

TaxAlert

Januar 2010

Changes in the conditions for the development allowance

In this tax alert we would like to draw your attention to the changes in the conditions to obtain the development tax allowance granted for investments creating new jobs

On the basis of the changes in Act LXXXI. of 1996 on Corporate Tax and Dividend Tax, effective from 1 January 2010, Section (11) of Paragraph 22/B. has been revoked. This Section regulated the conditions in relation to the tax allowance granted for investments creating new jobs. As a result, companies carrying out new job creating investments may be eligible for the development allowance, even if the number of the employees in new jobs increases only minimally. The former regulation set out strict conditions, in defined cases, where the number of employees should have been increased by up to 300 persons. Furthermore, to be eligible for the tax allowance from now, it is not necessary, that at least 20 per cent of the employees working in the jobs are new entrants into the labour market. Consequently, taxpayers may meet the requirements for obtaining the tax allowance by employing only one new person where this new job is maintained for at least 5 years by large corporations and for 3 years by small- and medium-sized corporations in the region of the investment.

The highest available tax allowance equals the amount of the personnel expenditure for 24 months paid in relation to the employees in the new jobs multiplied by the intensity ratio for the particular region. The development tax allowance may be claimed up to 80 per cent of a taxpayer's corporate tax liability.

The new conditions can be applied in relation to the tax allowance requests or notifications submitted after 31st December 2009. The taxpayer should submit the request/notification to the authorities before ordering the first asset for the investment.

Should you have any questions on the above, please do not hesitate to contact Mihály Gerhát (tel: +36 1 887 7180, Mihaly.gerhat@kpmg.hu) at the tax department of KPMG Tanácsadó Kft. or your regular tax advisor.

Partners

Michael Glover

Partner
+36 1 887 7405
michael.glover@kpmg.hu

Gergely Demetrovics

Partner
+36 1 887 7366
gergely.demetrovics@kpmg.hu

dr. Csaba László

Partner
+36 1 887 7420
csaba.laszlo@kpmg.hu

Philippe Norré

Partner
+36 1 887 7449
philippe.norre@kpmg.hu

Gábor Beer

Partner
+36 1 887 7329
gabor.beer@kpmg.hu

Mergers & Acquisitions Group

dr. Zoltán Kádár

Manager
+36 1 887 7404
zoltan.kadar@kpmg.hu

Indirect Tax Group

Balázs Földes

Senior Manager
+36 1 887 7232
balazs.foldes@kpmg.hu

dr. Tamás Kosztolányi

Senior Manager
+36 1 887 7256
tamas.kosztolanyi@kpmg.hu

dr. Zsolt Kovács

Manager
+36 1 887 7467
zsolt.kovacs@kpmg.hu

Regina Simon

Manager
+36 1 887 7472
regina.simon@kpmg.hu

Tax Advice for the Financial Services Sector

Gábor Farkas

Senior Manager
+36 1 887 7415
gabor.farkas@kpmg.hu

Bálint Gombkötő

Senior Manager
+36 1 887 7159
balint.gombkoto@kpmg.hu

Balázs Pethő

Senior Manager
+36 1 887 7368
balazs.petho@kpmg.hu

Géza Tomory

Manager
+36 1 887 7199
geza.tomory@kpmg.hu

International Tax Structures Group

Tamás Mlinárik

Director
+36 1 887 7498
tamas.mlinarik@kpmg.hu

Personal Income Tax Group

Gabriella Nink

Director
+36 1 887 7325
gabriella.nink@kpmg.hu

Kornélia Mitrik

Senior Manager
+36 1 887 7410
kornelia.mitrik@kpmg.hu

dr. Katalin Boncsér

Manager
+36 1 887 7321
katalin.boncser@kpmg.hu

Gabriella Joó

Manager
+36 1 887 6630
gabriella.joo@kpmg.hu

Corporate and International Taxation Group

Mihály Gerhát

Senior Manager
+36 1 887 7180
mihaly.gerhat@kpmg.hu

Tibor Jároli

Manager
+36 1 887 7416
tibor.jaroli@kpmg.hu

József Zsolt Garabuczi

Manager
+36 1 887 7273
jozsef.garabucz@kpmg.hu

Transfer Pricing Advisory Group

Mónika Mindszenti

Senior Manager
+36 1 887 7170
monika.mindszenti@kpmg.hu

Mihály Gódor

Manager
+36 1 887 7340
mihaly.godor@kpmg.hu

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

© 2010 KPMG Tanácsadó Kft., a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.