



**The most important developments at the
Hungarian tax administration**

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President*

Tasks of the Hungarian State Tax Authority (APEH)

APEH is responsible for **all taxes**, which are not defined by the law as being within the competence of any other tax authorities (i.e. municipalities, customs authority) making up to 82% of the tax-like revenues of the state household.

The core business is continuously expanding:

- collection of compulsory payments to the **central budget** and the **appropriation state funds** (from 1987),
- collection of **pension insurance** and **health care insurance contributions** (from 1999),
- collection and administration of **duties** (from 2007),
- collection of in-payments to the **private pension fund** (from 2007),
- administration of functions in **gambling supervision** (from 2007),
- collection of **public debts enforceable as taxes** for external organs (92 legal title).

Our main strategic goals

- 1. Improvement of our services, simplification and modernisation of the administration.**
- 2. Development of tools and methods in order to increase the effectiveness and efficiency of tax audits.**
- 3. More efficient organisation with professional staff under modern working conditions.**

Widespread and general use of electronic tax returns

From 2007 onward, each and every business entity (~ 800.000) must file all its tax returns electronically.

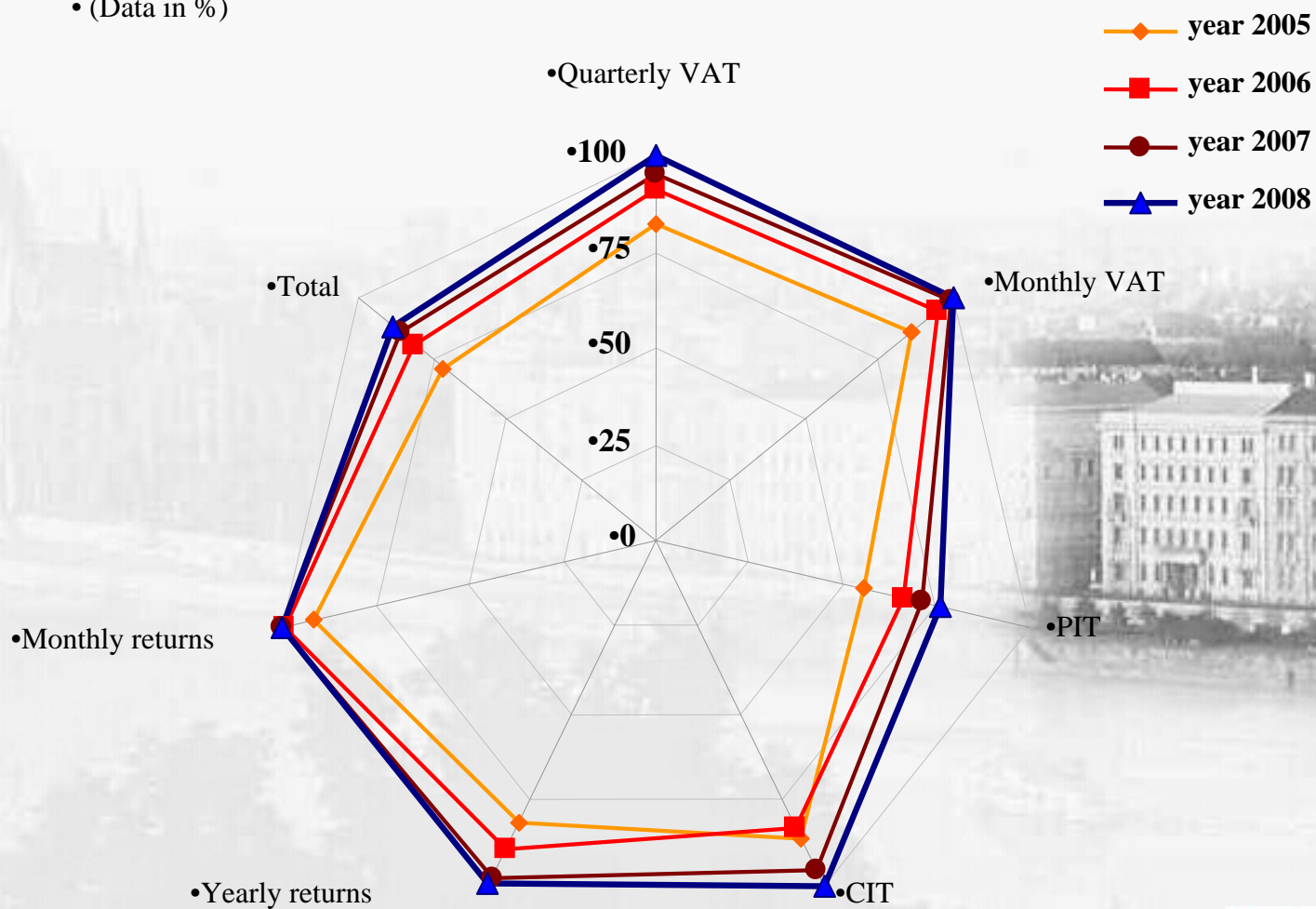
In 2008, we processed a total of 19,6 million tax returns and 7,6 million data-supply sheets from third parties.

Out of these:

- 9,1 million *monthly PIT and social security contribution returns* (number of sheets for private individuals: 51,9 million);
- 4,8 million *PIT returns*;
- 2 million 636 thousand *VAT returns*;
- 405 thousand *CIT returns*.

The ratio of main tax returns filled in by software available on the Internet

• (Data in %)



Expansion of our electronic services

- **electronic tax certificate** on debt free status;
- query for a detailed **tax current account balance**;
- query for the tax returns and data provisions filed with the TA;
- possibility of private individuals to make an **on-line query** on their own social security contribution data;
- possibility for query, modification of **basic taxpayer data**;
- **electronic auction** in enforced collection procedure;
- other information **published on our homepage**:
 - main identification data of *taxpayers with tax numbers*,
 - *suspended and cancelled tax numbers*,
 - *taxpayers with major difference in due and paid tax*,
 - *those under enforced collection procedure*,
 - *taxpayer with major tax arrears*.

Expansion of our electronic services

- **applying for payment relief** electronically;
- **payment with bank card** at the customer service offices;
- **database of taxpayers free from public dues** (monthly updates, tax clearance certificates become thus unnecessary);
- **possibility to create a personal tax calendar;**
- more comprehensive options for e-administration tax cases through the so-called '*client gate*';
- making it possible for our taxpayers at the Contact Centres to perform actions over the phone that do not require their presence, but *where a personal identification is needed*.

Simplification and modernisation of the tax return system

- elaboration and introduction of the system of **pre-filled tax returns** (in 2009 for the first time; choice of the taxpayer; 350 thousand private individuals opted for it);
- **decreasing** the number of the different tax returns, **simplification** of the data contained in the forms (the number of 59 different tax returns has been reduced to 23 and 10 third party data provisions, the content of the tax return sheets have also been made simpler);
- making the tax returns **easy to understand to all**, increasing the usefulness of the filling in instructions, developing the controlling software;
- elaboration of a **new tax returns processing system** (in use since 2009).

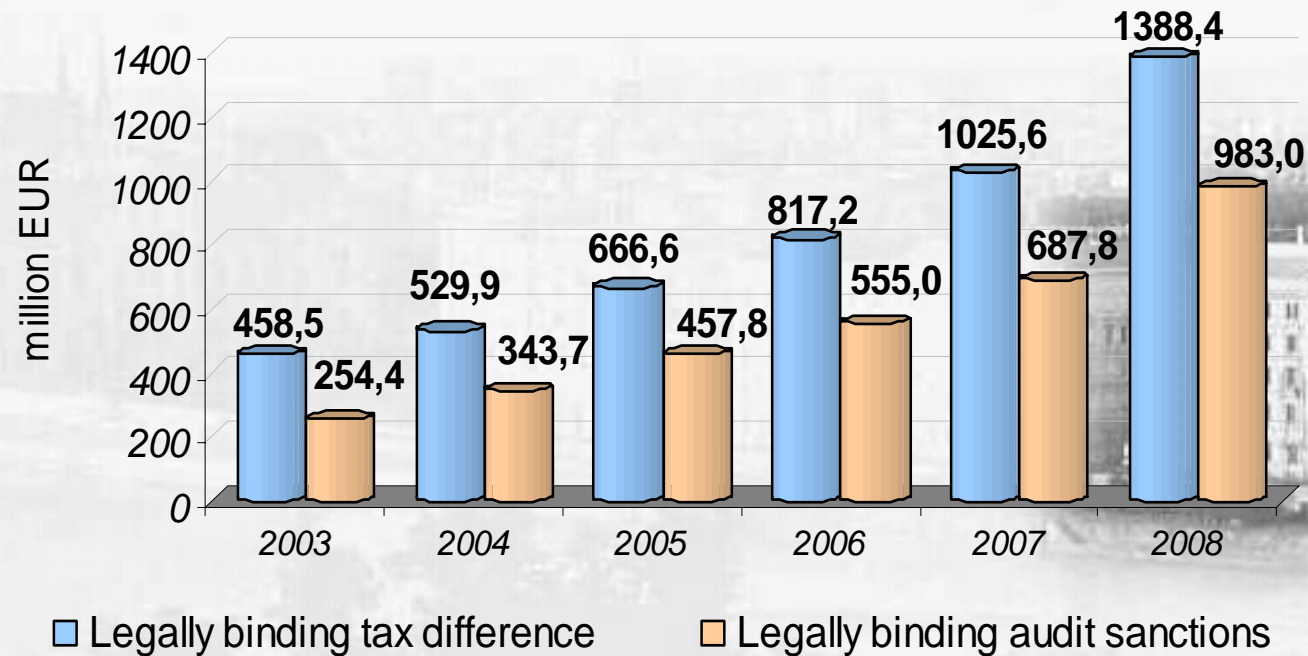
More stringent measures in tax audits

- By using a **new, uniform and central selection system from 2008**, the selection criteria for audits have been further refined allowing the TA to audit the most risky taxpayers.
- In the previous year – with the support of the European Union – we participated in **9 multilateral controls (MLC)** together with other tax authorities.
- To be able to react quickly and efficiently in very important and complicated taxation cases the **centralised audits** have been introduced as a new audit type; these are performed upon the instruction of the president of APEH by the Large Taxpayers Directorate with nation-wide scope of authority.
- The efficient operations of the so-called **RAPID groups**, jointly operated by APEH and the Customs Authority.

More stringent measures in tax audits

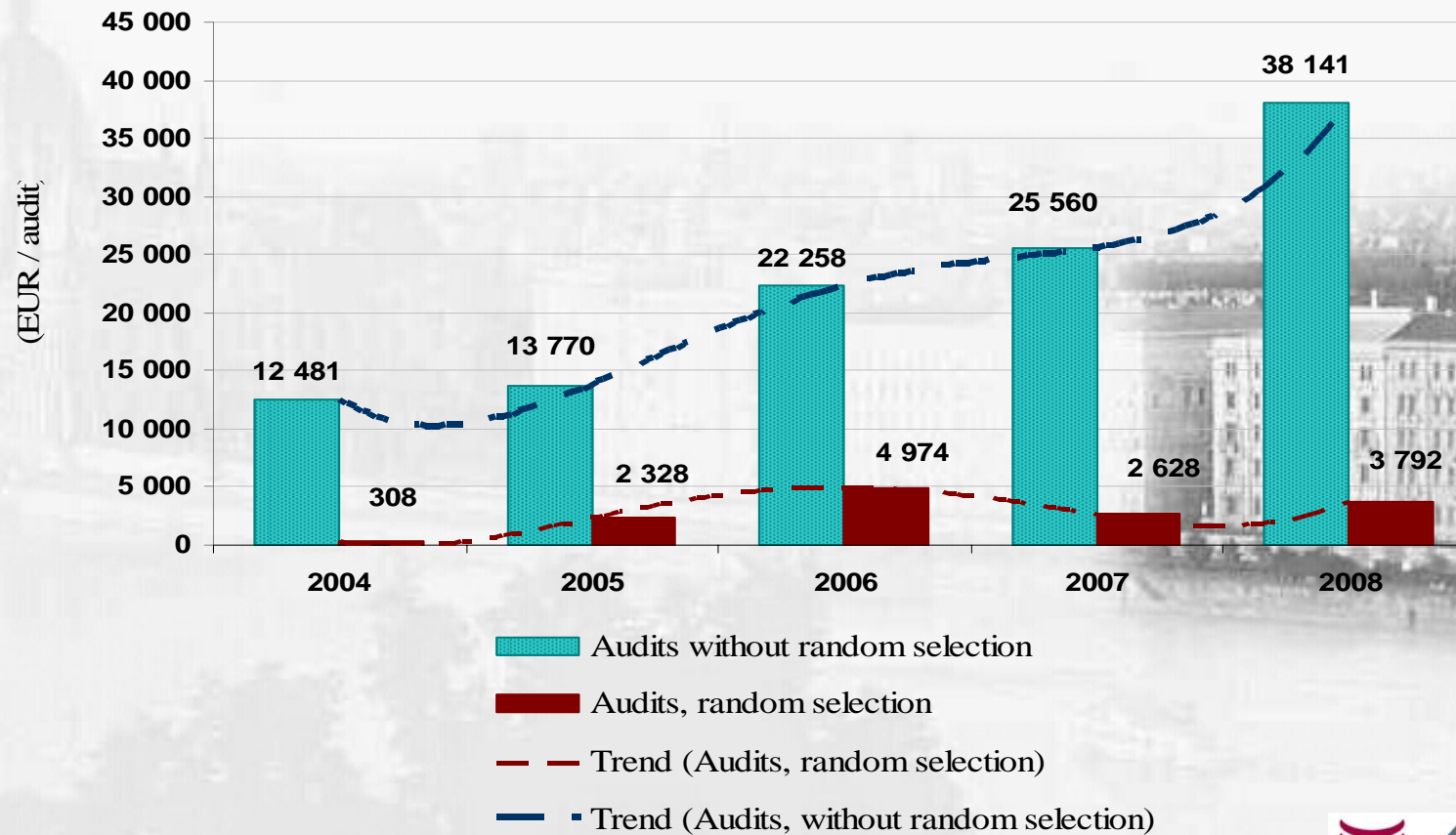
- Compared to some hundreds of **audits focusing on the increase in the wealth of individuals** that had been performed in previous years, we conducted more than 11 thousand **audits of the kind** in 2007. This is a specific type of PIT audit that assess (estimates) incomes from accumulated assets proven to be possessed.
- The audit of the so called '**tax minimisers**' have been conducted as it was striking that some part of the taxpayers filed VAT returns with minimal payment obligation while having high turnover; they have done so to avoid the pre-refund audits.
- Preventive control of 20% of the **business entities newly set up without a legal predecessor**.

Findings of audits legally binding 2003-2008



Calculated using the official exchange rate of 13.07.2009. where 1 EUR = 278,74 HUF

Average findings/audit ratio 2004-2008



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Strategy of APEH for 2008-2012

- the **Project Council approved** the strategy – 27 November 2008
- linking the strategy to the **annual task plan and the evaluation system** (started in 2009)
- **continuous evaluation** of the implementation of the strategy, setting of new tasks
- putting **the Transformation Plan** into operation
 - goals (3), objectives (13), tasks (requirements thereof (117))
 - performance indicators,
 - timeframes for implementation,
 - organisational units responsible for implementation.
- **Engagement of APEH staff in the strategy and the strategic planning process**

Setting up the project organisation

- **Setting up the Project Council** under the leadership of the President of APEH (12 extensive projects in progress)

Examples from the most important projects:

- *Audit modernisation project:*
 - re-organisation of a complex and integrated IT application, that
 - can manage the modernisation of the whole audit process – from the tasks of a manager in selection for audit to the possible court phase.
- *Enforced collection modernisation project:*
 - The main objective is to provide all-round support for arrears management,
 - by establishing IT applications to support the tasks recurring en masse;
 - according to the requirements of electronic public administration establishing connections with outside systems, information sources.
- Setting up a **Change Management Board** with minor IT development orders (thousands per year)

Communication activity

- **Image change in May 2008**

- new logo, new slogan: „Taxation is our common business.”
- publication of our new homepage.

- **Personal income tax campaign**

- we tried to apply new forms of communication in an easy-to-understand way to the most important information (radio-spots, posters, etc.) as compared to past years.

- **Participation in diverse events**

- we presented ourselves at various exhibitions, such as the TAX-EXPO, as a service provider, customer friendly authority, and we also successfully participated in one of the biggest youth festivals in Europe.

- **RangAdó**

- countrywide competition for pupils of secondary schools;
- at the multi-round competition the young could measure their knowledge on taxation, the finals was shown on national public television.

- **‘Tax bogy’**

New communication tools

PIT campaign



'Tax boggy'



Criminal Expo



'Sziget' Festival 2008





**Thank you for
your kind attention!**