory,

where the services are supplied by a taxable person who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory.

Section 141

In connection with the supplies of goods made under Paragraph b) of Subsection (2) of Section 91, VAT shall be paid by the customer identified for VAT purposes in the domestic territory [Paragraph d) of Subsection (2) of Section 91] if:

a) the goods are supplied according to the conditions set out in Subsection (2) of Section 91; and

b) the invoice made out in the name of the supplier [Paragraph a) of Subsection (2) of Section 91] to the name of the customer who is identified for VAT purposes in the domestic territory is in compliance with the national laws of the Member State of the Community - drawn up in accordance with Articles 220 to 236 of the VAT Directive - in which the supplier is identified for VAT purposes.

Section 142

(1) VAT shall be paid by the taxable person acquiring the goods or services:

- a) in connection with the supply of goods mentioned in Paragraph d) of Section 10;
- b) in connection with construction and other similar works, which are treated as services supplied for the purpose of building, expansion, remodeling and any other form of alteration of a property, including where a property is terminated by demolition, provided that the construction, expansion, remodeling and any other form of alteration of the property is subject to authorization by the competent building authority, of which the customer shall supply a statement in advance and in writing to the supplier of the service;
- c) in connection with the hiring out of employees and the supply of staff for the supply of goods or services mentioned in Paragraphs a) and b);
- d) in connection with the supplies of goods listed under Schedule No. 6;
- e) in connection with the supply of goods governed under Paragraphs j) and k) of Subsection (1) of Section 86, if the supplier taxable person did exercise the option specified in Section 88;
- f) as regards debtors and creditors, in connection with the supply of goods that were pledged as collateral security to cover an overdue claim;
- g) in connection with goods used by the taxable person for the purposes of his business, and other supply of goods with an open market value of 100,000 forints at the time of supply, if the supplier is adjudicated in liquidation proceedings or any similar insolvency proceedings.

(2) In connection with the supply of any immovable property under Paragraph f) or g) of Subsection (1), the provisions contained in Paragraph e) of Subsection (1) must be satisfied.

(3) Subsection (1) may be implemented if:

- a) all parties involved in the transaction are taxable persons identified for VAT purposes in the domestic territory; and
- b) none of the parties involved in the transaction has any legal status governed under this Act on the strength of which no VAT may be demanded of him.

(4) In the application of Paragraph a) of Subsection (3), the persons and organizations taxed under the EVA Act shall be treated as taxable persons established in the domestic territory, acting as the supplier of goods or services, or as taxable persons acquiring the goods or services, or both.

(5) Upon providing proof of involvement, either party to a transaction may request:

- a) any other party to provide a statement,
- b) the state tax authority to provide information concerning compliance with the requirements set out in Subsection (3), and as to whether the supplier taxable person has exercised the option referred to in Paragraph e) of Subsection (1), and if yes, to what extent.

(6) The state tax authority shall supply the information referred to in Subsection (5) without undue delay. The reply of the tax authority provided for a written request shall be construed as true until proven to the contrary.

(7) Where Subsection (1) applies, the supplier of the goods or services shall issue an invoice in which no VAT is charged, and in which the percentage referred to in Section 83 is not indicated.

Person Liable for Payment of VAT in Connection with the Intra-Community Acquisition of Goods

Section 143

(1) In connection with the intra-Community acquisition of goods, VAT shall be paid - subject to the exceptions set out in Subsection (2) of this Section and in Section 144 - by the:

- a) the taxable person;
- b) non-taxable legal person; acquiring the goods.

(2) In connection with the intra-Community acquisition of new means of transport the VAT shall also be paid by the customer acquiring the new means of transport, acting as a non-taxable person or organization without legal personality.

Section 144

In the case described in Subsection (5) of Section 22, the VAT shall be paid by the customer acquiring goods from customer supplies.

Person Liable for Payment of VAT in Connection with the Importation of Goods

Section 145

(1) In respect of the importation of goods VAT shall be paid by the importer. Importer means the person who is held liable for the import duty payable in accordance with customs regulations - not including indirect customs representatives -, or would be liable if the importation was subject to customs duty.

(2) If the importer is represented in customs proceedings by an indirect customs representative, VAT shall be paid by the indirect customs representative.

(3) Where any VAT applied at the preceding stage is deducted upon the infringement of Section 129, it shall be repaid under the joint and several liability of the importer and the indirect customs representative involved.

Person Liable for Payment of VAT in Connection with Transactions Relating to International Trade

Section 146

(1) In connection with the importation of goods:

a) when they cease to be covered by the customs formalities referred to in Paragraph a) or b) of Subsection (1) of Section 111; or

b) when they cease to be covered by the arrangements or situations referred to in Paragraph c) of Subsection (1) of Section 111, Subsection (1) of Section 112 or Subsection (1) of Section 113;

VAT shall be paid by the taxable person that carries out the transaction upon which the VAT becomes chargeable in accordance with Section 2, and in consequence of which the goods cease to be covered by the customs formalities referred to in Paragraph a), or cease to be covered by the arrangements or situations referred to in Paragraph b).

(2) In the case defined under Point 35 of Schedule No. 4, the operator of the tax warehouse shall be subject to joint and several liability for the payment of VAT with the person held liable in accordance with Subsection (1).

Liability of Taxable Persons Issuing Invoices for Payment of VAT

Section 147

(1) Other provisions of this Act notwithstanding, the person charging VAT or indicating the percentage specified in Section 83 on the invoice it issues shall be liable for payment of VAT.

(2) VAT shall be paid by the person or organization shown on the invoice as the supplier of the goods or services, unless able to provide irrefutable evidence that the VAT mentioned in Subsection (1) was added to the invoice without authorization by others.

Financial Representative

Section 148

(1) Any taxable person who is liable for payment of VAT, and who has established his business outside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides outside the domestic territory, may appoint a financial representative to handle his affairs related to his rights and obligations governed in this Act.

(2) Any taxable person who is liable for payment of VAT, and who has established his business in a third State, or who, in the absence of such a place of business, has his permanent address or usually resides in that third State, must appoint a financial representative.

(3) Subsection (2) shall not apply to the taxable person to whom Chapter XIX applies.

Section 149

(1) A taxable person may appoint only one financial representative at any given time.

(2) Any aspects of financial representation which are not addressed in this Act shall be governed by the relevant provisions of the RTA.

Miscellaneous Instances of Chargeability of VAT

Section 150

(1) The taxable person shall guarantee the payment of VAT applied at the preceding stage deductible up to the amount charged, in the event that the consideration, inclusive of VAT, due for the transaction giving rise to the chargeability of VAT:

a) is not paid in full; or

b) is paid chiefly by means other than cash, a cash-substitute payment instrument or a non-cash payment instrument.

(2) The liability to provide guarantee under Paragraph a) of Subsection (1) applies to the VAT portion of the unpaid amount.

(3) For the purposes of Paragraph b) of Subsection (1), ‘chiefly’ means where the proportion paid by cash, cash-substitute payment instrument or non-cash payment instrument is less than the amount of VAT that the sum paid contains.

Section 151

(1) Where:

a) goods are resold several times, and they are dispatched as a consignment or transported directly from the first supplier in line addressed to the name of the last customer in line; or

b) the supply of services is carried in the supplier’s own name, but on behalf of others;

all of the taxable persons involved in the above-specified transactions (for the purposes of this Section hereinafter referred to as “participating taxable person”) shall be subject to joint and several liability for the payment of VAT that could be charged to any other participating taxable person, which participating taxable person, however, failed to pay the VAT in part or in full.

(2) The provisions contained in Subsection (1) may be implemented subject to the following conditions:

a) the participating taxable persons must be registered in the domestic territory or are required to register in the domestic territory; and

b) the participating taxable persons must be affiliated.

(3) The aforesaid liability may be enforced irrespective of whether the participating taxable person is considered non-taxable based on his legal status governed under this Act.

Section 152

In the cases described in Sections 150 and 151, the person liable for payment of VAT shall not be exempted if the grounds underlying his liability cease to apply on the day following delivery of the authority’s resolution thereof, before the VAT is paid in full.

Chapter IX

ASSESSMENT OF VAT

Section 153

(1) Unless otherwise provided for in this Act, VAT shall be assessed by the person liable for payment of VAT (self-assessment).

(2) Any aspects of self-assessment which are not addressed in this Act shall be governed by the relevant provisions of the RTA.

Section 154

(1) As regards the person or body, whose taxable status is established solely on the basis of Paragraphs *b*) and *c*) of Subsection (4) of Section 6, and who is not liable for payment of VAT pursuant to Paragraph *a*) of Section 140, VAT shall be levied by the state tax authority.

(2) In connection with the intra-Community acquisition of new means of transport, if the said new means of transport also falls under the scope of the Act on Motor Vehicle Registration Duty, and if acquired by a person or organization specified in Paragraph *b*) of Subsection (1) of Section 143 or in Subsection (2) of Section 143, VAT shall be levied by the state tax authority.

Section 155

(1) In respect of the importation of goods, VAT shall be levied by the state tax authority upon the person liable for payment of VAT.

(2) The customs authority shall levy VAT by way of a resolution for the release of the goods in question into free circulation, also if the goods in question are exempted in accordance with Section 95.

Section 156

(1) By way of derogation from Subsection (1) of Section 155, the person liable for payment of VAT shall determine the amount of VAT by way of self-assessment subject to authorization by the customs authority.

(2) The authorization referred to in Subsection (1) shall be granted subject to compliance with the following requirements:

a) the applicant must be a taxable person established in the domestic territory, who has any legal status governed under this Act on the strength of which no VAT may be demanded of him; furthermore

b) the applicant is recognized as a customs debtor in good standing under the Customs Act, and the total value of the goods and services the applicant has supplied during the previous calendar year under exemption pursuant to Sections 89, 98-109 and 111-112 received in consideration, due or paid for the year on the aggregate, reaches or exceeds:

ba) 67 per cent of the total value of the goods and services the applicant has supplied according to Paragraph *a*) of Section 2 during the same period received in consideration, due or paid for the year on the aggregate - exclusive of VAT, or at least 10 billion forints, or

bb) 20 billion forints; or

c) the applicant holds an authorized economic operators' certificate according to Article 14a (1) *a*) or *c*) of Commission Regulation (EEC) No. 2454/93 (hereinafter referred to as "Customs Implementation Regulation") laying down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (hereinafter referred to as "Customs Code"); or

d) the applicant holds an authorization for the simplified procedure for the release of goods for free circulation under Article 76 (1) *c*) of the Customs Code.

(3) If the applicant participates in a group taxation arrangement [Section 8], or if the holder of the authorization is wound up with succession and the successor participates in a group taxation arrangement, of the requirements specified in Subsection (2):

a) Paragraph *a*) applies to all members participating in the group taxation arrangement, as a single entity;

b) Paragraph *b*) applies:

ba) to all members participating in the group taxation arrangement individually, from the perspective of being recognized as a customs debtor in good standing,

bb) to all members participating in the group taxation arrangement collectively, in respect of other provisions not mentioned in Subparagraph *ba)*;

c) Paragraph *c)* and *d)* applies to all members participating in the group taxation arrangement individually.

(4) Proof of compliance with the requirements set out in Subsection (2) shall be supplied enclosed with the application for authorization. If, from among the requirements prescribed for authorization, the applicant verifies compliance with the condition contained in Paragraph *b)* of Subsection (2), the application shall be submitted by 30 September of the year following the calendar year mentioned in Paragraph *b)* of Subsection (2).

(5) Any self-audit or subsequent tax assessment effected in connection with Paragraph *b)* of Subsection (2) - not including a self-audit submitted before the application is lodged, or subsequent tax assessment enforced by that time - shall have no bearing on the application after the fact.

(6) The holder of authorization shall be entitled to determine the amount of VAT by way of self-assessment from the operative date of the resolution for authorization:

a) for a period of twelve months, if entitlement is based - from among the requirements set out in Subsection (2) - on Paragraph *b)*, in addition to Paragraph *a)*;

b) for an unfixed period, if entitlement is based - from among the requirements set out in Subsection (2) - on Paragraph *c)* or *d)*, in addition to Paragraph *a)*.

(7) Authorization for self-assessment shall terminate upon the withdrawal of the resolution for authorization, or in the case mentioned in Paragraph *a)* of Subsection (6), upon the deadline specified therein. The customs authority shall withdraw the resolution for authorization if:

a) so requested by the holder of the authorization;

b) from among the requirements set out in Subsection (2), the holder of authorization:

ba) is unable to meet either of the conditions mentioned in Paragraphs *a)*, *c)* or *d)* after the time the authorization was granted,

bb) is unable to meet, in connection with Paragraph *b)*, the requirement of being recognized as a customs debtor in good standing in the case specified Paragraph *a)* of Subsection (6), within the time limit prescribed therein;

c) the holder of the authorization is wound up without succession, or dissolved with succession, however, the successor is unable to comply with the requirements set out in Subsection (2).

(8) An appeal filed against a resolution of the first instance for the withdrawal of authorization shall have no suspensory effect concerning the enforcement of the measure.

Section 157

If the holder of the authorization referred to in Section 156 also functions as an indirect customs representative, VAT may be determined by way of self-assessment concerning the importation of goods handled on behalf of the importer, irrespective of whether or not the importer holds an authorization according to Section 156.

Section 158

(1) In the cases mentioned in Sections 147, 150 and 151, VAT shall be levied by the state tax authority upon the person liable for payment of VAT.

(2) By way of derogation from Subsection (1), if the person liable for payment of VAT under Section 147 is identified for VAT purposes in the domestic territory, VAT shall be determined by way of self-assessment, where VAT may be demanded of him based on his legal status governed under this Act.

CHAPTER X

INVOICING

Invoicing Obligation

Section 159

(1) Unless otherwise provided in this Act, the taxable person shall ensure that an invoice is issued in respect of all supplies of goods or services which he has made according to Paragraph a) of Section 2 to the customer, if a person or organization other than the taxable person.

(2) Without prejudice to Subsection (1), the taxable person shall ensure that, in respect of the following additional cases, an invoice is issued where:

- a) any payment on account is made to him by another taxable person or non-taxable legal person;
- b) any payment on account made to him by a person or organization other than those referred to in Paragraph a), and:
 - ba) the amount of the payment reaches or exceeds the equivalent of 900,000 forints, or
 - bb) in cases other than what is described in Subparagraph ba), they are requesting that an invoice is issued;
- c) the supplies of goods or services has been made by him outside the domestic territory, but within the territory of the Community or in a third State, provided that the taxable person has established his business inside the domestic territory or, in the absence of such a place of business, has his permanent address or usually resides inside the domestic territory.

(3) In the application of Paragraphs a) and b) of Subsection (2), the invoice shall contain the particulars of the supply of goods or services to which the payment on account pertains in terms of the consideration payable.

Section 160

(1) An invoice may be issued either by the supplier himself or by his customer or, in his name and on his behalf, by a third party of his choice. In the latter case, the supplier (obligor) and the said third party (agent) must agree in advance in writing, laying down, in particular, the terms and conditions for the issue of invoices.

(2) The obligor and the agent shall be subject to joint and several liability concerning compliance with the obligations laid down by statutory provisions relating to the issue of invoices, regardless of any provision set out in the agreement referred to in Subsection (1) to the contrary.

(3) The invoicing obligation connected to a particular transaction - if not satisfied by the obligor himself - may be satisfied by one agent only, regardless of any additional agents involved given powers of attorney on the part of the obligor.

Section 161

(1) An invoice may be issued on behalf of the supplier by the customer, the person to whom goods or services are supplied, or by a third party.

(2) A power of attorney for invoicing services shall be made in writing.

(3) A power of attorney for invoicing services may be made out pertaining to invoicing procedures for a single transaction only, or for compliance with invoicing obligations on a general basis.

(4) Any restriction in a power of attorney for invoicing services shall be recognized to the extent implicitly implied in the power of attorney.

Section 162

The aspects of a power of attorney for invoicing services not addressed in Sections 160 and 161 shall be governed by the relevant provisions of the Civil Code.

Section 163

(1) The taxable person shall ensure that the invoice is issued:

- a) by the chargeable event;
- b) in connection with payments on account, before the VAT payable is charged; or within a reasonable timeframe.

(2) The 'reasonable timeframe' referred to in Subsection (1) shall mean that the invoice must be issued:

- a) immediately where the consideration - including any payment on account - is paid in cash, or using a cash-substitute payment instrument,
- b) within fifteen days in cases other than what is contained in Paragraph a), where the invoice contains or should contain the VAT payable.

Section 164

(1) By way of derogation from Section 163, if the taxable person carries out several transactions:

- a) simultaneously with the chargeable event, and/or
- b) during the relevant tax period

to the same person or organization for which an invoice is to be issued, compliance with the invoicing obligation may be ensured by the issue of a single invoice covering the said transactions (hereinafter referred to as “aggregate invoice”).

(2) Paragraph b) of Subsection (1) may be implemented subject to a prior agreement between the parties affected for the issue of aggregate invoices.

(3) In the application of Paragraph b) of Subsection (1), Section 163 shall be applied with the exception that the reasonable timeframe mentioned therein shall commence on the last day of the tax period pertaining to the obligor taxable person required to issue the aggregate invoice.

(4) In the absence of provisions to the contrary, other aspects of aggregate invoices shall be governed by the relevant provisions of this Act on invoices.

Exemption from Invoicing Obligation

Section 165

(1) The taxable person shall be exempted from the invoicing obligation if:

a) the supply of goods or services to which the invoice pertains is exempt in accordance with Subsection (1) of Section 85 and Subsection (1) of Section 86, however, the taxable person is required to ensure that a document is issued in proof of the transaction that is recognized as an accounting document according to the Accounting Act;

b) the customer pays the consideration, inclusive of VAT, by the time limits specified in Paragraph a) of Subsection (1) of Section 163 and in Paragraph a) of Subsection (1) of Section 164 in cash, or using a cash-substitute payment instrument or a non-cash payment instrument in full, without requesting an invoice from the taxable person.

(2) Paragraph b) of Subsection (1) may not be implemented in the cases defined in Subsection (4) of Section 6, and in Sections 29 and 89.

(3) Furthermore, Paragraph b) of Subsection (1) may not be implemented if the goods or services are supplied

- a) to another taxable person or non-taxable legal person;
- b) to a person or organization other than those mentioned in Paragraph a), and the consideration, inclusive of VAT, reaches or exceeds the equivalent of 900,000 forints.

Obligation to Issue Receipts

Section 166

(1) The taxable person, if exempted under Paragraph b) of Subsection (1) of Section 165 from the obligation of invoicing, shall ensure that a receipt is issued to the customer receiving the goods or services.

(2) The taxable person may issue an invoice instead of a receipt, in which case the obligation to issue a printed receipt as prescribed in specific other legislation [Subsection (1) of Section 178] shall not apply to the taxable person in question.

Exemption from the Obligation to Issue Receipts

Section 167

The taxable person shall not be required to issue a receipt in connection with the following transactions:

- a) supplies of printed news materials;
- b) games of chance and gambling games under the Gambling Act;
- c) in connection with goods sold by way of vending machines or in connection with services registered by an automated apparatus.

Concept of Invoice

Section 168

- (1) 'Invoice' shall mean all documents that meet the conditions laid down in this Chapter.
- (2) Any document or message, other than the documents referred to in Subsection (1), that meet the conditions laid down in Section 170 and that amends and refers specifically and unambiguously to the initial invoice shall be treated as an invoice.
- (3) In the case of taxable persons established in any Member State of the Community other than Hungary, the supply of goods and/or services may be verified by a document, serving as an invoice, that is considered equivalent to Articles 226-231 and 238-240 of the VAT Directive in the Member State of the Community where established according to the national law of that Member State of the Community.

Content of Invoices

Section 169

Invoices shall contain the following information:

- a) the date of issue;
- b) a sequential number, which uniquely identifies the invoice;
- c) the tax number under which the taxable person supplied the goods or services;
- d) the tax number under which the customer received a supply of goods or services in respect of which he is liable for payment of VAT, or for whom a supply of goods was received as referred to in Section 89;
- e) the full name and address of the supplier of the goods or services as well as of the customer receiving the goods or services;
- f) the description of the goods supplied, and - at the discretion of the taxable person required to issue the invoice - the relevant tariff heading used in this Act, furthermore, the quantity of the goods and the description of the services rendered, and - at the discretion of the taxable person required to issue the invoice - the relevant SZJ code, used in this Act, furthermore, the extent and nature of the services rendered, if it can be expressed in some unit of measurement;
- g) the date referred to in Paragraphs a) and b) of Subsection (1) of Section 163, if other than the date of issue of the invoice;
- h) the taxable amount, the unit price of goods exclusive of VAT and the unit price of services exclusive of VAT, if it can be expressed in some unit of measurement, and any discounts or rebates if they are not included in the unit price;
- i) the VAT rate applied;
- j) the VAT amount payable, except where, in accordance with this Act, such a detail is excluded;
- k) in the case of an exemption or where the customer receiving the goods or services is liable for payment of VAT, reference to the applicable provision of law, or any other reference indicating that the supply of goods or services is:
 - ka) exempt, or
 - kb) subject to the reverse charge procedure where the customer is liable for payment of VAT;
- l) in the case of the supply of a new means of transport made in accordance with the conditions specified in Section 89, the characteristics as identified in Point 25 of Section 259 pertaining to the new means of transport;
- m) in connection with the activities of tour operators, reference to the relevant provisions, or any other reference indicating that the particular provisions under Chapter XV have been applied;
- n) in connection with the supply of second-hand goods, works of art, collectors' items and antiques, reference to the relevant provisions, or any other reference indicating that one of the particular provisions in Subchapters 2 and 3 of Chapter XVI has been applied;
- o) where the person liable for payment of VAT is a financial representative, the name, address and tax number of the financial representative.

Content of Documents in lieu of an Invoice

Section 170

- (1) The documents referred to in Subsection (2) of Section 168 must contain the following details:
- a) the date of issue;
 - b) a sequential number, which uniquely identifies the document;
 - c) reference to the initial invoice that is being amended by this document;
 - d)
 - e) an indication of the detail that is being amended, and the reason for the amendment, including any revision of numbers, where applicable.

(2) The documents treated as invoices shall be hereinafter governed by the provisions of this Act pertaining to invoices, with the exception that the reasonable timeframe mentioned in Section 163 shall commence upon the occurrence of the fact or circumstances underlying the amendment [Paragraph *e*] of Subsection (1)].

Miscellaneous Provisions Relating to the Content of Invoices

Section 171

The aggregate invoice shall list all chargeable transactions separately, showing the taxable amount of each transaction as consistent with Paragraph i) and Subparagraph ka) of Section 169, and the total of these items separately.

Section 172

The invoice shall indicate the VAT amount payable [Paragraph j) of Section 169] in forints - using the exchange rate specified in Section 80 - even in the case where all other details are expressed in another currency.

Content of Receipts

Section 173

Receipts must contain the following details:

- a) the date of issue;
- b) a sequential number, which uniquely identifies the receipt;
- c) name, address and tax number of the taxable person issuing the receipt;
- d) the total sum payable for the supply of goods or services, inclusive of VAT.

Appearance

Section 174

- (1) An invoice may be printed on paper or issued electronically.
- (2) Receipts may be issued only in printed form.

Rules Relating to Invoices Issued by Electronic Means

Section 175

(1) Invoices sent or made available by electronic means, and any claims made in accordance with this Act on the basis of such invoices shall be accepted provided that the authenticity of the origin of these invoices and the integrity of their content are guaranteed.

(2) The guarantee referred to in Subsection (1) shall be ensured by one of the following methods:

- a) invoices must be sent or made available by means of an advanced electronic signature and a time stamp provided by a qualified certification-service-provider within the meaning of the Act on Electronic Signatures; or
- b) invoices must be sent or made available by means of electronic data interchange (hereinafter referred to as “EDI”).

(3) Paragraph b) of Subsection (2) may be implemented subject to prior agreement between the taxable person issuing the invoice and the customer, made in writing, concerning the use and application of EDI.

(4) For the purposes of Paragraph b) of Subsection (2), the taxable person required to issue an invoice shall also be required to ensure that an additional summary document on paper be sent each month relating to the invoices issued during the given month, to the customer receiving the goods or services.

(5) Additional conditions may be laid down in specific other legislation with a view to enforce compliance with the requirements set out in Subsection (1) concerning invoices issued by electronic means.

Simplification Measures

Section 176

(1) By way of derogation from Section 169, the content of invoices may be simplified if:

a) made out for a transaction governed in Paragraph a) of Subsection (2) of Section 159, where the data on the invoice are expressed in forints;

b) the person or organization mentioned in Paragraph b) of Subsection (2) of Section 159 and in Paragraph b) of Subsection (1) of Section 165 requests the taxable person to issue an invoice, where the data on the invoice are expressed in forints;

c) made out for a transaction governed in Paragraph c) of Subsection (2) of Section 159.

(2) Simplified content of invoices means:

a) as regards Paragraphs a) and b) of Subsection (1), that instead of the details listed under Paragraph h) of Section 169, the amount of consideration payable, inclusive of VAT, shall be indicated, and instead of the rate specified in Paragraph i) the percentage consistent with the applied rate as specified under Section 83 shall be indicated, upon which the sum referred to in Paragraph j) need not be indicated;

b) as regards Paragraph c) of Subsection (1), of the details listed under Section 169 only the ones specified in Paragraphs a)-c), e) and f) are required, and instead of the amount specified in Paragraph h), the amount of consideration expressed in monetary terms shall be indicated, and instead of the detail specified under Paragraph k) the phrase "Exempt according to geographical scope of the VAT Act" shall be written on the invoice.

(3) The provisions relating to the content of invoices shall apply to simplified invoices in harmony with the provisions of this Section.

Miscellaneous Provisions on Invoicing

Section 177

Additional provisions may be prescribed by law concerning the content of invoices; however, it shall not require invoices to be signed, except where Paragraph a) of Subsection (2) of Section 175 applies.

Section 178

(1) As regards the procedures for the issue of invoices and receipts, additional rules may be laid down in specific other legislation, including where receipts must be issued in printed form, as well as further provisions concerning the identification of invoices and receipts for tax administration purposes.

(2) Invoices may be made out in Hungarian or in any spoken foreign language. No derogation from this provision is allowed in connection with Subsection (1).

(3) If the invoice is made out in a language other than Hungarian, in the course of an audit conducted within the framework of administrative tax proceedings the taxable person issuing the invoice may be compelled to furnish an official Hungarian translation at his own expense, where there is no other way to ascertain the relevant facts of a case.

(4) All receipts must be issued in Hungarian.

Chapter XI

RECORDS

Storage of Documents

Section 179

(1) Every taxable person or organization, who (that) exercises any right governed in this Act, or who (that) is subject to any obligation conferred by this Act, shall ensure that copies of the invoice documents issued by himself, or by his customer or, in his name and on his behalf, by a third party, and all the invoice documents which he has received, are stored with a view to monitoring VAT related liabilities and obligations, or - unless it is precluded by this Act - in the absence of the original, to keep authentic copies of such invoices until the right to assess the pertinent VAT expires.

(2) The authenticity of the origin and the integrity of the content of the invoices stored, as well as their legibility, must be guaranteed throughout the storage period.

(3) By way of derogation from Subsection (1), a longer storage period, and additional conditions and provisions may be prescribed by law concerning the storage of documents.

General Rules Relating to Accounting

Section 180

(1) The person and organizations referred to in Subsection (1) of Section 179 shall keep accounts in sufficient detail for VAT to be applied, with facilities to monitor the amounts and the legal grounds and to monitor compliance with the rights and obligations governed in this Act.

(2) The obligation referred to in Subsection (1) shall include:

a) regularly updated quantitative records of the goods transported according to Paragraphs f)-h) of Subsection (2) of Section 12;

b) registers and records in sufficient detail to be maintained by the taxable person supplying services in sufficient detail to enable the identification of goods dispatched as a consignment to him from another Member State, by or on behalf of a taxable person identified for VAT purposes in that other Member State, or transported from that other Member State to the domestic territory, for the purposes of work performed on the goods and valuations of movable tangible property.

Section 181

The provisions of Section 180 shall apply in harmony with other provisions of this Act relating to the accounting of VAT.

Particular Provisions Relating to Customer Supplies

Section 182

(1) Any taxable person established in the domestic territory who maintains customer supplies in another Member State of the Community, shall be required to keep regularly updated quantitative records on the goods transported for the said customer supplies, broken down according to the following:

- a) opening inventory of the goods on customer supplies;
- b) quantity of goods admitted for storage for the customer supplies in a tax period;
- c) quantity of goods discharged from storage from the customer supplies in a tax period;
- d) closing inventory of the goods on customer supplies.

(2) Records on customer supplies must be kept separately for each customer, broken down according to Member States.

(3) An itemized inventory shall be taken to support:

- a) the opening inventory of customer supplies on the day when the customer account was opened;
- b) the closing inventory of customer supplies on the day when the customer account was terminated;
- c) in other cases the opening and closing inventories of customer supplies on the last day of the taxable person's financial year, as the accounting date.

The inventory procedures shall be governed by the relevant provisions of the Accounting Act.

(4) Within the meaning of Paragraph b) of Subsection (1), goods transported from the domestic territory, and those from the taxable person's other customer supplies must be shown separately.

(5) Within the meaning of Paragraph c) of Subsection (1), goods supplied to customers, transported to the taxable person's other customer supplies, and those re-exported to the domestic territory must be shown separately.

Section 183

In the event that a taxable person established in another Member State of the Community maintains customer supplies in the domestic territory, the customer supplied must keep regularly updated records on the goods received from these customer supplies.

Chapter XII

VAT RETURNS, PAYMENT AND REFUNDS

Section 184

The persons liable for payment of VAT who determine the VAT by way self-assessment shall submit a VAT return to the state tax authority in accordance with the RTA.

Section 185

(1) If the VAT return submitted under Section 184 contains a payment liability, the person liable for payment of VAT shall effect payment of such VAT to the state tax authority by the deadline prescribed in the RTA.

(2) Where VAT is levied by way of a resolution, the person liable shall pay such VAT by the deadline prescribed in the resolution.

Section 186

(1) Where the margin calculated according to Subsection (1) of Section 131 is negative, it may be reclaimed - after the adjustments specified in Subsection (2) - as of the due date specified in the RTA if:

a) the taxable person established in the domestic territory provides a request to that effect in the VAT return submitted to the state tax authority; and

b) it reaches or exceeds, in terms of absolute value:

ba) 1,000,000 forints in the case of taxable persons required to submit a VAT return monthly;

bb) 250,000 forints in the case of taxable persons required to submit a VAT return quarterly;

bc) 50,000 forints in the case of taxable persons required to submit a VAT return annually.

(2) If the taxable person established in the domestic territory acting in accordance with Paragraph a) of Subsection (1) did not pay the consideration, inclusive of VAT, that is due for the transaction giving rise to the chargeability of VAT in full by the deadline specified in Subsection (1), or his debt is not terminated in full in other ways by that same deadline, the negative margin calculated according to Subsection (1) of Section 131, expressed in terms of absolute value shall be decreased - up to that amount - by the full amount of VAT charged for the transaction in question.

(3) Paragraph a) of Subsection (2) of Section 131 shall apply to the sum that is to be subtracted - pursuant to Subsection (2) - from the negative margin calculated according to Subsection (1) of Section 131, expressed in terms of absolute value, up to the amount of this margin.

(4) Where the transaction upon which VAT becomes chargeable:

a) comprises the supply of goods under Paragraph a) of Section 10; or

b) comprises any supply of goods or services, in connection with which the taxable person established in the domestic territory is entitled to retain the consideration on the strength of law;

Subsection (2) shall apply, with the exception that the obligation of reduction defined therein applies only to the proportion of VAT charged at the preceding stage on the sum that was retained without proper entitlement.

(5) Where the amount limits referred to in Paragraph b) of Subsection (1) comprise the margin accumulated from several consecutive tax periods, the taxable person established in the domestic territory may request to reclaim the

aforesaid margin accumulated during the tax period affected in accordance with Paragraph a) of Subsection (1), at the earliest, when the amount of this margin, expressed in absolute terms, reaches or exceeds the sum specified in Paragraph b) of Subsection (1).

(6) In the event of dissolution, if:

a) it takes place with succession, and the sum shown in the predecessor's closing VAT return fails to comply with the limits set out in Paragraph b) of Subsection (1), disposition over the sum indicated in the closing VAT return shall be transferred upon the successor, or - if there are more than one successors - upon the successor designated by the parties, and it may be exercised in accordance with the relevant regulations;

b) it takes place without succession, the taxable person established in the domestic territory may request to reclaim the margin even if the sum shown in the closing VAT return fails to comply with the limits set out in Paragraph b) of Subsection (1).

PART TWO

PARTICULAR PROVISIONS

Chapter XIII

INDIVIDUAL EXEMPTION

Section 187

(1) Any taxable person, who has established his business inside the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides inside the domestic territory, shall be entitled to choose individual exemption as specified in this Chapter.

(2) If the taxable person exercises the option referred to in Subsection (1), during the period to which the individual exemption pertains, the exempt taxable person, acting as such:

a) shall not be required to pay VAT;

b) shall not have the right of deduction;

c) shall ensure the provision of only such invoices in which no VAT is charged, and in which the percentage specified in Section 83 is not indicated.

Section 188

(1) Individual exemption is available if the value of all supplies of goods and services that the taxable person provides for consideration, due or paid, in accordance with Paragraph a) of Section 2 in any given year is below the upper limit specified in Subsection (2):

a) in the calendar year preceding the current calendar year;

b) in the current calendar as it may be reasonably expected.

(2) The upper limit for individual exemption shall be 5,000,000 forints or its equivalent in any currency.

(3) The amount limit for individual exemption shall not include the consideration, due or paid:

a) in connection with the supply or transfer, respectively:

aa) of goods used by the taxable person for the purposes of his business,

ab) of intangible property used by the taxable person for the purposes of his business;

b) in connection with the sale of a new means of transport - which are not governed under Subparagraph aa) - in accordance with Subsections (1) and (2) of Section 89;

c) in connection with the transfer of a building or parts of a building and of the land on which the building stands which are not governed under Subparagraph aa), provided that:

ca) it is supplied before first occupation; or

cb) the period elapsing, after first occupation, between the operative date of the occupancy permit of the relevant authority and the date of supply is less than two years;

d) in connection with the supply of a building land (parts of a building land), which are not governed under Subparagraph aa);

e) in connection with the supply of goods or services exempted under Subsection (1) of Section 85;

f) in connection with the supply of ancillary services exempted under Paragraphs a)-g) of Subsection (1) of Section 86;

g) in connection with the supply of goods and services made by a taxable person governed under Chapter XIV, within the framework of his agricultural activities.

Section 189

A taxable person may claim individual exemption for the current calendar year when registered in the domestic territory for VAT purposes. In this case it is sufficient to comply with the criteria set out in Paragraph b) of Subsection (1) of Section 188 on a time basis.

Section 190

The taxable person shall remain bound to individual exemption until the end of the current calendar year.

Section 191

(1) Individual exemption shall terminate if:

a) the taxable person intends not to claim individual exemption for the calendar year that follows the current calendar year;

b) the taxable person is dissolved with succession, however, the successor is unable to comply with the requirements set out in Subsection (1) of Section 188, or even if able to comply, the successor intends not to claim individual exemption;

c) the criteria set out in Paragraph b) of Subsection (1) of Section 188 is not satisfied relying on the factual data for the current calendar year.

(2) Where individual exemption is terminated according to Paragraph c) of Subsection (1), the exempt taxable person, acting as such, may not proceed in connection with the supply of goods or services where the upper amount limit for individual exemption would be exceeded by the relevant consideration.

(3) Where individual exemption is terminated according to Paragraph c) of Subsection (1), the same taxable person may not exercise the option for claiming individual exemption before the end of the second calendar year following the year when it was terminated.

Section 192

(1) The taxable person, when exercising the option to claim individual exemption, shall notify the state tax authority accordingly.

(2) The notification referred to in Subsection (1) shall be governed by the provisions of the RTA pertaining to notification of changes.

Section 193

(1) An exempt taxable person, acting as such, during the period to which the individual exemption pertains, may not:

a) carry out the transactions defined in Paragraphs a)-d) of Subsection (3) of Section 188;

b) carry out the supplies of goods specified in Sections 11 and 12;

c) discharge the supply of services under Section 14;

d) engage in the supply services in another country;

e) carry out the intra-Community acquisition of goods under Paragraph a) of Section 19, regardless of whether or not the taxable person has exercised the option described in Subsection (5) of Section 20, or if Subsection (7) of Section 20 applies;

f) carry out the intra-Community acquisition of goods under Paragraphs b) and c) of Section 19;

g) carry out the importation of goods.

(2) An exempt taxable person, acting as such, may not proceed, furthermore, in the event where change occurs during the period to which the individual exemption pertains in the factors used to determine the amount of VAT to be deducted originating from before the period to which the individual exemption pertains, upon which the margin is

to be subtracted from the amount of VAT that was originally deductible, and that is to be adjusted according to Subsection (2) of 132.

(3) An exempt taxable person, acting as such, may not proceed during the period to which the individual exemption pertains in the cases specified in Sections 139-141, 146, 147 and 150.

Section 194

An exempt taxable person, not acting as such, shall be able to proceed in the event where change occurs during the period to which the individual exemption pertains in the factors used to determine the amount of VAT to be deducted originating from before the period to which the individual exemption pertains, upon which the margin is to be added to the amount of VAT that was originally deductible, and that is to be adjusted according to Subsection (4) of Section 132.

Section 195

(1) The taxable person shall not have the right of deduction of VAT originating from the period to which the individual exemption pertains, where acting not as an exempt taxable person.

(2) By way of derogation from Subsection (1), in connection with the supply of goods and/or services:

- a) under Paragraph *a*) of Subsection (2) of Section 11;
- b) under Subparagraph *aa*) of Subsection (3) of Section 188;
- c) under Paragraphs *b*)-*d*) of Subsection (3) of Section 188; and
- d) Paragraph *d*) of Subsection (1) of Section 193;

the taxable person shall have the right of deduction of VAT originating from the period to which the individual exemption pertains, if related to the transactions mentioned in Paragraphs a)-d).

(3) In terms of other aspects, the provisions relating to the right of deduction of VAT shall apply to the exercise of the right mentioned in Subsection (2), with the exception that:

- a) as regards Paragraph *c*) of Subsection (2), Section 122 shall apply in connection with the origin of right of deduction and to the amount of VAT applied at the preceding stage;
- b) as regards Paragraph *d*) of Subsection (2), Paragraph *a*) of Section 121 shall apply in connection with the extent of the right of deduction.

Section 196

The taxable person shall not have the right of deduction for future considerations relating to VAT originating from the period to which the individual exemption pertains, with the exception set out in Subsection (2) of Section 195.

Chapter XIV

PARTICULAR PROVISIONS RELATING TO TAXABLE PERSONS ENGAGED IN AGRICULTURAL ACTIVITIES

Legal Status of Taxable Persons Engaged in Agricultural Activities

Section 197

(1) The taxable person engaged wholly or exclusively or chiefly in agricultural activities, who (that):

a) is recognized as a micro and autonomous enterprise according to the Act on Small and Medium-sized Enterprises and the Support Provided to Such Enterprises (hereinafter referred to as “SEA”), or would be recognized as such, if falling under the scope of the SEA; and

b) who has established his business in the domestic territory, or who, in the absence of such a place of business, has his permanent address or usually resides in the domestic territory;

acting as such, shall be subject to the provisions of this Chapter (hereinafter referred to as “taxable person engaged in agricultural activity”), provided that he did not exercise the option to change his legal status.

(2) If the taxable person is not recognized as a micro and autonomous enterprise, by virtue of Paragraph a) of Subsection (1), as of 1 July of the current year, his legal status shall terminate effective as of 31 December of the current year, compliance with other conditions notwithstanding.

(3) In the event:

a) that the taxable person has exercised the option referred to in Subsection (1); or

b) that the taxable person's legal status is terminated under Subsection (2);

the taxable person shall not be able to claim the legal status governed in this Chapter until the end of the second calendar year following the year when the option was exercised, or when the legal status was terminated.

Section 198

For the purposes of this Chapter, 'agricultural activity' shall mean:

a) the production and processing of the products listed in Part I of Schedule No. 7, if carried out in the taxable person's own business;

b) the provision of the services listed in Part II of Schedule No. 7, if the taxable person uses the tangible assets, other means of productions and other resources of his own business, where these assets, means and resources are commonly used for the purposes referred to in Paragraph a); and

c) the supply of goods and services under Paragraphs a) and b) are eligible for flat-rate compensation.

Section 199

(1) A taxable person engaged in agricultural activity, acting as such:

a) shall not be required to pay VAT;

b) shall not have the right of deduction.

(2) The taxable person shall not have the right of deduction for future considerations relating to VAT originating from the period when engaged in agricultural activity and charged in connection with such activities.

Claiming Flat-Rate Compensation

Section 200

(1) Flat-rate compensation may be claimed by a taxable person acquiring goods or services, who:

a) is established in the domestic territory, acting as a taxable person not engaged in agricultural activity; or

b) is established in another Member State of the Community or in a third State, who is not treated under national law of that State, whose legal status is consistent with the provisions contained in Chapter 2 of Title XII of the VAT Directive.

(2) Flat-rate compensation may be claimed on condition that the supply of goods and the supply of services are carried out according to Paragraph a) of Section 2.

(3) Other conditions for claiming flat-rate compensation notwithstanding, a claim may be lodged where goods are supplied to a non-taxable legal person that is established in another Member State of the Community, provided that in the territory of the Member State of the Community in which the dispatch or transport of the consignment ends, the non-taxable legal person is subject to pay VAT on such acquisition in accordance with the national law of that Member State.

Assessment and Chargeability of Flat-Rate Compensation

Section 201

(1) In determining the base amount for flat-rate compensation the provisions of this Act on the taxable amount shall be applied.

(2) The rate of flat-rate compensation shall be:

a) twelve per cent of the flat-rate compensation base for the products listed in Part I.A of Schedule No. 7;

b) seven per cent of the flat-rate compensation base for the products listed in Part I.B of Schedule No. 7 and for the services listed in Part II of Schedule No.7.

Section 202

(1) The taxable person engaged in agricultural activity transfers the flat-rate compensation in the act of supplying goods and/or services.

(2) In order to exercise the right mentioned in Subsection (1), the taxable person engaged in agricultural activity, if supplying goods or services:

a) to a taxable person referred to in Paragraph a) of Subsection (1) of Section 200, must have in his possession a copy of the certificate in proof of purchase made out in the Hungarian language to his name by the buyer or customer, verifying the transaction, and shall consequently be exempt from the invoicing obligation;

b) to a person or organization other than those described in Paragraph a), shall make out an invoice by indicating:

ba) the flat-rate compensation base in lieu of what is contained in Paragraph h) of Section 169;

bb) the applied rate of flat-rate compensation [Subsection (2) of Section 201] in lieu of what is contained in Paragraph i) of Section 169;

bc) the flat-rate compensation charged in lieu of what is contained in Paragraph j) of Section 169.

(3) The certificate in proof of purchase mentioned in Paragraph a) of Subsection (2) must contain the following information:

a) the date of issue of the certificate in proof of purchase;

b) a sequential number, which uniquely identifies the certificate in proof of purchase;

c) the name, address and tax number of the supplier of the goods and/or services, and of the customer to whom the goods and/or services are supplied;

d) the description of the goods supplied, and the relevant tariff heading used in this Act, where applicable, the quantity of the goods and the description of the services rendered, furthermore, the extent and nature of the services rendered, if it can be expressed in some unit of measurement;

e) the date of supply, if it differs from the date of issue of the certificate in proof of purchase;

f) the flat-rate compensation base, the unit price of the goods supplied, exclusive of flat-rate compensation, and the unit price of the services supplied, exclusive of flat-rate compensation, if it can be expressed in some unit of measurement, any price discount, provided that it is not included in the unit price;

g) the rate of flat-rate compensation applied;

h) the amount of flat-rate compensation;

i) the signature of the supplier of the goods and/or services, and of the customer to whom the goods and/or services are supplied.

(4) For other aspects relating to the aforesaid document, which are not addressed in Subsections (2) and (3), the provisions of this Act pertaining to invoicing shall apply, with the exception that:

a) the certificate in proof of purchase may be issued only by the customer to whom the goods and/or services are supplied;

b) Sections 159, 164, 165 and 176 shall not apply to the certificates in proof of purchase.

Accounting Flat-Rate Compensation as VAT Applied at the Preceding Stage

Section 203

In the process of claiming flat-rate compensation, the taxable person engaged in agricultural activity may apply - in accordance with Paragraph a) of Section 120 - the flat-rate compensation charged, as VAT applied at the preceding stage.

Right of Deduction and Refund of VAT

Section 204

(1) The taxable person acquiring goods or services under Paragraph a) of Subsection (1) of Section 200 shall have the right of deduction in connection with the VAT referred to in Section 203.

(2) The provisions relating to the right of deduction of VAT shall apply to the exercise of the right mentioned in Subsection (1), with the exception that:

a) the right of deduction applies only when the consideration, inclusive of flat-rate compensation, is paid up in full;

b) as regards Paragraph a) of Subsection (2) of Section 202, the right of deduction may be exercised only if the taxable person has in his possession a copy of the certificate in proof of purchase he has issued.

Chapter XV

PARTICULAR PROVISIONS IN CONNECTION WITH THE ACTIVITIES OF TOUR OPERATORS

Section 205

In connection with the supply of travel services the provisions of this Act shall apply with the exceptions set out in this Chapter.

Definitions

Section 206

(1) For the purposes of this Chapter:

a) ‘activities of tour operators’ shall mean the services provided by a taxable person in his own name, which are considered exclusively or chiefly as tourist services due to their key characteristics, comprising services and goods (such as passenger transport, lodging services, room and board, guided tours) ordered in his own name, but on behalf of the traveler, which are provided by other taxable persons (for the purposes of this Chapter hereinafter referred to collectively as “other taxable person”);

b) ‘tour operator’ shall mean a taxable person engaged in the activities of tour operators;

c) ‘traveler’ shall mean a person to whom travel services are provided,

ca) in relation to which they are not taxable persons or if they are treated as non-taxable persons, or

cb) acting in his own name and on his own behalf in cases other than what is mentioned in Subparagraph ca), and if they provide a statement for the tour operator to that effect beforehand;

d) ‘designated position number’ shall mean the aggregate of tourist services which are handled separately, containing tours destined for the same geographical area (location), and which are similar in content and quality.

(2) Other conditions notwithstanding, activities of tour operators shall also cover the services:

a) whose duration is 24 hours or less; or

b) that contains no lodging for overnight stay.

(3) The provisions of this Chapter shall not apply to travel agents who are engaged in mediating the services of tour operators to the travelers in the name and on behalf of the tour operator.

Section 207

The services provided by tour operators are construed as a single service.

Place of Supply of Travel Services

Section 208

The place of supply of travel services shall be deemed to be the place where the tour operator has established his business, or, in the absence of such a place of business, the place where he has his permanent address or where he usually resides.

Payment on Account

Section 209

(1) Any payment on account that the tour operator has received or credited shall normally be construed to contain the tour operator's profit margin.

(2) Unless otherwise implied by the provisions of this Chapter, the VAT payable from the payment on account shall be consistent with the tour operator's profit margin.

Taxable Amount

Section 210

(1) In connection with the supply of services of tour operators the taxable amount shall be the tour operator's profit margin.

(2) Profit margin means the sum expressed in monetary terms received by subtracting the total amount of consideration expressed in monetary terms - inclusive of VAT - due or paid for the goods and services supplied by another taxable person in connection with the provision of travel facilities in accordance with Paragraph a) of Subsection (1) of Section 206, from the consideration due or paid by the traveler, expressed in monetary terms, inclusive of VAT (for the purposes of this Chapter hereinafter referred to as "individual records-based method").

(3) If the result of the calculation specified in Subsection (2) is not positive, the profit margin shall be nil.

Exemption

Section 211

(1) If the place of supply of goods and services by another taxable person, carried out in connection with the provision of travel facilities in accordance with Paragraph a) of Subsection (1) of Section 206 is outside the territory of the Community, it shall be construed pursuant to Subsection (1) of Section 110 as the supply of services carried out by an intermediary, and as such shall be exempt.

(2) Tour operators shall have the right to claim the exemption specified in Subsection (1) proportionally, if the place of the supply of goods and services by another taxable person, carried out in connection with the provision of travel facilities in accordance with Paragraph a) of Subsection (1) of Section 206, is outside the territory of the Community in part, and inside for the other part.

Deduction of VAT Applied at the Preceding Stage

Section 212

In connection with the supply of goods and services by another taxable person, carried out in connection with the provision of travel facilities in accordance with Paragraph a) of Subsection (1) of Section 206, tour operators shall not be able to exercise the right of deduction of VAT charged to them.

Assessment of the Amount of VAT Payable Based on the Designated Position Number System

Section 212/A

(1) A tour operator established in the domestic territory shall have the option - subject to prior notification of the state tax authority - to replace the individual records-based method, and use the designated position number based records system instead for determining the total amount of VAT payable in such capacity.

(2) Irrespective of the option made according to Subsection (1) above, the individual records-based method shall remain to be used while applying the designated position number based records system with respect to any travel services, where the payment on account provided by the traveler is received before the time of transition to the designated position number based records system.

(3) Any tour operator who exercised the option referred to in Subsection (1) above shall remain bound to this option until the end of the calendar year following the year when the option was made.

(4) Unless the tour operator declares otherwise to the state tax authority before the aforementioned deadline, the length of the aforesaid period shall be extended by the duration specified in Subsection (3).

Section 212/B

(1) In the application of the designated position number based records system, the amount of VAT payable by the tour operator shall be calculated from the recapitulative taxable amount, comprising the recapitulative margin calculated for each designated position number by the tour operator on the travel services supplied during the tax period, less the amount of VAT on the recapitulative margin.

(2) The recapitulative margin calculated for each designated position number by the tour operator means the margin expressed in monetary terms where:

a) the 'minuend' comprises the total of all considerations - expressed in monetary terms - provided by the travelers to the tour operator in exchange for travel services, including all prepayments on account, calculated on the aggregate for the tax period, less the total of all considerations - expressed in monetary terms - refunded by the tour operator to the travelers also calculated on the aggregate for the tax period;

b) the 'subtrahend' comprises the commensurate amount of all considerations - expressed in monetary terms - provided or to be provided by the tour operator to another taxable person in accordance with Paragraph *a)* of Subsection (1) of Section 206, that is or may be applied to offset the consideration - as verified by the tour operator - due for the services and/or goods supplied by the said other taxable person referred to in Paragraph *a)* of Subsection (1) of Section 206 for the travel services mentioned in Paragraph *a)* above.

(3) If the result of the calculation specified in Subsection (2) is not positive, the margin shall be nil.

Section 212/C

(1) In any tax period, when a designated position number is abolished (hereinafter referred to as "abolished designated position number"), the tour operator affected shall be required to calculate the definitive recapitulative margin for the entire life of the abolished designated position number.

(2) The definitive recapitulative margin of the abolished designated position number means the margin expressed in monetary terms where:

a) the minuend comprises the total value carried over according to Paragraph *a)* of Subsection (2) of Section 212/B from the tax periods covering the entire duration of existence of the abolished designated position number;

b) the subtrahend comprises the commensurate amount of all considerations - expressed in monetary terms - provided by the tour operator to another taxable person in accordance with Paragraph *a)* of Subsection (1) of Section 206, that is or may be applied to offset the consideration - as verified by the tour operator - due for the services and/or goods supplied by the said other taxable person referred to in Paragraph *a)* of Subsection (1) of Section 206 for the travel services mentioned in Paragraph *a)* above.

(3) If the result of the calculation specified in Subsection (2) is not positive, the margin shall be nil.

(4) Where the difference between the definitive recapitulative margin (minuend) of the abolished designated position number and the recapitulative margin of the abolished designated position number (subtrahend) carried over according to Subsection (2) of Section 212/B from the tax periods covering the entire duration of existence of the abolished designated position number reaches or exceeds 10,000 forints in terms of absolute value, the tour operator shall be:

a) required to calculate the amount of VAT payable on the said difference for the tax period referred to in Subsection (1) above, if the difference is positive;

b) entitled to deduct the VAT charged on the difference from the amount of VAT charged according to Subsection (1) of Section 131 for the tax period referred to in Subsection (1) above, if the difference is negative.

(5) A designated position number shall be abolished if the tour operator:

a) cancels the designated position number;

b) fails to provide any travel services on the designated position number over a period of six months;

c) exercises its option to revert to the individual records-based method from the designated position number based records system as of the beginning of the next tax period;

d) is terminated without succession.

(6) The duration mentioned in Paragraph *b)* of Subsection (5) above shall be reckoned from the opening of the designated position number, or if the traveler has provided any consideration or payment on account to the tour operator in exchange for any travel service provided under the designated position number, from the last such payment.

(7) In the application of Paragraph *d*) of Subsection (5), the designated position number shall be considered abolished in the tax period for which the tour operator is required to file a closing VAT return.

Chapter XVI

PARTICULAR PROVISIONS RELATING TO SECOND-HAND GOODS, WORKS OF ART, COLLECTORS' ITEMS AND ANTIQUES

Subchapter 1

Definitions

Section 213

(1) For the purposes of this Chapter:

a) 'second-hand goods' shall mean movable tangible property that is suitable for further use as it is or after repair, other than works of art, collectors' items or antiques;

b) 'works of art' shall mean the objects listed in Part I of Schedule No. 8;

c) 'collectors' items' shall mean the objects listed in Part II of Schedule No. 8;

d) 'antiques' shall mean the objects listed in Part III of Schedule No. 8;

e) 'dealer' shall mean any taxable person who, in the course of his economic activity and with a view to resale, purchases, or applies for the purposes of his business, or imports second-hand goods, works of art, collectors' items or antiques, whether that taxable person is acting for himself or on behalf of another person pursuant to a contract under which commission is payable on purchase or sale;

f) 'organizer of a sale by public auction' shall mean any taxable person who, in the course of his economic activity, offers second-hand goods, works of art, collectors' items or antiques for sale by public auction with a view to handing them over to the highest bidder;

g) 'principal of an organizer of a sale by public auction' shall mean any person or organization who transmits goods to an organizer of a sale by public auction pursuant to a contract under which commission is payable on a sale.

(2) The contract referred to in Paragraph g) of Subsection (1), must provide that the organizer of the sale is to put up the goods for public auction in his own name but on behalf of his principal and that he is to hand over the goods, in his own name but on behalf of his principal, to the highest bidder at the public auction.

Subchapter 2.

Special Arrangements for Dealers

Section 214

(1) The provisions of the Act shall apply to dealers subject to the exceptions set out in this Subchapter.

(2) The provisions of this Subchapter shall not apply where the dealer supplies new means of transport according to Section 89.

Section 215

(1) For the purposes of this Subchapter:

a) 'selling price' shall mean everything which constitutes the consideration obtained or to be obtained by the taxable dealer, serving as his tax base from the supply of goods, including the VAT chargeable according to this Act, but excluding the amounts referred to in Subsection (1) of Section 71;

b) 'purchase price' shall mean everything which constitutes the consideration, for the purposes of Paragraph a), obtained or to be obtained from the taxable dealer by his supplier.

(2) Where Paragraph a) of Subsection (1) of Section 220 applies, by way of derogation from Paragraph b) of Subsection (1), 'purchase price' means everything which constitutes the taxable amount for the importation of goods, including the VAT chargeable according to this Act.

Section 216

In respect of the supply of second-hand goods, works of art, collectors' items or antiques carried out by dealers Section 217 shall apply, where those goods have been supplied to the dealer within the Community by one of the following persons:

- a) a non-taxable person or organization;
- b) another taxable person, in so far as the supply of goods by that other taxable person is exempt pursuant to 87;
- c) an exempt taxable person or another taxable person, in so far as the supply of goods by that other taxable person is covered by the national law of that Member State of the Community that is considered compatible with Articles 282-292 of the VAT Directive, and involves capital goods;
- d) another dealer or a taxable person, in so far as the supply of goods by that other dealer or taxable person is covered by the national law of that Member State of the Community that is considered compatible with Articles 312-325 of the VAT Directive.

Section 217

(1) The taxable amount shall be the profit margin made by the dealer, less the amount of VAT relating to the profit margin.

(2) The profit margin of the dealer shall be equal to the difference between the selling price charged by the dealer for the goods (minuend) and the purchase price (subtrahend) (for the purposes of this sub-chapter hereinafter referred to as "individual records-based method").

(3) If the result of the calculation specified in Subsection (2) is not positive, the profit margin shall be nil.

Section 218

(1) A dealer established in the domestic territory shall have the option - subject to prior notification of the state tax authority - to replace the individual records-based method, and use the global records-based method instead for determining the Amount of VAT payable during the tax period.

(2) In the application of the global records-based method, the amount of VAT payable by the dealer shall be calculated from the recapitulative taxable amount, comprising the recapitulative margin on the goods to which the same rate applies, supplied during the tax period, less the amount of VAT on the recapitulative margin.

(3) The recapitulative margin shall be calculated by subtracting from the total of the selling price of the goods to which the same rate applies, acquired during the tax period and the purchases made according to Section 216 (minuend), the total purchase price of goods received during the same period (subtrahend).

(4) If the result of the calculation specified in Subsection (3) is not positive, the recapitulative margin shall be nil.

Section 219

(1) If using the global records-based method, the dealer shall not be required to keep records on the margins of each goods, and shall not be required to determine the taxable amount of goods as per Section 217.

(2) This procedure may not be applied, with or without the global records-based method, in connection with goods with a purchase price of a value of over 50,000 forints. In these cases the dealer concerned may not apply Subsection (1).

Section 220

(1) A dealer established in the domestic territory shall have the option - subject to prior notification of the state tax authority - to determine the taxable amount of the following supplies of goods according to the provisions of Section 217:

- a) in connection with the direct importation of works of art, collectors' items or antiques by the dealer;
- b) in connection with the acquisition of works of art directly from the artist, or from the legal heir of the artist.

(2) This procedure may not be applied, with or without the global records-based method, in connection with the goods referred to in Subsection (1). In these cases the dealer concerned may not apply Subsection (1) of Section 219.

Section 221

Exemption shall be granted for the supply of goods carried out by a dealer, if supplied in accordance with the conditions laid down in Subsection (1) of Section 98, Sections 103 and 104, and Subsection (1) of Section 107.

Section 222

- (1) A dealer using the individual or the global records-based method, acting as such:
- a) shall not have the right of deduction;
 - b) shall ensure the provision of only such invoices, in which no VAT is charged, and in which the percentage specified in Section 83 is not indicated.
- (2) An invoice issued in conformity with Paragraph b) of Subsection (1) shall not entitle the customer to exercise the right of deduction.

Section 223

- (1) A dealer using the individual or the global records-based method shall be required to keep regularly updated quantitative records on the goods, broken down according to the following:
- a) opening inventory of the goods;
 - b) quantity of goods acquired (imported) in a tax period;
 - c) quantity of goods supplied in a tax period;
 - d) closing inventory of the goods.
- (2) Quantitative records shall be maintained separately if the dealer is required to use the individual records-based method in addition to the global records-based method.
- (3) An itemized inventory shall be taken to support:
- a) the opening inventory on the day when the account was opened;
 - b) the closing inventory on the day when the account was terminated;
 - c) in other cases the opening and closing inventories on the last day of the dealer's financial year, as the accounting date.
- The inventory procedures shall be governed by the relevant provisions of the Accounting Act.
- (4) Within the meaning of Paragraph c) of Subsection (1), goods supplied according to Section 221 must be shown separately.

Section 224

- (1) A dealer established in the domestic territory shall have the option - subject to prior notification lodged to the state tax authority -, not to apply the provisions of this Subchapter to the whole of his activities.
- (2) In connection with the transition referred to in Subsection (1), the dealer shall proceed according to Paragraph a) of Subsection (3) of Section 223, applying the opening day of transition. As regards the VAT charged on the goods contained in the aforesaid opening inventory the dealer shall be entitled to exercise the right of deduction - without prejudice to other conditions for exercising the right of deduction - effective as of the opening day of transition.

Section 225

- (1) A dealer established in the domestic territory, who exercised the aforesaid option shall remain bound to this option:
- a) for a period ending on the last day of the calendar year following the year when the option was exercised in the case referred to in Subsection (1) of Section 218;
 - b) for a period ending on the last day of the second calendar year following the year when the option was exercised in the case referred to in Subsection (1) of Section 220;
 - c) for a period ending on the last day of the second calendar year following the year when the option was exercised in the case referred to in Subsection (1) of Section 224.

- (2) Unless the dealer declares otherwise to the state tax authority before the aforementioned deadlines:
- a) the length of the periods specified in Paragraphs a) and b) of Subsection (1) shall be extended by the duration mentioned therein;
 - b) the option shall no longer apply effective as of the deadline in the case specified in Paragraph c) of Subsection (1).

Section 226

(1) The dealer shall proceed according to Paragraph b) of Subsection (3) of Section 223, applying the deadline mentioned in Paragraph b) of Subsection (2) of Section 225. As regards the VAT charged on the goods contained in the aforesaid closing inventory the dealer shall not be entitled to exercise the right of deduction - without prejudice to other conditions for exercising the right of deduction -, or shall make the necessary adjustments by way of self-revision if already having exercised the right of deduction.

(2) The self-revision mentioned in Subsection (1) may be carried out by 31 January of the following year without having to pay any self-revision surcharge.

Section 227

In the absence of specific provisions of this Act, this Subchapter shall not apply to any dealer who exercised the option specified in Subsection (1) of Section 224.

Subchapter 3

Special Arrangements for Organizer of a Sale by Public Auction

Section 228

(1) The provisions of the Act shall apply to organizer of a sale by public auction subject to the exceptions set out in this Subchapter.

(2) The provisions of this Subchapter shall not apply where the organizer of a sale by public auction supplies new means of transport according to Section 89.

Section 229

In respect of the supply of second-hand goods, works of art, collectors' items or antiques carried out by an organizer of a sale by public auction Section 231 shall apply, where those goods have been supplied to the dealer by one of the following persons:

- a) a non-taxable person or organization;
- b) another taxable person, in so far as the supply of goods under commission by that other taxable person is exempt pursuant to 87;
- c) an exempt taxable person or another taxable person, in so far as the supply of goods under commission by that other taxable person is covered by the national law of that Member State of the Community that is considered compatible with Articles 282-292 of the VAT Directive, and involves capital goods;
- d) a dealer or a taxable person, in so far as the supply of goods under commission by that other dealer or taxable person is covered by the national law of that Member State of the Community that is considered compatible with Articles 312-325 of the VAT Directive.

Section 230

The supply of goods by an organizer of sales by public auction pursuant to a contract under which commission is payable shall be considered carried out when the goods are handed to the highest bidder.

Section 231

- (1) The taxable amount means the margin expressed in monetary terms where:

- a) the minuend comprises:
 - aa) the purchase price paid at the auction;
 - ab) taxes, duties, levies, contributions, agricultural levies and charges having equivalent effect; and
 - ac) incidental expenses, such as commission, agency fee, packing, transport and insurance costs, charged by the organizer of a sale by public auction to the auction buyer;
 - b) the subtrahend comprises:
 - ba) the sum that is due to the principal of the organizer of a sale by public auction, as specified in Subsection (2); and
 - bb) the amount of VAT charged by the organizer of a sale by public auction to the auction buyer.
- (2) The amount due to the principal of the organizer of a sale by public auction, expressed in monetary terms, shall be calculated by subtracting from the purchase price paid by the highest bidder (minuend) the commission that is due to the organizer of a sale by public auction (subtrahend).
- (3) The amount of VAT referred to in Subparagraph bb) of Subsection (1) shall be calculated based on the percentage rate specified for the goods in question in Section 83.

Section 232

- (1) An organizer of a sale by public auction, acting as such, shall ensure the provision of only such invoices, in which:
- a) in lieu of the data referred to in Paragraph h) of Section 169, the data referred to in Paragraph a) of Subsection (1) of Section 231 is indicated separately;
 - b) no VAT is charged, and in which the percentage specified in Section 83 is not indicated.
- (2) An invoice issued in conformity with Subsection (1) shall not entitle the auction buyer to exercise the right of deduction.

Section 233

- (1) The organizer of a sale by public auction shall keep itemized records on the transactions listed under Section 229. These records must contain the following information:
- a) the sums the auction buyer has paid to the organizer of a sale by public auction, with proof of payment enclosed, or the sums which are due;
 - b) the sums the organizer of a sale by public auction has paid to the principal, or the sums which are due.
- (2) Relying on the records referred to in Subsection (1), the organizer of a sale by public auction shall make out a statement to the principal, showing the information required to determine the taxable amount on the supply of goods to the organizer of a sale by public auction, such as in particular, the margin specified in Subsection (2) of Section 231.

Chapter XVII

PARTICULAR PROVISIONS RELATING TO INVESTMENT GOLD

Section 234

The provisions of this Act shall apply to investment gold subject to the exceptions set out in this Chapter.

Definition

Section 235

- (1) For the purposes of this Chapter 'investment gold' shall mean:
- a) gold, in the form of a bar or a wafer of weights accepted by the bullion markets, of a purity equal to or greater than 995 thousandths, and of a weight exceeding one gram, whether or not represented by securities which give the right to acquire the goods indicated therein;

b) gold coins of a purity equal to or greater than 900 thousandths and minted after 1800, which are or have been legal tender in the country of origin, and are normally sold at a price which does not exceed the open market value of the gold contained in the coins by more than eighty per cent.

(2) Paragraph b) of Subsection (1) notwithstanding, the coins contained in the list published under Article 345 of the VAT Directive shall also be treated as investment gold.

Exemption from VAT

Section 236

(1) Exemption shall be granted for the supply, the intra-Community acquisition and the importation of investment gold, including:

a) investment gold represented by certificates (documents) for allocated or unallocated gold or traded on gold accounts;

b) gold loans and swaps, involving a right of ownership or claim in respect of investment gold;

c) transactions concerning investment gold involving futures and forward contracts leading to a transfer of right of ownership or claim in respect of investment gold.

(2) Exemption shall be granted for the services of agents who act in the name and on behalf of another person, when they take part in the supply of investment gold.

Taxation Option

Section 237

(1) By way of derogation from Subsection (1) of Section 236, taxable persons established in the domestic territory, who produce investment gold or transform gold into investment gold shall have the right - subject to prior notification lodged to the state tax authority - to opt for the taxation of supplies of investment gold to another taxable person.

(2) In the cases described in Subsection (1) the tax rate mentioned in Subsection (1) of Section 82 shall apply to the taxable amount.

(3) Any taxable person who exercised the option referred to in Subsection (1) shall remain bound to this option for a period of the next five calendar years.

Section 238

The option mentioned in Section 237 shall apply to taxable persons established in the domestic territory who, in the course of their economic activity, normally supply gold for industrial purposes, for the supplies of gold bars or wafers, as referred to in Paragraph a) of Section 235, to another taxable person.

Section 239

(1) By way of derogation from Subsection (2) of Section 236, taxable persons established in the domestic territory serving as agents who act in the name and on behalf of another person, when they take part in the supply of investment gold shall have the right - subject to prior notification lodged to the state tax authority - to opt for the taxation of their agency activities, provided that the party taking part in the supply of investment gold has exercised his right of option under Section 237 or 238.

(2) In the cases described in Subsection (1) the tax rate mentioned in Subsection (1) of Section 82 shall apply to the taxable amount.

(3) Where the agent has exercised the right under Subsection (1), he shall remain bound in so far as the third party taking part in the supply of investment gold exercises the right to opt for taxation of the supply of investment gold.

Deduction of VAT Applied at the Preceding Stage

Section 240

Where his subsequent supply of investment gold is exempt, the taxable person shall be entitled to deduct the following without prejudice to other conditions for exercising the right of deduction:

- a) the VAT due or paid in respect of investment gold supplied to him by a person who has exercised the right of option under Section 237 or 238;
- b) the VAT due or paid in respect of a supply to him, or in respect of a domestic or an intra-Community acquisition or importation carried out by him, of gold other than investment gold which is subsequently transformed by him or on his behalf into investment gold;
- c) the VAT due or paid in respect of services supplied to him consisting in a change of form (bar, wafer or coin), weight or purity of gold including investment gold.

Section 241

Taxable persons who produce investment gold or transform gold into investment gold shall be entitled to deduct - without prejudice to other conditions for exercising the right of deduction - the VAT due or paid by them in connection with the production or transformation of that gold, as if the subsequent supply of the gold exempted were taxed.

Invoicing

Section 242

The taxable person shall ensure that an invoice is issued - containing the details prescribed in Section 169 - in connection with all supplies of investment gold.

Records

Section 243

(1) The taxable person shall be required to keep regularly updated quantitative records on investment gold, broken down according to the following:

- a) opening inventory of the investment gold;
- b) quantity of investment gold acquired (imported) in a tax period;
- c) quantity of investment gold or other gold transformed into investment gold produced in a tax period;
- d) quantity of investment gold supplied in a tax period;
- e) closing inventory of investment gold.

(2) Quantitative records shall be maintained separately according to the form (bar, wafer or coin), and purity of the investment gold.

(3) An itemized inventory shall be taken to support:

- a) the opening inventory on the day when the account was opened;
- b) the closing inventory on the day when the account was terminated;
- c) in other cases the opening and closing inventories on the last day of the dealer's financial year, as the accounting date.

The inventory procedures shall be governed by the relevant provisions of the Accounting Act.

Chapter XVIII

RIGHT OF DEDUCTION AND REFUND OF VAT OF NON-ESTABLISHED TAXABLE PERSONS

Section 244

- (1) Any taxable person,
 - a) whose place of business or fixed establishment, or in the absence of such a place of business or fixed establishment, permanent address or usual residence is determined according to Subsections (2) and (3); and

b) who is not engaged in the supply of goods and/or services in the domestic territory, with the exception of:
ba) exempt transport of goods under Subsection (2) of Section 93, Section 102, Subsection (3) of Section 111, Subsection (2) of Section 112 and Section 116, and ancillary activities relating to the transport of goods,
bb) exempt passenger transport under Section 105,
bc) the cases listed under Sections 139-141, where the customer to whom the goods or services are supplied is also liable for payment of VAT as described therein,
shall be entitled to a refund of VAT in accordance with this Chapter.

(2) The right to claim VAT refund shall be available to the taxable person if, during the period to which the refund pertains [Subsection (1) of Section 251/B], the taxable person:

a) has established his business in another Member State of the Community, other than the domestic territory, or in the absence of such a place of business, has his permanent address or usually resides in another Member State of the Community, other than the domestic territory (hereinafter referred to as “taxable person established in another Member State of the Community”);

b) has established his business in either of the States listed in Schedule No. 8/A or in a third State with which the Republic of Hungary has entered into an international agreement on the mutual refund of VAT (hereinafter referred to as “recognized third State”), or in the absence of such a place of business, has his permanent address or usually resides in a recognized third State (hereinafter referred to as “taxable person established in a recognized third State”); [for the purposes of this Chapter - in the absence of provisions to the contrary - Paragraphs *a)* and *b)* hereinafter referred to collectively as “non-established taxable person”].

(3) In the event if the taxable person, apart from another Member State of the Community, and apart from a recognized third State, has established his business in another third State, or in the absence of such a place of business, has his permanent address or usually resides in such third State, such taxable person shall be eligible for VAT refund upon compliance with the applicable conditions, and to the extent where engaged in any taxable economic activity in another Member State of the Community or another recognized third State where he has established his place of business, or in the absence of such a place of business, has his permanent address or usually resides.

Section 245

The Republic of Hungary shall enter into an international agreement on the mutual refund of VAT, mentioned under Paragraph *b)* of Subsection (2) of Section 244, on condition that the third State concerned:

a) has a tax that fulfills the conditions set out in Subsection (2) of Section 258, and

b) undertakes the commitment to ensure the right to claim any VAT refund, in accordance with its national law and without discrimination, from the effective date of the international agreement on the mutual refund of VAT to any taxable person who has established his business or has a fixed establishment in Hungary, or, in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides is situated in Hungary.

Section 246

A non-established taxable person - compliance with other conditions notwithstanding - shall not be able to exercise the right to claim any refund of VAT:

a) that has been incorrectly invoiced by another taxable person in terms of the amount or legal grounds, or otherwise charged unlawfully;

b) that was charged on a product that has been exempted pursuant to Section 89 or Paragraph *b)* of Subsection (1) of Section 98, or would be exempt under the condition defined therein;

c) that was charged on the purchase of an immovable property.

Section 247

(1) The right of non-established taxable persons to claim refund shall apply in so far as the goods acquired in the domestic territory or imported goods, or the services received in the domestic territory are used:

a) for the purposes of the transactions specified in Section 121, or used for other reasons,

b) for the purposes of transactions or for other reasons, where the customer to whom the goods or services specified in Sections 139-141 are supplied is liable for payment of VAT,

to VAT charged on the acquisition and the importation of such goods or on the supply of such services [Paragraphs *a)*, *c)* and *d)* of Section 120].

(2) Subsection (1) notwithstanding, the right of non-established taxable persons to claim refund shall also cover the VAT that becomes chargeable in accordance with Section 203.

(3) Of the provisions pertaining to exercising the right of deduction, Section 119, Sections 124-128, Sections 132 and 133, and Subsection (2) of Section 204 shall apply to the right to claim VAT refund.

Section 248

(1) The right of refund of VAT shall be available in full to a non-established taxable person if engaged in the calendar year exclusively in the supply of goods and services giving rise - according to the national law of the State where, within the meaning of Subsections (2) and (3) of Section 244, he has established his business or has a fixed establishment - to the deductibility of VAT in that State.

(2) By way of derogation from Subsection (1), the right of refund of VAT shall be available in part to a non-established taxable person if engaged in the calendar year in the supply of goods and services giving rise - according to the national law of the State where, within the meaning of Subsections (2) and (3) of Section 244, he has established his business or has a fixed establishment - to the deductibility of VAT in that State, and also in the supply of goods and services in connection with which the VAT is not deductible. In this case the right of refund shall cover the VAT applied at the preceding stage in connection with the supply of goods or services performed by the non-established taxable person giving rise - according to the national law of the State where, within the meaning of Subsections (2) and (3) of Section 244, he has established his business or has a fixed establishment - to the deductibility of VAT in that State (hereinafter referred to as “deductible proportion”).

(3) Subsections (1) and (2) above shall not apply to VAT that becomes chargeable in accordance with Section 203. In that case the right of refund of VAT shall be available to the non-established taxable person wholly.

Section 249

(1) The right of refund of VAT may be exercised by a non-established taxable person by way of a request (hereinafter referred to as “VAT refund application”) made out in writing and addressed to the competent branch of the state tax authority, designated in specific other legislation (for the purposes of this Chapter hereinafter referred to as “state tax authority”).

(2) In the case of taxable persons established in another Member State of the Community, the right of refund of VAT may be exercised on condition that the VAT refund application is made available to the state tax authority in accordance with the national laws of the Member States on the transposition of Council Directive 2008/9/EC laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State (hereinafter referred to as “VAT refund Directive”).

(3) The taxable person established in a recognized third State shall submit his VAT refund application directly to the state tax authority.

(4) The information in the VAT refund application shall be provided in the Hungarian or English language, as well as any additional information and statements to be provided in writing at the time of submission or subsequently.

(5) The mandatory layout and format of VAT refund applications to be filed by taxable persons established in other Member States of the Community or in a recognized third State shall be laid down in specific other legislation, including the instructions for filling them out.

Section 250

(1) In the event where the right of non-established taxable persons to claim VAT refund covers the acquisition or importation of goods, or the supply of services where the taxable amount is the equivalent of

a) 250 euro or more in the case of fuel,

b) 1,000 euro or more in cases other than what is described in Paragraph *a)*, a copy of the document made out to the non-established taxable person’s name in proof of completion of the transaction, mentioned in Paragraphs *a)*, *c)* and *d)* of Subsection (1) of Section 127, shall be made available enclosed with the VAT refund application.

(2) The provisions contained in Subsections (2)-(4) of Section 249 shall apply *mutatis mutandis* to the fulfillment of the obligation specified in Subsection (1).

Section 251

(1) If subsequent to the submission of the VAT refund application to the state tax authority the deductible proportion indicated in the VAT refund application is adjusted on account of any difference arising between the provisional deductible proportion applied in the course of the year and the final deductible proportion applied for the entire year, the non-established taxable person:

a) shall be required to make the correction as appropriate in the amount of refund requested or in the amount of VAT already refunded, if the amount to be refunded is reduced in consequence;

b) shall be entitled to make the correction as appropriate in the amount of refund requested or in the amount of VAT already refunded, if the amount to be refunded is higher in consequence.

(2) The correction shall or can be made in the first VAT refund application made after the final deductible proportion is determined for the entire year, following the calendar year covering the refund period indicated in the VAT refund application submitted according to Subsection (1) above.

(3) If the correction cannot be made as described in Subsection (2) for the non-established taxable person makes no VAT refund applications, the correction shall or can be made by submitting a separate declaration in writing within the time limit specified in Subsection (1) of Section 251/C, addressed to the state tax authority.

(4) The provisions contained in Subsections (2)-(4) of Section 249 shall apply *mutatis mutandis* to the fulfillment of the obligation specified in Subsection (3) as well.

Section 251/A.

(1) The VAT refund application may be submitted containing the amount of VAT charged during the period to which the refund application pertains.

(2) In addition to Subsection (1), the VAT refund application may also cover the amount of VAT charged during the given calendar year, for which no VAT refund application has been submitted previously.

Section 251/B.

(1) The VAT refund period shall not be more than one calendar year or less than three calendar months, except if the VAT refund application relates to a period of less than three months where the period represents the remainder of a calendar year.

(2) In the event where the VAT refund application:

a) relates to a refund period of less than one calendar year but not less than three months, the amount of VAT for which a refund is applied for may not be less than the equivalent of 400 euro,

b) relates to a refund period of a calendar year or to a period of less than three months where the period represents the remainder of a calendar year, the amount of VAT for which a refund is applied for may not be less than the equivalent of 50 euro.

Section 251/C.

(1) The taxable person established in a recognized third State shall submit his VAT refund application at the latest on 30 September of the calendar year following the refund period, where the application shall be received by the state tax authority by that time. No application for continuation shall be accepted upon failure to meet the above deadline.

(2) The state tax authority shall adopt a decision on the merits relating to the VAT refund application submitted by a taxable person established in another Member State of the Community for the given calendar year - in absence of other reasons for refusal - if the taxable person established in another Member State of the Community has justifiably submitted the application - according to Subsection (2) of Section 249 - at the latest on 30 September of the calendar year following the refund period. No application for continuation shall be accepted upon failure to meet the above deadline.

(3) The state tax authority shall refuse the VAT refund application submitted by a taxable person established in another Member State of the Community, if the VAT refund application was forwarded in spite of the fact that:

a) it should not have been considered submitted according to the legislation of the Member State of refund on the transposition of Article 15 (1) of the VAT refund Directive, or

b) it should not have been forwarded according to the legislation of the Member State of refund on the transposition of Article 18 (1) of the VAT refund Directive.

Section 251/D.

(1) In connection with VAT refund procedures the state tax authority shall proceed in accordance with the provisions of the RTA pertaining to electronic communication, with the exception that - in cases defined by specific other legislation - communication may be carried out by way of electronic mail via computer network, in addition to maintaining contact through the central electronic services network.

(2) The state tax authority shall send the taxable person established in another Member State of the Community an electronic confirmation of receipt of the VAT refund application without delay.

Section 251/E.

(1) Unless otherwise provided for in this Act, the state tax authority shall adopt a decision concerning the VAT refund application within four months.

(2) The state tax authority shall notify the applicant taxable persons established in another Member State of the Community without delay, by electronic means, concerning its decision relating to the VAT refund application.

Section 251/F.

(1) Where the state tax authority considers that it does not have all the relevant information on which to make a well-founded decision in respect of the whole or part of the VAT refund application, it may request - in writing - additional data and further information within the time limit referred to in Subsection (1) of Section 251/E:

a) from the non-established taxable person;

b) from the authority vested with powers and jurisdiction of the Member State where the non-established taxable person is registered according to Subsections (2) and (3) of Section 244; and

c) from a third party if there is reason to believe that such person has material information for the evaluation of the VAT refund application.

(2) Without prejudice to Subsection (1), the state tax authority may request - also in writing - further additional data and supplementary information on one more occasion.

(3) The information requested in accordance with Subsections (1) and (2) may include the submission of the original or a certified copy of the relevant document made out to the non-established taxable person's name in proof of completion of the transaction, mentioned in Paragraphs *a)*, *c)* and *d)* of Subsection (1) of Section 127, where there is reasonable doubt regarding the validity or accuracy of a particular claim in terms of the amount of VAT charged. In that case, the thresholds mentioned in Subsection (1) of Section 250 shall not apply.

(4) A reply shall be provided within one month of the date on which the request mentioned in Subsections (1) and (2) is delivered.

Section 251/G.

(1) Where a VAT refund application is submitted by a taxable person established in another Member State of the Community, the state tax authority shall make the requests mentioned in Subsections (1) and (2) of Section 251/F to the parties mentioned in Paragraphs *a)* and *b)* of Subsection (1) of Section 251/F by way of electronic means only, and shall receive the replies of these parties also by way of electronic means only, except if the information requested includes submission of the original or a certified copy of the relevant document made out to the name of the taxable person established in another Member State of the Community in proof of completion of the transaction, mentioned in Paragraphs *a)*, *c)* and *d)* of Subsection (1) of Section 127, and such document is not available in electronic format.

(2) Without prejudice to Subsection (1), contact in connection with the evaluation of a VAT refund application submitted by a taxable persons established in another Member State of the Community shall be maintained exclusively by electronic means - as defined therein - also if the means necessary for electronic communication are available to the party mentioned in Paragraph *c)* of Subsection (1) of Section 251/F according to the state tax authority's records.

Section 251/H.

(1) Where the state tax authority exercised the right conferred under Subsections (1) and (2) of Section 251/F, it shall adopt a decision to approve or refuse the VAT refund application within two months of receiving the requested

information or, if the information received was incomplete, within two months of expiry of the time limit laid down in Subsection (4) of Section 251/F.

(2) However, the period available to the state tax authority for the decision in respect of the whole or part of the VAT refund application may - irrespective of what is contained in Subsection (1) - not be more than:

- a) seven months, if the state tax authority exercised the right conferred under Subsection (1) of Section 251/F, or
- b) eight months, if the state tax authority exercised the right conferred under Subsection (2) of Section 251/F.

Section 251/I.

(1) Where the state tax authority has adopted a decision of approval in respect of the whole or part of the VAT refund application, refund shall be paid at the time the decision is adopted, or at the latest within ten working days from that time.

(2) VAT refund shall be paid by way of credit transfer to the payment account of non-established taxable person indicated in the VAT refund application. The date of payment of the refund shall be the day when the state tax authority initiated the payment order.

(3) The bank charges for the transfer shall be borne by the non-established taxable person if the transfer is made to a payment account carried by a non-resident payment institution, in which case the charges shall be deducted from the amount to be paid to the applicant.

(4) If the state tax authority falls in delay in the payment of VAT refund, it shall pay an interest on such amount for each day of delay calculated by the rate of default interest. The state tax authority shall not be liable to pay any interest for late payment if the non-established taxable person failed to comply with the request mentioned under Subsections (1) and (2) of Section 251/F fully within the time limit prescribed for decision.

Section 251/J.

Where the original or a certified copy of the relevant document made out to the non-established taxable person's name in proof of completion of the transaction, mentioned in Paragraphs a), c) and d) of Subsection (1) of Section 127 has been submitted to the state tax authority by means other than electronic, it shall return such document to the non-established taxable person at the time of passing the decision in respect of the VAT refund application.

Section 251/K.

(1) Where a refund has been obtained in a fraudulent way - in terms of validity or accuracy of the amount of VAT -, by infringement committed at the time of inception of the right to claim VAT refund, or subsequently, the non-established taxable person shall repay the amount involved.

(2) In the event where the non-established taxable person fails to comply with the decision underlying the obligation referred to in Subsection (1), the state tax authority shall have the right:

- a) to deduct the sum to be recovered from the amount of VAT to be paid to the non-established taxable person, or
- b) to suspend the procedure or procedures for the exercise of the non-established taxable person's right to claim VAT refund henceforward, insofar as the obligation of repayment is satisfied.

Section 251/L.

(1) The state tax authority:

a) shall take into account any correction made according to Subsection (1) of Section 251 in the case specified in Subsection (2) of Section 251 in respect of the VAT refund application mentioned therein;

b) shall adopt a decision concerning any correction made according to Subsection (1) of Section 251 in the case specified in Subsection (3) of Section 251, relying on the statement mentioned therein, and shall take the measures necessary for the recovery or transfer of the difference resulting from the correction.

(2) Other aspects of the procedure referred to in Paragraph b) of Subsection (1) shall be governed by the provisions pertaining to procedures for the exercise of the right of refund of VAT.

Section 251/M.

(1) Taxable persons established in a recognized third State shall have the option to submit to the state tax authority VAT refund applications, as well as all enclosures, documents and statements to be submitted subsequently, in

electronic format and by way of electronic means - unless the provisions of this Chapter expressly indicate otherwise -, provided that an address for electronic communication is provided in the VAT refund application, as well as a statement declaring that the means necessary for electronic communication are available to the applicant. In that case, the state tax authority shall proceed in accordance with Subsection (1) of Section 251/D in the VAT refund procedure.

(2) Moreover, the state tax authority shall proceed in accordance with the provisions of Subsection (1) relating to electronic communication, in delivering the requests mentioned in Subsections (1) and (2) of Section 251/F in connection with the VAT refund application of the taxable person established in a recognized third State to the parties mentioned in Paragraphs *b*) and *c*) of Subsection (1) of Section 251/F, in addition to the taxable person established in a recognized third State, if the means necessary for electronic communication are available to those parties according to the records of the state tax authority maintained relying on the notification received from such parties, or from the taxable person established in a recognized third State.

Section 251/N.

(1) The right to claim VAT refund under this Chapter shall also apply to the non-taxable legal persons mentioned in Subsection (3) of Section 200, with the exception that:

- a*) their right to claim refund covers only the VAT that becomes chargeable in accordance with Section 203;
- b*) they shall be able to exercise the right to claim VAT refund according to the provisions applicable to taxable persons established in a recognized third State.

(2) The mandatory layout and format of VAT refund applications to be filed by the non-taxable legal persons mentioned in Subsection (3) of Section 200 shall be laid down in specific other legislation, including the instructions for filling them out.

Chapter XIX

SPECIAL PROVISIONS RELATING TO ELECTRONICALLY SUPPLIED SERVICES

Section 252

(1) In the application of Section 47, any taxable person who, apart from what is contained therein, is not engaged in carrying out inside the territory of the Community any supply of goods or services, acquisition of Intra-Community goods that is subject to the payment of VAT in accordance with the law of any Member State of the Community, may apply to the state tax authority before commencing to supply services in the territory of the Community to be registered in that capacity.

(2) The state tax authority may refuse to comply with such application only if the taxable person has already been registered in that capacity in another Member State of the Community, or if having submitted an application therefor in another Member State of the Community, and the application is still pending.

(3) If the state tax authority has identified the taxable person in the domestic territory in that capacity, the supply of services carried out by this taxable person shall be governed by the provisions of this Act, subject to the exceptions set out in this Chapter and in the RTA.

Section 253

(1) The aforesaid taxable person shall not have the right of deduction of VAT originating from the period of registration in the domestic territory; however, he shall have the right to claim refund of VAT in accordance with the provisions of Chapter XVIII.

(2) Taxable persons shall be able to exercise the right referred to in Subsection (1) in accordance with the provisions pertaining to taxable persons established in a recognized third State, with the exception that:

- a*) Section 244 shall apply in lieu of Section 252;
- b*) no verification is required for the legal status under this Chapter.

PART THREE

MISCELLANEOUS, INTERPRETATIVE AND CLOSING PROVISIONS

Chapter XX

MISCELLANEOUS PROVISIONS

Right of Establishment

Section 254

(1) A taxable person shall be considered to have established his business in the place where his registered office or fixed establishment is located.

(2) Where this Act provides for any legal ramifications as the place where a taxable person has established his business, and the taxable person - apart from the registered office mentioned in Subsection (1) - has one or more fixed establishments, the said legal ramifications shall apply to the registered office or fixed establishment that is most directly involved in the transaction in question.

(3) Subsection (2) shall also apply to the taxable person's permanent residence or habitual residence if the taxable person has no established place of business.

Open Market Value

Section 255

(1) 'Open market value' shall mean the full amount that, in order to obtain the goods or services in question at that time, a customer at the same marketing stage at which the supply of goods or services takes place, would have to pay, under conditions of fair competition, to a supplier at arm's length within the territory of the Member State in which the supply is subject to tax.

(2) By way of derogation from Subsection (1), where no comparable supply of goods or services can be ascertained, 'open market value' shall mean the following:

a) in respect of goods, an amount that is not less than the purchase price of the goods or of similar goods or, in the absence of a purchase price, the cost price, determined at the time of supply;

b) in respect of services, an amount - expressed in monetary terms - that is not less than the full cost to the taxable person of providing the service.

Conversion Rates

Section 256

(1) The equivalents in national currency of the amounts in euro specified in this Act shall be determined on the basis of the euro conversion rate applicable on the day of entry into force of the act promulgating the treaty on the accession of the Republic of Hungary to the European Union, this being the official HUF/EUR exchange rate of MNB (252.19 forint/euro), where the amount resulting shall be rounded off - according to the relevant mathematical rules of rounding off - to units of 100,000 forints, or if the amount resulting from the conversion fails to exceed 100,000 forints, to units of 1,000 forints.

(2) Without prejudice to other provisions of Subsection (1), in the application of Paragraph a) of Subsection (1) of Section 99, for determining the forint amount applicable to the entire current calendar year, the exchange rate in effect on the first working day of October of the year preceding the current year shall be applied.

Exemption from Other Tax Liabilities

Section 257

(1) Where a person liable for payment of VAT referred to in Subsection (2), who is using the self-assessment method, has no tax liability during the tax period to be determined by way self-assessment, who would otherwise be liable to submit a tax return to the state tax authority, and who has no right to exercise the right of deduction, or has the right of deduction, however, who did not exercise the right of deduction in that same tax period, shall be exempt from the obligation of filing a tax return, as prescribed in the RTA, for the tax period in question.

(2) The following shall be exempt from the obligation of filing a tax return:

- a) any taxable person who is engaged solely in the supply of goods and/or services exempted under Subsection (1) of Section 85, Subsection (1) of Section 86 or Section 87;
- b) any taxable person who, acting as such:
 - ba) is granted individual exemption;
 - bb) is engaged in agricultural activities.

Chapter XXI

INTERPRETATIVE PROVISIONS

Section 258

(1) The meaning of “tax” as used in the Member States of the Community is contained in Schedule No. 9.

(2) For the purposes of this Act, ‘tax’ shall mean, as regards third States, any tax and similar liabilities, that is able to satisfy all of the following key criteria in terms of regulatory concept and governance:

- a) as regards the type, it is indirect;
- b) as regards the place where the tax revenue is collected, at the stage of final consumption;
- c) as for the point of connection of payment liabilities to the turnover of goods and services, it covers all stages of production and distribution;
- d) as for the method of collection, it allows no accumulation of outstanding taxes.

(3) For the purposes of this Act, ‘tax number’ shall mean:

- a) in the case of the Republic of Hungary: a tax number, group identification number, Community tax number assigned according to the RTA to a taxable person identified in the domestic territory for VAT purposes;
- b) in the case of other Member States of the Community: a code comprised of letters and/or numbers assigned in the Member State to a taxable person identified in that Member State for payment of the tax referred to in Subsection (1), that is considered equivalent to Article 215 of the VAT Directive;
- c) in the case of a third State: a code assigned in the third State to a taxable person identified in that third State for payment of the tax referred to in Subsection (2).

(4) For the purposes of this Act, ‘products subject to excise tax’ and ‘excise tax’ shall mean:

- a) in the case of the Republic of Hungary: products governed by the Excise Act and the tax, due or paid, under the Excise Act;
- b) in the case of other Member States of the Community: the products and duties governed by the national laws of Member States which are considered equivalent to the provisions of the Excise Directive, taking into account Article 3 of Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity, excluding gas supplied through the natural gas distribution system or electricity, and the tax, due or paid, on these products as defined in the aforementioned.

Section 259

For the purposes of this Act:

1. ‘VAT bond’ shall mean the sum required for the purpose of security for the payment of VAT that may be provided according to the regulations laid down in the Customs Act on customs securities, the amount of which:

- a) in the case of the exemption under Section 95, shall cover the amount of VAT established during the customs proceedings before the goods are released into free circulation;
- b) in proceedings for storage in a tax warehouse, shall cover the amount of VAT to be charged relying on the open market value of the goods before released from the warehouse;

2. ‘fixed establishment’ shall mean a geographically isolated and durable facility away from the registered office established or intended for conducting economic activities, where the conditions for the economic activity are in fact available independent from the registered office, including the taxable person’s commercial representations insofar

as the taxable person's commercial representation is most directly involved in the application of Subsection (1) of Section 37;

3. 'samples of goods' shall mean any component part or small quantity of a product that carries specific characteristics of that product, whose sole purpose is to demonstrate the product in question, and that is not suitable for long-term use or for other objectives due to its physical substance or value;

4. 'leasing arrangement' shall mean lease contract and other similar arrangements of a specific period where the lessee is required to pay the consideration in whole or in part in exchange for using the leased article for a specific period of time to the lessor;

5. 'electronic invoice' shall mean the transmission or provision of data to the person to whom the goods or services are supplied using electronic equipment for processing (including digital compression) and storage, and employing wire, radio, optical or other electromagnetic means;

6. 'consideration' shall mean anything of value to be exchanged to settle a debt, including the value accepted for the reduction of existing claims, but not including compensation for damages;

7. 'building land' shall mean the building land and construction site as defined in the Act on the Formation and Protection of the Built Environment, and that is not treated as a developed property;

8. 'cash-substitute payment instrument' shall mean the cash-substitute payment instrument as defined in the Act on Credit Institutions and Financial Enterprises;

9. 'small value' shall mean anything of value worth less than 5,000 forints, where the value is to be determined relying on the open market value of the goods provided - inclusive of VAT- , prevailing at the time when provided;

9/A. 'charitable donation, donation' shall mean goods and services made available to public-benefit organizations and priority public-benefit organizations for supporting their activities performed in the public interest as specified in the Act on Public-Benefit Organizations and supporting public duties that are classified as priority public service activities and, furthermore, to the religious organizations that satisfy the requirements laid down in specific other legislation to support the activities described therein, provided that

a) the true contents of the documents pertaining to the transaction in question and the actual circumstances of such transaction confers sufficient proof that such action does not serve or only seemingly serves the public purpose or public interest, or the objective defined in specific other legislation in the case of religious organizations,

b) such donation does not result in any financial advantage for the donor, its members (shareholders), its executive officers, any member of its board of directors or board of supervisors, its auditor, or close relatives of such persons or private individual members (shareholders), whereby any reference to the name or to the activities of the donor shall not be regarded as financial advantage, and

c) the donor has a certificate made out by the public-benefit organization, priority public-benefit organization or the church that contains the name of the donor and the recipient, their registered address or home address, tax number, or in the absence of a tax number their unique identifier and the objective supported, furthermore, in the case of a public-benefit organization or a priority public-benefit organization, the category of the public service;

10. 'foreign traveler' shall mean a natural person who is not a national of any Member State of the Community, and who has no right of permanent residence in any Member State of the Community, furthermore, a natural person who is a national of any Member State of the Community, however, his permanent address is outside the Community;

11. 'permanent residence' shall mean the place of abode used for permanent habitation and with which the natural person has closer personal and economic ties (center of vital interests);

12. 'residential property' shall mean a constructed structure registered, or in the progress of being registered, in the real estate register as a detached house or a residential suite. Any edifice, which is not necessary for the purposes of the dwelling shall not be construed as residential property, even if built adjoining the residential building, such as garages, workshops, shops and farm buildings;

13. 'non-independent parties' shall mean parties considered legally independent, however:

a) they are considered affiliated in their particular relationship;

b) they hold registered shares in the capital of one another;

c) one of them holds an executive office or a seat in the supervisory board of the other party;

d) they maintain the relationship referred to in Subsection (5) of Section 6;

e) they are closely related or are the close relatives of the persons referred to in Paragraphs a)-d);

14. 'money' shall mean money accepted at face value;

15. 'non-cash payment instrument' shall mean credit tokens, other payment orders or promissory notes - excluding money and cash-substitute payment instruments -, if used to settle a cash debt, provided that the original claim of the beneficiary ceases to exist in consequence of accepting such payment;

16. 'financial instrument' shall mean the financial instrument defined in the Act on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities, exclusive of any financial instruments which give the right to acquire the goods indicated therein;

17. 'radio and television broadcasting' shall mean production of radio and television programs by an authorized broadcaster intended for reception by the public and their transmission or retransmission to the receivers of the users in the form of electronic signals through any broadcast transmission and retransmission network;

18. 'series of transactions' shall mean the fourth and any subsequent sale of building land (parts of a building land) and/or building under construction or developed building land within two calendar years, and any additional building land (parts of a building land) and/or building under construction or developed building land sold within the following three calendar years, however, any building land (parts of a building land) and/or building under construction or developed building land:

a) that is subject to be expropriated; or

b) that is subject to any inheritance duty payable by the seller in accordance with the Duties Act;

shall be included in the above-specified quantity limit, however, it shall be not be recognized to comprise a part of the series of transactions in itself;

19. 'registered office' shall mean the principal place of business and central management of the economic activity;

20. 'habitual residence' shall mean the place where a natural person spends at least 183 days in a given calendar year, including the day of entry to and the day of exit from, in the territory of the country;

21. 'tangible assets' shall mean immovable property and any movable tangible property that are used for the purposes of economic activities for a period of at least one year or more according to its actual use;

22. 'resale' shall mean the supply of goods purchased from others, unaltered and without use or utilization for own purposes, in consequence of which the applicable value of the goods reflects only the customary trade markup as opposed to the value which existed at the time of purchase;

23. 'telecommunications services' shall mean services relating to the transmission, emission or reception of signals, words, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems, including the related temporary or permanent transfer or assignment of the right to use capacity for such transmission, emission or reception, with the inclusion of the provision of access to global information networks;

24. 'transport of goods' shall also mean where the means of transport supplied is transported by covering the distance between the place of dispatch and the place of destination on its own power;

25. 'new means of transport' shall mean:

a) motorized land vehicles the capacity of which exceeds 48 cubic centimeters or the power of which exceeds 7.2 kilowatts, where the supply takes place within six months of the date of first entry into service or where the vehicle has traveled for no more than 6000 kilometers;

b) vessels exceeding 7.5 meters in length, with the exception of vessels used for navigation on the high seas and carrying passengers for reward, and of vessels used for the purposes of commercial, industrial or fishing activities, or for rescue or assistance at sea, or for inshore fishing, where the supply takes place within three months of the date of first entry into service or where the vessel has sailed for no more than 100 hours;

c) aircraft the take-off weight of which exceeds 1550 kilograms, with the exception of aircraft used by airlines operating for reward exclusively or chiefly on international routes, where the supply takes place within three months of the date of first entry into service or where the aircraft has flown for no more than 40 hours;

26. 'customer supplies' shall mean:

a) inside the domestic territory, when the vendor's goods are physically deposited into the prospective customer's warehouse (own or leased), where the goods remain the property of the prospective vendor between the date when admitted for storage and the date of sale and during which such goods may not be used or utilized - with the exception of sampling and trial production -, furthermore, where at the time of supply of the goods in question, initiated by the prospective customer, the release of the goods from storage is physically carried out;

b) in any other Member State of the Community, this means the concept where the national laws of the Member State to which goods are transferred from the domestic territory provide the same or similar treatment as that described in this Act for the case referred to in Paragraph a).

Chapter XXII

CLOSING PROVISIONS

Authorizations

Section 260

(1) The minister in charge of taxation is hereby authorized to decree:

a) the obligation of verification conferred upon persons or organizations engaged in activities in the public interest [Subsection (2) of Section 100] concerning the right to claim any VAT refund, the information required for applications for refund, and other regulations relating to procedure concerning the right to claim VAT refunds;

b) the mandatory layout and format of VAT refund applications to be filed by taxable person established in another Member State of the Community [Paragraph *a)* of Subsection (2) of Section 244], taxable person established in a recognized third State [Paragraph *b)* of Subsection (2) of Section 244], and by non-taxable legal persons mentioned in Subsection (3) of Section 200, including the instructions for filling them out, and the obligation of verification conferred upon taxable persons established in a recognized third State and on non-taxable legal persons mentioned in Subsection (3) of Section 200;

c) the procedures for the issue of invoices and receipts, including where receipts must be issued in printed form, and further provisions concerning the identification of invoices and receipts for tax administration purposes.

(2) The minister in charge of taxation is hereby authorized to decree - in agreement with the minister in charge of foreign policies and the minister in charge of defense - the obligation of verification conferred upon persons exempted under Section 107 concerning the right to claim any VAT refund, the information required for applications for refund, and other regulations relating to procedures concerning the right to claim VAT refunds.

(3) The minister in charge of taxation is hereby authorized to decree - in agreement with the minister in charge of information technology - the rules laying down the requirements to guarantee the authenticity of the origin of invoices issued by electronic means and the integrity of their content.

Enacting Provisions

Section 261

(1) This Act - subject to the exceptions set out in Subsections (2) and (3) - shall enter into force on 1 January 2008, and shall apply - subject to the exceptions set out in Subsections (4)-(8) and taking into account what is contained in Section 269 - effective as of that time.

(2) Section 8, and Section 22/A and Subsection (9) of Section 33 of the RTA - as established by this Act - and Point 1 of Section 178 of the RTA - as amended by this Act - shall enter into force on the day of promulgation of this Act, however, the legal consequences pertaining to the operative status of the resolutions authorizing group taxation arrangements, that became operative before 1 January 2008, shall apply as of 1 January 2008.

(3) The regulations relating to the advance notification requirements concerning the exercise of the options referred to in Subsection (5) of Section 20, Subsection (4) of Section 30, Paragraph *b)* of Subsection (2) of Section 80, Subsection (1) of Section 88, Subsection (1) of Section 218, Subsection (1) of Section 220, Subsection (1) of Section 224, Subsection (1) of Section 237 and Subsection (1) of Section 239, shall enter into force on the day of promulgation of this Act, and they may be made available to the state tax authority as of that time, with the relating legal consequences becoming applicable as of 1 January 2008, unless otherwise implied by the provisions of this Act.

(4) If expropriation results in the supply of goods, the provisions of this Act shall be first applied where the expropriation procedure is opened on 1 January 2008, or subsequently.

(5) In connection with the VAT refunds, the provisions contained in Sections 99, 100, 107 and 108, and the provisions of Chapter XVIII shall be first applied where the right to claim the refund of VAT arises on 1 January 2008 or thereafter.

(6) Where the VAT liability of a taxable person during the last applicable tax period in 2007 turns out negative when calculated according to the relevant provisions of the VAT Act [Section 262], and the taxable person applies to the state tax authority for a refund after this Act enters into force, the provisions of Section 186 shall apply concerning the submission and evaluation of the application for refund, subject to the taxable person's prior notification.

(7) The first of the two calendar years mentioned in Point 18 of Section 259 shall be 2008.

(8) Section 156 and Section 157 shall be first applied as of 1 July 2008, where the application referred to in Subsection (3) of Section 156 shall be submitted to the customs authority by 31 March 2008 at the latest.

Repeals

Section 262

- (1) Simultaneously with this Act entering into force:
- a) Act LXXIV of 1992 on Value Added Tax (hereinafter referred to as “VAT Act”),
 - b) Act LXX of 1993 on the Amendment of the VAT Act,
 - c) Subsection (5) of Section 39 and Section 40 of Act LXV of 1994 on the 1994 Supplementary Budget of the Republic of Hungary,
 - d) Subsection (15) of Section 7 of Act XVII of 1997 on the Amendment of Certain Acts laying down the Conditions for Taxation of Agricultural Producers,
 - e) Act LXIV of 1998 on the Amendment of the VAT Act,
 - f) Section 200 of Act XCIX of 1999 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - g) Section 270 of Act CXIII of 2000 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - h) Section 305 of Act XLII of 2002 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - i) in Subsection (2) of Section 12 of Act XVIII of 2003 on the Amendment of Tax Laws the passage “Subsection (12) of Section 305, as established by this Act, and” and Subsection (2) of Section 13,
 - j) Sections 211-213 of Act XCI of 2003 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - k) Sections 67-71 of Act IX of 2004 on the Amendment of the VAT Act,
 - l) Sections 303 and 304 of Act CI of 2004 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - m) Sections 57-59 and Section 62 of Act XXVI of 2005 on the Amendment of Certain Acts Concerning Taxes and Mandatory Contributions,
 - n) Section 45 of Act LXXXII of 2005 on the Amendments of Financial Regulations,
 - o) Act XCVII of 2005 on the Amendment of the VAT Act,
 - p) Section 182 of Act CXIX of 2005 on the Amendment of Certain Acts Concerning Taxes, Mandatory Contributions and Other Payments to the Central Budget,
 - q) Sections 228-230 of Act LXI of 2006 on the Amendments of Financial Regulations,
 - r) Section 132, Sections 196-199 and Section 217 of Act CXXXI of 2006 on the Amendments of Financial Regulations,
 - s) Act LXII of 2007 on the Amendment of the VAT Act,
- shall be repealed, however, they shall remain to apply - subject to the exceptions set out in Subsections (4) and (5) and taking into account what is contained in Section 269 - in the cases where the tax liability under the VAT Act, and the right of deduction originate from any period before 31 December 2007.
- (2) Furthermore, simultaneously with this Act entering into force:
- a) Subsection (4) of Section 15 of Act LXXIV of 1990 on the Privatization (Alienation, Utilization) of State-Owned Companies Engaged in Retail Trade, Catering and Consumer Services,
 - b) in Subsection (4) of Section 56 of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings the passage “and value added tax”,
 - c) Subsection (4) of Section 56 of Act LIII of 1995 on the General Rules of Environmental Protection,
 - d) in Subsection (2) of Section 30 of Act XXV of 1996 on the Debt Consolidation of Local Governments the passage “and value added tax”,
 - e) in Subsection (1) of Section 9 of Act LXV of 1996 on the Regulation of Ownership Status of Certain Real Estate Properties Holding Sports Facilities the passage “and value added tax”,
 - f) in Subsection (2) of Section 14 of Act XCI of 1998 on the 1999 Budget of the Social Security Funds the passage “and value added tax”,
 - g) in the third sentence of Subsection (1) of Section 88 of Act CXXXVII of 2006 on the 2007 Budget of the Republic of Hungary the passage “the value added tax and” and in Subsection (2) of Section 88 the passage “the value added tax and”

shall be repealed, however, they shall remain to apply - taking into account what is contained in Section 269 - in the cases where the tax liability under the VAT Act, and the right of deduction originate from any period before 31 December 2007.

(3)

(4) Paragraph e) of Subsection (3) of Section 7 and Paragraph a) of Subsection (3) of Section 9 of the VAT Act shall remain to apply after time of this Act entering into force, where goods and/or services were acquired before the time of promulgation of this Act for the justified purposes of the supply of goods to others without consideration and/or for carrying services free of charge.

(5)

Amendments

Sections 263-266

Section 267

Unless otherwise prescribed in this Act, any reference made in legal regulations to the VAT Act, it shall be understood - effective as of the date of this Act entering into force - as this Act.

Approximation Clause

Section 268

This Act - together with the RTA - serves the purpose of conformity with the following legislation of the Communities:

a) Second Council Directive of 12 June 1972 on the harmonization of provisions laid down by law, regulation or administrative action relating to the rules governing turnover tax and excise duty applicable in international travel (72/230/EEC),

b) Third Council Directive of 12 June 1978 on the harmonization of provisions laid down by law, regulation or administrative action relating to the rules governing turnover tax and excise duty applicable in international travel (78/1032/EEC),

c)

d) Council Directive of 28 March 1983 determining the scope of Article 14 (1) (d) of Directive 77/388/EEC as regards exemption from value added tax on the final importation of certain goods (83/181/EEC), including the following Directives amending it:

da) Council Directive of 8 July 1985 amending Directive 83/181/EEC determining the scope of Article 14 (1) (d) of Directive 77/388/EEC as regards exemption from value added tax on the final importation of certain goods (85/346/EEC),

db) Council Directive of 13 June 1988 amending Directive 83/181/EEC determining the scope of Article 14 (1) (d) of Directive 77/388/EEC as regards exemption from value-added tax on the final importation of certain goods (88/331/EEC),

dc) Commission Directive of 7 March 1989 amending Council Directive 83/181/EEC determining the scope of Article 14 (1) (d) of Directive 77/388/EEC as regards exemption from value added tax on the final importation of certain goods, to take account of the introduction of the combined nomenclature (89/219/EEC),

e) Thirteenth Council Directive of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory (86/560/EEC),

f) Council Directive 2006/79/EC of 5 October 2006 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries,

g) Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, including the following Directives amending it:

ga) Council Directive 2006/138/EC of 19 December 2006 amending Directive 2006/112/EC on the common system of value added tax as regards the period of application of the value added tax arrangements applicable to radio and television broadcasting services and certain electronically supplied services,

- gb) Council Directive 2007/75/EC of 20 December 2007 amending Directive 2006/112/EC with regard to certain temporary provisions concerning rates of value added tax,
- gc) Council Directive 2008/8/EC of 12 February 2008 amending Directive 2006/112/EC as regards the place of supply of services,
- gd) Council Directive 2008/117/EC of 16 December 2008 amending Directive 2006/112/EC on the common system of value added tax to combat tax evasion connected with intra-Community transactions,
- ge) Council Directive 2009/47/EC of 5 May 2009 amending Directive 2006/112/EC as regards reduced rates of value added tax;
- h) Council Directive 2008/9/EC of 12 February 2008 laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State.

Transitional Provisions

Section 269

(1) In the event if this Act and the VAT Act both contain provisions affecting the same party or parties and concerning the same rights and obligations relating to self-assessment based on the same facts, the rights and obligations relating to self-assessment shall remain to be governed after the time of this Act entering into force exclusively by the provisions of the VAT Act, unless this Act contains provisions to abolish the obligations, relative to the VAT Act, on the whole with respect to all parties concerned, or provides for less stringent obligations, or introduces new rights or additional entitlements. In the latter case, the rights and obligations may be established and applied - upon the mutual consent and decision of all parties concerned - under the relevant provisions of this Act, even if they originate from any period before the time of this Act entering into force - inside the term of limitation -, provided that all parties concerned supply a written statement on this decision in advance, conveying their mutual understanding, to the state tax authority, where these statements must reach the competent branch of the state tax authority by 15 February 2008. No application for excuse shall be accepted upon failure to meet the above deadline. In these cases self-revision may be carried out without having to pay any self-revision surcharge.

(2) As regards the purchases made before the time of this Act entering into force, relating to the transfers specified in the legal regulation referred to in Paragraph g) of Subsection (2) of Section 262, the right of deduction shall remain in force, the provisions of this Act notwithstanding.

(3) After the time of this Act entering into force, the applied rate shall remain zero relating to the supply of goods and services funded under the ISPA pre-accession programs carried out directly to the beneficiary, to the extent of financing received from the Cohesion Fund. This provisions may be first applied concerning the supply of goods or services, in connection with which the VAT became chargeable after 1 May 2004.

(4) The group taxation arrangements made under the VAT Act shall cease to exist as of 31 December 2007, and each member of the group shall submit a VAT return for any period not previously covered, with respect to all taxes, in accordance with the provisions of the RTA governing interim tax returns.

(5) In connection with the assets and rights of a person or organization, that can be conveyed under concession contract, and where the potential for exercising the activities are created by a project where the Vat Act did not allow the right of deduction in connection with the VAT charged on supplies carried out between 1 January 2004 and 31 December 2007, the holder of such assets and rights may subsequently exercise the right of deduction with respect to such previously not deducted VAT - in due observation of the relevant provisions of this Act relating to deductions -, provided that the assets and intangible property produced by the project, and the assignment of the right to exercise the activity in question results in any subsequent liability for the payment of VAT. The right of deduction shall arise when the VAT becomes chargeable - in accordance with this Act - upon the transfer of the assets, intangible property produced by the investment project, or upon the transfer of the right for the exercise of the activity in question. The right of deduction may be exercised only if the amount of the VAT applied at the preceding stage, that can be deducted subsequently during the given tax period remains below the amount of VAT chargeable during the same tax period following the transfer of the assets, intangible property produced by the investment project, or upon the transfer of the right for the exercise of the activity in question.

(6) Simultaneously with this Act entering into force, the taxable person using the margin scheme according to position numbers in compliance with the VAT Act shall close out the margin for tours under specific position numbers by 31 December 2007, and shall submit a VAT return accordingly. The amount of VAT according to the prior may be adjusted on the basis of invoices received from suppliers after the time of this Act entering into force.

Act XXXV of 2009

Section 56. The provisions of the VAT Act - as established by Sections 57 and 58 of this Act - shall be first applied where the time referred to in Section 84 of the VAT Act is subsequent to 30 June 2009.

Section 57. (1) The provisions of the VAT Act in effect on 30 June 2009 shall apply to the supply of goods and services, where the time of the chargeable event is to be determined according to Section 58 of the VAT Act, and if the period to which the installment or deferment pertains ends before the time of this Act entering into force, but the due date of payment of the consideration falls on the day of this Act entering into force or thereafter.

(2) The supply of goods and services affected by the change in the rate of value added tax, where the time of the chargeable event is to be determined according to Section 58 of the VAT Act, and if the period to which the installment or deferment pertains begins before the time of this Act entering into force, but it ends on the day of this Act entering into force or thereafter, shall be recognized as a chargeable event - according to the number of calendar days falling

a) before the day of this Act entering into force,

b) on and after the day of this Act entering into force,

for the purposes of the value added tax rate applicable, as pro rata partial supply in accordance with Paragraphs *a)* and *b)*. Supply on a pro rata basis under Paragraph *a)* shall be governed by the relevant provisions of the VAT Act in effect on 30 June 2009, where payment of the consideration falls due on the day of this Act entering into force or thereafter.

Section 58. By way of derogation from Section 57, the provision set out in Schedule No. 2 to this Act shall initially apply where the time referred to in Section 84 of the VAT Act falls on the day of Schedule No. 2 entering into force or thereafter.

Section 59. (1) Cash registers and taximeters providing cash receipts shall be recalibrated according to the new value added tax rate by 31 August 2009 at the latest by an authorized service contractor.

(2) Before the time limit specified in Subsection (1) for recalibration:

a) service providers using taximeters for providing cash receipts, and

b) service providers using cash registers for providing cash receipts with the value added tax indicated as charged and for making out invoices

shall satisfy their obligation to issue receipts and their invoicing obligation manually.

Act CIX of 2009

Section 50. (10) These provisions shall enter into force on the second day following the time of the European Commission's decision according to which no risk of distortion of competition is deemed to exist in respect of the provision set out in Point 2 of Schedule No. 3, in any case on 1 January 2010 at the earliest, or on 15 January 2010, if the European Commission has not taken that decision within the prescribed time limit.

Section 51. (11) Simultaneously with the time of entry into force of the provisions of the VAT Act, as established by Section 42 and Schedule No. 3 to this Act, Point 1 of Part II of Schedule No. 3/A to the VAT Act shall be repealed, and simultaneously the numbering of Point 2 shall be changed to Point 1.

Schedule No. 1 to Act CXXVII of 2007

Territory and Member States of the Community

1. 'Territory of the Community' shall mean the territory of each Member State of the Community, listed in Article 299 of that Treaty, with the exception of any territory referred to in Points 2-4 (hereinafter referred to as "territory of a Member State").

2. The territory of the Community, and consequently, the territory of a Member State shall not cover the following territories forming part of the customs territory of the Community, and consequently, the territory of a Member State:

a) United Kingdom:

- Channel Islands;

b) Republic of Finland:

- Aland Islands;

c) Republic of France:

- the overseas departments;
- d) Hellenic Republic:
 - Athosz-Mountain;
- e) Kingdom of Spain:
 - the Canary Islands.

3. The territory of the Community, and consequently, the territory of a Member State shall not cover the following territories not forming part of the customs territory of the Community:

- a) United Kingdom:
 - Gibraltar;
- b) Federal Republic of Germany:
 - the territory of Büsingen,
 - the Island of Heligoland;
- c) Republic of Italy:
 - Campione d'Italia,
 - Livigno,
 - the Italian waters of Lake Lugano;
- d) Kingdom of Spain:
 - Ceuta,
 - Melilla.

4. For the purposes of this Act, the following shall not be treated as third country territories:

- a) Isle of Man,
- b) Principality of Monaco,
- c) Akrotiri and Dhekelia comprising the Sovereign Base Areas of the United Kingdom.

5. For the purposes of this Act, the transactions originating in or intended for:

- a) the Isle of Man, must be treated as transactions originating in or intended for the United Kingdom;
- b) the Principality of Monaco, must be treated as transactions originating in or intended for the French Republic;
- c) Akrotiri and Dhekelia comprising the Sovereign Base Areas of the United Kingdom, must be treated as transactions originating in or intended for the Republic of Cyprus.

Schedule No. 2 to Act CXXVII of 2007

List of Activities Engaged in by Bodies Governed by Public Law

1. Telecommunications services
2. Supply of water, gas, electricity and thermal energy
3. Transport of goods
4. Port and airport services
5. Transport of passengers
6. Supply of new goods manufactured for sale
7. Transactions in respect of agricultural products, carried out by agricultural intervention agencies pursuant to Regulations on the common organization of the market in those products
8. Organization of trade fairs and exhibitions
9. Warehousing
10. Activities of commercial publicity bodies
11. Activities of travel agents
12. Running of staff shops, cooperatives and industrial canteens and similar institutions
13. Activities carried out by radio and television bodies

Schedule No. 3 to Act CXXVII of 2007

List of goods and services governed under Subsection (3) of Section 82

Part I: Products

No.	Description	Tariff Heading
1.	Medicinal products for human consumption governed under the Act on Medicinal Products for Human Use and on the Amendment of Other Regulations Related to Medicinal Products and licensed by an authority authorized specified in specific other legislation, and pharmaceuticals imported in non-commercial circulation by authorization of the competent authority; Magistral formula for human consumption.	
2.	Drugs made from common medicinal herbs for sale to the general public in regular retail packages	ex 121190 98 ex 1302
3.	Diagnostic reagents for human consumption authorized by the competent authority	ex 3002 10 ex 3002 90 ex 3006 20 ex 3006 30 ex 3821 ex 3822
4.	Radioactive isotopes for medical purposes	ex 2844 40 20 00
5.	Dietary supplements for special medicinal purposes, mother's milk substitutes and supplements	1901 10 00 02 2106 90 92 01 2106 90 98 01
6.	Oxygen for medical use (packaged in max. 10- or 20-liter, 150- and 200-bar pressure bottles, or in liquid form, only if listed in the pharmacopoeia)	ex 2804 40
7.	Braille-boards, plastic	ex 3926 90
8.	White canes for the blind	ex 6602
9.	Perforators for the blind	ex 8205 59 90
10.	Braille-boards, metal	ex 8310
11.	Braille-typewriters for the blind	ex 8469 30
12.	Signal processing unit for the blind and for the hearing impaired (sold at cost by the Association to its members)	ex 8471
13.	Telephone operator adapters for the blind	ex 8517 80 90
14.	Braille-clocks for the blind	ex 9102
15.	Books	ex 4901 4903
16.	Daily newspapers (journals published at least four times in a week); Other newspapers and magazines (journals published at least once in a year)	4902
17.	Sheet-music	4904

Part II: Services

No.	Description
1.	District heating services, including the production of heat from renewable energy sources under the Act on Electric Energy

Schedule No. 3/A to Act CXXVII of 2007

List of goods and services governed under Subsection (3) of Section 82

Part I: products

No.	Description	Tariff Heading
1.	Milk and dairy products (excluding mother's milk)	under 0401 0402 0403 0404 10 under 0405 ex 0406
2.	Dairy products [excluding imitation milk drinks (milk-derivative-based drinks), usually containing a mixture of milk and permeates - or whey and/or cream -, whose quality and quantitative composition differs from natural milk, and contains significantly less protein than natural milk]	under 0404 90
3.	Flavored milk	under 2202 90 91 under 2202 90 95 under 2202 90 99
4.	Cereals, flour, starch or milk products	1901 (excluding: 1901 10 00 02) 1903 1904 1905 10 1905 40 1905 90

Part II: Services

No.	Description
1.	Provision of accommodation

Schedule No. 4 to Act CXXVII of 2007

VAT Warehouse Arrangements

1. A VAT warehousing arrangement covers the depositing of goods into a VAT warehouse, including storage and discharge.

2. 'VAT warehouse' shall mean:

a) with the exception of excise goods, a warehouse authorized by the customs authority for VAT warehousing arrangements under the conditions consistent with the authorization and operating conditions set out in Article 525 of Customs Implementation Regulation for type-A customs warehouses;

b) in the case of excise goods, a warehouse defined in the Excise Act, provided that the customs authority has granted authorization to the authorized operator of the VAT warehouse (hereinafter referred to as "VAT warehouse operator") - upon request - for the purposes of VAT warehousing arrangements. The authorization shall be granted if the VAT warehouse and the VAT warehouse operator operates a filing and records systems with facilities to identify excise goods that may be admitted for the VAT warehousing arrangement separately from all other excise goods clearly and reliably.

3. 'Admission for storage' shall mean when excise goods are in fact deposited into the VAT warehouse subject to proper entitlement.

4. 'Discharge from storage' shall mean when excise goods are in fact released from the VAT warehouse subject to proper entitlement.

5. 'VAT warehouse operator' shall mean - without prejudice to other statutory provisions - a taxable person registered in the domestic territory, who has no legal status governed under this Act that, owing to its character, is incompatible with or would be an impediment to discharging the obligations mentioned in this Act.

6. VAT warehouses are supervised by the customs authority, and they could be direct or indirect.

7. The depositor shall be:

- a) the supplier of the goods; or
- b) a person carrying out the intra-Community acquisition of goods.

8. Admission for storage may be requested by the depositor, or by an agent acting in the name and on behalf of the depositor.

9. Admission for storage may be requested at the customs body supervising the VAT warehouse, using the standard form prescribed for this particular purpose (hereinafter referred to as "warehousing document").

10. The warehousing document must contain the following information:

- a) the name, address and tax number of the depositor;
- b) sequential number of the document made out on the transaction underlying storage in the VAT warehouse [Point 7], or any other indication which uniquely identifies the document;
- c) description and quantity of the goods to be deposited;
- d) the name, address and tax number of the VAT warehouse operator;
- e) registration number and address of the VAT warehouse.

11. The warehousing document shall be submitted in three copies.

12. When the warehousing document is submitted, the original or an official copy of the document made out on the transaction underlying storage in the VAT warehousing shall also be presented to the customs authority, with two copies on such document attached.

13. Where admission for storage is requested by a person other than the depositor, the agent acting in his name and on his behalf must enclose with the warehousing document a power of attorney made out in writing to his name.

14. At the time when admission is requested the customs authority shall inspect to goods in question, which may be administrative, random or general.

15. The customs authority shall record the results of the inspection, and the date and time of admission for storage on the warehousing document.

16. One copy of the endorsed warehousing document shall be given to the depositor, one copy to the VAT warehouse operator, and one copy shall be retained by the customs authority. One of the enclosed duplicates mentioned in Point 12 shall be kept by the VAT warehouse operator and the other by the customs authority.

17. In the event where the goods stored in the VAT warehouse are sold according to Section 113, the vendor shall send an official copy of the relevant invoice - save where Point 24 applies - to the VAT warehouse operator, another copy to customs branch exercising supervision of the VAT warehouse, and they shall be required to safeguard these copies.

18. The consignee shall be:

- a) the depositor of the goods mentioned in Point 7b); or
- b) the last vendor verified, who sold the goods according to Section 113.

19. Goods may be released from storage subject to the consignee providing adequate VAT bond. If the consignee has appointed a financial representative to act on his behalf, this financial representative shall be permitted to provide the VAT bond in his own name and on the consignee's behalf. The VAT bond shall not be required if the consignee or the financial representative is recognized as a qualified taxpayer in accordance with the RTA.

20. Release from storage may be requested by the consignee himself, or by his agent acting in his name and on his behalf.

21. Release from storage may be requested at the customs body supervising the VAT warehouse, using the standard form prescribed for this particular purpose (hereinafter referred to as "discharge document").

22. The discharge document must contain the following information:

- a) the name, address and tax number of the consignee;
- b) reference to the entitlement of the consignee [Point 18];
- c) description and quantity of the goods to be released;
- d) the name, address and tax number of the VAT warehouse operator;
- e) registration number and address of the VAT warehouse.

23. The discharge document shall be submitted in three copies.

24. The discharge document shall have enclosed a certificate on the VAT bond which the consignee is required to provide [Point 19].

25. For the purposes of Point 18/b, when the discharge document is submitted, the original or an official copy of the document made out on the sale of the goods in question shall also be presented to the customs authority, with two copies of such document attached. If, however, at the time when release from storage is requested the supply of goods has not yet been carried out, or it has been completed, but the invoice will be issued at a later time, at the time the discharge document is submitted:

a) the original or a certified copy of the document prescribed by the Excise Act for certain cases where the discharge of excise goods entails the immediate obligation of documentation,

b) the original or a certified copy of the consignment note, that is subject to strict accounting requirements according to the Accounting Act, in cases other than under Paragraph a),

shall be presented to the customs authority, with two copies of the said documents enclosed, except if the document referred to in Paragraph a) is already available to the customs authority in accordance with the Excise Act. The obligation set out in the first sentence, however, shall be discharged - the prior provisions notwithstanding - within the time limit prescribed for the identification of goods released from storage in terms of tax liability [Point 38].

26. For the purposes of Point 18b), the consignee shall be recognized as the last vendor, if the person indicated as the buyer on the last invoice of a series of consecutively issued invoices mentioned in Point 17 is the same as the person who has issued the invoice referred to in Point 25.

27. Where release from storage is requested by a person other than the consignee, the agent acting in his name and on his behalf must enclose with the warehousing document a power of attorney made out in writing to his name.

28. At the time when release from storage is requested the customs authority shall inspect to goods in question, which may be administrative, random or general.

29. The customs authority shall record the results of the inspection, and the date and time of discharge from storage on the discharge document.

30. One copy of the endorsed discharge document shall be given to the consignee, one copy to the VAT warehouse operator, and one copy shall be retained by the customs authority. One of the enclosed duplicates mentioned in Point 25 shall be kept by the VAT warehouse operator and the other by the customs authority.

31. A VAT warehouse operator shall be required to keep regularly updated quantitative records on the goods placed under the VAT warehousing arrangement, broken down according to the following:

a) quantity and description of the opening inventory of goods placed under the VAT warehousing arrangement;

b) quantity and description of the goods admitted for storage, as verified, into the VAT warehouse;

c) quantity and description of the goods released from storage, as verified, from the VAT warehouse;

d) quantity and description of the closing inventory of goods placed under the VAT warehousing arrangement.

32. The records referred to in Point 31 shall be kept separately for each VAT warehouse, and shall contain facilities to identify the depositor [Point 7], the buyer of the goods shown on the last invoice of a series of consecutively issued invoices mentioned in Point 17, and the consignee [Point 18] clearly and beyond any doubt.

33. The VAT warehouse operator shall be required to take an itemized inventory to support:

a) the opening inventory of the VAT warehouse on the day when the VAT warehouse was opened,

b) the closing inventory of the VAT warehouse on the day when the VAT warehouse was terminated,

c) in other cases the opening and closing inventories of the VAT warehouse for each calendar quarter, on the last day of the calendar quarter. The inventory procedures shall be governed by the relevant provisions of the Accounting Act.

34. If the inventory indicates any deviation in terms of quantity from the records, the goods affected shall be considered:

a) as if they were supplied at the time when the inventory was taken, on which the VAT is chargeable according to Paragraph a) of Section 2, and

b) as if they were released from storage at the time when the inventory was taken.

35. Where Point 34 applies, the supplier of the goods, acting also as the consignee, shall be the same as the person shown in the records [Point 32].

36. If, for the purposes of Point 35, the supplier of the goods cannot be identified, the VAT warehouse operator shall be treated as the supplier, acting also as the consignee.

37. Where Point 34 applies, the consignee is required provide a VAT bond in connection with the goods in question, to which the exemption specified in Point 19 shall not apply.

38. The customs authority shall release the VAT bond provided under Points 19 and 37, if the consignee is able to identify the status of the goods in terms of taxation within ninety days from the time when the goods are released

from storage. In other cases, the customs authority shall levy and collect the VAT chargeable, or shall deduct it from the VAT bond provided for having the goods discharged from storage, if not paid.

39. Within the meaning of Point 38, the identification of goods released from storage in terms of tax liability shall mean:

a) when the document in proof of submission of a VAT return on the VAT charged on the goods supplied, or if it is exempted under this Act, a document in proof thereof is presented to the customs authority;

b) when the document in proof of submission of a VAT return on the VAT charged on the intra-Community acquisition of goods is presented to the customs authority, if the consignee is acting as the person to whom the goods are supplied inside the Community [Point 7b)].

40. The consignee shall not be required to present the document referred to in Point 39a) if the customs authority received verification in the form of an electronic message concerning the exportation of the goods from the territory of the Community as part of the data exchange between customs authorities carried out through information technology and computer networks.

41. At the warehouse operator's request, the customs authority may - in the process of authorization of a warehouse for VAT warehousing arrangements, or thereafter - grant authorization for simplified warehousing procedures (hereinafter referred to as "simplified VAT warehousing arrangements"), subject to the authorization and operating conditions set out in Articles 272-274 of the Customs Implementation Regulation for customs warehousing within the local clearance procedure.

42. In connection with simplified VAT warehousing arrangements, the aforesaid provisions of this Chapter shall apply subject to the following exceptions:

a) without prejudice to other provisions of Point 9, admission for storage may be requested at the VAT warehouse operator;

b) by way of derogation from Point 11, the warehousing document shall be submitted in two copies;

c) the document referred to in Point 12 shall be submitted to the VAT warehouse operator, furthermore, a copy of this document shall be attached, and shall be retained by the VAT warehouse operator;

d) the obligation described in Point 13 shall be discharged to the VAT warehouse operator;

e) without prejudice to Points 14 and 28, the customs authority shall inspect the goods placed under the simplified VAT warehousing procedure;

f) Point 15 and Point 16 shall not apply;

g) without prejudice to other provisions of Point 17, the vendor is not required to send a certified copy of the relevant invoice to the customs branch exercising supervision of the VAT warehouse;

h) without prejudice to other provisions of Point 21, release from storage may be requested at the VAT warehouse operator;

i) by way of derogation from Point 23, the discharge document shall be submitted in two copies;

j) the obligation prescribed in Point 24 shall be discharged to the VAT warehouse operator;

k) the discharge document referred to in Point 25 shall be submitted to the VAT warehouse operator, furthermore, a copy of this document shall be attached, and shall be retained by the VAT warehouse operator;

l) the obligation prescribed in Point 27 shall be discharged to the VAT warehouse operator;

m) Point 29 and Point 30 shall not apply;

n) in addition to what is contained in Points 31-33, the records of the VAT warehouse operator shall contain the data made available under Paragraphs b)-d), g) and i)-k).

43. In addition to what is contained in Point 42, under simplified VAT warehousing arrangements:

a) admission for storage is carried out by way of an entry in the VAT warehouse operator's records - shown as admission -, that is to be indicated by the VAT warehouse operator on the warehousing document as well, a copy of which is given to the depositor, while the other copy is retained by the VAT warehouse operator;

b) discharge from storage carried out by way of an entry in the VAT warehouse operator's records - shown as discharge -, that is to be indicated by the VAT warehouse operator on the discharge document as well, a copy of which is given to the consignee, while the other copy is retained by the VAT warehouse operator;

c) the VAT warehouse operator shall, at the time of admission [Paragraph a)], and discharge [Paragraph b)] notify the customs body supervising the VAT warehouse as well;

d) the VAT warehouse operator shall notify the customs body supervising the VAT warehouse in the event where the goods stored in the VAT warehouse are sold [Point 17] upon receipt of the certified copy of the relevant invoice.

Schedule No. 5 to Act CXXVII of 2007

Formula for the Calculation of Apportionment of VAT by Averaging as Referred to in Subsection (3) of Section 123

1. The apportionment of VAT by averaging as referred to in Subsection (3) of Section 123 shall be calculated by the following formula:

$$L = A \times L(H);$$

where

L: means the amount of the deductible proportion;

A: the total amount of VAT for the year, to which the deductible proportion applies;

L(H): the deductible proportion which is the result of the quotient

- the numerator of which contains the total consideration for the supply of goods and services (including payments made on account) shown in forints, made during the entire year, giving rise to the deductibility of VAT, exclusive of VAT,

- the denominator of which contains the total amount of the consideration contained in the numerator and the supply of goods and services (including payments made on account) shown in forints, made during the entire year, not giving rise to the deductibility of VAT, exclusive of VAT.

2. If the taxable person receives any financial aid, directly, that has no immediate bearing on the price charged for the supply of goods or services carried out according to Section 65, the total amount of such financial aid, shown in forints for the year, shall be added to the deductible proportion mentioned in Point 1.

3. The following may not be included neither in the numerator nor the denominator of the deductible proportion mentioned in Point 1:

a) consideration originating from the supply of tangible assets which the taxable person previously used for the purposes of his own business;

b) consideration received in connection with the supply of immovable property or the supply of services relating to immovable property, if carried out on an ad hoc basis;

c) consideration received for services supplied under Paragraphs a)-g) of Subsection (1) of Section 86, if carried out on an ad hoc basis.

4. Within the meaning of Points 3b) and 3c), the taxable person's activity shall not be considered as being carried out on an ad hoc basis, if carried out under authorization as prescribed in the relevant other legislation, or if an authorization is mandatory, or if the proportion of the total value of all considerations covering the entire year, exclusive of VAT, from the activities referred to in Points 3b) and 3c) shown in forints, made during the entire year, exceeds ten per cent of the value of the denominator of the deductible proportion mentioned in Point 1.

5. The deductible proportion mentioned in Point 1 shall be rounded up, showing two decimal places.

6. The apportionment of VAT shall be carried out with final effect, using the data of the current year, simultaneously with the submission of the last VAT return for the last tax period of the year.

7. The apportionment of VAT shall be carried out with temporary effect, using the interim data of the current year, before the last tax period of the year, simultaneously with the submission of the VAT return for the whole year.

8. In the process of the apportionment carried out according to Point 7, the interim data shall be carried over from tax period to the next, and the deductible amount of VAT shall be determined by subtracting the result of the current tax period from the result of the previous tax period.

9. In connection with the apportionment referred to in Point 7 the taxable person shall have the option:

a) to select the final deductible proportion pertaining to the year preceding the current year, if such deductible proportion is available; or

b) to use the deductible proportion resulting from the sums carried over from the interim and tax periods of the current year.

10. If the taxable person exercised the option referred to in Point 9a), shall remain bound to this option for the entire period of apportionment under Point 7. In this case the taxable person shall - by way of derogation from what is contained in Point 8 - apportion the amount of VAT applicable to the tax periods affected by the apportionment relying on the deductible proportion mentioned in Point 9a).

11. In case if the taxable person is also subject to the apportionment referred to in Point 7, the formula mentioned in Point 8 shall be applied to the apportionment referred to in Point 6.

12. In the event if, following submission of the VAT return mentioned in Point 6, any change occurs in the factors used to determine the amount of VAT to be deducted with final effect, and the resulting difference reaches or exceeds 10,000 forints in terms of absolute value relative to the amount contained in the VAT return mentioned in Point 6, the taxable person shall be required to adjust the apportionment of VAT accordingly.

Schedule No. 6 to Act CXXVII of 2007

List of Goods Referred to in Paragraph d) of Subsection (1) of Section 142

No.	Description	Tariff Heading
1.	Slag and dross, ferrous scrap	7204 ex 7204 50
2.	Copper waste and scrap	7404
3.	Nickel waste and scrap	7503
4.	Aluminum waste and scrap	7602
5.	Waste and scrap of lead	7802
6.	Waste and scrap of zinc	7902
7.	Waste and scrap of tin	8002
8.	Wolfram (tungsten) waste and scrap	8101 97
9.	Molybdenum waste and scrap	8102 97
10.	Tantalum waste and scrap	8103 30
11.	Magnesium waste and scrap	8104 20
12.	Cobalt waste and scrap	8105 30
13.	Bismuth waste and scrap	ex 8106 00 10
14.	Cadmium waste and scrap	8107 30
15.	Titanium waste and scrap	8108 30
16.	Zirconium waste and scrap	8109 30
17.	Antimony waste and scrap	8110 20
18.	Manganese waste and scrap	8111 00 19
19.	Granulated slag (slag sand) from the manufacture of iron or steel	2618
20.	Slag, and ash (excluding granulated slag), dross and waste from the manufacture of iron or steel	2619
21.	Slag and dross suitable for the extraction of arsenic, metal, or their compounds (excluding slag and dross from the manufacture of iron or steel)	2620
22.	Recycled (waste and scrap) of paper and paperboard	4707
23.	Cullet and other waste and scrap of glass	7001 00 10

24.	Waste, parings and scrap, of plastics	3915
25.	Waste, parings and scrap of rubber (except hard rubber), rubber residues, powder and granulates	4004
26.	Waste and scrap of gold or of metal clad with gold; waste and scrap of other precious metals or amalgams of precious metals suitable for the extraction of other precious metals	7112
27.	Granules and powders of pig iron, spiegeleisen, iron or steel	7205
28.	New or used cloth, twine, rope, loading slings waster and scrap of textile articles made of twine, rope or slings	6310

Schedule No. 7 to Act CXXVII of 2007

List of Agricultural Products and Services

Part I: PRODUCTS

A

No.	Description	Tariff Heading
1.	Live plants (including their roots), plant cuttings, graftings, etc. Vegetable sprouts	0602 10 0602 20, ex 0602
2.	Potatoes	0701
3.	Edible vegetables, roots and tubers (except if hulled or split), propagation material for vegetables	under 0702-0709, ex 0713, ex 1209
4.	Grapes	0806 10
5.	Edible fruits and nuts, and rinds of melons	under 0802 11- 0802 50, 0807 11, 0807 19, 0808, 0809, under 0810 10-0 810 40, ex 0810 90
6.	Domestically grown herbs	0904 20, 0909, ex 0910
7.	Cereals, millet, giant millet	under 1001-1007, 1008 10, 1008 20, 1008 30, 1008 90 10 ex 1008 90 90
8.	Various seeds, industrial and medicinal plants Propagation material for industrial plants	1201, 1202 under 1204-1207, ex 1209, ex 1210, ex 1211 90, 1212 91, ex 1212 99 80, 1213, ex 1401 90,

		1403 00, 2401 10, 2401 20, 5301 10, 5302 10
9.	Poppy-head	ex 1211 90 98 99
10.	Forage crops (not including grist and pellets) Propagation material for forage crops	ex 1214 ex 2308 00 40 00, ex 1209
11.	Processed and preserved vegetables, fruits, various pickled vegetables and relishes, citrus fruits and rinds of melons tomato juice	0711, 0712, under 0811-0813, ex 0814, 2001, under 2003-2009, ex 2002
12.	Must and wine	ex 2204
13.	Wine lees, tartrates	ex 2307
14.	Marc	ex 2308

B

No.	Description	Tariff Heading
1.	Horses, cattle, hogs, lambs, goats, poultry and other live animals (not including sport horses, racehorses, dogs, cats, pets, laboratory and zoo animals)	under 0101-0105, ex 0106
2.	Fish (only fresh water fish and spawn), crayfish, mollusks and other invertebrate aquatic animals	ex 0301, ex 0302, 0306 29 10, ex 0307, 0307 60, ex 0307 91
3.	Unprocessed milk	ex 0401
4.	Fresh eggs	ex 0407
5.	Natural honey	0409
6.	Products of animal origin not elsewhere classified (fur, sperm of domesticated animals, propolis, royal jelly, pollen, bees' wax, honey enriched with royal jelly)	0502, 0503, 0505, ex 0511, ex 1301 90 90 99, ex 0410, ex 1212 99, ex 1521 90, ex 2106 90 98
7.	Compost of animal or vegetable origin	3101
8.	Unprocessed fur	ex 4301
9.	Silk worm cocoon for filature	5001
10.	Unprocessed wool	5101
11.	Saplings and graftings of forest trees and shrubs	ex 0602

12.	Seeds of forest trees and shrubs	ex 1209 99
13.	Processed milk and dairy products	ex 0401, under 0402-0406

Part II: SERVICES

No.	Description
1.	Field work, reaping and mowing, threshing, baling, collecting, harvesting, sowing and planting
2.	Packing and preparation for market, for example drying, cleaning, grinding, disinfecting and ensilage of agricultural products
3.	Storage of agricultural products
4.	Minding, rearing and fattening of horses, cattle, hogs, lambs, goats, poultry and other live animals (not including sport horses, racehorses, dogs, cats, pets, laboratory and zoo animals)
5.	Hiring out, for agricultural purposes, of equipment normally used in agricultural, forestry or fisheries undertakings
6.	Technical assistance
7.	Destruction of weeds and pests, dusting and spraying of crops and land
8.	Operation of agricultural and forestry irrigation equipment
9.	Operation of drainage equipment
10.	Lopping, tree felling and other agricultural and forestry services

Schedule No. 8 to Act CXXVII of 2007

Works of Art, Collectors' Items and Antiques

Part I. Works of art

1. Pictures, collages and similar decorative plaques, paintings and drawings, executed entirely by hand by the artist (CN code 9701);
2. original engravings, prints and lithographs executed entirely by hand by the artist and produced in limited numbers (CN code 9702 00 00);
3. sculptures and statuary, in any material, provided that they are executed entirely by the artist (CN code 9703), and sculpture casts the production of which is limited to eight copies and supervised by the artist or his successors in title;
4. tapestries (CN code 5805 00 00) and wall textiles (CN code 6304 00 00) made by hand from original designs provided by artists, provided that there are not more than eight copies of each;
5. individual pieces of ceramics executed entirely by the artist and signed by him;
6. enamels on copper, executed entirely by hand, limited to eight numbered copies bearing the signature of the artist or the studio, excluding articles of jewelry and goldsmiths' and silversmiths' wares;
7. photographs taken by the artist, printed by him or under his supervision, signed and numbered and limited to 30 copies, all sizes and mounts included.

Part II. Collectors' items

1. postage or revenue stamps, postmarks, first-day covers, pre-stamped stationery and the like, franked, or if unfranked not being of legal tender and not being intended for use as legal tender (CN code 9704 00 00);

2. collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest (CN code 9705 00 00).

Part III. Antiques

- 'antiques' shall mean objects other than works of art or collectors' items, which are more than 100 years old (CN code 9706 00 00).

Schedule No. 8/A to Act CXXVII of 2007

States Falling Within the Scope of Paragraph b) of Subsection (2) of Section 244

1. the Principality of Liechtenstein
2. Swiss Confederation

Schedule No. 9 to Act CXXVII of 2007

The Meaning of "Tax" as Used in the Member States of the Community

1. In the case of the Kingdom of Belgium: Belasting over de toegevoegde waarde (BTW), or Taxe sur la valeur ajoutée (TVA);
2. In the case of the Republic of Bulgaria: Danak varhu doba-vena stojnost;
3. In the case of Cyprus: Foros Prostithemenis Aksias (FPA);
4. In the case of the Czech Republic: Daň z přidané hodnoty (DPH);
5. In the case of the Kingdom of Denmark: Merværdiafgift (Moms);
6. In the case of the United Kingdom: Value Added Tax (VAT);
7. In the case of the Republic of Estonia: Käibemaksu;
8. In the case of the Republic of Finland: Arvonlisävero (ALV);
9. In the case of the Republic of France: Taxe sur la valeur ajoutée (TVA);
10. In the case of the Hellenic Republic: Foros Prostithemenis Aksias (FPA);
11. In the case of the Kingdom of the Netherlands: Belasting over de toegevoegde waarde (BTW);
12. In the case of Ireland: Cáin Bhreisluacha, illetóleg Value Added Tax (VAT);
13. In the case of the Republic of Poland: Podatek od towarow i usluig;
14. In the case of the Republic of Latvia: Pievienotas vērtības nodoklis (PVN);
15. In the case of the Republic of Lithuania: Pridetinės vertės mokestis (PVM)
16. In the case of the Grand Duchy of Luxembourg: Taxe sur la valeur ajoutée (TVA);
17. In the case of the Republic of Malta: It-Taxxa Fuq Il-Valur Mizjud;
18. In the case of the Republic of Hungary: Általános forgalmi adó (ÁFA);
19. In the case of the Federal Republic of Germany: Umsatzsteuer (USt);
20. In the case of the Republic of Italy: Imposta sul valore aggiunto (IVA);
21. In the case of the Republic of Austria: Umsatzsteuer (USt);
22. In the case of the Portuguese Republic: Imposto sobre o Valor Acrescentado (IVA);
23. In the case of Romania: Taxa pe valoarea adăugată (TVA);
24. In the case of the Kingdom of Spain: Impuesto sobre el Valor Añdido;
25. In the case of the Kingdom of Sweden: Mervärdesskatt (Moms);
26. In the case of the Slovak Republic: Daň z pridanej hodnoty (DPH);
27. In the case of the Republic of Slovenia: Davek na dodano vrednost.