

TaxAlert

June 2010

Tax-neutral donations

The Hungarian Parliament has agreed an amendment to the VAT Act to abolish VAT liability on donations, coming into force on 17th June 2010.

According to the new rule, donations – products or services – provided to non-profit organizations, major non-profit organizations in the public interest and churches will be exempt from VAT. In the light of this amendment, such donations will be considered as neither the provision of a service nor sale or purchase of a product.

The law specifies some further conditions with respect to grants, bequeaths and donations, the most pertinent being that

- there should be a genuine public-interest purpose behind any donation, provable using documentary evidence and/or via other evidence;
- there should be no financial benefit on the part of the donor (although a reference to the name or activity of the donor will not be considered a financial benefit);
- an acknowledging certificate must be issued by the recipient for all donations received.

Should you have any questions regarding the above, please do not hesitate to contact Balázs Földes (tel: 887-7232, Balazs.Foldes@kpmg.hu) at the tax department of KPMG Advisory Ltd. or your regular tax advisor.

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