

VAT LIABILITY OF FOREIGN MARKET-MEN IN HUNGARY

Below are the VAT obligations of foreign operator who will occasionally come to Hungary for fairs, exhibitions, markets or similar events in order to sell their products here.

1. Registration obligation

The supply of goods by the operator in Hungary is subject to VAT¹, which means that s/he has to apply for a tax number in Hungary². Tax number could be applied for by the foreign operator at any of the county tax or the metropolitan tax directorates and the Large Taxpayer's Tax and Customs Directorate of the National Tax and Customs Administration, prior to the first sale.

For the application of the tax number, a form must be completed by the foreign operator, and the completed form must be submitted to the above-mentioned organ.

If the operator is a private individual, the main sheet of Form T101³ and the A01, A02 and F01 pages of the Form to be used in the year of registration must be completed accordingly. In the case of a business association, the main page of the Form T201⁴ to be used in the year of registration and the A01, A02 and F01 pages shall be filled in accordingly. (In certain case, other pages for both forms should also be completed.)

The foreign market-man may legally sell it at the Hungarian fair, market, etc. at that time, from which time s/he has received the tax number as requested above.

2. Obligation to issue accounting documents

The foreign market-man is obliged to issue an accounting document of his/her sales made in Hungary; the first copy of the accounting document shall be given to the purchaser.

If the purchaser of the foreign market-man is not a VAT subject, but for instance a private individual (usually this is the case), then s/he will be sufficient to issue a receipt on the sale. The receipt is such an accounting document that has the serial number issued by the Hungarian Tax Authority. Such receipt block containing serial number issued by the Hungarian Tax Authority is available in shop dealing with distribution of printed paper in Hungary. In the course of the sale the date of issue, the name and address of the foreign market-man, and the tax number applied for in Hungary, and the increased counter value with VAT of the sold product shall be indicated on the receipt, and the receipt completed so must be given to the purchaser.

In Hungary, it is also possible for the purchaser to ask for a more detailed document, so-called invoice instead of receipt from the seller. If the purchaser requests an invoice at the time of sale, then the seller must issue an invoice instead of a receipt. The invoice can be paper-based or electronic. As in the case of sales at a fair, on the market, at exhibitions, electronic invoicing is not typical, so here we only cover paper-based invoices. Issuing a paper-based invoice can be done in two ways: using a computer invoicing program or a handwritten

¹ Section 25 of the Act CXXVII of 2007 on Value Added Tax (henceforth: VAT Act)

² Paragraph (1) of Section 16 of the Act XCII of 2003 on the Rules of Taxation (henceforth: ART)

³ Number of the Form in 2017: 17T101

⁴ Number of the Form in 2017: 17T201

invoice. Since the issuing of accounting document by foreign market-man on markets, fairs, exhibitions is handled in practice manually, so here we only look at the rules of the handwritten manual invoice. The handwritten invoice is such an accounting document that has the serial number issued by the Hungarian Tax Authority. In Hungary such an invoice printed form is available in the shops dealing with distribution of printed papers. The name and the address and the Hungarian tax number of the issuer, the name and the address of the purchaser, issuing date of the invoice, the date of supply (if it differs from the date of issue), the denomination of the product, the quantity unit, the unit-price without tax, the quantity sold, the tax base, the VAT, the tax rate shall be indicated on the invoice.

In case that the purchaser of the foreign market-man informs the foreign market-man that s/he is a Hungarian VAT subject operator, then the foreign market-man can not fulfill his/her obligation to issue with the receipt, but only with the invoice. The rules of issuing of the invoice to the taxable person are the same as the rules which were described at the non taxable person purchasers.

3. VAT payment obligation

In Hungary there are currently three tax rates: the general tax rate is 27%, and the preferential tax rate is 18% respectively 5%. In addition, the Hungarian VAT system includes tax-exempt cases as well.

Most of the products sold at fairs, markets, exhibitions are subject to a tax rate of 27%. Certain dairy products and bakery products, food commerce in the food service catering, and locally produced non-alcoholic beverages commerce are subject to a preferential tax rate of 18%⁵, and the defined books and magazines, furthermore certain dairy,- and meat products are subject to a preferential tax rate of 5%⁶.

The foreign market-man is obliged to pay a VAT equivalent of 21.26% of the gross purchase price of the sold products in the case of a tax rate of 27%, a VAT equivalent of 15.25% of the gross purchase price of the sold products in the case of a tax rate of 18%, and a VAT equivalent of 4.76% of the gross purchase price of the sold products in the case of a tax rate of 5% tax rate towards the Hungarian public finances⁷.

VAT on products sold by a foreign market-man in Hungary should be arranged as follows for Hungarian public finances. The foreign market-man on his/her product sales made in Hungary is obliged to submit a VAT return Nr. 65⁸ by indicating the Hungarian tax number applied for, in which tax return the total VAT amount of the purchase price of all the products sold by him/her is entered. However, if the foreign market-man purchased goods or received services in the context of the merchandising activity in Hungary (for instance, paid a stallage or rent fee on the market) and if, on the invoice received from the purchased product and the services received an input VAT is included, the foreign market-man could indicate as a - so called - deductible VAT during the completion of the tax return. Thus, the amount of the difference between the VAT payable by the foreign market-man and the possibly deductible VAT must be paid to the Hungarian public finances (provided, of course, that amount is positive).

⁵ Annex 3/A of the VAT Act

⁶ Annex 3 of the VAT Act

⁷ Section 83 of the VAT Act

⁸ Number of Form in 2017: 1765

The VAT returns must be submitted in the year of the application of the tax number and the following year on a monthly basis. However, depending on the value limit, the reporting frequency of the foreign market-man further on may be annual or quarterly⁹.

⁹ Point 3 of Part B) of Annex 1 of the ART