



VatAlert

May 2009

Changing VAT rates

Based on the Hungarian parliament's decision on 11 May, the standard rate of VAT will increase from 20% to 25% (contrary to the previously proposed 23%), and a new 18% VAT rate is to be introduced for dairy and bakery products. This latter new rate will be applicable for central heating as well, once the EU Commission approves the change.

The amendment of the VAT rates will affect both invoices issued and received, therefore it is recommended to pay special attention to the modification of invoicing software, and to check the amount of input VAT charged on invoices received after 30 June 2009.

The separation of old and new transactions will also be important. Generally, the new rate will apply to supplies made after 30 June 2009.

For Intra-Community acquisitions, the import of goods, and transactions subject to reverse charge and advance payments, questions remain over whether the tax point is after 30 June, or not. For example, a cash advance paid before 30 June should be subject to the 20% rate; however, if the actual supply of goods or services takes place after 30 June, the remaining part of the total consideration would be subject to 25% VAT.

Where invoices are issued for periods, if the current period starts before 1 July 2009 and ends after that date, the invoice must be divided into two parts, by reference to the number of days before and after 1 July. The 20% rate effective before 30 June and the 25% rate applying thereafter should be calculated accordingly. If a period ends before 1 July 2009, the 20% rate should be applicable, even if the due date related to the transaction is after 30 June 2009.

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