



# 2014

NATIONAL TAX AND  
CUSTOMS ADMINISTRATION



# OPENING REMARKS

*Dear Reader,*

Four years have passed since the establishment of the National Tax and Customs Administration of Hungary. In the opening remarks of the first edition of this annual publication I pointed out that we managed to create such a modern and transparent organization which preserves the advantages and values of the two predecessor organizations and which has the ability to develop and – besides the professional and high quality execution of its current tasks – is also capable to meet the challenges of the future. I hereby confirm those statements.

The workload of the administration is continuously rising, we have 1,058 tasks today. This number goes to show that our work to provide the cover for Hungarian public expenses and to deliver the revenues of the state budget is worthy of respect and recognition. The continuous modernization of our activities and our structure is required by our basic task – the delivery of tax revenues – which poses an ever growing challenge on the one hand, and the constantly emerging new tasks on the other. By means of developments in the IT field, the most refined system ever seen was realized in 2014; nevertheless, the public administration of the 21<sup>st</sup> Century calls for further modernizations in order to maintain this quality. The improvement of not only our instruments, but also our professional knowledge is a prerequisite of the outstanding work. More than half of our 22,400 employees (11,500) took part in some kind of a course, and our training institution has been running 170 programs in 2014.

I am sure that year 2015 will bring about new difficulties, obstacles and tasks that my colleagues at the National Tax and Customs Administration will need to face. The most important conditions of executing the tasks allocated to us are our professional knowledge and integrity. With this in mind, I am hereby presenting this publication to the reader which gives an account of the results we achieved in 2014.



*Dr. Ildikó Vida  
President*





# R REVENUES

The basic task of the National Tax and Customs Administration (NTCA) is the delivery of budget revenues. Its scope of authority includes the collection of taxes, contributions and customs duties defined in the Act on the Central Budget and the detection of financial and certain economic crimes. The NTCA's activities provide the cover for the expenses of the society. The NTCA is responsible for around 93 percent of the tax related revenues of the budget. The revenues raised by the NTCA in 2014 show a favourable picture. The income of 11,486.7 billion HUF surpassed the revenues of last year by 7.1 percent or 764.1 billion HUF and the

budget targets by 2.6 percent or 288.9 billion HUF. The circumstances of business management, profitability, the positive trends in income outflow and the impacts of measures to curb black economy played a more decisive role in the favourable revenue positions than they did in previous years. A major part of the surplus came from the priority tax types in 2014 as well: a total of 10,534.4 billion HUF was generated from social security contributions, social contribution tax, value-added tax, personal income tax and corporate income tax. This amount exceeds the performance in 2013 by 736.2 billion HUF.

Net revenues generated from priority tax types and contributions					
Name	Budget allocation for 2014 (billion HUF)	Turnover balance (billion HUF)		Index (%)	Performance (%)
		2013	2014		
	1.	2.	3.	4.=3./2.	5.=3./1.
Personal income tax	1 550.0	1 504.6	1 589.1	105.6	102.5
Value-added tax	3 014.1	2 809.6	3 035.6	108.0	100.7
Corporate income tax	358.8	322.5	394.8	122.4	110.0
Social security cont. + social contribution tax*	3 571.0	3 511.4	3 795.1	108.1	106.3
Health contribution	157.5	138.6	152.9	110.3	97.1
Excise tax	931.9	897.3	918.9	102.4	98.6
Public health product tax	19.0	18.9	20.0	105.8	105.3
Green tax	51.6	48.2	49.8	103.3	96.5
Financial transaction duty	269.4	259.6	277.9	107.0	103.2
Surtax of financial institutions	144.0	139.1	148.6	106.8	103.2
Simplified entrepreneurship tax	67.0	110.0	96.8	88.0	144.5
Itemized tax of small taxpayers	78.0	28.3	42.2	149.1	54.1
Small enterprise tax	45.4	10.1	12.7	125.7	28.0
Total tax and contribution revenues	10 257.7	9 798.2	10 534.4	107.5	102.7
Total revenues collected in targets managed by the NTCA n	11 197.8	10 722.6	11 486.7	107.1	102.6

\* Revenues materializing on NTCA accounts only



# AN ADMINISTRATION PROVIDING SERVICES

An indispensable precondition for societal trust in the NTCA and high quality tax compliance is the availability of fast, comfortable and simple information and easy conduct of affairs. It was in line with this principle that the National Tax and Customs Administration was improving its customer relations in 2014 as well. Owing to the modern IT background, a major part of communication between the NTCA and taxpayers takes place via telephone and electronic channels.

More than 140,000 calls were initiated by taxpayers through the Client Information and Conduct of Affairs (ÜCC) system and more than 123,000 cases were conducted successfully, the number of unsuccessful calls dropped 44 percent in comparison to the previous year. The range of the types of cases conductible via phone was expanded: more than 158,000 people have already applied for the PIN code to conduct affairs personally including the 20,000 who applied in 2014.

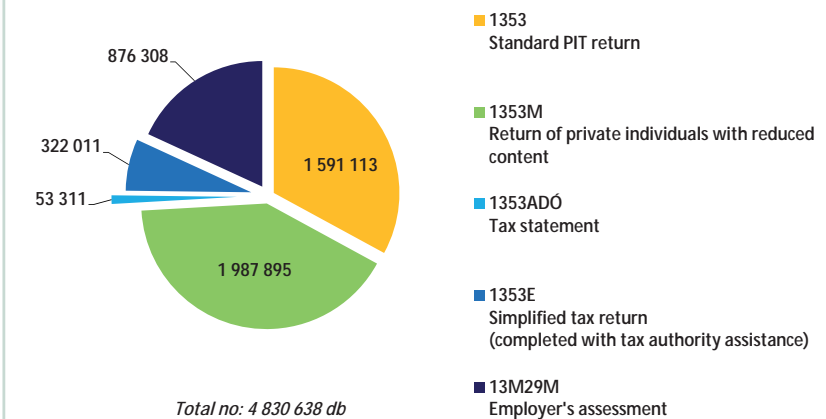
On 1,106,000 occasions were the colleagues at NTCA called in the e-mail and phone system (TCC) with requests for information. The system operates with a 99.7 percent rate of effectiveness. More than 23,000 requests for information via email and more than 11,000 postal requests were replied at the tax directorate generals. The VP information centre received more than 24,000 calls and the number of e-mails answered surpassed 5,000. The aggregate number of the tax, income and residence certificates issued was more than 468,000, which number exceeds the previous year's data by almost five thousand. The number of electronically submitted requests for the issue of certificates was more than 318,000 and 215,000 certificates were issued electronically by the NTCA. Bank card payments were made in more than 53,000 cases – in the tax and customs field together – with a total value of 1.25 billion HUF. The number of point-of-sale terminals placed at customer services increased to 222.

## NTCA customer service information for 2014

- Our clientele includes 5.4 million tax subjects.
- 10 million current accounts are managed.
- More than 2.4 million of our clients turned to our customer services in person.
- The TTC system received 1.1 million calls.
- More than 123,000 taxpayers employed the services of the ÜCC system.
- The administration received and processed 22.6 million tax returns and provisions of data.
- The number of customs procedures surpassed 1.6 million.
- Our webpage was visited on more than 19.3 million occasions by clients.

Taxpayers in the professional field of tax filed requests for payment facilities to the NTCA in 138,000 cases with an amount of more than 160 and a half billion HUF involved. 41 percent of these requests were made for payment facilities, 12 percent of them were submitted for tax abatements, a 18 percent of the requests included pleas for both payment facilities and tax abatements and 29 percent of them were filed deficiently. 39 and half thousands of these applications were submitted electronically. The number of payment instalments granted upon requests was 1,542 in the excise field, the administration granted the option of payment instalments in respect of about 4 billion 420 million HUF. The number of granted tax abatements was 1,116, and the total amount of abatements was more than 717 million HUF. Paper-based tax return and other forms were simplified, made more practical and easier to handle in 2014 as well. On a national scale 22.6 million tax returns and other provisions of data were re-

Distribution of PIT returns for 2013

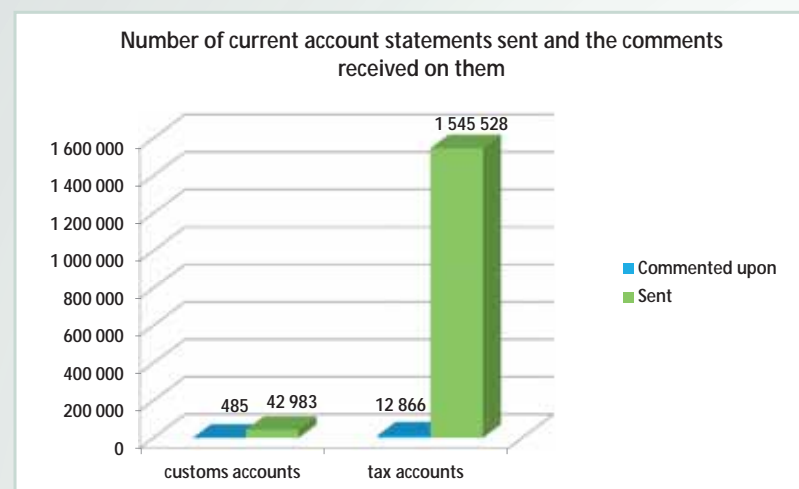


ceived by the NTCA, 19.6 million of those were filed electronically. The number of personal income tax returns received until the end of 2014 and containing all of the required data exceeded a million and a half, the number of simplified returns was 1 million 988 thousand, and the number of tax declaration statements was 53 thousand. More than 4.8 million private individuals complied with their obligation to pay personal income tax if both the 322 thousand taxpayers who complied with their PIT payment obligation by submitting simplified returns and also those who chose their taxes to be assessed by their employers (876 thousand taxpayers) are taken into account.

The number of import customs procedures saw an increase of 17 percent and the number of export customs procedures dropped by 7 percent in comparison with 2013. In accordance with EU expectations, half of the customs procedures can already be initiated electronically. In 2014 97 percent of import procedures were initiated electronically (AIS) by clients. The NTCA mailed more than a million and a half current account statements in 2014, 68 thousand of which were sent to operators, the rest of them to private individuals or private entrepreneurs. Clients received 43 thousand customs duty account statements. The entities making electronic returns had







the option to inquire about their default penalty payment obligations from 2013 through the Client Gate on the surface for current account queries available within the application for filing electronic tax returns called eBEV services.

The Forensic Institute of the National Tax and Customs Administration performs analytical examinations and releases expert opinions. In 2014, 4,610 samples were sent to the Institute, the largest part of which was related to excise and customs procedures. In addition to that samples relevant for NETA (Public Health Product Tax), green tax and criminal procedures were also examined and in 312 cases unknown substances were identified: drugs, narcotic drugs, psychoactive substances and pesticides. Besides the analysis of the incoming samples, the Institute receives a significant amount of queries – related to the various tax types and customs duties – with no attached samples from operators and units of the NTCA. The Institute performs examinations of alcohol products and mineral oil products by means of its mobile laboratory. The Institute was also delegated to on-site premises to perform expert analyses of samples.

Clients have been informed about the most important rules of taxation through – among other things – presentations deliv-

ered in professional fora and by means of open events attended by the general public. The excise professional field held numerous consultations with the purpose of formulating the uniform application of law and providing continuous information to professional representations and strategic partners acting in this professional field. Excise Open Days were organized twice with the attendance of professional chambers representing those taxpayers who have a great impact on excise tax revenues; and a national traffic roadshow was arranged in the organization of the regional customs and finance guard directorates general.

NTCA was featured in the national media in about 45,000 times. The central themes of these media appearances were primarily the information related to online cash registers, audit operations, internet blocking, the more strict control of metal trade, tobacco trade, VAT frauds present in the trade of food products, the introduction of the advertisement tax and the introduction of the Electronic Road Transport Control System (EKAER) in 2015. The PIT campaign in 2014 focused on the promotion of the simple and fast means of preparing tax returns; the popularity of the “beer mat” returns was palpably increasing.

#### Posts made by the web secretariat (nav.gov.hu) in 2014

media / topic	total
publication	1 367
e-mails	486
number of visitors the webpage <a href="http://www.nav.gov.hu">www.nav.gov.hu</a>	19 320 769
number of programs (on average)	678
downloads from programs	33 744 775



In line with the established traditions, the NTCA acted as an exhibitor on several events by participating in – among others – the Tourism Exhibition, the Pálinka Festival of Budapest, the Volt Festival, the Sziget Festival and the Criminal Expo.

The independent platform of the administration proved to be very popular in each of these events. Besides the information on taxation regulations distributed by colleagues, visitors also had the opportunity to learn about the activities of our organization and receive answers to the questions emerging in their personal affairs. Several new articles, forms

and other information material were published or updated on the NTCA website. The family tax allowance calculator appeared on the website subsequently used by several tens of thousands of people. The NTCA mobile application came to be available to everybody as of 11 April on Android and iOS platforms. There were more than 19.3 million visitors of the NTCA website in 2014, and the number of downloads from the 678 programmes available there exceeded 33.7 million. The 190 posts on the official NTCA Facebook platform were viewed more than 732,000 times.







# A AUDITS

Audits by the National Tax and Customs Administration play a fundamental role in realizing state budget revenues. By way of the continuous development of the system, the identification of tax avoiders is becoming ever more precise; and therefore, audits are becoming more and more targeted.

In 2014 the range of taxpayers entering into direct contact with the NTCA is expanding as a result of the audits conducted to gather information, to verify the authenticity of certain economic events and to control compliance with particular tax obligations. Besides the promotion of compliance, these audits are important in preparing the subsequent audit of tax returns and in establishing evidence. Considering the fact that the income from value-added tax make up the vast majority of the revenues of the budget; in addition, this is the tax type that generates most of the irregularities and unauthorized reclaims based on fictitious invoices, priority attention must be paid to VAT audits. An overwhelming part of audit capacity was focused on the subsequent audit of returns, including the audits carried out before disbursement of central subsidies, of the claims for tax refunds and of the payment of tax refunds.

The development of the NTCA's diversified risk management operations continued in 2014. Making use of the itemized VAT data made the tracking of the invoicing routes possible not only between risky taxpayers and their Community business partners but among Hungarian taxpayers as well. Audits were concluded at 2,364 taxpayers after the data of summary statements had been used. The outcome of the 525 subsequent audits concluded was the detection of 11.8 billion HUF of delinquent taxes; thus, the average net amount of assessments was 22.5 million HUF which is more than the double of the figure achieved in the previous year. Out of the invoicing chains detected by means of central risk assessment, risky transactions amounting to a total of 84 billion HUF – the share of VAT risks within that being 23 billion HUF – were transferred to the criminal field in order for immediate measures to be taken.

The opportunity of risk assessments carried out in the course of the control of online cash register opened up as well. The mass of risk analysis data of the data warehouse has been utilized already in the selection phase in the case of both classic operational audits and subsequent audits.

By the end of the year, 66,254 taxpayers were rendered to the risk management phase following the tax registration process, and 15,102 of them received KOCKERD questionnaires, which 81.4 per cent of them returned; at the same time, more than five thousand

## **NTCA audit data of 2014**

- The 224.8 thousand tax professional examinations affected 154.2 thousand taxpayers; the detected net tax difference was 582.4 billion HUF. Assessments of these audits entailed sanctions amounting to around 433.5 billion HUF.
- A total of 2.6 billion HUF was imposed in penalties in the course of ex-post examinations of customs and customs declarations by the customs and finance guard directorates.
- Ex-post controls were carried out in respect of more than 13.3 thousand customs declarations.
- Almost 240.4 thousand controls were completed in the excise sector, the amount of total penalties imposed due to infringements reached 7.5 billion HUF.
- Almost 3.2 thousand metal trade controls were executed.
- Administrative penalties were imposed in 9.5 thousand cases due to infringements detected in the course of road controls.
- Enforcement authorities detected around 17.3 thousand contraventions.



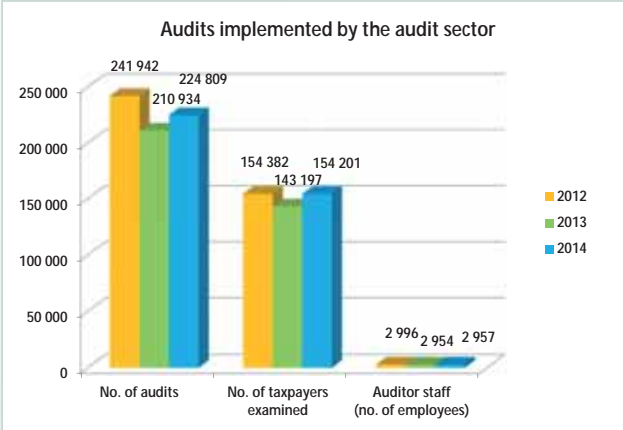
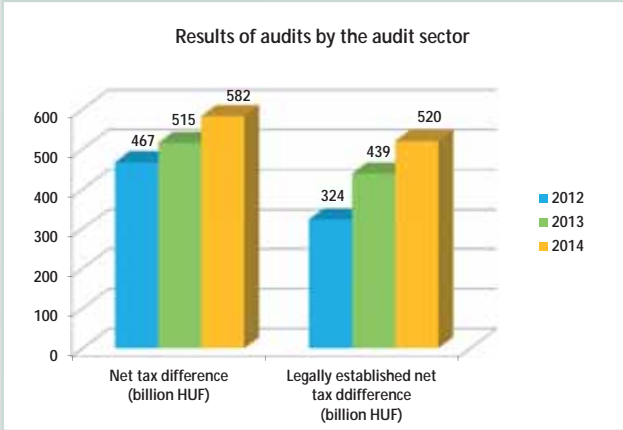


decisions were adopted on the imposition of default penalties on account of those who failed to respond. Tax directorates mailed the 3,548 decisions on the deletion of tax numbers in the case of those who continued to make no measures even after the default penalty. So far in 2014 some 2,626 taxpayers were rendered under enhanced regulatory supervision in a legally binding way. Although not even risk management after tax registration can wind up tax evasion entirely; at least the number of companies established for these purposes was significantly reduced and their operation damaging the central budget obstructed. Curbing the company cemetery phenomenon was facilitated by the mapping and the subsequent control of the live company relationships of persons selling their own companies into company cemeteries; and thereafter, building the information into the automatic risk analysis processes. A total net tax delin-

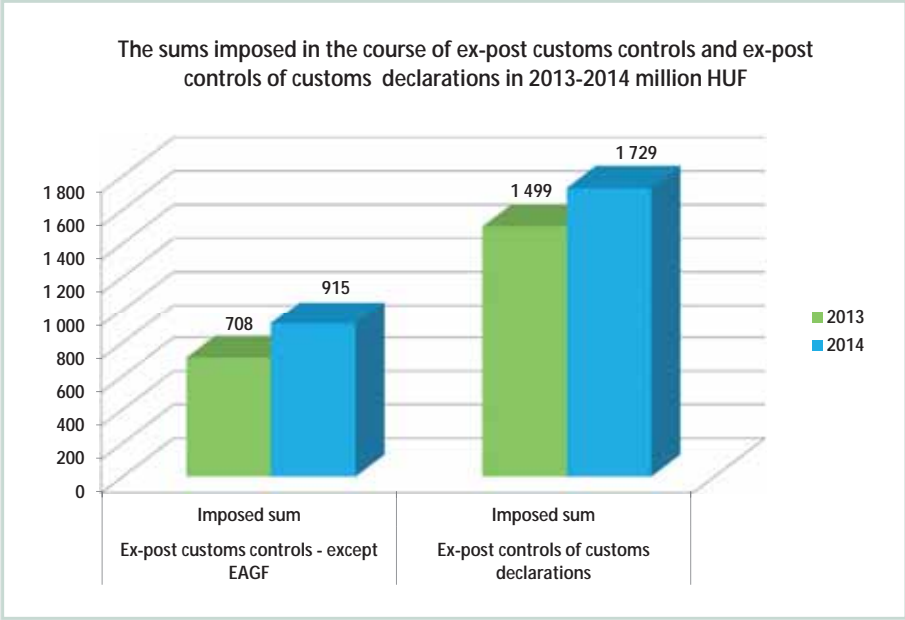
quency of 2 billion HUF was established by the NTCA staff as a result of tax audits performed at companies in the sphere of interest of people making sales into company cemeteries or in that of the company cemeteries themselves. The tax audit professional field performed 224,809 audits. Out of the audits concluded, 34,833 were subsequent audits of tax types, and 189,976 of them targeted the aim of gathering data or control compliance with particular tax obligations. The amount of the net tax difference surpassed the 2013 amount by 67.6 billion HUF and yielded 582.4 billion HUF altogether. Tax assessments of more than one billion HUF had a decisive role in this powerful increase. The average tax difference detected in subsequent controls exceeded 18 million HUF in this year too. A priority task of the audit – and within that the operative – field all through the year was controlling compliance with

obligations related to online cash registers. This took place on more than 62 thousand occasions. Preliminary analysis of the data received from the cash registers and the information derived from their utilization were built into the audits. Besides the failure to issue receipts, the most important omission committed by operators is the failure to record the daily opening and the opening cash stock, and in many cases there is no on-site machine log. The tax office completed 7,577 examinations by using online cash register data and imposed default penalties in the total amount of 107.8 million HUF. National operations took place with the coordination of the different professional fields in 2014. As a result, it was possible to effectively plan and schedule capacities in advance and allocate particular subtasks. The success of operations was also facilitated by the official escort of goods and border zone controls carried out by the Directorate General for Deployment. The county customs directorates controlled 13,317 customs declarations of goods, and imposed a total of 1,729 million HUF under the legal titles customs, VAT, green tax and customs administration penalties – which is a 15 percent increase in comparison with the data of the previous year. The number of vehicles under registration procedures increased by nearly 29 percent over the previous year – mainly due to the growth in the release of used vehicles into traffic – and therefore it came close to 176 thousand, whereas the total amount of taxes imposed was almost 18.8 billion HUF. The excise field completed more than 240.4 thousand examinations in 2014. The number of excise controls decreased and was 146 thousand, whereas the number of authority supervi-

sion controls grew by 3.4 percent and thus amounted to 13.4 thousand operations. The number of other controls also increased, there were 81 thousand of these. Goods were seized in 21,598 occasions with a total value of 1 billion and 32 million HUF. The field detected 51,764 infringements, the expected amount of the penalties is 7 billion 502 million HUF. NTCA patrolmen imposed administrative penalties in 9,500 cases in a total amount of 1.4 billion HUF due to infringements detected in the course of road controls. Customs and finance guard authorities detected 17.3 thousand cases of contravention with a value of perpetration exceeding 308 million HUF and seized values totaling almost 230 million HUF which are four times more than the figures of 2013. The explanation for this is that excise goods captured on the customs border are seized in the framework of contravention procedures as of 1 May 2014. Customs contraventions made up 85 percent of all contraventions. Customs authorities performed 3,200 metal trade controls and in 38 percent of them infringements were established. The total amount of penalties went beyond 2.6 billion HUF. The NTCA took part in 13 international operations under the coordination of the enforcement field. In the focus of these operations were the control of cash announcements, the cross-border shipment of waste, the detection of goods involved in smuggling, counterfeiting and copyright infringement and action against the illegal tobacco trade. The operations were executed in cooperation with several foreign organizations – such as INTERPOL, EUROPOL and OLAF. National operations were carried out 21 times, these operations aimed to detect unauthor-

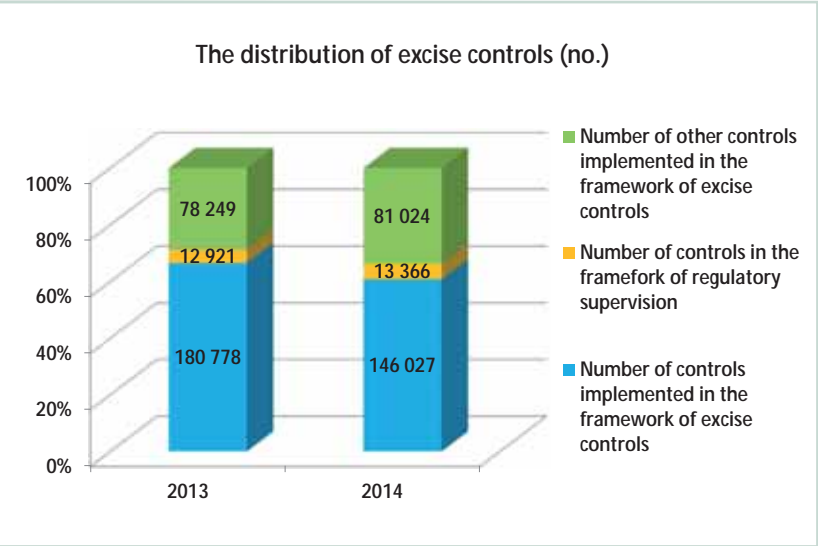






ized transports, curb criminal offences perpetrated with motor vehicles, prevent the entry of the African swine fever virus into the country, detect goods involved in smuggling, counterfeiting and copyright infringement and take action against the illegal tobacco product trade. These operations were carried out by the NTCA together with, among others, the Police, the National Transport Authority and the National Food Chain Safety Office. There were no substantial changes in the passenger and cargo

traffic at the border crossing points operating on the external customs borders of the European Union as compared to the previous year. The bus and truck traffic at the Ukrainian border declined which is attributable to the political situation in Ukraine. The air traffic at the Debrecen airport also decreased; at the same time, the traffic of the Sármellék Airport increased. Customs authorities performed 3.5 million controls at the border crossing points operated along the borders with third countries.





# TAX DEBT RECOVERY

The management and recovery of debts are parts of the effort to provide for budget revenues through the continuous revision and reduction of arrears. The NTCA is acting consistently with lawful instruments against those who fail to voluntarily settle their payment obligations and generate tax arrears.

The entire amount of arrears due to the NTCA was 2,590 billion HUF at the end of 2014. Out of that the arrears of acting operators – upon which the administration may exert influence – decreased by 37.2 billion HUF; whereas the arrears of private individuals increased by 12.6 billion HUF. The structure of the arrearage remains unfavourable from the point of view of recoverability. The rate of recoverable arrears decreased in contrast to the previous years. Non-recoverable, or only partly recoverable arrears generated by defunct companies make up 78.1 percent of the entire arrearage in a total value of 2,022.9 billion HUF. Further increases are expected in the number of defunct taxpayers in the taxation field as registry courts are still enacting involuntary de-registration procedures en masse. Aside from de-registration the 41.7 percent increase of debts involved in liquidation procedures is a striking figure within the 27 percent increase of debts of defunct taxpayers.

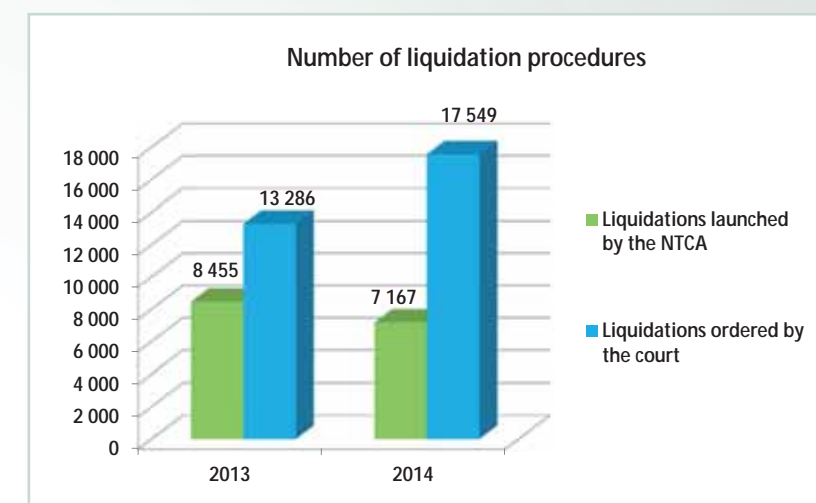
Compared to the data of the previous year, NTCA was managing more execution procedures. The number of executions performed upon external requests has seen an extraordinary increase. The vast majority of these claims remain to be of small amounts and they are very far behind the magnitude of the tax debts to be recovered.

Tax directorates instituted 1.2 million execution procedures in a total value 1,300 billion HUF in 2014. The NTCA collected 358.8 billion HUF in debts altogether. A total sum of 5.5 billion HUF has been collected from taxpayers involved in winding up and bankruptcy proceedings. More than half of all debts were recovered through execution by collection. The amount of

revenues collected through income suspension was 8.6 billion HUF. The amount recovered by the customs professional field was 2.2 billion HUF. The NTCA has been successfully applying the seizure of moveable property for years. Since the introduction of the new option for seizing moveable property on 1 January 2014, the customs guards executed 12,650 controls. The debts were voluntarily settled on the spot by taxpayers in 3,362 cases in a value of more than 906 million HUF. A total sum of 2.4 billion HUF was collected through successful seizures of moveable property in 660 other cases. Revenues from enforcement costs have been significantly increasing and amounted to 1 billion 370 million HUF in 2014. The NTCA collected more than one billion HUF of debts from the recovery of surtaxes. The number of enforcements in progress reached 362 thousand and the amount of tax debts involved was 1,133 billion. The arrearage and the number of debtors increased in the taxation field; however, the amount of outstanding debts of the operating players of the economy decreased. In the customs

## Information about tax debt recovery by the NTCA

- Around 1.2 million execution procedures were launched in a total value of almost 1,300 billion HUF.
- As a result of recovery action 358.8 billion HUF of debts were collected.
- The administration initiated about 7.2 thousand winding up procedures.
- Almost 18 thousand electronic auctions were done by the administration.
- Out of the 152 thousand requests for payment easements 39.5 thousand were submitted electronically.



field, the number of debtors decreased, whereas the amount of debts increased.

An important part of arrears management is the continuous monitoring of collectability. Out of the active taxpayer arrearage a sum of 252.7 billion HUF needed to be classified as uncollectible. Tax debts amounting to 61 billion HUF were cancelled by the tax directorates on account of term of limitation. Tax reclaims are not disbursed to taxpayers that have tax debts or other public debts collectible as taxes. The amount thus retained for the settlement of debts was 29.1 billion HUF. External authorities (e.g. the Hungarian State Treasury, the Agricultural and Rural Development Agency) providing budget subsidies will make transfers up to the amount of the tax debt to the NTCA in case the subsidized taxpayer has tax arrears. Funds thus transferred to the NTCA equaled 5.9 billion HUF.

Debts of companies where winding up procedures were started totaled 295 billion HUF. The courts ordered winds up in 17,549 cases. Creditor demands reported to liquidators increased to reach about 475 billion HUF. A total sum of 5.2 billion HUF was realized out of the NTCA claims due to the winding up procedures in progress or as a result of threatening winding up procedures. At the end of 2014, the NTCA had records of 31,972 winding up procedures being in progress. The outstanding debt total once again began to be increasing – mainly due to the termination of granting claims – and came close to equal 1,163 billion HUF. A 60% of all debts are capital debts, the rest are made up of late fees and other penalties. 2014 saw the launch of 30,757 new involuntary de-registration procedures which involved NTCA claims of about 212 billion HUF. In 8,231 cases the procedure was carried on with by liquidation. At the

end of 2014, the NTCA had records of 27,360 involuntary de-registration procedures to be in progress and the related tax debts exceeded 67 billion HUF.

17,987 auctions were completed in the tax professional field. Auctions of assets confiscated and seized by the customs and criminal fields are less frequent; nevertheless all the more successful. More marketable movables attracting a special clientele came to be auctioned off primarily in the categories of vehicles and metal trade license bound materials.







# GAMBLING SUPERVISION

Curbing illegal gambling is among the tasks of the NTCA. The administration's supervision expands to include, among others, authority licensing, the control of organizers and operators of games, the related tasks of registry and penalizing infringements. Gambling supervision issued altogether 97 licenses to conduct and organize gambling operations. By the end of the year, the number of cardrooms operating with authority license dropped compared to the figure a year before, currently 13 game rooms and casinos are in operation. Decisions imposing penalties were issued in 416 cases as a result of 11 thousand controls carried out in the field of gambling, and penalties with a total amount of 1.7 billion HUF were established. A priority project was the action against internet terminals operating as slot machines which involved the control of internet terminals, the imposition of penalties against operators and mediators, the initiation of closing down of catering units involved, and filing criminal reports. The Capital Court of Administration and Labour shared the NTCA opinion on the legal interpretation of internet terminals – especially in the case of Touch Net terminals – and the unlicensed organization of gambling operations was thus established in the litigated cases. The tax administration adopted altogether 82 decisions on making internet websites temporarily – for 90 days – unavailable (that is to say, block websites) due to illegal gambling organization. Upon request by the Szerencsejáték Zrt. (Gambling Ltd.) the tax administration approved the organization

of the Eurojackpot lottery game continuously staged under international coordination, as well as its game plan. The game essentially corresponds to an international lottery of seven numbers drawn, which – after being introduced to Hungary – now can be played in altogether 17 countries. Concession companies founded to operate casinos on the basis of concession contracts received licenses for operation: the Onyx Casino in Nyíregyháza, the Grand Casino in Debrecen, the Las Vegas Corvin Promenade Casino and the Las Vegas Atlantis Casino for Budapest. The first two began to operate in 2014, the latter on 1 January 2015.

<i>Authority licensing activity of the Department of Gambling Supervision</i>	<i>Number of licenses issued in 2014</i>
drawing lots	20
bets	5
casinos	64
virtual gambling	0
card rooms	8
<b>total</b>	<b>97</b>

<i>Authority licensing activity of the Department of Gambling Supervision</i>	<i>Completed controls</i>	<i>Decisions imposing penalty</i>	<i>Imposed penalties (thousands HUF)</i>
drawing lots	286	4	700
bets	83	3	1 050
gift draw	103	46	4 950
casinos	302	4	900
virtual gambling	0	0	0
card rooms	534	22	9 620
slot machines	125	9	1 000
other	9 225	328	1 726 990
<b>total</b>	<b>10 658</b>	<b>416</b>	<b>1 745 210</b>



# CRIMINAL OFFENCES

The Criminal Affairs Directorate General of the NTCA and the investigation authorities under their management launched criminal procedures in a little more than 10 thousand cases in 2014 out of which the number of criminal offences within their competence was almost 9,500. The distribution of detected criminal offences was the following: 40.2 percent of them (4044 cases) were budget frauds, 12.1 percent were the forgery of private documents and the use of a forged private document, 11.8 percent of them were forgery of administrative documents, 8.1 percent were fraudulent bankruptcy and 5.4 percent were the breach of accounting regulations. The infringement of copyright and certain rights related to copyright took place in 363 cases, dealing in stolen goods in 538 cases, breach of accounting regulations in 544 cases, infringement of industrial property rights in 449 cases, and as a supplementary offence, the forgery of administrative documents occurred in 1,181 cases. Investigations were launched in nine cases due to the imitation of competitors. The infringement formerly known as the false labeling of goods became the imitation of competitors under the terms of the new Penal

Code and – with the addition of the phrase “if no other criminal offence had been committed” – came to be classified as a subsidiary criminal offence.

The value of perpetration in detected criminal cases equaled 148.8 billion HUF which is a 22.4 percent increase compared to last year. The value of perpetration in criminal cases within the range of budget fraud was about 139 billion HUF.

The criminal professional field continues to treat the detection of organized financial criminal activities severely damaging the central budget as a priority, as well as property and damage security. In the case of 32 offences – out of which 13 cases were own detections by the criminal field – the criminal procedure was launched already in the test phase; thereby reducing the damage to the central budget by more than a billion HUF. In the course of criminal procedures criminal organizations and criminal associations were also wound up in 10 and 8 cases respectively. The examination of these cases yields the assumption that if the perpetrators could have carried on with their illegal activities, the central budget would have suffered an even larger damage. The amount of damage security made

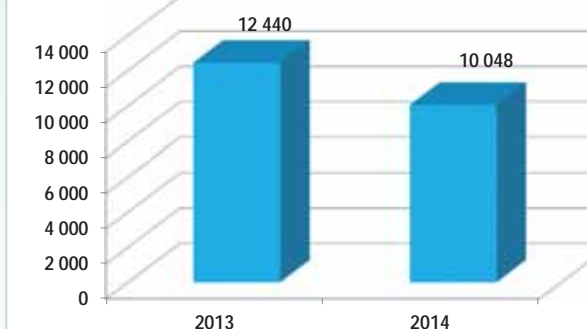
up 28.8 billion HUF in criminal procedures in progress, which equals a 19.3 percent rate of damage recovery. About 94 million sticks of tobacco products were seized in 758 criminal offences perpetrated with tobacco goods.

NTCA investigation authorities ordered the launch of 5,917 investigations and investigations were substantially completed in altogether 5,429 cases. Out of these 2,811 cases ended in proposals for prosecution. The investigation of 5,599 criminal cases was in progress at the end of 2014. There were 3,649 cases where investigations have been dragging on for more than six months and 2,312 cases saw investigations having been going on for more than a year. The criminal professional field forwarded information with the purpose of crime prevention in 1,692 occasions. The number of such instances of cooperation with partner authorities was a little more than the double of last year's figure. The amount involved in signaling was 89.5 billion HUF which is a number more than ten times as high as it was last year. The Office of Goods and Exhibits Management offered goods for charity in a value of almost 348 million HUF in 2014. The Hungarian Financial Intelligence Unit received more than 10,600 reports and requests, sent requests and information to domestic and foreign organizations in somewhat more than 600 cases. The professional field gave preliminary consent to forwarding information to foreign financial information units on 319 occasions. The Office conducted 28 on the spot controls and 215 controls by means of questionnaires. Penalties amounting to 4.5 million HUF in 45 cases were imposed due to more severe infringements or deficiencies.

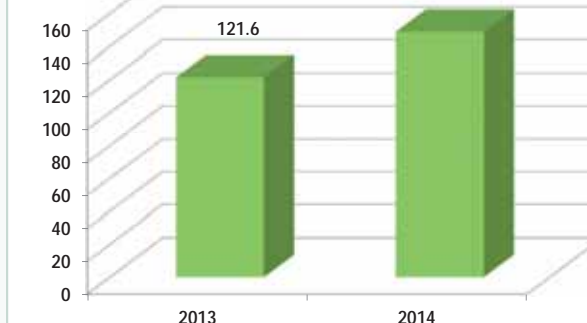


Aggregate data of the criminal procedures implemented by the criminal sector of the NTCA

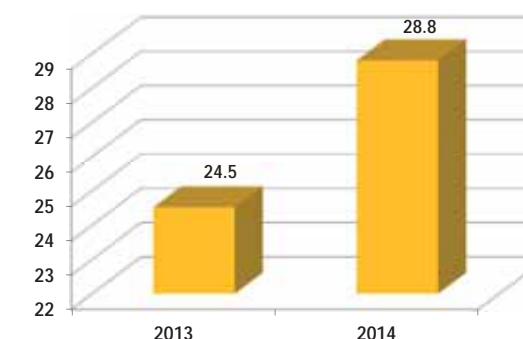
Number of criminal offences detected



Value of perpetration (billion HUF)



Value secured by forcing measures (billion HUF)



Numbers of detected criminal offences within the jurisdiction of the investigation authorities of the NTCA





# IT

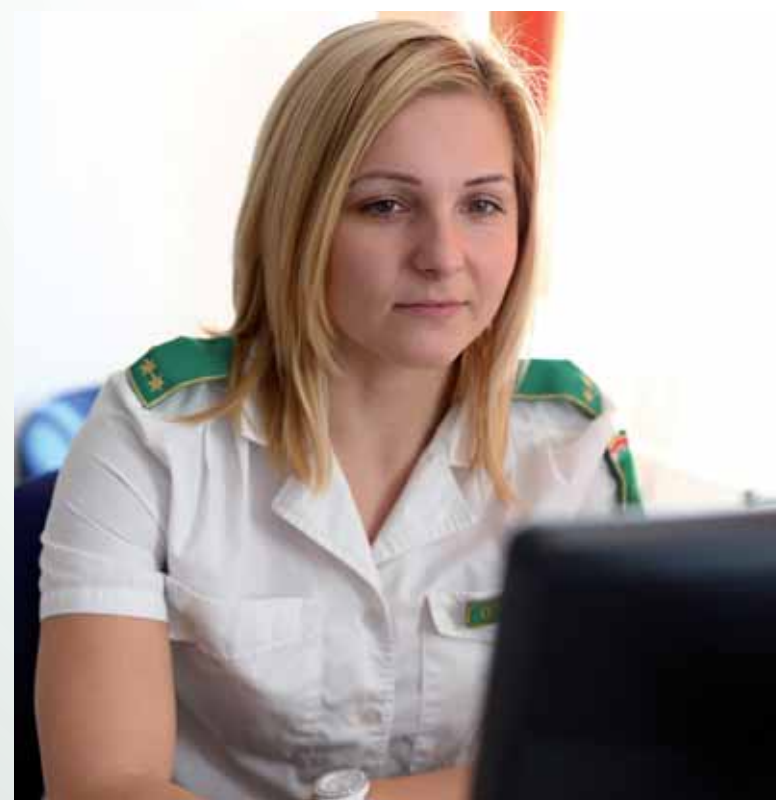
NTCA IT systems were working reliably in 2014 too. As a result of the development of applications and the introduction of new systems, the tax and customs professional fields and the functional units were performing their tasks with a modern and expanding IT background. The IT Institute was restructured to further develop IT services with smooth operation being simultaneously performed. The year 2014 was characterized by creating transparency and the digitalization of processes. A uniform system was developed for orders and acquisitions in the IT sphere through which particular phases of execution can be tracked electronically in an updated manner. The administration of cases also became faster due to the electronic performance of tasks.

The Online Cash Register System was completed, the monitoring and support of which, as well as the necessary tasks of development created a significant burden. The Internet based Distributor Surface was created through which distributors - after a prior registration - can initiate firmware update waves on the fiscal control units of cash registers, query the status of the launched waves, as well as obtain error statistics and operational information of cash registers.

The EKAER (Electronic Public Road Trade Control) System facilitating the monitoring of the transport of goods also by means of e-toll and other camera systems was created to make it possible to track the route of goods, curb VAT fraud and secure the payment of common public charges. In the first phase, the preconditions for the IT support of surfaces for the receipt and control of the reported data, the calculation of guarantees and the physical examination of goods were provided for, and the design of risk analysis built into processes as well as subsequent risk analyses was also started. Due to the large quantity of submissions large system overloads are expected which will necessitate the further development of infrastructure. Since

the beginning of November 2014, letters of authorization can be delivered electronically to the authorized representative or the taxpayer through the ELLVITA system in order to speed up audits. The testing, installation and the support of the use of applications for the Uniform Audit and Execution Modernization Platform Project was also a priority IT task.

The NTCA acceded to the Electronic Payment and Accounting System (EFER) with bank card payments too; thereby making point of sale terminal payment possible besides Internet bank transfers. The money circulation system was prepared for the receipt of identifiable data in the tax types managed by the customs professional field too.



The creation of the uniform Microsoft environment has been completed, a part of which was the NTCA's new mailing system based on Exchange 2013, and the SharePoint 2013 portal to support uniform team work has also been realized. In respect of the electronic communication between the NTCA and financial and payment institutions, the system supporting the audit field in this regard was constructed in the second phase of the electronic bank secrecy project in April 2014. Therefore, communication of data required for requests and replies drafted in the context of audits is fast, secure, cost efficient and partly automatic. A significant number of financial institutions successfully acceded to the system.

The new SP surface was created in the system for the registry of contracts which facilitates the coordination of IT related acquisitions and the work processes involving the IT professional field. It gives the opportunity for managers to receive up-to-date information on processes in acquisitions, on the use of funds for acquisitions and the detailed technical and legal contents.

As of 1 January 2015, the first phase of the new and paperless IT Order Management System (IMEGREND, IME) is in operation. The paperless module of the authorization management system "JOGOS" is nationally available since 1 December 2014 providing for the complete digitalization of authorization management and faster operation as a result of the electronic approval option. Due to the development of the TERIT Performance Requirement and Assessment System, managers can prepare the individual performance requirements electroni-

cally. All of the related system relationships of the NAVER Human Resource Management System are in place. The Electronic Service Command System (eSZP) has been prepared which records service commands in a uniform central registry.

The NTCA mobile application which makes it possible for taxpayers to receive information on smartphone platforms is available in the Google Play Store and AppStore. The application makes the "Information for Travellers" surface available in nine languages by means of which travellers arriving from foreign countries or those exiting the country can calculate the customs value of goods imported and exported.

The amount of funds available for the priority project EKOP-1.1.11 „National Tax and Customs Administration – Background Consolidation" was modified to be 5 billion HUF, out of which funds actually used up equalled 4.2 billion HUF amounting to 84.31 percent of the total funds. The amount of funds available for the priority project EKOP-2.1.13 „Development of customer relations" was 2.62 billion HUF, out of which funds actually used up equalled 2.5 billion HUF; that is, 96.72 percent of the total funds. The amount of funds used up in the priority project EKOP-1.1.14 „Integration of tax administration systems" was 1.4 billion HUF, which equals 95.17 percent of available funds. The cost of the project TÁMOP-1.2.1 „Relief in contributions to encourage the employment of the disabled" was altogether 153.5 million HUF, which is 88.5 percent of the available funds. The execution phase of the project was concluded on 30 June 2014.







# INTERNATIONAL RELATIONS

The maintenance and expansion of international cooperation, learning the best practices of other countries and fitting them into the Hungarian system are the focal points of the international activities of the NTCA. The administration places a particular emphasis on developing cooperation with neighbouring Community countries. Maintaining and improving bilateral relations with neighbour countries and countries in the region was a priority in 2014 as well; at the same time, the administration was also successful in extending already existing international relationships to such third countries as Canada, Sudan, China and Turkmenistan. A significant international success was the conclusion of six new agreements (agreements on the exchange of customs information with the Czech Republic and Poland, tax agreements with Turkmenistan, Canada and Sudan; and lastly, the framework agreement on cooperation in facilitating customs clearance among China, Serbia, Macedonia and Hungary). The agreement on the exchange of customs information with the Slovak Republic was renewed and preparations were made for four new international agreements (on the exchange of customs information with Croatia, Georgia and Italy, and an educational agreement with Macedonia). The amendments of two agreements (on the exchange of tax information with Romania and the exchange of customs information also with Romania) are expected to be signed in 2015. The international relations sector of the NTCA took part in the tasks of particular working groups of European Union institutions. It contributed to the preparation for and execution of the audits by the European Commission. The national coordination of the new Fiscalis and Customs 2020 programmes – which entered into force in April 2014 – switched to employ the new accounts, orders of procedure and the monitoring of programmes seamlessly. Subsidized by these two programmes under the coordination of the NTCA several hundred study visits were made abroad and domestic international events were organized.

Out of the 48 domestic events of international nature successfully organized in the past year, the VAT Fraud Forum, the first European Union professional workshop for customs technology and the working group meeting of the Egmont Group must be highlighted which contributed a great deal to enhancing both the professional prestige of the tax, customs and criminal affairs sectors and that of the National Tax and Customs Administration as a whole.

The international relations field was successfully managing the EU subsidy programmes. The NTCA coordinated 25 subsidy projects and applications. The gross value of the projects in progress was about 2.1 billion HUF out of which sources of subsidies made up around 1.8 billion HUF. The total value of the projects applied for by the NTCA was 878 million HUF. The NTCA took an active part in the work of the Intra-European Organization of Tax Administrations (IOTA) in 2014 as well. The primary objective of participation here is capitalizing upon the frameworks and opportunities provided by the organization to make practical and professional solutions used successfully in other countries available to Hungarian experts. This objective was served by organizing the first NTCA event listed in the annual work programme of the IOTA titled IOTA Combating VAT Fraud Forum. This event was well received by both foreign participants and the tax professional sector. By taking advantage of the instruments made available by the IOTA, the experts of NTCA had the opportunity to continuously monitor the newest international taxation trends; in addition, maintain and expand international taxation relations in 2014 as well. The fact that the international relations field used up only 88.7 percent of the appropriated allocation for about 476 foreign missions and another 230 missions were financed from European Union programmes (FISCALIS, CUSTOMS, ISEC etc.) indicates cost-efficiency.





# CULTURE, SPORTS

The Wind Orchestra of the Customs Guard participated in a total of 137 events. The income generated by the orchestra was close to four million HUF earned through ticket sales or as a result of external requests. The costs of musical instruments and sound equipment amounted to 17.7 million HUF in 2014. Most important performances: the concert tour in Transylvania with performances in Sepsiszentgyörgy, Szováta, Marosvásárhely and Vámosgálfalva, celebratory concert on the occasion of the International Customs Day and the Day of Civil Servants, the 8<sup>th</sup> Wind Orchestra Festival on Saint Matthew's Day, celebratory Concert in the Bartók Béla National Concert Hall of the Palace of Arts – a CD was made on the basis of the audio recording of the concert – and Christmas in the Saint Stephen Basilica.

The permanent exhibition of the Museum of Customs, Excise and Taxation History has been the focus of much public interest. The exhibition presenting the history of the customs and finance guard had been visited by more than 3,800 people, out of which 315 persons were foreign visitors. The collection of taxation history had been visited by 163 people. A salient event of 2014 was the exhibition on gambling history opened on the Night of Museums Festival, the event titled the "Versatile Schiffer" organized on the Day of Cultural Heritage, the Fall Festival of Museums and the Christmas Charity operation titled "NTCA Advent". On site platforms of the museum (NTCA Water Sports Family Day; Sziget Festival Museum Mile, Debrecen Campus Festival, Kőbánya Enforcement Day, the Family Day of the NTCA Directorate General for Deployment) promoted NTCA activities with a tent on museum pedagogy and hand-craftsmanship.

From among the almost 30 NTCA sports events a particularly significant one was the 3<sup>rd</sup> NTCA National Sports Day featuring 14 competitions and related programmes with the participation of three thousand colleagues and members of their families. The 2<sup>nd</sup> Spring Fitness Festival, the 2<sup>nd</sup> Sports May Day

celebrations, the 3<sup>rd</sup> Danube Waterway Tour and Family Sports Day, as well as the Budapest Five Men Football Championships were also popular. Sports competitions in the country in 2014: the 4<sup>th</sup> National Fishing Competition in Örspuszta, National Volleyball and Streetball Competition in Szentes and the 15<sup>th</sup> Oravecz László Memorial Tournament in Siófok.

