

Tax Newsletter

2/2004

Advance of the Innovational contribution

This Newsletter intends to call the attention of the Companies on the advance payment obligation of the new type of contribution.

Who must pay the innovational contribution?

According to Act XC of 2003 about the Foundation of Research and Technological Innovation effective as of 1 January of 2004, innovational contribution must be paid by businesses being subject to the Act on Accounting. No innovational contribution must be paid by micro-associations (based on Act XCV of 1999) and by companies in the year when registered at the Court of Registry, if set up without predecessor.

The base of the innovational contribution

The base of the contribution equals to the base of the local business tax, i.e. the net sales revenue reduced with the original cost of goods sold, the value of mediated services and material costs.

The rate of the contribution

The rate of the contribution is 0,2% in 2004; small enterprises shall pay 0,05% instead of the standard rate. However, the amount of the contribution can be decreased with the costs of the research and development activities performed by the company; and the costs of such services received from public companies or governmental institutions. Such deductible amount must be decreased with the amount of state aids received for the research and development activity.

Declaration and payment

The contribution has to be declared once a year, until the last day of the fifth month following the tax year (it is the 31st of May, where the tax year corresponds to the calendar year). The difference between the amount paid in advance during the tax year and the annual net contribution obligation (decreased with the deductible items) must also be settled till that date or it becomes reclaimable in case of overpayment.

Obligation of declaring and paying advance

Simultaneously with the declaration of the contribution, advance declaration has to be also submitted related to the period of 12 months starting as of the first day of the second month following the due-date of the declaration (it is 1st of July where the tax year corresponds to the calendar year) The declaration of the advance - similar to the corporate income tax - relates to a period of a half-year.

Advance also has to be paid in 2004, in connection with a declaration must be submitted until 31 May of 2004. The advance related to the period between 1 July of 2004 and 30 June of 2005 must be calculated on the base of contribution for 2003. For the first two quarters of 2004, the amount of the contribution is the proportional part of the net contribution obligation expected to the tax year of 2004. The advance must be paid quarterly in four equal installments until the 20th of the month following the quarter. Please note that it is **20th April of 2004**, where the tax year corresponds to the calendar year!

If you have any further questions in relation with the topics in this newsletter, please do not hesitate to contact us for assistance.

Sándor Szmicssek

Tax Director

Mazars & Guérard Kft.

1074 Budapest, Dohány utca 12-14.

+36-1-429-30-10

s.szmicssek@mazars.hu

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