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UPDATE

on COVID-19

The Belt and Road Initiative Tax
Administration Cooperation Mechanism

EDITOR'S NOTE:

At this critical moment in the world's fight against the COVID-19, the Special Edition of the BRITACOM Update on COVID-19 is issued, aiming to provide a platform for BRITACOM Council Members, Observers and other stakeholders to exchange views and share experience in responding to the outbreak. Issue 16 is an essay on COVID-19 related measures introduced by the National Tax and Customs Administration of Hungary. Later we will share more experience of tax administrations from countries and regions and views of international organizations and tax experts with you. If you would like to make contributions to the Special Edition, please contact us via email secretariat@britacom.org or britacom@163.com.

Mitigating Risks Caused by the COVID-19

National Tax and Customs Administration of Hungary

Since the start of the COVID-19 pandemic the National Tax and Customs Administration of Hungary has taken the appropriate measures to mitigate the risks it causes. First priority was to protect citizens and employees from the virus and to ease the burden on taxpayers by fair reporting and debt management. The Hungarian Government enabled this by taking swift actions to stop the spread of COVID and giving monetary relief to taxpayers in need in these dire circumstances. This consists mainly of temporary abolishing certain types of taxes and giving subsidies to targeted groups who are affected the most.

The following measures have been taken, divided into categories concerning main functions and organizational changes and work safety.

I. General Goals

- Prevention of society and staff health (people first);
- Minimizing the potential impact of COVID pandemic on economy and state budget;
- Minimizing the possibility of fraudulent or criminal activity.

II. Extension of Deadlines

As regards the additional time for filing the tax returns and making tax payments: The Government Decree No. 140/2020 (21 April) allows taxpayers to defer filing of tax returns and making tax payments due within the period from 22 April to 30 September at the latest by 30 September. Examples for that are the local business tax, company income tax or small business tax, which are originally due by 2 June (31 May).

As regards the tax arrears: The Hungarian government has declared emergency situation due to COVID-19 pandemic which also means that recovery of tax arrears has been temporary stopped from the 24th of March until the 15th day following the end of the emergency situation. This measure is applicable only to ongoing cases. However, the National Tax and Customs Administration (NTCA) takes into account the economic consequences of the COVID-19 for tax claims arisen following the entry into force of this measure. This includes i.e. that NTCA ensures fair treatment when granting payment facilities requested whether by entrepreneurs or by individuals impacted by COVID-19. In addition to solving the payment difficulties for businesses, these payment facilities can contribute to preserve jobs. Liquidity problems and payment difficulties arising from the emergency shall be considered at the request of the taxpayer in

enforcement proceedings already initiated. However, the taxpayer may, before the enforcement proceedings are initiated, request for time to pay or for payment by installments of taxes due.

III. Deferral of Payments

Due to the revenue-decreasing effect of the coronavirus, deferral or payment by installments may also be requested. If the taxpayer is not able to comply with the previously granted payment arrangement due to the payment difficulties caused by the pandemic, this will be reinstated in the taxpayer's current tax account and will be due in a single amount, for which he may request a further rescheduling for these reasons. Deferred payment may be granted if the circumstances meet certain legal requirements. The end of the emergency may be indicated as the final date for payment requested, or a later date if the circumstances giving rise to the payment difficulties are likely to persist.

IV. Remitting Penalties and Interest and Debt Payment Plans

As regards the late payment: Any automatic reduction, remission or suspension of interest to be calculated from the due date of the tax claims have not been envisaged yet, any remission or reduction can be granted only at the request of the taxpayer and subject to the conditions laid down by the general legal rules.

COVID-19 is considered as an objective reason for payment difficulties. Taking into consideration this fact the tax administration may grant debt payment plans such as payment by installments, time to pay or the combination of them at the request of taxpayer even for an interest-free period which could also help to resolve payment difficulties. Particular account shall be taken of the payment difficulties caused by COVID-19. It should not be overlooked that the taxpayers impacted are in this financial situation for reasons beyond their control, in which their ability to pay can only be restored within a longer period, and it could therefore be justified to allow longer-term payment facilities if the legal conditions are otherwise met. The forms for requests are available and can also be downloaded from our official website. Besides the payment facilities under the general legal rules NTCA may authorize payment by installments up to maximum 12 months or deferred payment up to maximum 6 months free of charge for taxpayers whose payment difficulties is caused by the pandemic. It can be granted once, for the tax debt not exceeding 5 million HUF (ca. 14 300 EUR), and at the justified request of the taxpayer submitted within 30 days following the end of the emergency situation. Moreover (and besides the general rules), the tax debt can be reduced by a maximum of 20 %, but not exceeding 5 million HUF, if the payment of the tax debt makes the applicant's business activity impossible for reasons related to the emergency. It can be granted once, for one tax type and at the justified request of the taxpayer

submitted within 30 days following the end of the emergency situation. It cannot be combined with the above mentioned payment by installments or deferral.

V. Suspending Debt Recovery

1. Recovery of tax arrears has been temporary stopped from the 24th of March until the 15th day following the end of the emergency situation. This measure is applicable only to ongoing cases. However, the NTCA may grant suspension of the enforcement proceedings also for new claims (arisen following the entry into force of this measure), but in that case only at the request of the taxpayer and the circumstances need to be proved. The assessment of requests for suspension on grounds of fairness is a high priority task for which we intend to provide adequate resources.

2. Debt recovery for new claims (arisen following the entry into force of this measure): COVID-19 may justify suspension of enforcement proceedings if it results in a loss of income or liquidity problems of the taxpayer. It can be granted only at the request of the taxpayer and the circumstances need to be proved.

In this context, it should be considered in particular:

a) The payment difficulties of businesses most affected by the decline caused by the risk of COVID-19 (e.g. tourism, catering sectors);

b) The payment difficulties of natural persons who are ill or under medical surveillance and those who have a temporary lower income than previously due to measures taken by the employer in view of the disease threat (working time reduction, stoppage).

The impact caused by COVID-19 is assessed on a case-by-case basis for each request for suspension. If this is duly justified, the whole enforcement procedure should be suspended, the end date of the suspension may be the end date of the emergency (or a later date if the circumstances giving rise to the suspension are likely to persist thereafter). It is possible to suspend the enforcement procedure before the expiry of the period for voluntary compliance specified in the payment notice, or even in the lack of any other enforcement action. It means in practice that the tax administration will not initiate any further enforcement action (e.g. wage garnishment, bank account attachment, seizure of assets) during the period of suspension, the ongoing bank account attachment will be revoked, wage garnishment will be suspended, but the seizure conducted previously will not be released.

VI. Quicker Refunds

NTCA has changed its procedures according to the governmental decision to quicken refunds. To

ease the liquidity problems of economic actors the government has decided, in view of the emergency situation, to shorten the VAT reimbursement deadlines from 20 April 2020. For small and medium-sized enterprises it will be shortened from 75 days to 30 days in general, and from 30 days to 20 days for taxpayers classified reliable by the legislation.

VII. Audit Policies

Audits of large taxpayers designated for comprehensive audits in 2020 will be rescheduled in light of the current situation. In cases where the tax administration have already informed business companies of the audits planned for the quarter, are under review, they will be rescheduled on request or ex officio. For SME's and individuals the current plans are similar, probable scenario is postponing audits.

For tax audits that have already begun, the tax administration will extend the audit deadline under the current legal framework. With the objective deadline of 180 days (for reliable taxpayer) and 365 days exceeding the deadline for inspections, the NTCA initiated an amendment at the Ministry of Finance.

The NTCA is conducting an enhanced risk analysis during the declared contingency due to the spread of COVID-19 in order to manage the available audit capacity, thus focusing on detecting / preventing intentional tax evasion, dealing with activities of taxpayers abusing the emergency, and fiscal revenues.

For companies it is a legal requirement to be able to communicate with the tax administration electronically, even in audit scenarios. Where the audit is necessary it will be conducted preferably without personal contact.

Audits with personal contact will only be carried out in severe cases where fraud is expected.

VIII. Enhanced Services

NAV seeks to direct clients on all possible channels to use online communication, as almost all tax matters can be handled electronically.

For specific tax matters, NAV operates a dedicated telephone customer service (ÜCC), which requires a unique identification. New electronic identification requests are directed to a simple web interface. Moreover, 3.8 million customers were notified of this option through the Government Gateway (a central governmental system which is used for citizen identification and communication).

General telephone information is continuously provided on the NAV Info Line (TCC), which is not

planned to be extended due to the epidemiological situation at the moment but from mid-April, work from home is provided in the NAV Info line. With new IT improvements, it has become possible for tax officials to answer the increased number of calls at home.

For ease of administration, we have simplified the download of forms for the most common case types from the NAV website.

IX. Communication

Great emphasis should also be placed on the possibility of coordinating with that group of taxpayers by providing information, including on the possibility of submitting a request for payment arrangement. This information has been published on the official website of the NTCA.

A new section is available on the website, containing information to assist taxpayers in emergency situations. The tax Administration has also published commonly used forms in easy-to-download and printable formats (pdf).

As the vast majority of tax matters can be handled electronically, NTCA invites its clients in all forums to choose between electronic or telephone administration, avoiding personal contact.

In mid-March we launched an intranet site dedicated Covid-19 communication which is regularly updated (news, NTCA-related content, own training videos, guidelines, posters, Q&A) and assures up-to-date information of our colleagues, thus assisting defense. Moreover, a separate newsletter is also issued regularly.

X. Governance Arrangements

The NTCA reacted to the pandemic putting in place new contact points for decision makers to be up to date continuously and be able to make fast, appropriate decisions to keep the functionality of the organization all the time, and minimize health risks

1. Setting up Consultative Board at National Tax and Customs Administration for 24 7/7 quick decision making and response giving during cross government coordination,
2. Direct contact with Government Operational Group to implement government policy decisions (State of emergency; specific bill, quick economic measures regarding most vulnerable economic sectors (e.g. tourism and catering, self-employed)).
3. Primary definition of essential and vital functions and critical workforce/staff, safeguard key staff roles and members:
 - Reduction of on-site working staff number;

- 2 week shift for critical staff members;
- Where possible, IT functions and support will be carried out via remote access tools in order to keep IT systems and infrastructure fully functional;
- Wide use of VPN or VDI techniques for staff members, use of BYOD, mobile accessories;
- Key staff management and deputies are not allowed to work on same place to avoid loss of management function (rotation and distancing),
- Introduction of new data transfer tools and mail shipping solutions amongst partner authorities.

4. The NTCA considered important to compile a complex strategic document that contains all the responses to the consequences of COVID-19 epidemic situation. The aim of this document is to include all extraordinary actions and tasks that are necessary during the epidemic situation. In the focus of this business continuity plan are to

- ensure the continuous operation of the tax and customs system;
- preserve the health of our colleagues;
- help to the economic actors in this crisis caused by the coronavirus-epidemic;
- support the special actions of the government to fight against this economic crisis.

This document covers the whole organizations, and contains not just the special actions and tasks of the management of the epidemiological situation but the steps of the return to the normal operation too.

XI. Scenario Planning

1. IT and telecommunication as critical infrastructure:

- IT has dedicated Business Continuity Plan and Disaster Recovery Plan;
- Geo-redundant infrastructural and workaround protocols has been activated;

2. Collecting real time daily information on economic activity for Government to help quick decision making process:

- Online cash registers;
- E-invoice;
- Electronic road trade control system;

- Tax revenues, payment extensions;
- Direct taxpayer information (insolvency, dismiss of staff, LTU close down of operation).

3. Scenario planning for worst case scenario (shutdown of public transfer service, rapid increase of virus affected staff).

XII. Identification of Critical and Non-critical Activities

Prioritization of tax, customs and criminal investigation functions:

- Help preserving health of society and staff;
- Securing key revenues for the budget;
- Help most vulnerable economic sectors and taxpayer groups;
- Partnership, equity, greater use of payment extensions;
- Providing targeted and proactive assistance for the key economic players and large taxpayers;
- Refocusing enforcement;
- Ensuring Criminal Intelligence activity and detection of fraudulent activity;
- Refocusing tax audit activity to prevent tax base;
- Stronger audit activity on e-commerce and B2B solutions.

XIII. Understanding Critical Vulnerabilities

1. Segmentation of business processes for both tax and customs administration:

- Critical Business Functions;
- Non-critical secondary functions.

2. Intra-organizational regulatory framework for core functions regarding Business Continuity Plan, staff and other resources,

3. Introduction of updated IT security rules (mailing, online video conferences, data sharing, use of encryption methods, data fishing emails) for the new environment.

XIV. Staff and Taxpayer Safety

1. Health-care and risk minimizing rules;
2. Protective gear, masks, gloves, antiviral disinfecting cleaning products;

3. More flexible remote working and home office rules for civil servants/ officials;

4. Shorter service hours for personal customer service centers;

In order to protect employees and taxpayers, internal regulators have been set up following a risk assessment. These regulations include, among other things, measures for the safety of employees and clients, which can reduce the risks:

- Identifying protected employees to ensure the operation of the organization (e.g. IT Institute);
- Prioritization of tasks (primary, secondary, temporarily omitted);
- Rotating home office and leave;
- Increase electronic administration by issuing customer briefings;
- Purchasing protective equipment for employees in critical position (e.g. tax inspectors, patrols, customer service staff);
- Creating an emergency protocol at customer service (only one customer in customer space principle, multiple surface disinfection daily);
- Minimization of paper-based mail, paper-based mail quarantine for 24 hours, using electronic mail.

On the epidemiological sub-page created on the internal website, we publish recommendations on safe work and medical advices on the prevention of the epidemic, the recognition of symptoms and recommendations for dealing with the psychological effects of the epidemic. We operate a psychological helpline to maintain the mental health of employees and to deal with the stress and other psychological effects of the epidemic.

XV. Remote Working

In connection with the coronavirus epidemic, with a new internal regulation we have made it possible to work from home in jobs where it can be solved. To this end, employers have assessed the job tasks / jobs that can be performed in home office. For the technical realization of remote working, the IT department provided support by providing office laptops and remote access to their own devices. We monitor the number of people involved in working from home.

The IT Institute has created a knowledge base on technical information related to remote working (use of VPN, use of mail systems, use of video conferencing applications, related internal regulations, etc.)

With the help of psychologists, we published recommendations on remote working and on

work-life balance during remote working.

XVI. Recruitment and Retention

At this stage of the crisis, staff expansion is not necessary, the primary goal is to protect and retain existing employees and to keep the organization operational.



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