

Hungary

Hungary has met all aspects of the terms of reference (OECD, 2021^[1]) (ToR) for the calendar year 2022 (year in review), except for applying the “best efforts approach” to identify potential exchange jurisdictions for all past rulings (ToR I.A.2.2). Hungary receives one recommendation on this point for the year in review.

In the prior year report, as well as in the 2016–2020 peer reviews, Hungary has received the same recommendation. As it have not been addressed, the recommendation remains in place.

Hungary can legally issue four types of rulings within the scope of the transparency framework.

In practice, Hungary issued rulings within the scope of the transparency framework as follows:

Type of ruling	Number of rulings
Past rulings	77
Future rulings in the period 1 April 2016 – 31 December 2016	4
Future rulings in the calendar year 2017	9
Future rulings in the calendar year 2018	11
Future rulings in the calendar year 2019	21
Future rulings in the calendar year 2020	18
Future rulings in the calendar year 2021	27
Future rulings in the year in review	14

No peer input was received in respect of the exchanges of information on rulings received from Hungary.

Information gathering process (ToR I.A)

552. Hungary can legally issue the following four types of rulings within the scope of the transparency framework: (i) preferential regimes;¹ (ii) cross-border unilateral APAs and any other cross-border unilateral tax rulings (such as an advance tax ruling) covering transfer pricing or the application of transfer pricing principles; (iii) permanent establishment rulings; and (iv) related party conduit rulings.

Past rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1, I.A.2.2)

553. For Hungary, past rulings are any tax rulings within scope that are issued either: (i) on or after 1 January 2014 but before 1 April 2016; or (ii) on or after 1 January 2010 but before 1 January 2014, provided they were still in effect as at 1 January 2014.

554. In the prior years' peer review reports, it was determined that Hungary had not used the "best efforts approach" to identify potential exchange jurisdictions, meaning that Hungary had only identified potential exchange jurisdictions for around half of the past ATRs, although it had identified most potential exchange jurisdictions for APAs but not necessarily the ultimate parent company jurisdiction. Therefore, Hungary was recommended to continue to apply the "best efforts approach" to identify potential exchange jurisdictions for all past rulings.

555. During the year in review, Hungary has not been able to take additional steps. As such, the recommendation remains.

Future rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1)

556. For Hungary, future rulings are any tax rulings within scope that are issued on or after 1 April 2016.

557. In the prior year peer review report, it was determined that Hungary's undertakings to identify future rulings and all potential exchange jurisdictions was sufficient to meet the minimum standard. Hungary's implementation in this regard remains and continues to meet the minimum standard.

Review and supervision (ToR I.A.3)

558. In the prior years' peer review reports, it was determined that Hungary's review and supervision mechanism was sufficient to meet the minimum standard. Hungary's implementation in this regard remains unchanged, and therefore continues to meet the minimum standard.

Conclusion on section A

559. Hungary has met all of the ToR for the information gathering process except for applying the "best efforts approach" for past rulings (ToR I.A.2.2) and Hungary is recommended to continue to apply the "best efforts approach" to identify potential exchange jurisdictions for all past rulings.

Exchange of information (ToR II.B)

560. Hungary has the necessary domestic legal basis to exchange information spontaneously. Hungary notes that there are no legal or practical impediments that prevent the spontaneous exchange of information on rulings as contemplated in the Action 5 minimum standard.

561. Hungary has international agreements permitting spontaneous exchange of information, including (i) being a party to the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011^[2]) ("the Convention"), (ii) the Directive 2011/16/EU with all other European Union Member States and (iii) bilateral agreements in force with 83 jurisdictions.²

562. For the year in review, the timeliness of exchanges is as follows:

Future rulings within the scope of the transparency framework	Number of exchanges transmitted within three months of the information becoming available to the competent authority or immediately after legal impediments have been lifted	Delayed exchanges		
		Number of exchanges transmitted later than three months of the information on rulings becoming available to the competent authority	Reasons for the delays	Any other comments
	8	2	Due to an organisational restructuring in the National Tax and Customs Administration and Ministry of Finance of Hungary, a temporary interruption in the workflow occurred when issuing the APAs.	

Follow-up requests received for exchange of the ruling	Number	Average time to provide response	Number of requests not answered
	0	N/A	N/A

563. Hungary notes that exchanges of information regarding the issued permanent establishment rulings (nine issued rulings) have not yet been made. It is not known what the reason for the delay is. This will be assessed in next year's peer review.

564. In the prior year's peer review report, it was determined that Hungary's process for the completion and exchange of templates were sufficient to meet the minimum standard. With respect to past rulings, no further action was required. Hungary's implementation in this regard remains unchanged and therefore continues to meet the minimum standard.

565. Hungary has the necessary legal basis for spontaneous exchange of information, a process for completing the templates in a timely way and has completed all exchanges. Hungary has met all of the ToR for the exchange of information process and no recommendations are made.

Statistics (ToR IV.D)

566. The statistics for the year in review are as follows:

Category of ruling	Number of exchanges	Jurisdictions exchanged with
Ruling related to a preferential regime	0	N/A
Cross-border unilateral APAs and any other cross-border unilateral tax rulings (such as an advance tax ruling) covering transfer pricing or the application of transfer pricing principles	10	Canada, Cyprus, Czechia, Hong Kong (China), Germany, Romania, Slovak Republic, Switzerland, United Kingdom, Uruguay
Permanent establishment rulings	0	N/A
Related party conduit rulings	0	N/A
IP regimes: total exchanges on taxpayers benefitting from the third category of IP assets, new entrants	0	N/A

benefitting from grandfathered IP regimes; and taxpayers making use of the option to treat the nexus ratio as a rebuttable presumption		
Total	10	

Matters related to intellectual property regimes (ToR I.A.1.3)

567. In the prior year's peer review report, it was determined that Hungary's information gathering and exchange of information processes for matters related to intellectual property regimes³ were sufficient to meet the minimum standard. Hungary's implementation in this regard remains unchanged and therefore continues to meet the minimum standard.

Summary of recommendations on implementation of the transparency framework

Aspect of implementation of the transparency framework that should be improved	Recommendation for improvement
Hungary did not yet apply the "best efforts approach" to identify potential exchange jurisdictions for all past rulings.	Hungary is recommended to continue to apply the "best efforts approach" to identify potential exchange jurisdictions for all past rulings. This recommendation remains unchanged since the 2016, 2017, 2018, 2019, 2020 and 2021 peer review reports

References

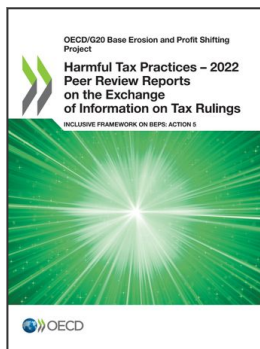
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- OECD (2015), *Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241190-en>. [3]
- OECD/Council of Europe (2011), *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264115606-en>. [2]

Notes

¹ IP regime for royalties and capital gains.

² Participating jurisdictions to the Convention are available here: www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm. Hungary also has bilateral agreements with Albania, Armenia, Australia, Austria, Azerbaijan, Bahrain, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, China (People's Republic of), Croatia, Cyprus, Czechia, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hong Kong (China), Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Kosovo, Kuwait, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Moldova, Mongolia, Montenegro, Morocco, Netherlands, North Macedonia, Norway, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, San Marino, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Chinese Taipei, Thailand, Tunisia, Türkiye, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan and Viet Nam.

³ IP regime for royalties and capital gains.



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