

Taxation – Hungary (HUN)(F6) June 2008

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows where any direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other, such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate and the broad intellectual level at which these may need to be demonstrated (*See intellectual levels below)

Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant*.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down in those particular papers.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Performance Management* (F5) and *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers, ACCA will publish *examinable documents* every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session.

Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for the June examinations is 30 November of the previous year, and for the December examinations, it is 31 May of the same year.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus

TX (F6)

AIM

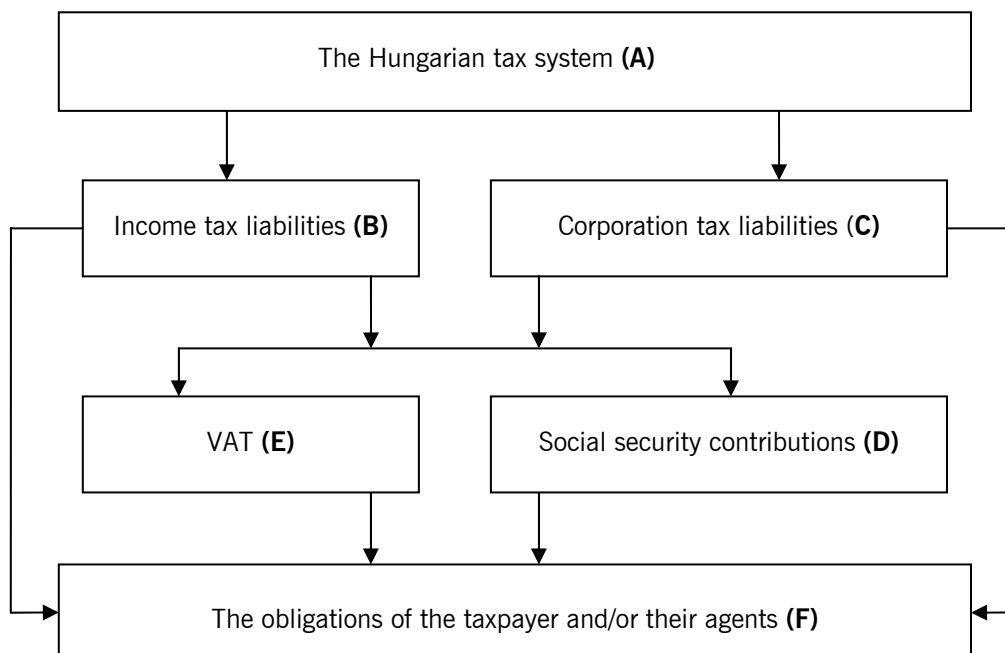
To develop knowledge and skills relating to the tax system as applicable to individuals and companies.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Explain the operation and scope of the tax system
- B** Explain and compute the income tax liabilities of individuals
- C** Explain and compute the corporation tax liabilities of individual companies
- D** Explain and compute the effect of social security contributions on employees and employers
- E** Explain and compute the effects of value added tax on incorporated and unincorporated businesses
- F** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self employment, employment and investments; the corporation tax liability of companies; the social security contribution liabilities of employees and employers; and the value added tax liability of businesses.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A The Hungarian tax system

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. Principal sources of tax law and practice
4. Tax avoidance and tax evasion

B Income tax liabilities

1. The scope of income tax
2. Income from employment
3. Income from independent sources
4. The computation of consolidated tax base and the tax liability thereon
5. Property and investment income

6. Gains and losses on the disposal of movable and immovable property
7. Simplified taxation for small entrepreneurs "EVA"

C Corporation tax liabilities

1. The scope of corporation tax
2. The corporate tax base
3. The comprehensive computation of corporation tax liability
4. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities
5. Solidarity surtax

D Social security contributions

1. The scope of social security
2. Social security contributions for employed persons

E Value added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities

F The obligations of tax payers and/or their agents

1. The systems for self-assessment and the making of returns
2. The time limits for the submission of information, claims and payment of tax, including advanced payments
3. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one and two will be for a total of 55 marks with one of the questions being for 30 marks and the other for 25 marks. One of these two questions will focus on income tax and the other question will focus on corporation tax.
- Question three will be for 15 marks, and will focus on investment reliefs for corporate tax.
- Questions four and five will be on any area of the syllabus and will be for 15 marks each.

There will always be at a minimum of 10 marks on value added tax on any paper. These marks might be included as part of a question or there might be a separate question on value added tax.

Social security contributions will not be examined as a separate question, but may be examined in any question involving income tax or corporation tax.

Overseas aspects will account for no more than 8 marks in total on any one examination paper.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

Study Guide

A THE HUNGARIAN TAX SYSTEM

1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.^[2]

2. Different types of taxes

- a) Identify the different types of capital and revenue tax.^[1]
- b) Explain the difference between direct and indirect taxation.^[2]

3. Principal sources of tax law and practice

- a) Describe the overall structure of the Hungarian tax system.^[1]
- b) State the different sources of tax regulation.^[1]
- c) Appreciate the interaction of the Hungarian tax system with that of other tax jurisdictions.^[2]

4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.^[1]
- b) Explain the need for an ethical and professional approach.^[2]

Excluded topics

- *Anti-avoidance legislation.*

B INCOME TAX LIABILITIES

1. The scope of income tax

- a) Explain how the residence of an individual is determined.^[1]
- b) Explain foreign income, non-residents and double taxation relief.^[1]

Excluded topics

- *Taxation of condominiums.*
- *Income from lottery.*

2. Income from employment

- a) Recognise the basis of assessment for employment income.^[2]
- b) Compute the income assessable.^[2]
- c) Recognise the allowable deductions, including membership fees of trades unions and cost reimbursement.^[2]
- d) Discuss the use of the approved mileage allowances.^[2]
- e) Explain the responsibilities of employers in respect of the deduction of income tax from the salaries of employees.^[1]
- f) Compute the amount of benefits in kind assessable.^[2]
- g) Share options.^[2]

Excluded topics

- *Payments on the termination of employment.*

3. Income from independent sources

- a) Recognise the basis of assessment for independent income.^[2]
- b) Recognise the expenditure that is allowable in calculating the independent income.^[2]

4. The computation of consolidated tax base and tax liability thereon

- a) Prepare the calculation of the consolidated tax base including items which may be classified as "other income".^[2]
- b) Compute the amount of tax on the consolidated tax base, given the tables.^[2]
- c) Calculate the amount of any deductions from the tax (tax credits).^[2]

Excluded topics

- *Tuition allowances*
- *Allowances for housing purposes*
- *Personal and family allowances*

5. Property and investment income

- a) Compute income from the rental of real estate.^[2]
- b) Compute the tax payable on interest income.^[2]
- c) Compute the tax payable on dividend income.^[2]

6. Gains and losses on the disposal of movable and immovable property

- a) Calculate the taxable income arising on the transfer of moveable property items.^[2]
- b) Calculate the taxable income arising on the transfer of real estate.^[2]
- c) Calculate the reduction in taxable income when the transfer of real estate takes place after more than five years of ownership.^[2]
- d) Calculate the capital gain arising on the sale of shares and other securities.^[2]
- e) Calculate the capital gain arising on the sale of shares in quoted companies when made in a sale that is not on an arms length basis.^[2]
- f) Calculate the value of quoted shares where they are disposed of by way of a gift.^[2]
- g) Calculate the capital gain arising on the cancellation of shares (e.g. liquidation, capital reduction).^[2]

7. Simplified taxation for small entrepreneurs "EVA"

- a) Recognise the criteria which an entrepreneur must satisfy to be eligible to choose to be taxed under EVA.^[2]
- b) Explain the calculation of the EVA tax base.^[2]

- c) Calculate the tax liability.^[2]
- d) Calculate whether it is advantageous for an incorporated entity to choose to be taxed under EVA.^[2]

C CORPORATION TAX LIABILITIES

1. The scope of corporation tax

- a) Explain how the residence of a company is determined.^[2]

Excluded topics

- *Investment companies*
- *Companies in receivership or liquidation*
- *Co-operatives*
- *State enterprises and subsidiaries*
- *Forestry associations*
- *Organisations of Employees Stock Ownership Programme*
- *Foundations and public bodies*
- *Housing co-operatives*
- *Law firms*
- *Non-profit organizations*

2. The corporate tax base

- a) Prepare the calculation of the corporate tax base starting with the company's profit before tax for the year.^[2]
- b) Recognise the items that increase the corporate tax base and the items that decrease the corporate tax base.^[2]
- c) Compute tax depreciation.^[1]
- d) Explain the treatment of interest paid and received from related parties.^[2]
- e) Explain the principles of the transfer pricing rules.^[1]
- f) Explain the treatment of dividends received from other companies in the corporate tax base.^[2]
- h) Calculate minimum tax base.^[2]
- g) Understand how corporate tax losses can be carried forward.^[2]

3. The comprehensive computation of corporation tax liability

- a) Compute the corporation tax liability.^[2]
- b) Calculate relief for profits taxed abroad where no double taxation agreement is in place.^[2]
- c) Calculate relief for profits taxed abroad where a double tax agreement is in place.^[2]

4. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities (The use of such exemptions and reliefs is implicit within all of the above sections 1 to 4 of part C of the syllabus, concerning corporation tax)

1. Development tax relief.^[2]
2. Tax incentives related to investments.^[2]
3. Regional and other tax incentives.^[2]
4. Tax allowance for small and medium sized enterprises.^[2]

Excluded topics

- *Industry specific development tax relief rules and rates*
- *Calculation of the limits that must be applied in respect of tax holidays granted before 31 December 2003*

5. Solidarity surtax

- a) Calculate the basis of the solidarity surtax.^[2]

D SOCIAL SECURITY CONTRIBUTIONS

1. The scope of social security

- a) Describe the scope of healthcare contributions, pension contributions, and contributions to unemployment funds.^[1]

2. Social security contributions for employed persons

- a) Compute total deductions from an employee's salary in respect of pension contributions, healthcare contributions and contributions to unemployment funds.^[2]

- b) Compute employers' contributions in respect of pension contributions, health care contributions and contributions to unemployment funds in respect of salaried employees.^[2]
- c) Calculate the social security liabilities arising on benefits in kind paid to employees.^[2]

E VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Describe the scope of VAT.^[2]
- b) List the principal zero-rated and exempt supplies.^[2]
- c) Recognize transactions that qualify as sale of goods or supply of services.^[2]

2. The VAT registration requirements

- a) Recognise the circumstances in which a person must register for VAT.^[2]
- b) Explain the advantages of voluntary VAT registration.^[1]
- c) Explain the circumstances in which pre-registration input VAT can be recovered.^[1]
- d) Explain how and when a person can deregister for VAT.^[1]

Excluded topics

- *Group registration*

3. The computation of VAT liabilities

- a) Explain how VAT is accounted for and administered.^[2]
- b) Recognise the date of performance when goods or services are supplied.^[2]
- c) Recognize deemed place of supply of services.^[2]
- d) List the information that must be given on a VAT invoice.^[1]

- e) Explain and apply the principles regarding the valuation of supplies (determination of VAT base).^[2]
 - f) Recognise the circumstances in which input VAT is non-deductible.^[2]
 - g) Calculate the deductible VAT when a taxpayer supplies both taxable and exempt supplies.^[2]
 - h) Explain the circumstances in which penalties will be charged by the tax authorities in respect of incorrect returns or underpaid tax.^[2]
 - i) Explain the circumstances in which VAT can be recovered from the tax authority.^[2]
 - j) Calculate VAT upon resale of tangible and intangible assets within 60/120 months.^[2]
 - k) Calculate VAT in the case of the change of ratio between taxable and tax exempt income.^[2]
- b) Recognise the due dates for the payment of tax under the self-assessment system.^[2]
 - c) Compute advanced payments and balancing payments/repayments for individuals.^[2]
 - d) List the information and records that taxpayers need to retain for tax purposes.^[1]

3. Penalties for non-compliance

- a) Calculate interest on overdue tax, given the rates.^[2]
- b) State the penalties that can be charged.^[2]

Excluded topics

- *Trading of goods with foreign countries.*
- *Special schemes for retailers, agricultural producers, tourism and any similar industry specific special schemes.*

F THE OBLIGATIONS OF TAX PAYERS AND/OR THEIR AGENTS

1. The systems for self-assessment and the making of returns

- a) Explain and apply the features of the self-assessment system as it applies to individuals.^[2]
- b) Explain and apply the features of the self-assessment system as it applies to companies.^[2]

2. The time limits for the submission of information, claims and payment of tax, including advanced payments

- a) Recognise the time limits that apply to the filing of returns and the making of claims.^[2]

READING LIST

ACCA's official publishers:

BPP Learning Media

Contact number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact number: +44(0)118 989 0629

Website: www.kaplanpublishing.co.uk

Additional reading:

Tax updates prepared by many of the accounting firms.

Relevant rules of law in force

A number of publications are available in Hungarian language, including Adó Kódex, published by KJK Kerszöv.

SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE

DECEMBER 2007

C2. h) new point added