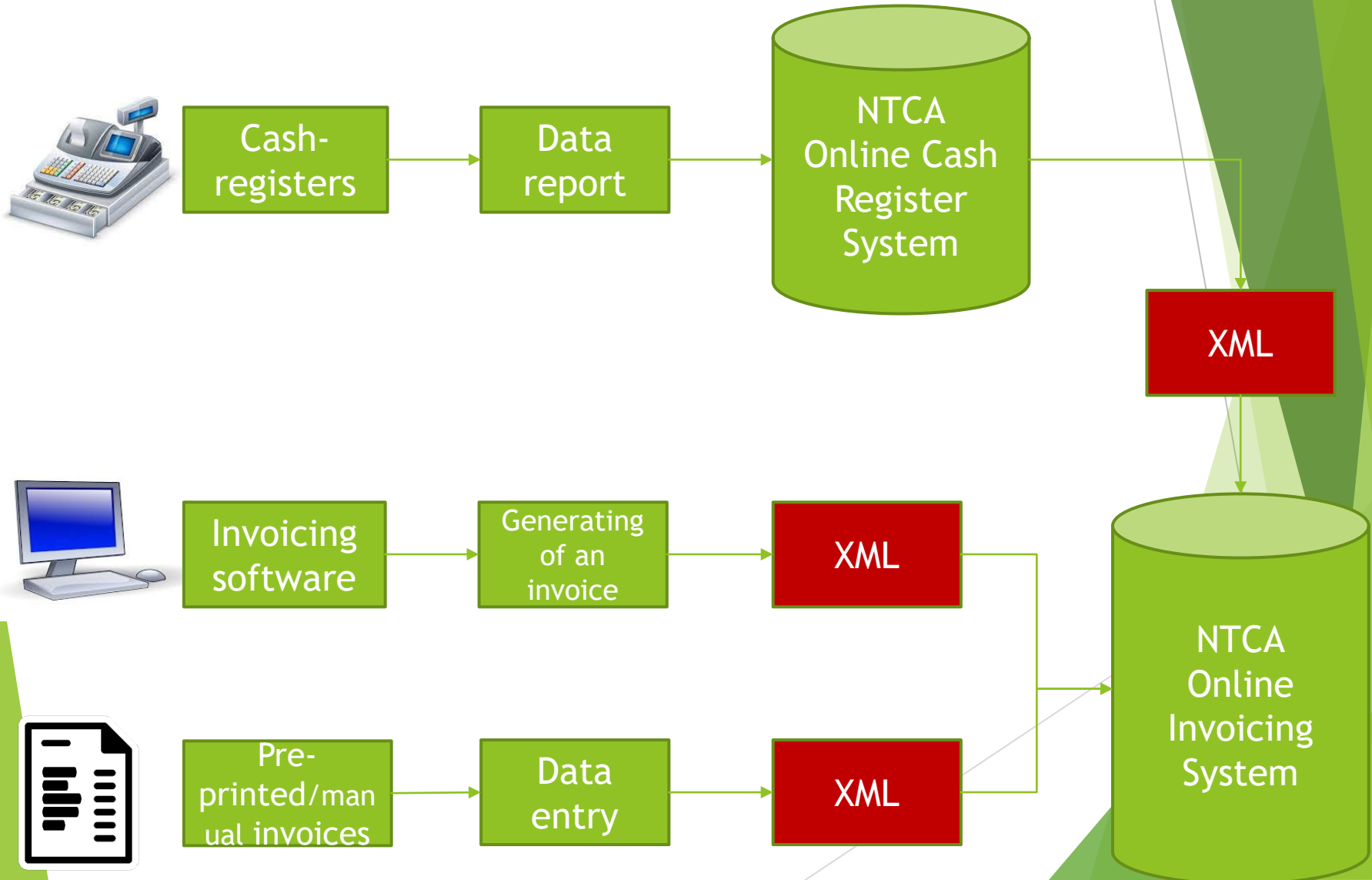


Real-time Invoice Data Report System In Hungary

8th September 2023 GFV

Modes of providing transaction based data



1. Invoice Data Reporting

- ▶ Scope of transactions/invoices:
 - ▶ Gradual introduction as from 1 July 2018, full scope as from 2021
 - ▶ Invoices issued (modifying and cancelling invoices as well) (B2B and B2C)
 - ▶ Invoicing rules of Hungarian VAT Act apply (Art 219a of the VAT Directive)
 - ▶ No report on transactions if the place of supply is outside Hungary and OSS/iOSS is used
 - ▶ Exempted transactions are covered
- ▶ Invoices received - periodical report required

2. Invoice Data Reporting

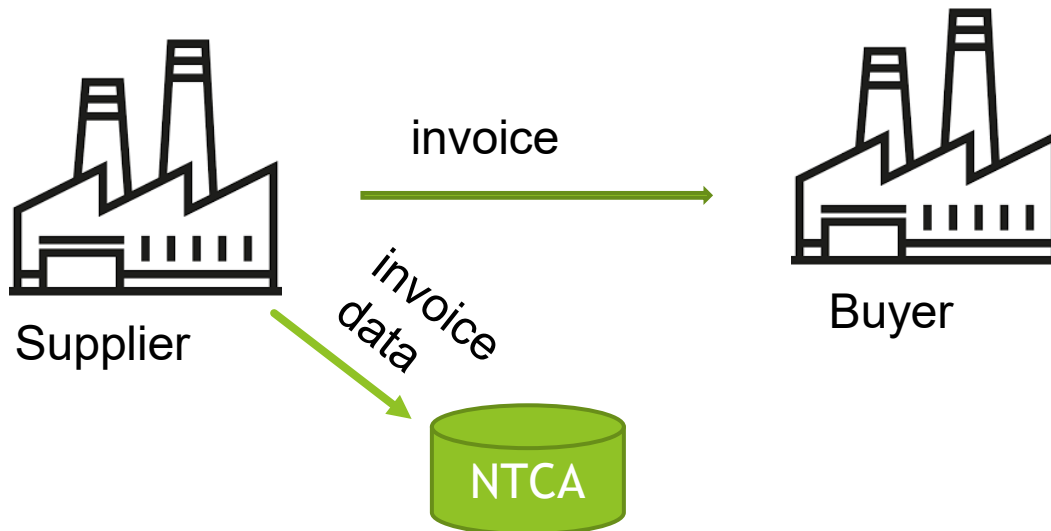
- ▶ Scope of data reported
 - ▶ Obligatory invoice data according to the VAT Act (Art 226 of the VAT Directive + the VAT ID number of the customer based on Article 227 of the VAT Directive)
 - ▶ Some additional data (exchange rate used) in order to make the pre-filled VAT return accurately
 - ▶ Other invoice data can be reported optionally (i.e.: payment deadline, excise duties data, order number, contract number)
 - ▶ B2C invoices: name and address of the customer should not and technically cannot be reported

3. Invoice Data Reporting

- ▶ **Process of reporting**
 - ▶ Invoicing software needs to be connected via Internet to the Tax Administration
 - ▶ Invoice data needs to be sent as soon the invoice is generated
 - ▶ Data is sent in a pre-defined XML structure (it is up to dated from time to time based on feedbacks from developer and other experiences)
 - ▶ Machine-to-machine communication, API provided by Tax Administration
 - ▶ Exception:
 - ▶ Breakdown, maintenance or failure of internet access - within 24 hours after fixing the problem
 - ▶ Self-billing by non-registered taxable person, data provided from another invoicing system within 6 days from the issue of invoice

4. Invoice data reporting

- ▶ There is direct invoicing between the supplier and the customer.
- ▶ The flow of the invoice and the invoice data to be reported are separated
- ▶ <https://onlineszamla.nav.gov.hu/dokumentaciok>



5. Invoice data reporting

- ▶ Consequences of separating the invoice data reporting and invoice:
 - ▶ Allow for the issuance of electronic and paper based invoices as well,
 - ▶ Use of own invoicing system/software (i.e. as part of SAP)
 - ▶ Use of a service of a billing/invoicing service provider (free of charge invoicing software is offered by the NTCA)
 - ▶ Use of self-billing
- ▶ However there is a possibility for the taxpayer to issue the invoice via the tax administration. In this case the invoice and the invoice data provision is a single process, by issuing the invoice the invoice data provision is also completed. The customer can download the invoice from the NTCA server.

6. Invoice data reporting

- ▶ The supplier is responsible for complying with the invoice data provision rules, independent from
 - ▶ physically who takes care for the invoice data provision or
 - ▶ who developed the invoicing software that sends automatically the invoice data to the tax administration
- ▶ The supplier can arrange in the contract concluded with the service provider (software developer or data reporting service provider) that the consequences of not complying with the rules are charged further

7. Invoice Data Reporting

Recording
data

Generating
of an
invoice

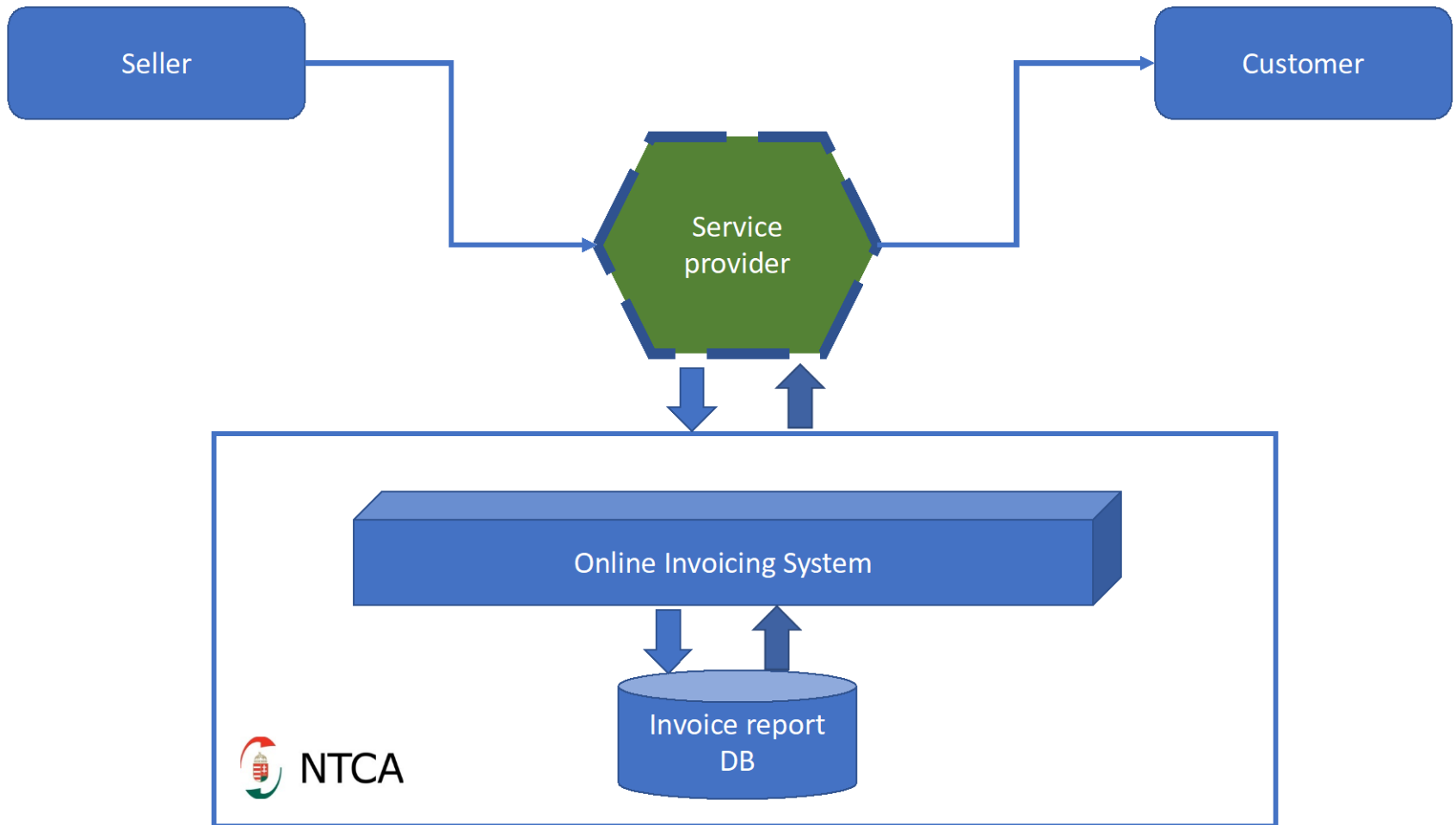
Issuing

Data
supply

- Automatic
- Immediate
- Without any human intervention

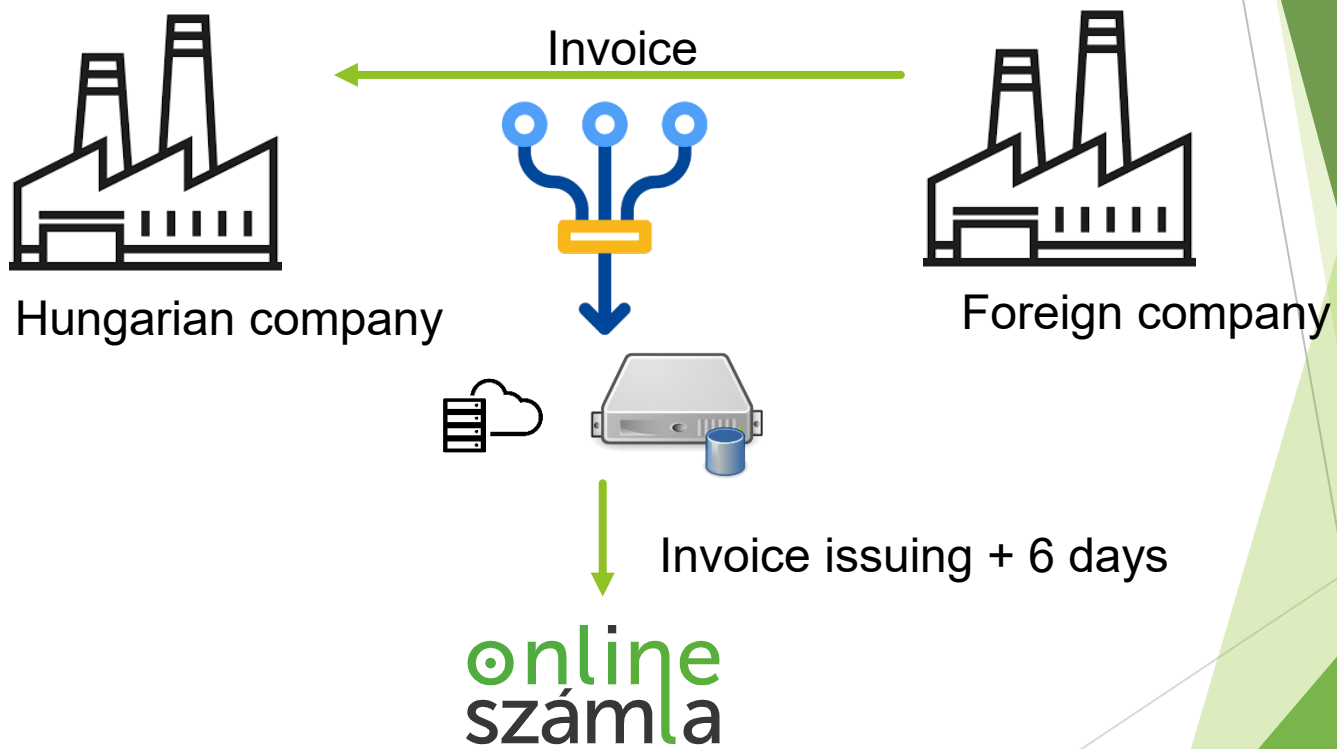
Company reporting system model

8. Invoice Data Reporting



Service provider reporting system model

9. Invoice Data Reporting self-billing





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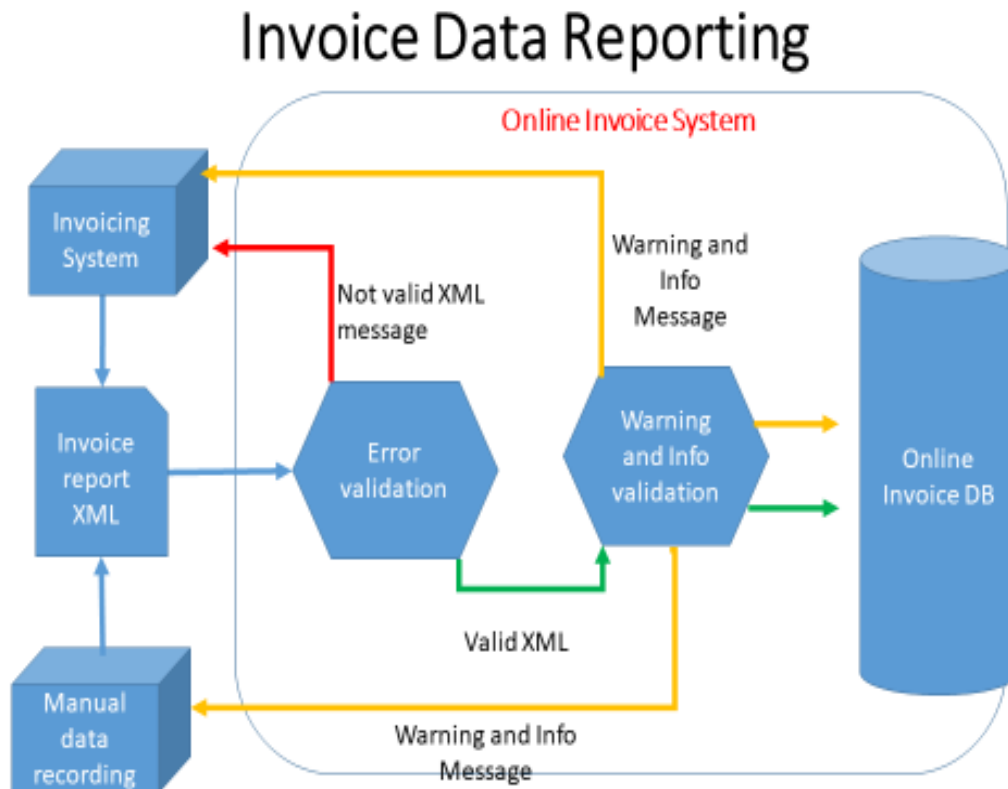
serpa



NOVITAX
ÜGYVITELI SZOFTVEREK



10. Invoice data reporting



11. Invoice data reporting

- ▶ The server of NTCA sends a feedback on the result of the validation process of the invoice data reported to the invoicing software.
 - ▶ ERROR message: the data report was not successful. In this case the data reporting has to be repeated.
 - ▶ If the data report was successful, the NTCA software makes further checks on the data provided.
 - ▶ WARNING message:
 - ▶ Warns on the business incorrectness of the invoice, but it does not block the acceptance of the data report.
 - ▶ the invoice/invoice data has or could have a mistake as to the content, thus it needs to be reviewed and in case there is a mistake, to be corrected.
 - ▶ INFO message: Just for information purposes.
 - ▶ OK message: the data report was successful and has been accepted.
 - ▶ As from 1 July 2018 the ratio of successfully sent (not rejected by Error message) invoice data is constantly increasing: **90,07 % (2021), 93,1% (2022), 94,74% (2023)**.

12. Invoice data reporting

- ▶ An **ERROR** messages is sent back in case:
 - ▶ the whole data reporting is incorrect (i.e. the authentication of the technical user failed because the login name or password is incorrect, the tax number is incorrect),
 - ▶ The result of the technical validation of pieces of invoice data shows a mistake (pl. use of not valid XML),
 - ▶ The result of the business validation of pieces of invoice data shows a mistake (i.e. the sequential number of the invoice is not unique, the taxable person already reported invoice data under that sequential number).
- ▶ **WARNING** message warns on the business incorrectness of the invoice data. Examples of warning messages:
 - ▶ The tax number of the supplier and the customer are identical, name of the supplier and customer are identical
 - ▶ In case of IC-transaction the country code of the VAT Id. number of the customer is missing
 - ▶ The postal code and the place are not connected to each other
- ▶ **INFO** message: just for information purposes
 - ▶ i.e. the invoice indicates that the payment will be done by banking transfer but the bank account number is missing from the invoice, however the bank account number is not obligatory data neither of the invoice nor of the invoice data report.

Encryption of Invoice Data

- HTTPS data transfer protocol
- If invoice data is sent via an interface, it is required:
 - ▶ Technical user with XML-keys
 - ▶ TokenExchange operation is required for all data reporting
 - ▶ NTCA returns an encrypted (AES-128) token (encodedExchangeToken), which can only be decoded with the technical user's exchange key
 - ▶ The signing key of the technical user is also part of the creation of the requestSignature
 - ▶ Requestid uniqueness is enforced at the system level, so correct requests cannot be repeated

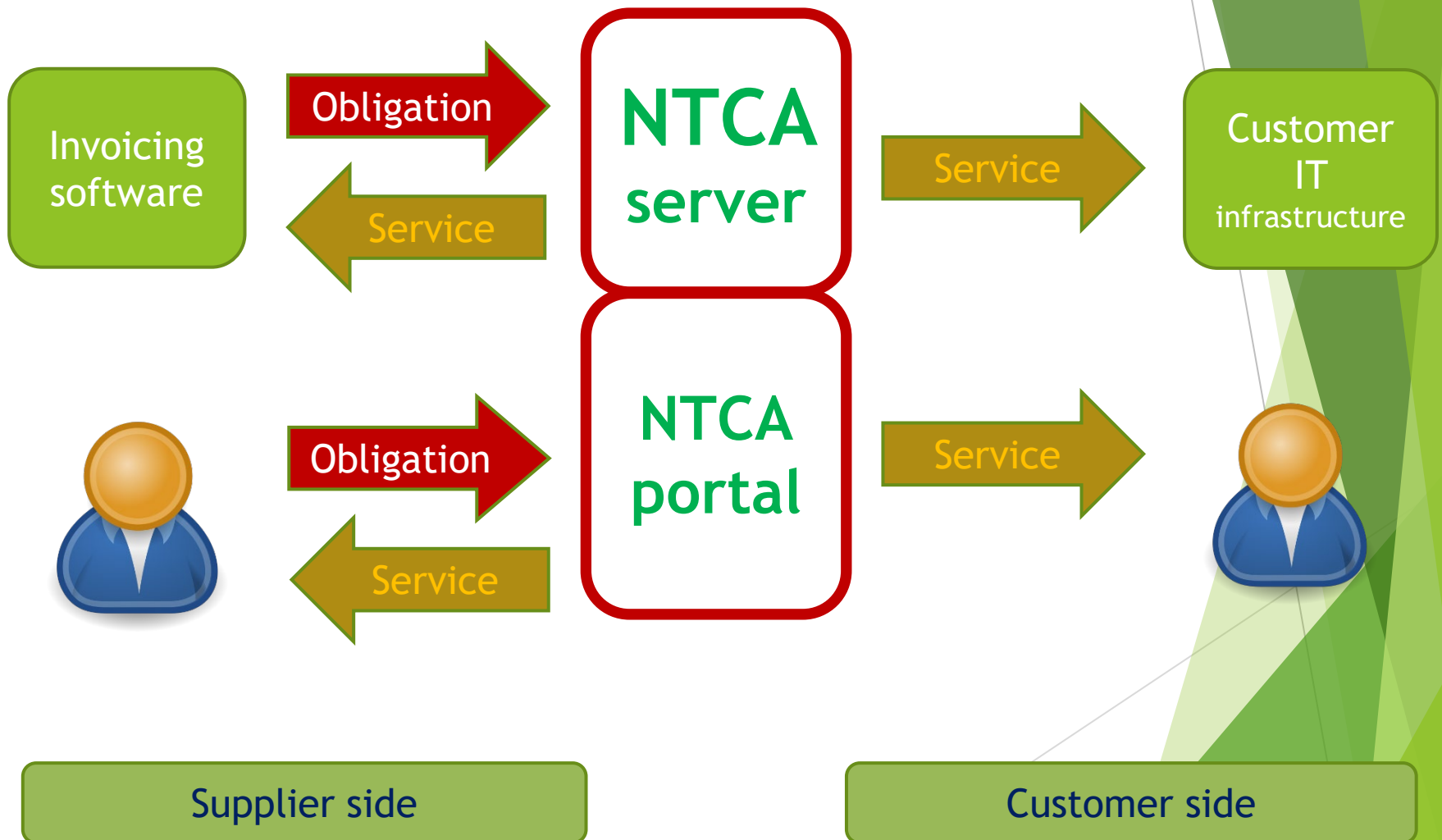
Data Storage

- Data is stored on an Oracle RAC database with daily backups
- On weekends there is full backup, on other days incremental one.
- The data reporting are stored in their original, unchanged format (INVOICE_ORIGINAL_REQUEST), so the distributed, processed data can be compared with the original submission at any time

Use of Invoice Data

- ▶ Real time check of data quality (M2M Error/Warning messages)
- ▶ Real time risk analysis (invoice data analysed automatically)
 - ▶ Classifying taxable person according to their compliance
 - ▶ Detecting non-compliant behaviour of newly established taxable persons
 - ▶ Cross-check of the data with other data available to the Tax Administration
 - ▶ Detecting, preventing chains of invoices (fictive transactions before VAT returns are submitted)
 - ▶ Watching/notification function for risky taxpayer's invoices
- ▶ More targeted selection for audit

Services of Hungarian Tax Administration based on the obligation



Query of Incoming Invoices - 1.

Incoming invoices

Fields marked with an asterisk (*) are required.

Filtering criteria Detailed filtering

Dates

* Issue date (from) 2023-08-01 * Issue date(to) 2023-08-24

Delivery date (from) Delivery date (to)

Payment date (from) Payment date (to)

Invoices

DESIGNATED INVOICES EXPORT (1) INVOICE LIST EXPORT

Rows per page: 10 1 - 1/1 Page: 1/1

<input checked="" type="checkbox"/>	Serial number of the invoice	Category	Date of issue	Delivery date	Supplier Taxnumber	Source	Currency	Net amount	V.	Details	Operations
<input checked="" type="checkbox"/>	2021-4	Regular	2023. 08. 09.	2020. 10. 06.		NTCA onlink	HUF	504678			

Rows per page: 10 1 - 1/1 Page: 1/1

BACK TO THE INVOICES

2021-4 invoice's details - Regular

Invoice version: 3.0

Seller's data				Customer data			
Tax number	2-42	Customer's status	Domestic VAT subject	Tax number		Tax number of group member	
EIR (VAT) number		Customer's name		Country	Hungary	Province code	
Name of seller (supplier)		Settlement	MOHÁCS	Settlement	MOHÁCS	Postal code	7700
Invoice issuer's (seller's) address				Topographical lot number			
Country	Hungary	Province code		Name of public space		Street number	13/B
Settlement	PÁLMONOSTORA	Postal code	6112	Type of public space	STREET	Building	
Topographical lot number		Name of public space		Building		Stairway	
Type of public space	PRÓBA	Street number	2	Floor		Door number	
Building		Stairway		Floor		Door number	
Additional data		Supplier's bank account number		Customer's bank account number			

Query of Incoming Invoices - 2.

Invoice data

Serial number of the invoice
2021-4

Data exchange id
49P483FCV9IAGRVE

Issue date
2023-08-09

Payment method
Bank transfer

Invoice currency
Hungarian forint (HUF)

Appearance type
Electronically created, non-EDI invoice

Start of accounting period
-

Hash of the electronic invoice
-

Periodic settlement/payment

Indication of cash accounting

Indication of self-billing

Public Utility Settlement Invoice

The data report is the invoice itself

Invoice category type
Regular

Delivery date
2020-10-06

Deadline for payment
2020-10-06

Applied currency rate
1

Accounting delivery date
-

End of accounting period
-

Invoice items

Number	Unit of measure definable?	Name	Quantity	Quantity unit	Unit price	Tax rate / VAT content	Vat total	Net total	Gross total	Details
1	Yes	Teszt 1.17	1	Own	254678	27%	68763.06	254678	323441.06	→
2	Yes	Teszt 117	3	Own	65000	27%	52650	195000	247650	→
3	Yes	Teszt 117	1	Own	55000	18%	9900	55000	64900	→

Rows per page: 1 - 3/3 |< < Page: 1/1 > >|

Invoice summary by VAT rate

Applied VAT rate percentage value: 27%

Net amount (in currency of the invoice)	VAT amount (in currency of the invoice)	Gross value (in currency of the invoice)
449,678	121,413.06	571,091.06

Applied VAT rate percentage value: 18%

Net amount (in currency of the invoice)	VAT amount (in currency of the invoice)	Gross value (in currency of the invoice)
55,000	9,900	64,900

Invoice summary

Net amount of invoice (in currency of the invoice)	Invoice VAT amount (in currency of the invoice)	Invoice gross amount (in currency of the invoice)
504,678	131,313.06	635,991.06

Services of Hungarian Tax Administration based on the obligation

Service	Available M2M	Available on WEB
View/download reported invoice data as supplier/customer	No	Yes
Download reported invoice XML as supplier/customer (!)	Yes	No
Get VAD ID status and taxpayer address information	Yes	Yes
Query invoice report (digest)	Yes	No
View/download <u>online cash register</u> invoice data as supplier/customer	Yes	Yes

Business use of the services: benefits and outcomes

Accountant

- No data entry
- Compliance check

Auditor

- Full invoice data
- 100% invoice audit

Taxable person

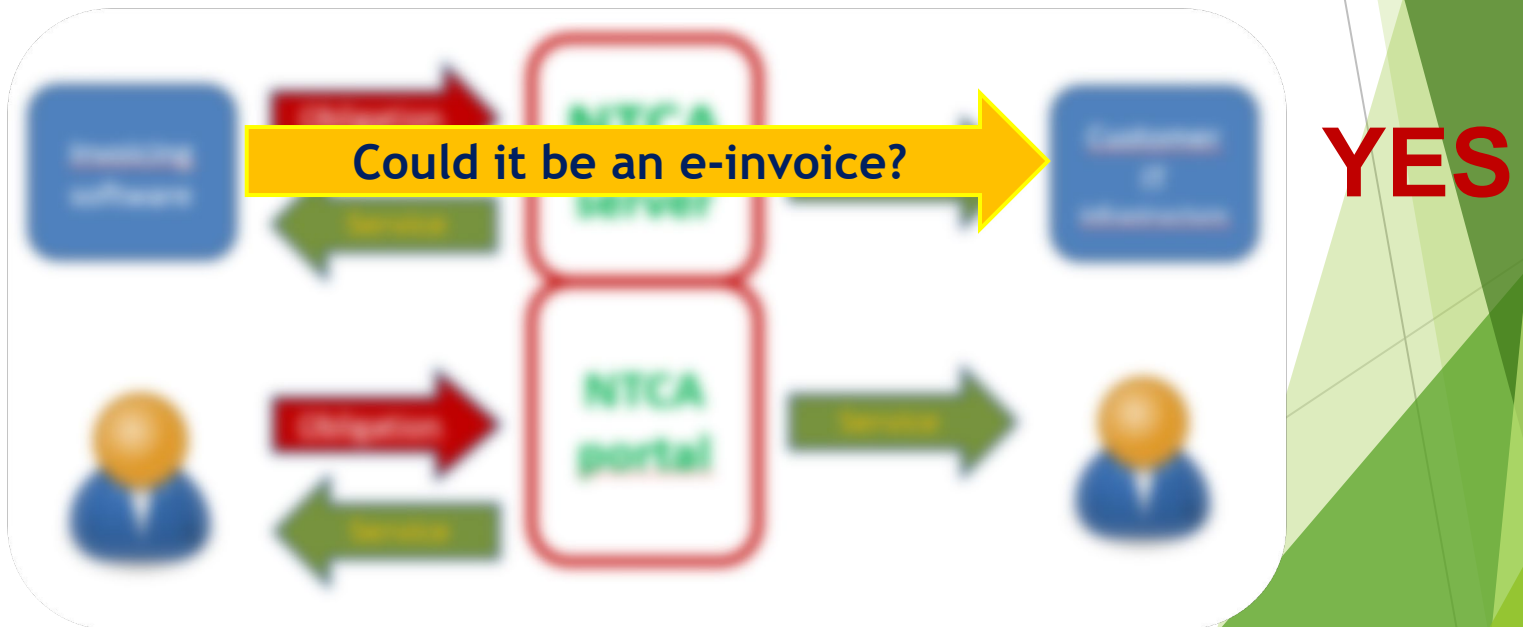
- Partner check
- Data report analysis



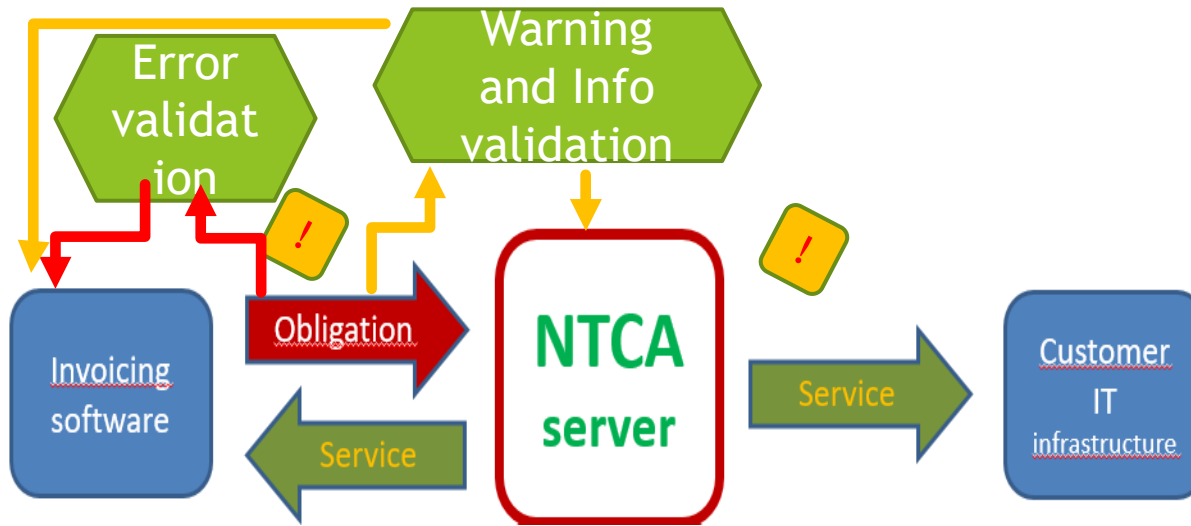
Risk

E-invoice as an invoice data report

- The invoice report (optionally) contains all invoice data structured
- The customer can download the invoice XML (M2M)
- There is a standard data structure for describing invoice data



E-invoice as an invoice data report



 : It is not just a report, it is the invoice itself!

The opportunity is available from January 2021.

Customer data reporting



Utilization of data reported in risk management

Phenomena	Risk on supplier side	Risk on customer side
There is invoice data in customer tax return which is not in supplier's data report	Fail to declare and pay taxes	Deduction of a unreal invoice, unauthorized tax refund
The amount of invoice in customer tax return is higher than the amount of invoice in supplier's data report	Inadequate fulfilment of tax declaration and tax payment obligations	Unauthorized tax refund

These risk cannot be identified without RTIR data