

The retail sales tax

2023

1. WHO HAS TO PAY RETAIL TAX?.....	2
2. CAN FOREIGN ENTITIES NOT ESTABLISHED IN HUNGARY FOR ECONOMIC PURPOSES BE SUBJECT TO RETAIL SALES TAX? 2.....	2
3. WHICH ACTIVITIES ARE RETAIL ACTIVITIES?	2
4. WHICH ACTIVITY IS NOT A RETAIL ACTIVITY?	4
5. IF NONE OF THE ABOVE ARE INCLUDED IN MY ACTIVITIES, I DO NOT AM I SUBJECT TO THE TAX?.....	4
IF MY MAIN ACTIVITY IS NOT LISTED, AM I NOT SUBJECT TO THE TAX?.....	4
6. HOW SHOULD THE TAX BASE BE DETERMINED?	5
7. WHAT IS THE RETAIL TAX RATE?.....	6
8. HOW SHOULD THE TAX BASE BE CALCULATED FOR ASSOCIATED ENTERPRISES?	8
9. HOW TO PAY RETAIL TAX?.....	9
10. HOW TO DECLARE THE TAX ADVANCE?	10
11. HOW SHOULD THE AMOUNT OF THE ADVANCE TAX BE DETERMINED?	10
12. HOW TO PAY THE ADVANCE TAX?	11
13. HOW LONG DO I HAVE TO FILE A TAX RETURN FOR THE TAX YEAR AND FULFIL MY TAX OBLIGATIONS?	11
14. THE ADDITIONAL RETAIL TAX	ERROR! THE BOOKMARK DOES NOT EXIST.
15. LEGISLATION ON RETAIL TAXES	12

1. Who has to pay retail tax?

To a **foreign or domestic person or entity** that carries out a taxable **retail activity on a commercial basis**.¹

However, the tax rate for the **tax base of** retail trade activities **not exceeding HUF 500 million net** is 0%, so taxpayers whose tax base does not exceed this amount have **no actual tax liability**, and do not have to submit a tax return or advance tax return.²

2. Can foreign entities not established in Hungary for economic purposes be subject to retail sales tax?

If a foreign person or organisation carries out a retail activity and **supplies the goods to a customer in the country directly, i.e. not through a branch, they are** subject to retail tax.³ This could be the case, for example, for retail activities carried out by parcel delivery or internet commerce.

3. Which activities are retail activities?

The definition of this is based on the definition of the activity in **TEÁOR'08**.

The activities listed below are retail activities for **which the customer may be a private individual**.⁴ Thus, retail trade activities fall under the **following subsectors of TEÁOR'08**:

45.11 Trade services of passenger motor vehicles and light motor vehicles

45.19 *Wholesale* trade services of other motor vehicles and motorcycles, *except motor vehicles and trailers*

45.32 Retail trade services of motor vehicle parts and accessories

45.40 *Wholesale* trade and *repair* trade and repair trade services of motorcycles and related parts and accessories, *except of motorcycles*

47.1 Non-specialised store retail trade services in specialised stores

47.11 Retail sale in non-specialised stores with food predominating

47.19 Retail trade services in non-specialised stores with a mix of goods

¹ Article 3 of Act XLV of 2020 on Retail Sales Tax (hereinafter: Retail Tax Act).

² Smallholding Act § 6 and § 7 (5).

³ Kiskertv. § 2.

⁴ Kiskertv. § 1, point 1.

47.21 Retail sale of fruit and vegetables in specialised stores

47.22 Retail sale of meat and meat products

47.23 Retail sale of fish

47.24 Retail sale of bread, cakes, flour confectionery and sugar confectionery

47.25 Beverage retail

47.26 Retail sale of tobacco

47.29 Other retail trade services of food products

47.30 Retail trade services of automotive fuel

47.41 Computer, peripheral equipment and software retail trade

47.42 Retail trade services of telecommunications products

47.43 Retail sale of audio and video equipment in specialised stores

47.51 Textile retail

47.52 Retail sale of hardware, paints and glass in specialised stores

47.53 Retail sale of carpets, rugs, carpeting, wall and floor coverings

47.54 Retail trade services of electrical household appliances

47.59 Retail trade services of furniture, lighting equipment and other household articles

47.61 Book retail

47.62 Retail sale of newspapers and stationery

47.63 Retail sale of music and video recording in specialised stores

47.64 Sports equipment retail

47.65 Toy retail

47.71 Retail sale of clothing

47.72 Retail sale of footwear and leather goods

47.73 Pharmaceutical retail

47.74 Retail sale of pharmaceutical goods in specialised stores

47.75 Perfume retail

47.76 Retail sale of ornamental plants, seeds, fertilisers and pet food in specialised stores

47.77 Watch, clock and jewellery retail trade

47.78 Retail trade services n.e.c. of other new goods n.e.c.

47.79 Retail sale of second-hand goods in stores

47.81 Retail sale of food, beverages and tobacco in specialised stores

47.82 Retail sale of textiles, clothing and footwear in specialised stores

47.89 Retail trade services of other goods in specialised stores

47.91 Retail sale via mail order houses and Internet

47.99 Other retail trade, non-store retail trade

4. Which activity is not a retail activity?

A sale is not a retail activity if

- the manufacturer to wholesalers, retailers,
- the wholesaler to the reseller, retailer

sells, provided that this is not done through a sales channel (network) accessible to anyone.

If **the sales channel is also available to private customers**, the total sales proceeds are taxable, regardless of the actual customers. In this case, it is therefore irrelevant whether the purchaser is an entity, a business or an individual.

5. If none of my activities are listed, am I not subject to the tax?

If my main activity is not listed, am I not subject to the tax?

TEÁOR codes help to identify taxable activities. The **activity actually carried out is relevant** in determining tax liability.

Thus, irrespective of whether the person or organisation is registered in the business register or whether the activity is its principal activity, it may be subject to retail sales tax.

If the taxpayer actually carries out an activity the content of which corresponds to one of the above activities, he is a taxable person.

6. How is the tax base to be determined?

The tax is based on the taxpayer's **net turnover from retail trade**.⁵

Net sales⁶:

- A taxable entity subject to Act C of 2000 on Accounting (hereinafter referred to as the Act):

the net turnover from sales as defined in the Statute.

- For a taxpayer preparing its individual accounts in accordance with IFRS:

net turnover according to § 40/C of Act C of 1990 on Local Taxes.

- For small taxpayers under Act XIII of 2022 on the Itemised Tax of Small Taxpayers:

the income of the small taxpayer.

- Taxpayers subject to Act CXVII of 1995 on Personal Income Tax (hereinafter: the Personal Income Tax Act):

income without VAT under the Income Tax Act.

- For a non-resident person or entity carrying out retail trade activities through a non-branch office:

the consideration, excluding VAT, from the sale of goods supplied domestically.

⁵ Kiskertv. § 4.

⁶ Kiskertv. § 1, point 2.

To the net turnover must be added⁷ of the supplier (producer or distributor of the goods) of the goods purchased for retail sale

- the revenue from services provided by the taxable person in connection with the sale of the goods acquired, such as marketing fees, and
- the amount of the discount granted by the supplier to the taxable person.

If the tax base is not expressed in HUF, the amount must be converted into HUF using the official exchange rate of the Bank of Hungary on the last day of the tax year. If the foreign currency in question does not have an exchange rate quoted by the Magyar Nemzeti Bank, the euro exchange rate on the last day of the tax year shall be used for the conversion.⁸

7. What is the retail tax rate?

The retail tax is calculated on the taxable amount of the **net turnover from retail activities** and is **progressive in bands**.⁹

Rate of tax¹⁰

the tax base does not exceed HUF 500 million after the advanced part	0%
the tax base exceeding HUF 500 million but not exceeding HUF 30 billion after part	0,15%
a tax base exceeding HUF 30 billion but not exceeding HUF 100 billion after part	1%
for the part of the tax base exceeding HUF 100 billion	4,1%

⁷ Kiskertv. § 4 (2) para.

⁸ Section 4 (3) of the Smallholders Act.

¹⁰ 197/2022 (VI. 4.) Government Decree on Extra Profit Taxes § 21 (2).

⁹ Kiskertv. § 4 (1).

¹⁰ 197/2022 (VI. 4.) Government Decree on Extra Profit Taxes § 21 (2).

Example

The taxpayer's net sales revenue from retail sales tax for the full tax year (1 January 2023 - 31 December 2023) is HUF 220 billion.

Assessment of the full tax year with the progressive banded rate:

Up to HUF 0.5 billion	0%	0
between HUF 0.5-30 billion	(29.5 billion x 0.15%)	+ 44.25 million
Between HUF 30-100 billion	(70 billion x 1%)	+ 700 million
Over HUF 100 billion	(120 billion x 4.1%)	+ 4 920 million

total HUF 5 664,25 million

Proportional tax assessment

In the case of a tax year of less than 12 months, the amount of retail tax payable is determined by applying the tax rate to the tax base for the tax year, calculated on the basis of calendar days over a period of 365 days, and the tax is calculated as a proportion of the tax amount in relation to the number of calendar days in the tax year. ¹¹

Example: the taxpayer starts its taxable retail activity on 1 October 2023, from which it will earn a taxable amount of HUF 276 million by the end of the tax year, i.e. by 31 December 2023. Determine the taxpayer's retail tax liability in 2023 (from 1 October 2023 to 31 December 2023, 92 days).

1) Annualised tax base: $(\text{HUF } 276 \text{ million} / 92) \times 365 = \text{HUF } 1095 \text{ million}$

2) Tax rate per annualised tax base: $(\text{HUF } 1095 \text{ million} - \text{HUF } 500 \text{ million}) \times 0.15\% = \text{HUF } 892.5 \text{ thousand}$

3) Tax payable reallocated to operating days: $(\text{HUF } 892.5 \text{ thousand} / 365) \times 92 \sim \text{HUF } 225 \text{ thousand}$

¹¹ 197/2022 (VI. 4.) Government Decree on Extra Profit Taxes § 21 (1).

8. How should the tax base be calculated for associated enterprises?

For associated enterprises¹², a special tax base aggregation rule applies.

The aggregation rule **only** applies to **related enterprises** which

- your affiliation **was created** by a division or separation **after 14 April 2020** or,
- if the entity carrying out the retail activity has transferred or made available its **assets** enabling it to another affiliated undertaking or entity **after 14 April 2020**.¹³

If the taxpayer can prove that these transactions were not carried out for the purpose of avoiding retail tax, but **solely for economic reasons, he or she may be exempt from the taxable amount offset**.¹⁴

The tax of the taxable persons covered by the aggregation rule shall be determined in such a way that

- the net turnover from the retail activities of **taxable persons who are connected to each other** must be added together, and
- the amount calculated on the basis of the result at the appropriate tax rate **shall be apportioned** between the taxable persons in **proportion to the** share of their net turnover from retail activities in the total net turnover from retail activities of all taxable persons who are connected to each other.¹⁵

The total calculation is also used to determine the advance tax.¹⁶ It is also important to note that if the total tax base to be calculated exceeds HUF 500 million, taxpayers with a net turnover from retail activities below HUF 500 million will also be liable to tax.

Example:

Company x1 and x2 are spun off from company x on 1 July 2023. The companies are affiliated companies. Company X has a total annualised net turnover of HUF 85 billion for the full tax year (1 January 2023 to 31 December 2023) from retail activities, while x1 has a total annualised turnover of HUF 35 billion and x2 HUF 20 billion.

¹² Affiliated company within the meaning of the Corporate Tax and Dividend Tax Act.

¹³ Kiskertv. § 5 (4).

¹⁴ Kiskertv. § 5 (5).

¹⁵ Kiskertv. § 5 (1).

¹⁶ Kiskertv. § 5 (2).

1. *The net turnover of companies from retail activities should be added together. The combined net turnover of the companies from retail activities is HUF 85+35+20=140 billion, which is the total annual turnover.*

The total tax for the tax year calculated at the progressive rate:

<i>Up to HUF 0.5 billion</i>	<i>0</i>
<i>billion + HUF 44.25 million</i>	<i>between HUF 0.5-30</i>
<i>Between HUF 30-100 billion</i>	<i>+700million</i>
<i>Above HUF 100 billion: 40 billion x 4.</i>	<i>1%+ 1640</i>
<i>million</i>	
	<i>total HUF 2384.25 million.</i>

2. *The tax assessed must be shared between the undertakings in proportion to the turnover they generate.*

X: $85/140 \times \text{HUF } 2384.25 \text{ million} = \text{HUF } 1\,447\,580$

thousand, x1: $35/140 \times \text{HUF } 2384.25 \text{ million} = \text{HUF } 596$

063 thousand, x2: $20/140 \times \text{HUF } 2384.25 \text{ million} = \text{HUF } 340\,607$ thousand.

3. *The tax due for x1 and x2 is "apportioned back" due to the carve-out. x1: $(596\,063 \text{ thousand}/365) \times 181 = 295\,582$ thousand HUF*

x2: $(340\,607 \text{ thousand}/365) \times 181 = 168\,904$ thousand HUF.

Taxable persons who are related to each other must cooperate in the calculation. All related taxpayers must document the calculations, including their preparation and storage. Documentation of the calculations must be presented to the NAV upon request.¹⁷

9. How to pay retail taxes

Retail sales tax is self-assessed.

The taxpayer is obliged to establish, declare and pay the tax advance for the tax year in two

¹⁷ Kiskertv. § 5 (3).

¹⁸ Section 7 (4) of the Smallholders Act.

equal instalments.¹⁸

¹⁷ Kiskertv. § 5 (3).

¹⁸ Section 7 (4) of the
Smallholders Act.

The retail tax liability for the tax year **must be declared by the last day of the fifth month following the last day of the tax year.**¹⁹ Form 23KISKER is used to declare retail sales tax.

10. How to declare the tax advance?

If the taxpayer **has carried out** retail trade activities **in the previous tax year, it must** determine and declare its advance tax payments by the **last day of the fifth month of the tax year at the same time as the return for the previous tax year.**

If the taxpayer **starts** the retail activity **without a legal predecessor**, or is created by a transformation, merger or division, it must also submit the tax advance return **within 15 days of the start of the retail activity, when** the retail tax liability is **declared.**²⁰

The pre-company does not have to declare retail sales tax.²¹

11. How should the amount of the advance tax be determined?

If in the previous tax year the taxpayer carried out retail trade ^{activities²²}

- and the **tax year preceding the tax year is 12 months**, then the tax advance shall be the amount calculated in accordance with point 7, **based on the net turnover from retail trade activities in the tax year preceding the tax year.**
- and the **tax year preceding the tax year is shorter than 12 months**, the tax advance shall be the amount calculated in accordance with point 7, based on **the amount of the net turnover** from retail trade activities in **the tax year preceding the tax year, calculated over 12 months.**

¹⁹ Section 7 (1) of the Smallholders Act.

²⁰ Section 7 (2) of the Smallholders Act.

²¹ Kiskertv. § 7 (2) second sentence.

²² Section 7 (3) of the Smallholders Act.

Example

The previous tax year of the entrepreneur with the same financial year as the calendar year lasted from 1 August to 31 December (152 calendar days). Its net turnover from retail trade activities is HUF 31 billion.

1. $31/152 \times 365 = 74\,440\,789$ thousand HUF
2. Tax advance at the banded rate: $0 + 44\,250$ thousand HUF + $444\,408$ thousand HUF = HUF 488 658 thousand
3. The two instalments of the tax advance: $488\,658$ thousand HUF/2 = $244\,329$ thousand HUF.

For entrepreneurs **starting a retail activity without a legal predecessor**, the tax advance is the **amount of tax expected** for the tax year.

In the case of legal entities created by transformation, merger or division, the tax advance shall be the **proportion of the predecessor(s)' net turnover** from retail trade activities achieved by the predecessor(s) in the tax year up to the date of transformation, calculated at the tax rate under point 7, in proportion to the share of the **predecessor's assets received by the tax entity created by transformation**, including the surviving company in the case of a spin-off.

12. How to pay the advance tax?

If the taxpayer has already carried out a retail activity,²³ the tax advance is payable in two equal instalments over the tax year

- by the 20th day of the seventh month of the year and
- by the 20th day of the tenth month of

must be paid.

If the taxpayer starts a retail activity without a legal predecessor or is formed by a transformation, merger or division, the tax advance is paid in two equal instalments:

- at the time of registration and
- must be paid by the last day of the tax year.

13. How long do I have to file a tax return for the tax year and fulfil my tax liability?

The taxpayer establishes and **declares** his tax liability by the **last day of the fifth month following the last day of the tax year on** form 23KISKER. Any difference between the tax

²³ Section 7 (4) of the Smallholders Act.

for the tax year and any tax advances already paid must also be **paid by** this date.

²³ Section 7 (4) of the
Smallholders Act.

If the **amount of the advance tax paid** for the tax year is **more** than the amount of tax declared for the tax year, the difference **can be claimed back from the date of submission of the tax return** for the tax year.²⁴

15. Legislation on retail taxes

Act XLV of 2020 on Retail Sales Tax [Kiskertv.],

Government Decree 109/2020 (IV. 14.) on the retail sales tax to replenish the Epidemic Fund for the implementation of the Economic Action Plan [Government Decree],

Act C of 2000 on Accounting [Act on

Accounting], Act C of 1990 on Local Taxes

[Act on Local Taxes],

Act CXLVII of 2012 on the Itemised Tax on Small Taxable Enterprises and Small Business Tax [Kattv.],

Act CXVII of 1995 on Personal Income Tax [Szja tv.],

Government Decree No 197/2022 (VI. 4.) on extra-profit taxes [Government Decree].

National Tax and Customs Office

²⁴ Section 7 (4) of the Smallholders Act.