



# TaxAlert

## Tax allowance for those supporting Hungary's Olympic Games tender

February 2016

In our current tax alert we would like to inform our Clients that a new draft law has been submitted to the Hungarian Parliament. The aim of this draft is to change Hungarian corporate income tax law regarding certain donations. According to the draft law, companies which donate towards the preparation of the tender for the potential Olympic Games in Budapest may be able to qualify for a tax allowance.

The new tax incentive system would provide an opportunity to companies to donate to a non-profit-making organization (hereinafter referred to as 'Organization') – which would be established by the Municipality of Budapest and the Hungarian Olympic Committee – donations coming from companies' business profits, in order to cover the expenses of the tender for the potential XXXIII. Summer Olympic and the XVII. Paralympics Games in Budapest.

According to the draft tax law, taxpayers would be able to donate to the above mentioned organization – in a system similar to certain currently existing team sports donations – in return for a certain tax allowance upon receipt of a certificate from the Organization, and if the companies fulfill certain other requirements. The amount of the tax allowance could be a utilizable amount up to 70% of payable tax up to the end of the calendar year falling 6 calendar years after the year of the donation. It should be noted, that the donator will not receive any remuneration for the donation, just the mentioned tax allowance if certain requirements are fulfilled.

Certifications of proof of donations for 2016 and 2017 cannot exceed a combined HUF 19 billion – and all donated sums which have not been utilized by the Organization by a fixed end-date of 31 December 2017 will be transferred back to the Hungarian state by the Organization within a certain timeframe. Based on the above, such donations would be accepted only in the above-mentioned two calendar years, while these donations would also be repealed as of 1 January 2018.

Based on the draft law, 25% of such donations would be booked as an accepted cost for corporate income tax purposes, therefore the maximum tax advantage would be 4.75% of the amount of the donation.

We kindly draw your attention to the fact that the envisaged structure of these donations will not be seen as part of any corporate income tax offering system; rather, it is based on previously introduced donation system rules; hence, accounting standards remain applicable in this regard.

When more is known, we will provide further information to our Clients about the potential ratification or progress of this new draft tax law.



# Contacts:

## Partners

### Gábor Beer

Partner, Head of Tax Advisory

T: +36 1 887 7329

E: gabor.beer@kpmg.hu

### dr. Csaba László

Senior Partner

T: +36 1 887 7420

E: csaba.laszlo@kpmg.hu

## Indirect Tax Advisory and Compliance Services

### Zoltán Farkas

Director

T: +36 1 887 7439

E: zoltan.farkas@kpmg.hu

### Zsolt Sránkó

Manager

T: +36 1 887 7460

E: zsolt.sranko@kpmg.hu

## International Tax

### Bálint Gombkötő

Director

T: +36 1 887 7159

E: balint.gombkoto@kpmg.hu

### Zsófia Pongrácz

Senior Manager

T: +36 1 887 7374

E: zsofia.pongracz@kpmg.hu

## Tax Advice for the Financial Services Sector

### Gábor Farkas

Senior Manager

T: +36 1 887 7415

E: gabor.farkas@kpmg.hu

### Balázs Pethő

Senior Manager

T: +36 1 887 7368

E: balazs.petho@kpmg.hu

## Corporate Tax, Deal Advisory and M&A Tax

### Gábor Zachár

Director

T: +36 1 887 6690

E: gabor.zachar@kpmg.hu

### dr. András Németh

Director

T: +36 1 887 7261

E: andras.nemeth@kpmg.hu

### Mihály Gerhát

Senior Manager

T: +36 1 887 7180

E: mihaly.gerhat@kpmg.hu

### dr. Helga Kiss

Senior Manager

T.: +36 1 887 5569

E.: helga.kiss@kpmg.hu

### Eszter Somogyi

Manager

T.: +36 1 887 6636

E.: eszter.somogyi@kpmg.hu

## Global Mobility Services

### Attila Zoltán Arányi

Director

T: +36 1 887 7304

E: attila.aranyi@kpmg.hu

### Gabriella Joó

Senior Manager

T: +36 1 887 6630

E: gabriella.joo@kpmg.hu

### dr. Katalin Bíróné Boncsér

Senior Manager

T: +36 1 887 7321

E: katalin.boncser@kpmg.hu

### Andrea Szűcs

Manager

T: +36 1 887 6589

E: andrea.szucs@kpmg.hu

## Accounting Advisory, Bookkeeping and Payroll Services

### Ágnes Rakó

Director

T: +36 1 887 7438

E: agnes.rako@kpmg.hu

## Legal Services

### dr. Dávid Bosznay

Attorney-at-law

T: +36 1 887 7311

E: david.bosznay@kpmg.hu

## Transfer Pricing Advisory Group

### Mihály Gódor

Director

T: +36 1 887 7340

E: mihaly.godor@kpmg.hu

### Szabolcs Végh

Senior Manager

T: +36 1 887 7213

E: szabolcs.vegh@kpmg.hu



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