

DEAR CUSTOMERS, DEAR FRIENDS,

In our New Year's greeting for 2023, we cannot wish for anything other than flexible adaptation to our ever more unpredictable world, and, of course, a successful and happy new year.

We all feel the consequences of the political turmoil of the past years. After the Yugoslav War, we imagined and hoped that there would never be another war on our country's border again... and now, the first anniversary of the outbreak of the Russian-Ukrainian war has passed, and it is impossible to predict when it will end. As European citizens, we have had to accept that even a community as powerful as ours cannot effectively counter war aggressors, preventing innocent people from becoming victims of senseless economic policy disputes and armed conflicts.

For us, as economic actors in business, it is our fundamental task to adapt to the changing circumstances, to protect our employees, customers, and partners. As co-workers, we must provide security to those around us, solving problems and completing our tasks. Let Peter Müller's thought give us strength:

"We can create a storm within ourselves and we can also calm our own storm... Life is indeed sailing on the open sea, where one cannot know what kind of storm the next hour will bring - **but on that ship, there is a captain!**"

We believe and know that you, as significant players in the economic world, are doing everything possible to overcome the storms.

For our part, we want to contribute to this heroic struggle, even with this tax information. Please use it to your advantage, and we hope you will find information that not only serves legality, but also promotes efficiency.

We are happy to announce the opening of our Client Portal, created with serious investment, and the start of our paperless office operations, which will take place in the second half of the year, regarding contact on rental accounting, as well as contact on bookkeeping, document - and information flow management.

In difficult situations, such as the present one, we must look forward. Dale Carnegie said: "Generally speaking, the person who will go farthest is the one who is willing to do and dare." We encourage you to do the same, and we will provide all possible professional support. In 2023, we must not forget about business security. Let us jointly create all the conditions. Please contact us so that we can inform you about the possibilities inherent in trust asset management. Let's create all the conditions together to ensure asset protection and the regulated operation of the business, and the organized, predictable implementation of any generational transition.

Wishing all of us a successful cooperation.

Respectfully:

Erzsi Bergmann and Péter Bergmann

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Authors

Peter Bergmann	Preface	peter.bergmann@bergmann.hu
Anita Berente	Social Insurance Rehabilitation contribution Social security contribution benefits	anita.berente@bergmann.hu
Dr. Peter Madai	Personal Income Tax Taxation Procedure Duties and Fees	peter.madai@bergmann.hu
Dr. Anita Szlovak	Invoice Reporting Value Added Tax	anita.szlovak@bergmann.hu
Dr. Rita Balo	Employment Labor Law	rita.balo@bergmann.hu
Tibor Koleszar	Innovation Contribution Simplified Taxation of Sole Proprietors Flat-rate Tax for Small Businesses	tibor.koleszar@bergmann.hu
Sarolta Juhasz Mrs Korpas	The Accounting Act	sarolta.korpas@bergmann.hu
Monika Toth-Balog	Vocational Training Contribution Tax and Fee System Company Car Tax and Vehicle Tax KIVA	monika.balog@bergmann.hu
Noemi Varga	Cafeteria Appendix Civil Organisations	noemi.varga@bergmann.hu
Mariann Vass	Corporate Income Tax Local Taxes	mariann.vass@bergmann.hu

TAX AND DUTY SYSTEM AS OF JANUARY 1, 2023

NAME	RATE
<u>Corporate tax</u>	
uniformly after the adjusted pre-tax profit	9%
<u>Dividend tax for individual owners</u>	
on income derived from dividends and interim dividends	15%
Personal income tax and up to 24 times the minimum wage for social security contributions (SZOCHO).....	13%
<u>Dividend tax for corporate owners</u>	
no dividend tax needs to be paid in Hungary if the beneficiary of the dividend is a tax resident within the European Union or a domestic corporate entity.....	0%
<u>Personal income tax</u>	
uniformly.....	15%
<u>Social security contributions to be paid on fringe benefits</u>.....	
In addition to the fringe benefit, the payer is subject to a 13% social security contribution and a 15% personal income tax obligation.	28%
<u>Tax of the representations and business gifts</u>	
Law classifies representation and business gifts as certain specified benefits not considered as fringe benefits, and requires the payment of 15% personal income tax and 13% social security contributions on 1.18 times the value of the benefit	33.04%
<u>KATA</u>	
For full-time small taxpayers, the monthly amount.....	50,000 HUF/person
For the portion of revenue above is 18 million HUF, the rate.....	40%
<u>KIVA</u>	
For the tax base, the rate.....	10%
<u>EVA</u>	
Discontinued from January 1, 2022	
<u>The amount of minimum wage:</u>	
Minimum wage:.....	232,000 HUF/month
Guaranteed minimum wage:.....	296,400 HUF/month
<u>Social security contribution:</u>.....	
	13%
<u>Social insurance contribution:</u>.....	
	18.5%

Healthcare service contribution:

The fixed amount healthcare service contribution for uninsured individuals:..... **9,600 HUF/month**

Training contribution:

discontinued from January 1, 2022

Rehabilitation contribution:

Companies employing more than 25 people are required to pay quarterly based on 5% of the headcount:**2,088,000 HUF/person/year**

EKHO

From September 1, 2022, the payer does not have to pay 13% EKHO on the EKHO base for personal income tax to be deducted by the payer (except if the individual takes over the EKHO determination, deduction, and payment):**15%**
In the case of a pensioner individual declaration:.....**9.5%**

Value-added tax:.....**27%, 18%, 5%**

Innovation contribution

Based on the same base as the local business tax.....**0.3%**

Energy tax (different regulations apply in emergency situations)

Tax burden on producers and importers.

Regardless of the type of coal.....**2,516 HUF/ton**

Electricity.....**310.50 HUF/MWh**

Natural gas.....**0.3038 HUF/kWh**

"Robin Hood" Tax (income tax of energy providers)

In order to make district heating more competitive, hydrocarbon extractors, oil, gas and electricity producers and traders are required to pay income tax based on their pre-tax profits.

The tax rate is the adjusted value of the tax base:..... **41%**

Special tax for financial organizations

The tax rate is calculated based on different rates and tax bases for each taxpayer as described in the relevant chapter.

Environmental burden fee

A fee that varies depending on the degree of pollution and the location of the polluting taxpayer, resulting from air, water, and soil pollution.

Business tax

The tax base is the net revenue reduced by the items detailed in the relevant section..... **2%**

Municipal tax for private individuals

Its amount is determined per specified taxable item or per leased dwelling, up to a maximum:.....**17,000 HUF**

Property tax

Upper limit **1,100 HUF/sq.m**

or corrected market value **3.6%**

Land tax

Upper limit**200 HUF/sq.m**
or corrected market value**3%**

Utility tax for public utilities **125 HUF/m**

Acquisition tax..... **2% or 4%**

The amount of tax to be paid for the acquisition of motor vehicles must be determined based on the horsepower of the vehicle's engine, expressed in kilowatts, and its age from the date of manufacture as recorded in the official registry.

Inheritance and gift tax **18%**

Property tax on residential property and property rights associated with residential property**9%**

Court procedural fees

depending on the type of company, range from**50,000 HUF to 100,000 HUF**

Financial transaction tax (during a state of emergency, different regulations may apply)

General rate**0.3%**
for cash withdrawals**0.6%**
Upper limit in both cases is 6000 HUF.

Environmental product fee

The obligation to pay the product fee arises in connection with the first sale or self-use of packaging materials, electronic devices, advertising media, office paper products, etc.

Excise duty

Excise duty is payable on excisable goods such as mineral oil, alcoholic beverages, beer, wine, champagne, intermediate alcoholic products and tobacco products.

Vehicle tax

Is payable based on the engine power and the year of acquisition:.....**140-345 HUF/kW**

Company car tax

The company car tax must be paid at a differentiated rate based on the environmental class and power expressed in kilowatts. The law includes 12 tax rates resulting from the combination of three environmental and four kilowatt categories.

Registration tax

The registration tax must be paid upon placing passenger cars, motorhomes, and motorcycles into circulation in Hungary, based on the engine capacity and environmental classification of the vehicle.

Public health product tax

The rate varies for each product.

Insurance tax

For CASCO insurance..... **15%**
For property and accident insurance.....**10%**
For providing mandatory motor liability insurance services **23% of the insurance fee**, up to a maximum of HUF 83 per vehicle after the calendar days of the insurance period.

Advertising tax

For the part of the tax base (net revenue from taxable activities) not exceeding 100 Mill HUF.....**0%**
For the part exceeding 100 Mill HUF.....**7.5%**
However, the tax rate from July 1 2019 until December 31 2023, contrary to the above provisions is.....**0%**

Retail tax (different provisions apply during a state of emergency)

During a state of emergency, the rate of retail tax is **4.1%** instead of **2.7%** for the part of the tax base exceeding HUF 100 billion.
During a state of emergency, the tax rates specified in Government Decree 197/2022 (VI.4.) must be applied.

I. THE ORDER OF TAXATION

(Act CL of 2017, Act CLI of 2017, Act CLIII of 2017)

I.1. Purpose of the taxation law

The purpose of the three procedural laws regulating tax relations is to regulate the rights and obligations of taxpayers and tax authorities, apply uniform procedural norms to all tax types, and regulate the specific procedural rules to be followed during the enforcement of tax debts.

I.2. Registration and notification to the Tax Authority

A taxpayer wishing to engage in taxable activities is obliged to register with the national tax- and customs authority with the following data:

- Name, company name, tax identification number
- Address, registered office, place of business, location of records
- In case of using registered office services, the name, registered office, tax identification number of the registered office service provider, and the date of conclusion and termination of the registered office service agreement in case of a fixed-term agreement.
- Date and number of the deed of foundation
- Main and other conducted activities
- Date of the fiscal year end, if different from the calendar year
- Registration number (in case of non-profit organizations, foundations)

The applicable electronic forms must be obtained for the following purposes:

- 23T201T: for taxpayers obligated to register a company,
- 23T201: for taxpayers not obligated to register a company, for foreign companies,
- 23T101E: for sole proprietors.

If there is a change in the data, the taxpayer is obliged to notify the tax authority (NAV) within 15 days, also using the above forms.

The forms can be submitted via client portal or company gateway by the authorized person with access.

I.3. Tax identification number

I.3.1. Refusal to issue a tax identification number

The National Tax and Customs Administration (NAV) refuses to issue a tax number required for commencing activities if the prospective taxpayer's executive officer or member is deemed risky based on their previous companies, that is, if the previous company:

- has a tax debt exceeding **5 million HUF** (or **10 million HUF** for taxpayers with the highest tax performance) or
- had a tax debt of **5 million HUF** (or **10 million HUF** for taxpayers with the highest tax performance) that ceased without legal successor in the past 5 years or
- its tax number has been cancelled due to providing a false address or representative, failure to report a representative, failure to deposit and publish financial statements, as well as failure to meet the summary declaration and monthly tax and contribution reporting obligations within 365 days, or
- the executive officer has been legally disqualified from the executive officer position and profession.

The decision will be revoked by the Hungarian Tax and Customs Administration (NAV) if it is determined on its own initiative or if the member (shareholder) provides evidence that the taxpayer facing the obstacle did not qualify as an executive officer, company director, or authorized member with representation rights, and that:

- a) the taxpayer did not hold direct or indirect voting rights exceeding 25% in the company, or
- b) the taxpayer did not hold direct or indirect voting rights exceeding 50% in the company and made all efforts to eliminate the obstacle.

The Hungarian Tax and Customs Administration (NAV) will also revoke the decision if it concerns an executive officer, company director, member, or shareholder whose tax identification number was denied by the state tax and customs authority, and

- a) the taxpayer in which the tax number was denied did not have a membership or shareholder relationship in the deleted taxpayer that caused the tax number denial, and
- b) provides evidence that as an executive officer or company director, they acted in a manner that could generally be expected to restore the lawful operation of the deleted taxpayer.

The consequences of tax number deletion have been mitigated. If the tax authority reinstates the tax number of a deleted taxpayer, the consequences of the deletion - tax number denial/deletion - will not apply to the executive officer, member, or shareholder in relation to another company.

1.3.2. Rules for tax payment guarantee

During the tax registration procedure (prior to issuing a tax identification number), the taxpayers may be required to provide a so-called tax payment guarantee if they hold or have held a decision-making position in a company with a **tax debt exceeding 1 million HUF** (2 million HUF for taxpayers among the largest taxpayers) or if such a tax debt was left behind without a legal successor within the past five years prior to the cessation, and the tax debt existed within 360 days preceding the cessation.

The amount of the guarantee shall correspond to the amount of the registered tax arrears, reduced by any overpayments and unexpired amounts. The guarantee shall be kept in a deposit account for a period of 12 months. The guarantee serves as security for the outstanding tax debt, which the tax authority may use to settle the debt without a separate payment request.

1.3.3. Deletion of the tax identification number

The tax number may be deleted in the following cases:

- during an on-site inspection, it is determined that the taxpayer **cannot be found at their registered address**
- an official document sent to the taxpayer by mail is returned to the tax authority with the notation "**addressee unknown**" on two consecutive occasions, or the delivery cannot be made due to the absence of a mailbox
- the registered address is **not a real address**
- the taxpayer has **not registered the organizational representative** with the tax authority, despite being requested to do so
- the **registered organizational representative is not a real person** (for example, if the business is started with a fake ID or with the ID of a homeless person)

- the taxpayer's summary statement or monthly tax and contribution return **fails to fulfil its obligations** within 365 days despite a request from the tax authority, the taxpayer **fails to deposit and publish their financial statements as required** by the Accounting Act
- the taxpayer does not remove the obstacle that arose during the **tax registration process** within 45 days
- the taxpayer fails to **deposit a security for tax** payment or to supplement an already deposited security

The unfavorable consequence of tax number deletion affecting the right of VAT deduction has been eliminated (the right to deduct VAT does not disappear).

If the tax authority re-establishes the tax number of the affected taxpayer, the previously incurred incoming VAT, which was **negligible** according to the previous regulations, can be deducted (retroactively applicable within the statute of limitations) before the deletion of the tax number.

Contact our tax advisors at our office to reclaim lost VAT.

We draw our clients' attention to the importance of complying with the above, as once a company's tax number is deleted, it can only be restored with significant effort or not at all, which often leads to the company being deleted from the company registry (although it can still be restored from a forced deletion procedure to a limited extent).

I.4. Special tax authority procedures

Risk assessment procedure

The tax authority carries out the risk assessment by comparing and evaluating the tax returns, data submissions, tax authority records, experiences gained during previous audits and on-site actions at the taxpayer, its predecessors, affiliated companies, and taxpayers who have contractual relationships with the taxpayer. The tax authority also compares and evaluates data obtained from courts, other authorities, and other taxpayers, as well as publicly available information.

If the tax authority identifies a risk, depending on the severity of the identified risk, it may initiate a **supportive procedure or select the taxpayer for an audit**, or file a **report** of suspected **criminal activity**.

Supportive procedure

The supportive procedure requires active participation from the taxpayer, during which the taxpayer has the opportunity to remedy and eliminate deficiencies identified by the tax authority without any adverse legal consequences or penalties.

To achieve this, the tax authority may invite the taxpayer to carry out a self-audit or initiate professional contact, **with the aim of remedying the identified errors and deficiencies with the professional support** of the tax authority.

Mentoring

In order to **support new businesses**, the tax authority has introduced a new service. Within this service, the tax authority provides free information, either orally or in writing, about the tax obligations of new businesses, the availability of information to help meet those obligations, and initiates personal contact (mentoring) to provide assistance. During mentoring, the tax authority organizes tax-related forums for new businesses, where the tax authority provides nationally standardized presentations on a specific topic.

Call for self-audit

The tax authority may call upon the taxpayer to perform a self-audit if the tax authority detects or suspects a discrepancy that could result in a tax liability based on the information available in the taxpayer's tax return and in the tax authority's possession. A significant impact of a call for self-audit is that no tax audit can be initiated against the taxpayer for the tax type and period specified in the call for self-audit for a period of thirty days from the notification of the call.

"Authority Transfer" institution

The "**Authority Transfer**" institution is used to settle tax or penalty debts of taxpayers and is not considered an enforcement action. In this framework, the tax authority can offset the overpayment amount due to the taxpayer against the debt burden recorded by the tax authority, including public debts to be collected in the form of taxes and collection based on requests. The tax authority decides on the transfer in a ruling that can be challenged with an appeal.

The advantage of administrative transfer is that it allows for the management of debts without initiating an enforcement procedure that would otherwise result in adverse consequences, while also providing taxpayers with the right to appeal against the transfer.

I.5. Inspection

Advance notice of self-inspection

Taxpayers can give advance notice to the tax authority of their intention to carry out a self-inspection. The advantage of this is that the tax authority cannot conduct a tax inspection of the taxpayer in the reported tax assessment period and tax type for a period of fifteen days following the notification. The notification can only be made once for the same tax assessment period and tax type.

Types of inspections

1. **Tax inspection**
2. **Compliance examination**

During a **compliance examination**, the tax authority can verify, independently of the declaration period, whether the taxpayer has fulfilled certain tax obligations prescribed by law; gather information on the accuracy and credibility of data, facts, and circumstances contained in the records and declarations of the taxpayer; examine the authenticity of economic events; and collect information to support the inspection activity.

In case of a **tax inspection**, the tax authority can examine the fulfillment of the taxpayer's tax determination and declaration obligations, per tax and support, and per specified period or multiple taxes and supports. During the inspection, the tax authority primarily compares the taxpayer's submitted tax returns with the data collected during the inspection, as well as with the taxpayer's records. The tax inspection procedure creates a closed period of inspection.

The Hungarian Tax and Customs Authority (NAV) is **required to conduct a tax inspection** for companies with a **net revenue of at least 60 billion HUF** in two consecutive years, if their taxable income was zero or negative in both business years.

As a general rule, tax inspections must be completed within **90 days**, while for taxpayers with the highest tax performance and centralized inspections, the deadline is **120 days**. In the case of compliance examinations, the tax authority has **30 days** to conduct the investigation.

If the taxpayer believes that the tax authority has **exceeded the deadline** for the inspection, they can file a complaint with the superior authority after the deadline they have calculated has expired.

The Hungarian Tax and Customs Authority (NAV) sends a **notification letter (known as a "Dutch letter")** to economic partners about tax evasion as a tax authority service if the final tax authority ruling confirms the tax evasion. This tax authority service may be supplemented by the fact that the NAV also informs employees about the employment-related tax evasion of employers as determined in a final ruling.

I.6. Legal Consequences

Late payment penalty

The rate of the late payment penalty is three hundred and sixty-fifth of the amount obtained by increasing the base interest rate valid at the time of the delay or prior utilization (collection) by five percentage points for each calendar day.

Self-audit penalty

The rate of the self-audit penalty is three hundred and sixty-fifth of the base interest rate valid at the time of the delay or prior utilization (collection) for each calendar day.

Tax penalty

Tax penalty is payable in case of **tax deficiency**, the amount of which is **50%** of the tax deficiency.

The amount of the tax penalty is **200%** of the tax deficiency if the tax deficiency is related to concealing income, presenting false documents, books, records, using such documents, books, records or falsifying, destroying them.

Thanks to the introduction of the **conditional tax penalty** discount, if the taxpayer waives their right to appeal against the first-instance decision on subsequent tax assessment and pays the tax difference prescribed in the decision by the due date, they are exempt from paying **50%** of the imposed tax penalty.

Penalty for Negligence

- Under the introduced general penalty rule, a private individual taxpayer may be fined **up to 200,000 HUF**, while other taxpayers may be fined **up to 500,000 HUF** for the violation of certain tax obligations. For instance, if they fail to comply with reporting or data supply obligations, or if they submit incorrect or false information, or if they fail to keep proper records
- A taxpayer may be penalized **up to 1 million HUF** for negligence, such as failing to issue invoices, simplified invoices, receipts, or issuing them for an incorrect amount
- Private taxpayers can be fined **up to 200,000 HUF** and other taxpayers **up to 500,000 HUF** for violating various tax obligations, such as failing to fulfill or

inaccurately fulfilling reporting or data provision obligations, or failing to maintain records

- Taxpayers can be fined **up to 1 million HUF** for failing to comply with document retention obligations
- If a taxpayer violates the obligation to maintain records related to determining the usual market price and transactions with controlled foreign companies, or fails to comply with the associated document retention obligation, they may be fined **up to 5 million HUF** per record (or consolidated record), or **up to 10 million HUF** per record (or consolidated record) in the case of repeated offenses. In the event of repeated failure to maintain the same records, the taxpayer can be fined up to four times the amount of the first penalty.
- If a taxpayer fails to retain invoices or receipts produced by printing, they can be fined **up to 200,000 HUF** per document for private individuals or **up to 500,000 HUF** per document for other taxpayers, regardless of whether the document was used or not
- Taxpayers who engage in activities tied to a tax number without a tax number can be fined **up to 1 million HUF** for the offense
- If a taxpayer employs an unreported worker, they can be fined **up to 1 million HUF**
- **Cash payment limit (mandatory for persons subject to invoicing requirements)**

The payment of consideration in cash is limited to a maximum of gross 1.5 million HUF per contract and per month. Multiple contracts are considered as one cash payment if it can be unambiguously established that the parties concluded several contracts to avoid the limit. Those who violate the cash payment limit may face a hefty fine, as **both parties** are required to pay a **20%** penalty for any amount paid in cash above 1.5 million HUF.

Group corporate taxpayers cannot apply for **payment relief. Individuals can apply for instalment payments for tax debts as low as 1 million HUF 12 months** (instead of the previous 500,000 HUF).

Exemption from the weighting prohibition in the case of administrative proceedings by the superior authority extended to proceedings by a superior authority (a more serious decision can be taken in appeal)

I.7. Classification of taxpayers

From January 1, 2016, the legislator introduced two special categories of taxpayers. These two categories are **reliable taxpayers** and **risky taxpayers**. While reliable taxpayers receive benefits, stricter rules apply to taxpayers classified as risky. The tax authority **automatically** performs the classification **quarterly**.

Benefits for reliable taxpayers:

- The **maximum duration of tax authority inspections** against them is **180 days**;
- In case of failure to report/declare/provide information or incorrect fulfillment of obligations, the tax authority will **send a warning** without imposing a penalty, and will only impose a penalty in case of failure to comply with the warning;
- The upper limit of **finances for failure to comply and tax penalties** that can be imposed on them is **reduced by 50%** compared to general rules;
- The tax authority allows them once a year to pay off their net debt up to a maximum of 1,500,000 HUF in 12 monthly **installments without penalty** (the previous limit was 500,000 HUF and a different procedure applied to debts incurred before January 1, 2017);

- The tax authority processes their **value-added tax refund** request **within 30 days** (this may be 20 days in exceptional circumstances). Publicly traded companies classified as reliable taxpayers are refunded their VAT within 20 days by the tax authority.
- In the case of **group taxpayers**, where new companies are established as part of their activities, the group's reliable classification is not lost, even if the new member would not be considered a reliable taxpayer.
- For reliable taxpayers, the limit on the amount of tax debt eligible for automatic **payment relief** is 3 million forints.

Disadvantages of a risky taxpayer classification:

- the deadline for tax authority audit is **extended by 60 days**;
- the deadline for refunding VAT is **75 days**;
- the amount of late payment penalty imposed on the taxpayer is 365th **of 150%** of the late payment penalty calculated based on general rules for each calendar day;
- the imposition of a default penalty and tax penalty cannot be waived, and the minimum amount of default penalty and tax penalty that can be imposed on the taxpayer is **30% of the upper limit** of the penalty that can be imposed, or 130% of the otherwise applicable penalty if a fixed penalty amount or penalty rate is specified.

Consequence:

It is evident that obtaining the reliable taxpayer status offers many advantages to taxpayers. However, the law imposes strict requirements for achieving this status. Therefore, please contact our tax advisors to obtain a taxpayer classification that falls under a more favorable assessment.

I.8. Definition of affiliated businesses

Definition according to the Corporate Income Tax Act is applicable in relation to related companies.

Fundamentally, with the application of the provisions of the Civil Code, it is necessary to examine the majority influence directly or indirectly realized (e.g., voting rights exceeding 50% of one person in the other, or a third party in both).

Moreover, the taxpayer and another person are considered related companies if, **due to the concurrence of management** between them, they have **decisive influence on the business and financial policy**.

Therefore, in the case of two or more companies, having the same management establishes a related company relationship (regardless of, for example, the extent of voting rights or personal kinship).

The membership of the same body only generates a relationship in connection with the person, but for the purposes of the "executive rules," the following **are not considered connected businesses**:

- The managing director of the company **A** who has independent signing authority as the managing director of company **B** does not have independent signing authority - he/she does not have decisive influence.
- The managing director of the company **A** is the spouse of the managing director of company **B** - the persons are not the same.
- The managing director of the company **A** is a close relative of the managing director of company **B** - the persons are not the same.
- A sole proprietor **A** who is a managing director in company **B** (but not a majority owner) will not be considered connected because a sole proprietor alone is not a managing director.

I.9. Electronic Road Freight Control System

The EKAER system (Electronic Road Freight Control System), created to reduce VAT fraud, allows the fulfilment of VAT obligations for product sales involving road transport to and from Hungary or any EU member state, as well as products transported within Hungary, to be verified.

To do so, those concerned must **make** an electronic **declaration** to the state tax and customs authorities. Products transported without a declaration are considered to be of unverified origin and are subject to tax authority supervision (they are seized or transported to a designated warehouse), and a **penalty of up to 40% of the value** of the product may be imposed for the negligence. Any product of unverified origin is subject to tax and customs authority supervision during any on-site inspection.

From January 1, 2021:

- a) The **EKAER declaration obligation only** applies to risky products (the list of products is currently contained in NGM Regulation 51/2014).
- b) There is an **obligation to provide a guarantee** for intra-Community procurement and for the first taxable domestic product sale by a taxable person.
- c) The EKAER obligation applies to all transactions involving road transport, **not just those subject to road tolls**.
- d) The **EKAER exemption** related to weight and value remains in place.
- e) The **voluntary EKAER declaration** remains possible - no guarantee payment is required in this case.
- f) The **penalty provisions** related to EKAER remain in place (a penalty of 40% will only be imposed for serious errors related to the declaration, such as a quantitative error).

Declaration is required (for risky products):

- When importing products from the **EU to Hungary** (in this case, the Hungarian recipient must make the declaration)
- When **exporting goods** from Hungary **to the EU territory** (in this case, the Hungarian sender must make the declaration)
- When the **first taxable transaction** involving the carriage of goods by road **within Hungary** a supply of goods to a **non-end user** (in which case the consignor must the declaration; but if the goods are transported by the consignee, the consignee will be the obligor).

Obligation to notify:

- for risky products, unless they are below 500 kg or 1 million HUF net.

Obligation to provide guarantees:

The taxpayer who carries out road transportation to a domestic loading (receiving) address **is obliged to provide guarantee** within Community **product procurement** and for the first domestic taxable sale of goods, which is not directly to the end user. However, this obligation to provide security does not apply to products subject to reduced VAT rates.

Exemption from providing collateral:

The taxpayer who is not considered a new obligor and

- is a reliable taxpayer,
- has been operating for at least 2 years and is listed in the tax debtor database as being free of public debts,
- conducts economic activities under bankruptcy or liquidation proceedings as a strategically significant economic organization and has been granted exemption from the obligation to provide collateral by the head of the state tax and customs authority based on an individual request.

The BIREG system

In connection with the amendment of Government Decree No. 261/2011 (XII.7.) regarding the narrowing of the range of products subject to EKAER obligation, new obligations have emerged for international road transportation and shipping from 01.01.2021:

In the territory of Hungary,

- a) Freight vehicles with a maximum permissible weight of over 3.5 tons engaged in international road transportation for fee
- b) Freight vehicles with a maximum permissible weight of over 7.5 tons engaged in own invoice-based international road shipping, and
- c) Freight vehicles engaged in cabotage transport (=transportation activity carried out between two points within a country performed by economic players who are not established in that country) within the territory of Hungary can participate in road traffic for the given transportation task with a valid electronic freight registration. Empty running is also considered a transportation task for this purpose.

The operator of the aforementioned freight vehicles or the carrier is obliged to record their company and transportation data in the publicly accessible IT system operated by the traffic authority (= **BIREG system**) before starting transport within Hungary or entering the territory of Hungary.

In connection with the above (a,b,c), a new obligation has been introduced that the provider of fee-based international road transportation and shipping must present the confirmation previously sent by the BIREG system regarding the completion of the aforementioned transport registration, in addition to the **CEMT permit** (= permit created by the International Transport Forum) or a **permit issued based on international agreements**. The "presentation" must be fulfilled by the sender at the loading place in Hungary and by the recipient at the unloading place in Hungary.

II. EMPLOYMENT – LABOR LAW

(Act I of year 2012)

II.1. Employment Relationship

Establishment of Employment Relationship

The Employment Contract

The employment contract, modification, and termination **can only be made in writing**.

The mandatory elements of the employment contract are:

- the names and essential data of the parties,
- the basic wage, and
- the job title

Attention:

The wage must be paid by bank transfer to the account specified by the employee. Payment in cash can only be made if agreed upon in writing by both parties.

Non-mandatory content:

- the designation of the place of work, in which case the usual place of work for the job position **should be considered as the place of work**.

Attention:

It is not advisable to specify the exact place of work for the job position in the employment contract. The specific place of work should be communicated to the employee in a written notice.

Probation Period

The parties may establish a maximum of 3 months of probationary period. During the probationary period, the employment relationship can be terminated without cause and with immediate effect.

In the case of a fixed-term employment relationship - if the duration is less than one year - the probationary period can be established proportionally to the duration of the fixed-term (e.g., 1.5 months for a 6-month fixed-term employment contract).

Modification of Employment Contract for Part-time Work for Employees with Small Children

At the request of the employee, the employer is obliged to modify the employment contract to part-time work of a duration equivalent to the half of general daily working time until the child reaches the age of four - or six years in the case of an employee with three or more children - if the employee raises a child.

The employee, except for the first six months of the employment relationship, until the **child reaches the age of eight**, or the employee providing care, **may request** in writing the following modifications:

- modification of the place of work
- modification of the working schedule
- employment in telecommuting, or
- employment in part-time work

The employer must respond in writing within fifteen days of the employee's request. In the event of rejection, the employer must provide a justification.

Attention:

In the case of unlawful rejection of the request or failure to respond, the court will substitute for the employer's consent.

Employer's obligation to inform

The employer is **obliged to inform** the employee **in writing** within 7 days from the conclusion of the employment contract about:

- a) the person exercising the employer's authority
- b) the start and duration of the employment relationship
- c) the workplace
- d) the tasks belonging to the job
- e) ***the duration of daily working hours, the days of the week on which working hours can be divided, the possible starting and ending times of daily working hours according to the schedule, the possible duration of overtime, and the specific nature of the employer's activity*** (continuous, shift or seasonal work)
- f) the method of calculation of wages, payment of wages, and the day of payment
- g) the remuneration exceeding the basic salary and other benefits
- h) the number of vacation days, the method of calculation, and the rules for their issuance
- i) ***the rules relating to the termination of the employment relationship, in particular the rules for determining the notice period***
- j) ***the employer's training policy and the duration of the training that the employee can take***
- k) ***the name of the authority to which the employer pays public charges***
 - l) whether the employer is subject to a collective agreement.

The information prescribed in point e) can also be provided with reference to the provision of the employment regulation.

In the event of a change in the employer's essential data as well as those defined above, the employee must be informed in writing no later than at the time of the entry into force of the change.

Foreign assignment

In the case of work abroad that is expected to exceed fifteen days, the employee must be informed in writing no later than one week before departure about:

- a) the place and duration of work abroad
- b) monetary and in-kind benefits
- c) the rules and conditions for reimbursement of travel, meal, and accommodation costs as well as the remuneration applicable to the place of work
- d) ***the currency of remuneration and other benefits***
- e) ***the uniform national website providing essential information on the rights and obligations of the employer and employee performing cross-border service provision, and***
- f) ***the rules applicable to return***

The information prescribed in points c) and d) can also be provided with reference to the regulation governing the employment relationship.

The basic framework for performing work on foreign assignment is defined by the Directive 96/71/EC (Posting Directive). The **directive sets out mandatory rules that the host state** must apply to posted workers during their assignment. The concept of **minimum wage level** is always **determined by** the national legislation and practice of the **Member State where the worker performs work** during the posting.

For example, in Germany, sector-specific **collective bargaining agreements** contain such rules, and following the example of several Western European countries, Austria has also started to apply mandatory minimum wage rules for cross-border services from 1 January 2017. You can find detailed information about this on our website.

The **social security** aspects of the mission are regulated by EU regulations on the coordination of social security systems (Regulation 883/04/EK and the implementing Regulation 987/2009/EK).

In case certain conditions are met, if an employee stays insured in Hungary during a delegation, the income earned by the employee abroad during the delegation does not constitute a basis for calculating social security contributions in Hungary; only the base salary specified in the employment contract must be subject to social security contributions.

Recommendation:

Contact and seek the assistance of our lawyers at the Office to learn and comply with the conditions of delegation (e.g., performing activities in the same sector of the national economy, prohibition of consecutive delegations, etc.).

Termination of employment

Employment can be terminated

- by mutual agreement,
- by termination - only on the part of the employer and with a reason (the reason can only be related to the employee's ability, conduct, or the employer's operation),
- by immediate termination.

There is no ban on termination due to incapacity for work, and termination can be communicated on the day the employee returns to work after illness, but the notice period only starts on the day after the end of incapacity for work due to illness, but for a maximum of one year. In case of termination by the employee, the **period of notice** is 30 days, while in case of termination by the employer, it can be up to 90 days depending on the length of the employment relationship with the employer.

Work schedule, application of working time frame

General work schedule:

The work schedule is arranged for five days a week from Monday to Friday.

Working time frame:

The employer may also determine the working time to be performed by the employee in a working time frame. **The start and end time of the working time frame, as well as the duration of the working time to be performed, must be determined in writing and published.**

The duration of the working time frame can be determined for a maximum of four months or sixteen weeks in general.

The duration of the working time frame can be up to six months or twenty-six weeks:

- without interruption,
- in shift work,
- as part of seasonal activities.

In case of the application of the working time frame, the working time can be unevenly scheduled for all days of the week or for individual working days.

If objective, technical, or work organization-related reasons justify it, the duration of the working time frame may be up to thirty-six months according to the provisions of the **collective agreement**.

Overtime work

- The law refers to extraordinary working time as overtime work,
- its annual limit is 250 hours.
- With the written agreement of the employee and the employer, a maximum of 150 hours of overtime work can be ordered per calendar year. The employee can terminate the agreement by the end of the calendar year.

Salary supplements

In addition to the base salary earned by the employee for the worked hours, the following salary supplements must be paid.

Designation	Why is it granted?	%
Night allowance	It is granted for work performed between 22:00 and 06:00 if the duration of work exceeds one hour.	15%
Shift allowance	It is granted for work performed between 18:00 and 06:00 if the starting time of the daily work schedule differs in at least one-third of the monthly workdays according to the established work schedule, or if there is a difference of at least four hours between the earliest and latest starting time.	30%
Sunday allowance	It is granted for Sunday work in case of shift work activities, or for those working for companies falling under the scope of the Commercial TV Act; it is not granted for uninterrupted seasonal work.	50%
Overtime on a day off	It is granted for overtime work performed on a weekly rest day or public holiday (if one day of rest is provided in return).	100% (50%)
Overtime outside of regular working hours or beyond the established work hours	If someone works beyond their regular working hours or work hour frame.	50%
On standby duty	The employee shall determine their place of stay in such a way that they shall be available immediately if instructed by the employer.	20%
On-call duty	the place of availability is determined by the employer for the employee	40%, 50% if the time is immeasurable

Holiday, Sunday, shift, and night allowances can be included in the base salary. In the employment contract, the parties may agree on a monthly lump sum payment that includes the remuneration for work performed during standby duty and on-call duty, as well as the allowances instead of separate payment for each of these.

Leave and its issuance

The basic leave entitlement is **20 days**.

- According to the **Labour Code**, **additional leave** is granted based on **age brackets**.
- For an employee who is younger than 16, 2 days of **additional leave** are **granted for one child**, 4 days for two children, and 7 days for more than two children.

The **employer grants the leave** (seven working days annually, at a time requested by the employee).

The leave **must be granted in the year it is due**. Based on the agreement of the parties, one-third of the age-related additional leave can be granted until the end of the year following the year in which it becomes due.

Untaken, pro-rated leave entitlement must be paid in cash upon termination of employment.

Paternity leave

In the case of a child's birth or adoption, the father is entitled to **take paternity leave** (hereinafter referred to as "paternity leave") **for ten working days** by the end of the second month following the birth of the child or the finalization of the adoption decree. The leave may be taken in two instalments at the father's request. The first five days of paternity leave are paid at the employee's regular salary, while from the sixth day onwards, the employee is entitled to **ten percent of their leave compensation**.

Parental leave

The employee is entitled to **forty-four days of parental leave until their child reaches the age of three**. The condition for taking parental leave is that the employment relationship has been in place for one year. The employee receives ten percent of their leave compensation during parental leave.

Sick leave

Sick leave still lasts up to fifteen working days before sickness benefit. The employer pays the leave compensation during sick leave. The leave compensation is 70% of the salary during sick leave.

The first fifteen days of incapacity to work due to illness must be interpreted according to sick leave rules, which may vary by employer. If an employee starts working in the middle of the year, their previous days of sick leave need not be considered; the calculation starts anew but in proportion to the time worked.

Unjustified payment of wages

Unjustified payment of wages can be reclaimed in accordance with the rules on advances, so it can be deducted from the employee's salary without prior notice or consent.

Damage caused by the employee

The employee is liable for damage caused by breaching their obligations arising from the employment relationship, up to an amount equivalent to four months of leave compensation. For intentional or grossly negligent damage, they are fully liable.

Gratuities/tips

Accepting gratuities/tips by employees can only be done with the express **permission** of the employer.

Seizure of wages

In the case of seizure of wages by the employer, there is **no limit** to the **deduction from wages above the minimum pension amount multiplied by five**.

II.2. Assignment (Other employment relationship)

The other employment relationship that focuses on work performance is called "assignment," which specifically refers to non-physical work and only involves completing a task without the principal being able to directly instruct the assignee. Assignment contracts are typically used for engaging speakers, trainers, external experts, and consultants (i.e., for strictly defined tasks). To offset the assignee's expenses, they can decide to reduce their taxable income from the assignment by either a 10% cost allowance or a specific cost accounting (except for elected officials' remuneration).

II.3. Simplified employment

Scope of simplified employment

Simplified employment can be established in the following areas:

- In seasonal agricultural work (performing work in the agricultural sector, including crop production, forestry, animal husbandry, fishing, hunting, as well as handling and packaging of agricultural products produced by producers, producer groups, producer organizations, or their associations) - for up to 120 days
- in seasonal tourism work (seasonal work performed for an employer engaged in commercial tourism services) - for up to 120 days
- for occasional work - for a maximum of 5 consecutive calendar days (but not more than 15 calendar days in any given month, or more than 90 calendar days within a calendar year for a fixed-term employment relationship established for this purpose).

Attention!

For occasional work, in the case of a simplified employment relationship, the number of employees employed on any given calendar day cannot exceed one employee for employers who do not employ full-time staff under the Labor Code, two employees for 1-5 employees, four employees for 6-20 employees, or 20% of the workforce for a workforce over 20.

Important Rules

When establishing an employment relationship, it is also mandatory to have a written agreement (with the form provided in the appendix of the law), and there is also an obligation to report:

- Through the client portal (using the T1042E form) or
- By phone (using the 185 local tariff phone number) or
- Through the dedicated mobile application

In the case of simplified employment, the employee is **not considered an insured person under the Health Insurance Act**. They are entitled only to old-age pension, accident and health services, and job-seeking benefits.

If the parties have concluded an employment contract in writing, the employer is not required to keep records of working hours.

Attention!

It is not possible to establish an employment relationship for occasional work in a standby position.

Employer's burden

For employment relationships established on or after July 1, 2022:

- For seasonal agricultural and tourism work, the employer's burden is 0.5% of the minimum wage: **1,200 HUF/day**
- For occasional work, the employer's burden is 1% of the minimum wage: **2,300 HUF/day**
- For occasional film extra work, the employer's burden is 3% of the minimum wage: **7,000 HUF/day**

Personal income tax (PIT) exempt amount

Natural persons deriving income from simplified employment are not required to determine their income if their income does not exceed the product of the number of calendar days of employment and **130%** of the daily amount of the **minimum wage** (or the guaranteed minimum wage).

The minimum (net) daily wage payable for simplified employment:

- 85% of the minimum wage daily amount; for jobs requiring qualifications, 87% of the guaranteed minimum wage daily amount
- For film extras in employment relationships established on or after July 1, 2022, the daily net income cannot exceed 27,800 HUF

II.4. Staff leasing

Staff leasing is the most common form of atypical employment. It is a tripartite employment relationship in which the employee enters into a work contract with a lending company with the aim of working for a third party, the borrowing company. This relieves the employer of significant administrative burdens and costs associated with labor law.

Borrowers use this form of employment to lease highly skilled workers for short periods of time (e.g. for restructuring, crisis management, or even for a specific project), as well

as for employing lower-skilled workers for training purposes (e.g. for rush orders, security companies, etc.).

To be registered as a staff leasing company, the company **must be listed as a tax debtor in good standing. The financial security** for the leasing activity is **ten million forints**. Staff leasing companies must demonstrate compliance with these regulations to the government office within three months. Failure to provide the required documentation will result in the removal of the staff leasing company from the registry.

Instead of foreign staff leasing companies without a Hungarian tax number, the borrowing company must pay a rehabilitation contribution.

*Please contact our tax advisors for advice on avoiding pitfalls associated with staff leasing, such as **identifying unregistered staff leasing companies or those that do not comply with tax and contribution obligations**, the maximum leasing period, and the prohibition of leasing between related companies.*

*Contrary to popular belief, **the borrower also has reporting obligations** for the leased staff. On the day of employment (or the day after the end of employment), the borrower must report to the state tax authority the name and tax identification number of the employee involved in the staff leasing contract, as well as the name and tax number of the lending company and the start date of the employment. The 23TMUNK form is used to report staff leasing data.*

III. PERSONAL INCOME TAX

(Act CXVII of 1995)

III.1. Taxpayers and Rates

All income of private individuals is subject to tax.

The tax base is the income, reduced by deductions in accordance with this Act, derived from taxable revenues and the sum of tax base-increasing items.

The tax rate is uniformly **15%**.

Hungarian residents (Hungarian citizens, except those who are also citizens of another country and do not have a place of residence or stay in Hungary) have full tax liability, meaning that their tax liability extends to all their income from within¹ and outside² Hungary.

Foreign residents have limited tax liability, meaning that their tax liability only applies to their income earned in Hungary.

III.2. Tax Return

III.2.1. In which cases is it not necessary to submit a personal income tax return?

There is no need to submit a tax return if **there was no income at all** during the tax year, or if **only income that does not need to be reported was earned**. Such income may include, for example:

- income that does not need to be taken into account when calculating income (e.g. **borrowed money**)
- income **exempted** from tax in Hungary under an **international agreement**
- income from the transfer of **movable property**, the annual amount of which does not exceed **600,000 HUF**
- income from the transfer of real estate, from which no income is generated
- income for which the withholding tax is the **responsibility of the payer** (tax return proposal)
- income earned solely through simplified employment, or if the income from simplified employment does not exceed the exempted amount
- income from **agricultural self-employment**, without any support, did not exceed half of the annual minimum wage and there was no other income subject to tax return obligation.

III.2.2. Tax Return Forms

Individuals and sole proprietors can fulfill their tax obligations for 2023 through self-assessment:

- **by submitting Form 2353**, or
- by accepting the tax authority's **tax return proposal**

¹ Income from within Hungary includes income from a domestic employer, commission agent, or activity carried out in Hungary, or income from domestic property.

² Income from outside Hungary: income for activity carried out abroad for a foreign entity or for Hungarian entities with foreign establishments, income derived from foreign property.

III.2.3. Deadlines

Individuals must fulfill their **tax reporting and payment** obligations by **May 20 2023**. The deadline for personal income tax return and payment for sole proprietors is also.

Please **keep your tax return**, as well as any documents, certificates, and other records that you used during its completion, until **December 31, 2028** for the year 2022. The statute of limitations for the determination of **the 5-year tax liability restarts if you modify your tax obligation in your self-review to your advantage**.

III.3. Types of income and their taxation

III.3.1. Consolidated incomes

- **Non-independent** income: e.g., employment, public work, member of parliament, executive officer in an economic company (even if in an agency relationship!)
- **Independent** income: either a flat-rate cost calculation or a 10% cost ratio application is possible (e.g., renting real estate; consulting fee)
- **Other** income

Determination of payable tax:

+	Income (=revenue-cost)
-	Family allowance reducing tax base
X	0.15 (tax rate)
=	Calculated tax
-	Foreign tax paid
-	tax credits
=	Payable tax

Special items must also be taken into account for the year 2022-2023, which reduce the tax base and payable tax, or provide income tax exemption.

If a private individual is obligated to pay social security contributions (e.g. because the income does not come from an employer or tax and tax advance deduction from the benefit is not possible), tax must be paid on 89% of the determined income.

Tax base reducing allowance

The **family tax base allowance** - depending on the number of dependents - is an allowance per dependent and per month of eligibility

- for one dependent: HUF 66,670 (expressed in tax amount: HUF 10,000)
- for two dependents: HUF 133,330 (expressed in tax amount: HUF 20,000/dependent)
- for three or more dependents: HUF 220,000 (expressed in tax amount: HUF 33,000/dependent).

Young people **under the age of 25** can claim a new tax base allowance from January 1, 2022: they do not have to pay personal income tax up to a certain amount on their consolidated tax base for the income determined by the PIT law.

From 2023, a new tax base allowance can be claimed by **a young mother who has turned 25 years old** and is entitled to a family allowance for:

- her biological or adopted child, or
- Foetus

A young mother is someone whose entitlement to family allowance for her foetus, biological or adopted child **opens until the day before she turns 30**.

Tax allowances

If someone is entitled to multiple personal income tax or tax base reducing allowances, they must be applied in a specified order.

- Discount for severely **disabled** persons:
The personal discount can be claimed on the consolidated tax base. The amount of the discount has changed, and it corresponds to one-third of the minimum wage in the months of eligibility (77,300 HUF, rounded to the nearest hundred)
The personal tax credit can still be claimed by those who:
 - suffer from a severe disability or illness for which they have a medical certificate, and
 - receive a disability pension or disability allowance.
 The process of claiming the tax credit remains unchanged:
 - it can be requested from the employer through an advance tax declaration during the year, or
 - at the end of the year, when submitting the personal income tax return for the relevant tax year.
- **Self-employed farmer's** tax deduction (can be applied without income limit for a tax deduction of HUF 100,000 per year)
- Tax deduction for **first-time married**: spouses can jointly reduce their tax by HUF 5,000 per month in the months of eligibility

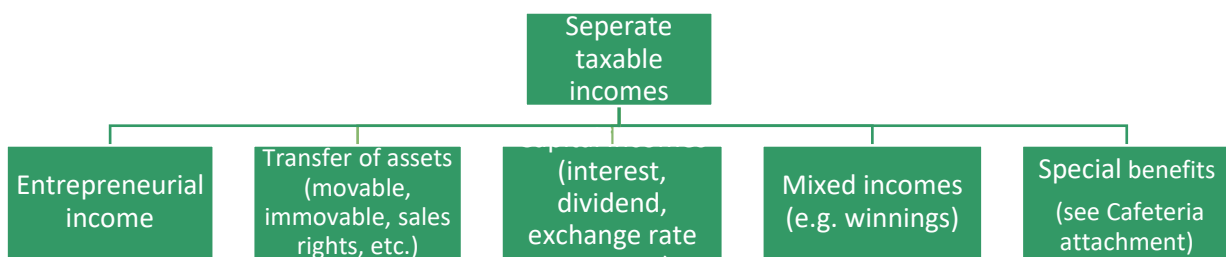
Special tax exemptions

Income tax exemption for solar power: the revenue from the sale of electricity obtained under the Electricity Act, earned within non-individual entrepreneurial activity, is tax-exempt up to a maximum of 12,000 kWh of electricity sold per year.

Private use of **bicycles** exclusively powered by human power or **electric motors** up to a maximum output of 300 W is exempt from personal income tax.

Any mother who is currently **raising at least four children**, or has given birth to and raised four or more children in her lifetime, is completely exempt from the current 15% personal income tax for the rest of her life.

III.3.2. Separate taxable incomes



Calculation of payable tax

Separate taxable incomes and their taxes must be determined according to the **special rules** applicable to them. Tax **reductions cannot be deducted** from separate taxable

incomes. For most separate taxable incomes (e.g. transfer of assets, exchange rate gain), **the tax base:**

- is the **difference between revenue and verified expenses**
- In some cases, however, the **entire revenue** (e.g. dividend)
- is considered as the tax base. For certain separate taxable incomes (e.g. certain specified benefits, income from interest discount, object winnings), tax is calculated based on **1.18 times the value of the benefit**.

III.4. Income from renting out property

Types of property rental:

- a) **Property rental activity:** temporary use of a property – in this case, real estate – without additional services beyond the transfer of ownership. The income is subject to a **15% personal income tax (PIT)**.

In case of VAT-exempt property rental, it is not mandatory to have a tax number, but without it, the lessor cannot issue invoices. The lack of a tax number does not prevent the taxpayer from issuing accounting documents (the tax identification number must be indicated next to the taxpayer's name on the accounting document). If the taxpayer decides to use an invoice booklet or wishes to rent out the property with VAT - for example, because they have renovated it and would like to deduct the associated VAT - they must have a tax number

- b) **Accommodation services:** providing accommodation for non-continuous, usually overnight stays and related services, such as cleaning and breakfast, within a business activity. The income is subject to **15% PIT and 13% social security tax (Szocho)**
- c) **Private individuals engaged in catering activities³** who provide accommodation services are those who offer accommodation for a period not exceeding 90 days per tax year within the framework of private accommodation services. **Tax burden: lump-sum taxation of 38,400 HUF per room per year** (The preferential lump-sum taxation can be applied to three properties owned or under beneficial use).

III.5. Representation, business gift, and minor value gift

Representation: food and beverage hospitality provided at business, official, professional, diplomatic, or religious events related to the giver's activities, as well as related services (travel, accommodation, leisure activities, etc.) provided in the context of such events, and hospitality provided during national or religious holidays.

Business gift: a gift given in the context of business, official, professional, diplomatic, or religious relationships, including free or discounted products or services, as well as vouchers specifically for this purpose.

³ Private accommodation means a dwelling or vacation home that is not used solely for accommodation services and is utilized by a private individual or sole proprietor. It may include a delineated portion of the dwelling or vacation home and the corresponding area, with a maximum of eight rooms and a maximum of sixteen beds.

Minor value gift: a product or service with a value not exceeding 10% of the minimum wage (a certain defined benefit may be provided once a year as a minor value gift subject to taxation, while keeping records of such benefits).

	Representation	Business gift	Minor value gift
It can be given	can only be given in the context of an event	not tied to a particular occasion	can be given once per person per year
Who can receive it?	both employees and business partners, in the presence of employees together with business partners	only business partners	employees and close relatives
What can be given?	food/drink/hospitality, travel and accommodation costs for guests, leisure activities	objects, accommodation, vouchers	products/services
Value limit	none	none	once a year, the annual minimum wage of 10% per occasion per person.

As a certain specific benefit, they are taxed uniformly with a tax burden of 33.04%.

III.6. Reimbursements for Business Trips and Commuting

Compensation to employees based on a **business trip order**:

- o 15 HUF/km reimbursement for vehicle wear and tear and
- o reimbursement calculated based on the consumption norms and fuel prices determined by the tax authority.

During the business trip, any expenses incurred (such as highway tolls, accommodations, meals) can also be listed on the order, and there is no obstacle to their reimbursement. There are **no tax or contribution consequences** for the use of business trip orders, neither for the employer nor the employee, and there is **no need to keep a record of mileage. The vehicle** used for the business trip **must be owned by the employee or by a close relative of the employee.**

The amount of the employee's fuel purchases can be reimbursed based on a **fuel card or an invoice in the name of the company**, and the employee is required to keep a comprehensive record of mileage. Only the costs of business trips can be reimbursed, and the reimbursed amount must remain within the consumption norm value determined by the tax authority.

The employer is obliged to provide travel cost **reimbursement for commuting/weekend** travel for employees up to 18 HUF/km, but based on Section 25(2) of the Personal Income Tax Act, they have the freedom to provide up to 30 HUF/km if they choose to do so.

III.7. Tax-exempt benefits related to job performance (arising from the field of work)

No revenue is generated for a private individual who is involved in an activity, due to the use of something provided to them, such as equipment, machinery, vehicles, workwear, etc., or the use of a service such as lighting, heating, etc., if such use is within the scope of the work or activity and is a condition for the provision of the work or activity (including situations such as extracurricular education, on-the-job training, or the provision of safe and healthy working conditions in accordance with the provisions of the Labor Protection Act that fall within the responsibility of the employer). This applies even if the item or service is also suitable for personal use, and the possibility of private use cannot be completely excluded during its use, utilization, or provision within the scope of the activity (except if the law specifically defines such use, utilization, or provision as a taxable circumstance).

III.8. Certain fringe benefits provided by the employer

1. Taxation of fringe benefits

This year, the annual recreation limit for the **Széchenyi Rest Card** is **450,000 HUF As of January 9, 2023, only the accommodation pocket remains** from the three pockets of the SZÉP card. This change will not significantly affect the range of services that can be paid for with the SZÉP card as virtually all expenses can be paid from the accommodation pocket.

The funds in the catering and leisure pockets were transferred to the accommodation pocket on January 8, 2023.

Amounts transferred before October 15, 2022 can still be used free of charge **until May 31, 2023**. A discounted fee of 15% will be charged on any unused amounts from June 1, 2023 onwards.

The tax burden for benefits given in 2023 is calculated as follows: tax base x (15% personal income tax + 13% social contribution tax), which is 28% of the value of the benefit.

2. Certain specified benefits

If the employer exceeds the above-mentioned Szép card limit amounts with regard to certain benefits and wishes to motivate their employee to an extent that exceeds the limit, then they must calculate their tax liability with a multiplier of 1.18 (based on the tax base and a 15% personal income tax and 13% social contribution tax). These are the so-called **certain specified benefits**.

In addition, this category also includes benefits that can be part of a cafeteria plan:

- an annual low-value gift (up to 10% of the annual minimum wage)
- contributions to voluntary mutual health and pension funds for targeted services
- personal use of a company phone
- meals or other services related to official travel
- representation and business gift
- taxable income provided through a free or discounted product or service that is handed out to individuals under equal conditions and manner participating in

dual vocational training under an apprenticeship contract, individuals undertaking mandatory professional practice, or individuals participating in dual vocational training under a student employment contract.

- taxable income provided through a free or discounted product or service that is accessible by multiple individuals simultaneously, and for which the payer, despite acting in good faith, is unable to determine the income earned by each individual. Additionally, the cost borne by the payer for an event or function that is organized for multiple individuals (including business partners) concurrently and is either free or discounted, provided that the event or function is predominantly related to catering or leisure activities. This includes expenses related to gift items given to attendees, provided that the unique value of the gift item does not exceed 25% of the minimum wage per person.

3. Tax-free benefits

In addition to regular wages, cafeteria benefits **can also be tax-free**, such as:

- Admission ticket or pass to sports events (up to 232,000 HUF/year)
- Admission ticket or pass to cultural services (up to 232,000 HUF/year)
- Nursery and kindergarten services (based on invoices issued in the name of the individual)
- Accommodation in a company-owned or leased service apartment or dormitory

Other tax-free benefits:

The employer can pay out an amount equivalent to 10% of the current monthly minimum wage, tax-free, on the first day of each tax year to employees working from home under a telecommuting contract in compliance with the regulations of the Labor Code. To qualify for tax-free reimbursement without documentation, the individual must not claim any costs related to internet usage fees or rental, heating, lighting, or other technology energy expenses at their remote work location separate from the employer's registered office or other place of business.

4. All other benefits

All other benefits that are not listed above are taxed as salary (personal income tax, social contribution tax, health insurance contribution). For example: local transportation pass, workplace catering, gift certificate, cash payment in cafeteria.

IV. SOCIAL SECURITY

IV.1 Burden of employees

IV.1.1. Individual contributions

The rate of social security contribution is 18.5%.

According to the Labour Code, a **self-employed pensioner** employee is not considered insured under the Social Security Act, so there is **no obligation to pay social security contributions** for income received in this employment relationship.

Self-employed pensioners are **generally exempt** from contributions, **regardless of their employment form**. Pensioners employed must continue to pay 15% personal income tax. Exemption from contributions is **no longer limited to employees in employment relationships**, but also applies to those working under other forms of employment (e.g. contract work).

Family allowance (personal income) for children can also be applied to social security contributions if the amount of the tax advance payment does not fully cover the tax credit due to the size of the income

IV.1.2. Healthcare service contribution

In 2023, individuals without insurance (and supplementary activities of legal entities) are required to pay a **monthly** healthcare service contribution of **9,600 HUF**. In the case of an obligation to pay the contribution in the absence of insurance, it can be taken over by a family member, for example.

It is important to **note that the tax authority must notify the individual within 8 days** if they would become obligated to pay the healthcare service contribution due to the termination of their insurance status or entitlement to healthcare services. If the individual's arrears for healthcare service contributions exceed six times the monthly amount, their **TAJ card will be invalidated**, and they will **no longer be able to access health services supported by health insurance** without payment.

IV.1.3.1 Childbirth support

In order to encourage the desire to have children, the childbearing benefits are structured as follows:

Childbearing benefits	Duration	Amount	Is it possible to work while receiving benefits?
Childcare allowance (CSED)	Lasts for 24 weeks, but no longer than 168 days after the child's birth (up to a maximum of 28 days before the expected due date)	Amount is 100% of the daily calendar income, with no maximum limit	No, unless the mother waives the allowance amount
Childcare benefit (GYED)	Lasts from the expiration of CSED until the child is 2 years old (3 years old for twins)	Amount is 70% of the daily calendar income, up to a maximum of twice the current minimum wage	Yes, starting from the first day, even for full-time work
Childcare support benefit (GYSE, previously known as GYES)	Lasts from the expiration of GYED until the child is 3 years old (until the end of the year when the child becomes of compulsory school age for twins, or until the child is 10 years old for a permanently ill/disabled child)	Social projection base (previously known as old-age pension minimum) is 100% of HUF 28500/month	Yes, starting from the first day, even for full-time work

IV.1.3.2 Grandparental leave (GYED)

The most important conditions for grandparental leave are that the grandparent is not a retiree and has been insured for at least 365 days in the two years preceding the leave. Grandparental leave is calculated according to the rules of parental leave and its amount cannot exceed 70% of twice the minimum wage. Pension contributions are deducted from the allowance, and the leave is counted as service time.

IV.1.3.3 Four or more children benefit for mothers (NÉTAK)

Mothers who are **raising four or more children** can claim a tax base deduction. If the individual is eligible for the benefit, they can claim the benefit for mothers of four or more children first, followed by the benefit for first-time spouses, and finally the family benefit.

The benefit can only be claimed by the mother raising four or more children and cannot be shared with others.

IV.2. Obligations of employers to deduct and pay taxes and contributions

IV.2.1. SZOCHO

(Social Contribution Tax Act - Act LII of 2018)

Rate: 13%

Taxpayer: the payer

Base: income subject to tax liability under the Personal Income Tax Act

Tax payment upper limit:

The tax payment upper limit has been introduced for separately taxed personal incomes. According to this, the individual must pay taxes on:

- **income withdrawn from business**
- **income from securities lending**
- **dividends**
- **entrepreneur dividend base**
- **income from exchange rate gains**
- **income of foreign performers**

After the above, the 13% social contribution tax must be paid until their combined annual income, including both the taxable income and the separately taxed income, reaches 24 times the minimum wage, which is **5,568,000 HUF** in 2023 (**in terms of tax, it amounts to 723,840 HUF/year**)

Social security contribution benefits:

The amount of social security contributions to be paid can be reduced under certain conditions in the following cases:

- Unskilled and agricultural workers
- Employees entering the labor market
- Female employees entering the labor market who are raising 3 or more children
- Employees with reduced work capacity, individual and corporate entrepreneurs
- Public employees dismissed due to protective age
- Researchers and developers with a doctoral or higher scientific degree
- Research and development activities

The amount and conditions of the benefits are included in Annex 3.

IV.2.2. Rehabilitation contribution

Employers are obliged to pay a rehabilitation contribution if the number of their employees exceeds 25 and the number of their employees with reduced work capacity is less than 5% of the total workforce.

The rehabilitation contribution is calculated as nine times the mandatory minimum amount of the basic wage determined for full-time employees on the first day of the respective year, which is **2,088,000 HUF/person/year**.

Employers must pay advance payments for the rehabilitation contribution by the 20th day of the month following the quarter for quarters I to III. The difference between the advance payments and the annual contribution must be paid by February 25 of the year following the tax year.

IV.2.3. Minimum contribution base

The so-called **minimum contribution base** has been introduced. From July 1 2020 the social security contribution must be paid each month on at least 30% of the minimum wage, regardless of whether the actual monthly income of the employee is less than this amount.

Days on which the employee receives sick pay, accident sick-pay, or has suspended insurance coverage for any reason (such as unpaid leave or unauthorized absence) do not need to be taken into account when calculating the minimum contribution base.

The minimum contribution base for individual or corporate entrepreneurs is equal to the minimum wage or guaranteed wage minimum.

The minimum social security payment obligation for the affected individuals has **not changed**, and its basis continues to be equal to 112.5% of the minimum wage or guaranteed wage minimum.

V. VOCATIONAL TRAINING CONTRIBUTION

From 1st January 2022, no vocational training contribution needs to be paid in any case.

VI. CORPORATE TAX

(Act No. LXXXI of 1996)

VI.1. Taxpayer

Corporate tax is a tax on the profits of enterprises from their economic activities. The taxpayers include not only domestic enterprises, but also foreign enterprise branches, companies with real estate, and in the case of services provided from Hungary, a presence in Hungary exceeding 183 days also creates a permanent establishment.

Since 2019, the option of group taxation has been available. The prerequisite is the existence of at least 75% direct or indirect control among the group entities.

Taxpayers subject to the small business tax, as well as taxpayers undergoing liquidation or forced deletion procedures, are among those who are not considered taxpayers subject to corporate tax.

VI.2. Tax rate

The tax rate for corporate tax is **9 percent** of the positive tax base.

VI.3. Determination of tax base

The determination of the tax base for corporate tax is based on the enterprise's pre-tax profit. After that, the actual tax base can be determined taking into account various modifying factors.

The Corporate Tax Act has a unique way of classifying expenses, costs, revenues, and deductions recognized in a given year when determining the tax base. Certain expenses are not recognized, and others are recognized at different amounts or at different times. In addition, certain types of revenue are excluded from the tax liability. All of this is done through adjustment items that increase or decrease the pre-tax profit.

VI.3.1. Reducing items

The most common items reducing pre-tax profit:

- loss carried forward from previous years up to 50% of the tax base; a 5-year limit applies to the write-off of losses arising from 2015, losses from previous years can be used until 2025 in accordance with the order of their occurrence
- depreciation according to the tax law
- development reserve 100% of pre-tax profit from 2021, with no upper limit; time limit for use is 4 years
- reversal of impairment of receivables income accounted for as received (due) dividends
- revenue from the release of reserves formed for expected obligations and future costs
- investment discount for small and medium-sized enterprises
- in the case of public benefit donations, 20% of the value of the donation (50% if supported by the National Cultural Fund or the Hungarian Relief Fund), an additional 20% discount can be applied in the case of long-term donations, and 50% discount can be applied for support from a Higher Education Institution; 300% in the case of a donation based on a higher education support agreement to a university maintained by a public interest asset manager performing a public duty, or to a university maintained by a foundation or church, or to its maintainer

- bad debt (in the event that a debt owed to an affiliated enterprise becomes uncollectible, the taxpayer must provide information about the affiliated business and the reasons underlying the transaction)
- the difference resulting from price changes between affiliated companies can be set as a tax base discount if the taxpayer has a statement from the related party certifying that it is taken into account when determining the corporate tax or its corresponding tax

VI.3.2. Increasing items

The most common tax base increasing items:

- accounting depreciation
- impairment of receivables
- provisions for expected liabilities and future costs
- fine established in a final decision (the self-check supplement is not included)
- the specified part of the interest of the obligation defined in Tao Act. 'Undercapitalization'
- released against an affiliated company, or not considered irrecoverable
- claim
- other costs and expenses not incurred in the interest of the business
- difference resulting from changes in prices between affiliated companies
- definitively transferred assets, waived claims, if you do not have a with the beneficiary's declaration that he accounted for this as income and paid the related tax

VI.4. Income (profit) minimum

If the larger value of the pre-tax profit and tax base established on the basis of the above does not reach the income (profit) minimum, then the latter must be considered as the corporate tax base and the expected tax of 9% must be paid thereafter. The taxpayers can use the Act on Taxation 91/A. with the option provided in paragraph and can declare that they do not choose the minimum profit as the tax base, which entails the submission of an additional return. The taxpayers must prove the authenticity and occurrence of the economic events doubted by a possible revision, initiated on the basis of the declaration, as well as that the costs and expenses were really incurred in the interest of the business.

The minimum income regulations are not applied by, among others, foundations, non-profit companies, churches, housing cooperatives, and social organizations. It also do not have to be applied by the taxpayers who are required to file a pre-company report in the pre-company and subsequent tax years, or in the first tax year, if they are not required to prepare a report for the pre-company period.

Determination of the income (profit) minimum:

Total revenue
+ 50% of the increase in the obligation towards the Member compared to the previous year
= Adjusted income
*0.02
= Minimum amount of income (profit)

VI.5. Growth tax credit

By applying the discount, according to the taxpayers' choice, the **tax payment is postponed** for the part of the pre-tax profit of the current year that exceeds the pre-tax profit of the previous tax year (hereinafter: growth tax credit), **i.e. it is paid during the next two tax years**. When determining the increase in the pre-tax profit, we cannot take into account the amount of dividends received, interest, and income accounted for in connection with transactions without consideration with affiliated companies.

Conditions for using the discount:

- the taxpayers' corporate tax liability is in the third tax year preceding the tax year started earlier
- the taxpayers did not take part in a transformation in the tax year and in the three years preceding the tax year, merger, separation
- the growth tax credit reaches or exceeds the pre-tax amount of the taxpayers' previous tax year result is **five times** its absolute value.

You can declare your use of the discount by **the deadline 31 May by submitting** the annual corporate tax return, and then determine the amount of the tax on the growth tax credit, which you have to pay in six equal installments in the third and fourth quarters of the following tax year, and quarterly in the second tax year following the tax year, it is paid by the 20th day of the **second month** of the quarter.

The taxpayers have the opportunity to reduce the amount of tax on the growth tax credit that has not yet become due, if in the two tax years following the declaration, they invest in tangible assets and increase the number of employees. The discount cannot be used if the taxpayers use a tax discount for investment in the same tax year. In case of an increase in the number of employees, it is a condition that the workplace must be maintained for at least 2 years. The amount of the discount cannot exceed 70% of the amount of tax that has not become due.

VI.6. Tax benefits

The corporate tax established according to the above can be reduced by additional tax incentives, which mainly help to support job-creating investments (development tax incentives), small and medium-sized enterprises. Large enterprises that make investments resulting in product diversification or new process innovation in the Central Hungarian region and, within the framework of this, invest in tangible assets worth at least HUF 6 billion or create jobs worth at least HUF 3 billion in present value can also use a development tax discount. *In addition, the development tax discount became available for small and medium-sized enterprises. In the case of small businesses, the discount can be applied to investments with a present value of at least 50 million HUF, and in the case of medium-sized enterprises, at least 100 million HUF in present value.*

Another form of discount is support for visual team sports and filmmaking. In addition, a tax discount can be used for investments and renovations aimed at energy efficiency, as well as for live music services provided at a restaurant operated by the taxpayer.

The development tax benefit can be applied up to 80% of the tax, all other tax benefits can be taken into account up to 70% of the tax.

VI.7. Tax donation

The taxpayer has the opportunity to donate the monthly or quarterly corporate tax advance, as well as the annual tax payment obligation, to a beneficiary, up to 80% of

the tax payable for the tax year. The beneficiary goal can be the support of visual team sports and filmmaking.

The advantage of the tax offer is that the taxpayer is entitled to a tax credit for the amount donated. In the case of a declaration regarding the tax advance, 7.5% is credited to the tax current account, in the case of a declaration regarding the tax at the time of the tax return, 2.5%. With respect to the same tax year, the tax discount and the tax donation cannot be applied together.

VI.8. Advance tax payment

If the tax to be paid exceeds 5 million HUF, it must be paid as a tax advance in 12 equal parts every month, until the 20th of the given month. If the calculated tax is less than 5 million HUF, it must be paid in advance quarterly, by the 20th of the month following the relevant quarter.

The obligation to supplement (top up) the corporate tax advance has ended.

VI.9. Special taxpayers

The taxation of non-profit organizations, churches, housing and school cooperatives, foundations, public bodies, water companies, the MRP, public benefit organizations, companies owning real estate and regulated real estate investment companies is determined differently from the above.

VI.10. Transfer price

As a general rule, the transfer price registers prepared by medium-sized and large enterprises consist of two parts, a main document and a local document. The purpose of the main document is to present the group's structure, the drivers of business results, the group's intangible assets and financial activities, as well as its financial and tax situation. The local document must present at least the taxpayer's management (also organizational structure), operations, competitors, data and analyzes relating to transactions, as well as any applicable tax agreements (provisional tax assessment).

According to the applied methodology, the sample of comparative companies (the related database screening) must be updated every three years, and the financial data must be updated annually.

The maximum recognized profit margin for low value-added services within the group is 7%, the lower limit is 3%.

The regulations reduce the room for maneuver of the subsidiaries, because in the future they will not be able to prepare the register under their own authority, since the compilation of the main document is clearly the task of the parent company due to the nature of the required content.

VII. VALUE ADDED TAX

(Act CXXVII of 2007)

VII.1. Taxpayer

Taxpayer: the legally competent person or organization which (that) carries out economic activity under its own name, regardless of its location, purpose and results.

Economic activity: the continuation of an activity on a business-like basis, or on a permanent or regular basis, as long as it is aimed at or results in the achievement of consideration, and it is carried out in an independent form.

Group taxation is recommended for serious invoicing within a company group. Domestic affiliated enterprises - both state-owned and municipal-owned - can be established on the basis of an application, **the members are no longer subject to VAT, and transactions between themselves do not need to be charged** or financed by VAT. Third parties are billed under the received group identification number, and the group member representative submits a tax return on the group's "performance".

It is possible to fix a specific, future date in connection with the creation of the **group tax entity**, the joining and separation from it, as well as the termination of the group. The 2022 change allows the former group representative to submit a self-audit on behalf of the terminated group.

VII.2. Taxable transactions

Tax must be paid on product sales, service provision, intra-community procurement and product import performed by the taxable person, taking into account the main exceptions below, i.e. **no VAT is required** if the conditions are met:

- the apport
- -termination by legal succession, including transfer based on the farm transfer contract
- business transfer
- in case of transfer to trust management

It is not a product sale, so no VAT is charged:

- delivery of a product sample and small value product for business purposes (max. 5,000 HUF)
- in the case of a public donation

It is not a service, so no VAT is charged:

- reimbursement of consideration with money or a cash substitute
- assignment of claim, in the case of a public donation, compensation, certain cases of penalty

Due to the change in the tax law assessment of some free transactions (roads, water utilities) that arose in connection with larger investments, [please contact our office's tax advisors!](#)

VII.3. Place of execution

Based on the rules of the place of execution, it can be decided whether the transaction can be taxed domestically and whether the Hungarian VAT law applies to it at all. The first task is to establish that the VAT pursuant to whether the transaction was completed domestically. If so, then as a general rule, someone (seller or buyer) will have an obligation to pay VAT. In other cases, an invoice other than "VAT outside territorial scope" must be issued.

VII.3.1. Place of execution of product sales

Main rule: where the product is actually at the time of the sale (if no transport takes place, e.g. real estate)

Exceptions:

- Intra-Community product sales: place of departure, shipment
- Intra-Community procurement: place of destination or place of completion of transport
- Product import: where the product was put into free circulation
- Natural gas, electricity, wired district heating and sales: place of establishment of the purchaser

VII.3.2. Place of execution of service provision

Ordering taxpayer^{4,5} = With Community tax number or must have a different VAT ID

Main rule: where the service user has its registered office or the most directly affected site. **Among other things:** agency service, product transport, product-oriented expert activity (except real estate), work on products or contract work (except real estate), cultural, artistic, scientific, educational, entertainment services (except ticket sales).

Exceptions:

- services related to real estate: according to the location of the real estate. The accommodation service is also included -transport of passengers: route taken (it doesn't matter who the user is, but international passenger transport does not involve an actual obligation to pay taxes due to the tax exemption of the domestic section)
- entry to cultural, artistic, scientific, educational, entertainment, sports- and similar events: where the event is actually organized
- restaurant and hospitality industry services: where the service is actually provided. Exception on board of the planes, ships or trains, because in this case the place of departure within the community is the place of fulfillment
- short-term rental of a vehicle (less than 30 days, less than 90 days in the case of a water vehicle): where the vehicle itself is handed over to the lessee (in the case of long-term rental, the main rule applies). If the place of performance is a 3rd country, but the actual use is in the country, then the place of performance is the country and vice versa.

The customer is not a taxable person

⁴ Non-taxable legal entities are only considered taxable persons in this regard if they have a community tax number (VAT identification number).

⁵ Just in this case, legal entities not subject to VAT are also included, who have a community tax number because their purchases of this kind in the previous or current year exceeded the relevant amount limit (10,000 EUR) or they chose to be taxed on their purchases.

Main rule: where the service provider has its headquarters or premises.

Exceptions:

- 5 exceptions described in the previous section also applies here, except for cultural, artistic, etc. service: at the place of actual execution
- Agency activity: the place of performance of the mediated transaction
- Non-EU Transport, passenger transport: according to the route taken
- Intra-Community transport: at the point of departure
- Expert evaluation (except real estate): where the service is actually performed
- Work on the products: where the service is actually performed
- Additional services related to passenger transport and product transport: where the service is actually performed
- Media- and telecommunication services, services provided electronically (website storage and operation, provision and updating of software, computer equipment/program remote maintenance, distance learning, etc.): at the place of establishment of the user
- If the customer is a non-taxable person from a 3rd country:
 - transfer of intellectual creation rights; advertising service, consulting, lawyer, accounting, tax, IT, translation activities; data processing, bank, insurance, labor hire; product rental (e.g. real estate and means of transport): at the place of establishment of the user of the service

VII.4. The date on which the tax liability arises

Main rule: tax to be paid must be determined on the date of performance (partial performance).

Exceptions:

- Advance payment: on the day of credit, receipt, acquisition (also for standard EU services!) in the event of any pecuniary advantage
- Closed-end leasing: day of taking possession of the product
- Reverse taxation (the buyer is obliged to pay tax): receipt of invoice, consideration reimbursement, or the 15th of the month following completion, whichever is the earliest!
- In the case of reverse taxation due to cross-border services, on the day of performance
- In the case of a service with periodic settlement, the date of performance is as a general rule the last day of the settlement period
 - There are two exceptions:
 - the performance is the date of the invoice, if both the issue and the payment deadline precede the end of the settlement period
 - the fulfillment is the payment deadline, but no later than the 60th day after the settlement period, if the payment deadline falls on a date after the settlement period.
- Intra-Community supply of products: when the invoice is issued, but no later than the 15th of the month following completion
- Product import: on the day the customs situation changes
- Taxpayers who choose cash settlement

VII.5. Tax rate

Main rule: 27% of the tax base.

Exceptions:

- 18%: milk of ESL and UHT types, and specific group of milk and milk products, products made of cereals; entry to an occasional outdoor events
- 5%: human medicines, medicinal herbs, books, newspapers, district heating services, various forms of beef, sheep, goat, pork (including domestic pigs), fish for consumption, fish products, Braille printer and display, poultry for food, offal, slaughter by-product, fresh eggs, ESL and UHT types of milk; internet service, food and locally produced drinks (non-alcoholic!) in the dining room, commercial accommodation service

In the case of **new residential real estate sales, the VAT rate is 5%**, which tax rate can be applied until December 31, 2028 to the sale of all properties that meet the conditions, the building permit of which became final by December 31, 2024, or the construction activity was completed by December 31, 2024 at the latest.

VII.6. Tax exemption

With right of deduction:

- Intra-Community product sales (condition: the taxable person purchasing the product must have a tax number in a Member State other than the place of dispatch of the product, and inform the seller about this tax number, proof of the product's domestic delivery, e.g. a waybill. The tax exemption does not apply if the taxable person is did not fulfill his obligation to submit a summary statement, or fulfilled it incorrectly or incompletely)
- Product export (to 3rd country)(condition: the product leaves the country within 90 days, VAT must be paid in case of exit after 90 days, but if the product still leaves the country within 360 days of the sale, then the VAT can be claimed back with invoice correction). From 2019, the service related to product export (e.g. transport!) is tax-free only if it is provided to the person who implements the export
- Service related to international transport.

Without the right of deduction: in this case, VAT does not have to be charged, but the transferred VAT cannot be deducted either.

- Subject exempt: can be chosen by a domestic taxpayer whose income in the previous year and current year does not exceed 12,000,000 HUF
- Due to the public interest nature of "object-free" activity: post office, human health care, dentist, and education - OKJ (National Training List (education)) or accredited training
- "Object-free" activity due to its specific nature, for example:
 - insurance, financial services, gambling, stamps, etc.
 - for built-up properties* for which the occupancy permit 2 years have already passed since its release,
 - sales of undeveloped real estate *, (except: building plots, which are always VAT-exempt!)
 - property rental* (except: parking space rental, commercial accommodation rental and rental of machines, other equipment and safes permanently connected to the property).

*In the cases marked with *, tax liability can also be resolved by notification, separately for residential property and other real estate, as well as separately for renting and selling. It is not possible to deviate from the choice for 5 years, **you can find information about the choice of partners on the NAV website.***

Choosing the right decision is particularly important when establishing a company, transforming it, and starting these activities, prior consultation with our office is recommended!

As a result of the sale of the car, the tax exemption cannot be applied in those cases in which the VAT deduction prohibition regarding the purchase of the car would otherwise have been lifted for the purpose of resale (if I purchase it tax-free for the purpose of resale, then I will definitely have to pay tax at the time of sale from here on).

VII.7. Reverse tax

The most important change this year is that it is not necessary to check whether the official permit or notification related to the activity carried out on the property, aimed at its creation, expansion, or transformation, is construction-related, since from January 1 2023, **all permit-required, notification-required or construction, installation and other installation work that can be carried out with notification** is subject to reverse taxation.

Accordingly, the assessment of the **town plan notification procedure, heritage protection permit or notification will be changed**: previously, these permits did not in themselves form the basis of reverse taxation, but from January 1 2023, however, those constructions for which only such a procedure is carried out, will also be subject to reverse taxation. The legislation does not contain a transitional provision, invoices issued according to direct taxation before the first of January do not need to be corrected, and reverse taxation must be applied to invoices issued after the first of January.

Characteristics: the buyer is obliged to pay the VAT instead of the seller. The invoice cannot include VAT.

Conditions:

- Can only be applied if both parties are domestic taxpayers and obliged to pay taxes
- It is not possible to issue any reverse invoice to a partner who is exempt or not subject to tax!

Must be applied:

- Real estate transfer based on a construction contract (general contractors)
- A service that is used for construction and installation, creation and expansion of real estate, aimed at transformation, modification of its purpose, provided that it is official subject to a license or notification to the authorities
- in the case of labor force to be hired, assigned or supplied, which are the very first steps related to the sale of the products (on the basis of a construction contract) or to construction, assembly and other assembly work considered as service provision, which is related to the creation, expansion, conversion or other aimed at changing it - including its termination by demolition
- Sale of scrap metal, sale of used batteries

- Sales of built-up or unbuilt real estate to be treated as tax-free sales if the seller has previously made it taxable
- Property security between debtor and creditor, and between debtor and designated buyer sale, which is aimed at validating an expired claim
- A taxable tangible asset under liquidation or of selling a product of the value exceeding 100,000 HUF, or providing a service
- Sale of cereals and oilseeds
- Sales of iron and steel industry products
- Sale of greenhouse gas emission units

VII.8. Tax deduction right

On the basis of the receipt duly issued by the taxpayer - if not prohibited by law - the right of deduction can be asserted.

Excess VAT cannot be deducted:

- if the taxpayer uses the purchased product or service in whole or in part for non-taxable activities
- taxi, parking, road usage fee
- acquisition of residential property, construction, renovation of residential property (neither the building material nor VAT of service used)
- food, drink, catering industry
- entertainment service
- 30% of the telephone bill
- gasoline
- purchase of passenger cars, fuel and other products used for the operation
- 50% of services related to the passenger car operation (or at least 50% in the case of onward billing)
- purchase of motorcycles, yachts and other equipments of water transport

Deductibility of VAT on car rental fees:

50% of the VAT charged on invoices related to the rental (and open-end leasing) of passenger vehicles **can be automatically deducted** even without keeping a road record supporting the ratio of private and business use.

The VAT Act states in which cases is the exemption from the prohibition of deduction is possible, the certified resale purpose and the taxable rental purpose make the VAT content of these purchases deductible.

Right of deduction in case of deletion of tax number: the adverse consequences of the cancellation of the tax number regarding the right to deduct have ceased.

In the event that the tax authority repeatedly determines the tax number of the taxpayer concerned, the incoming VAT incurred before the cancellation of the tax number - which was **negligible** according to previous rules - can be deducted (can also be applied retroactively within the limitation period). **Please contact us in order to reclaim the VAT you thought was lost!**

VII.9. Tax refund

A refund can be requested if the absolute value per reporting period exceeds

- **For monthly reporting:** 1 million HUF
- **Quarterly returns:** 250,000 HUF
- **Annual returns:** 50,000 HUF

VII.10. Special tax recovery methods

1) In the case of compliance with the special conditions set out in the VAT act, it is possible to recover the VAT (subsequent reduction of the tax base) that was declared and paid to the budget, but the consideration was not paid by the buyer/claimant to the taxpayer, the tax claim owed to it became uncollectible. From 2021, the possibility of a subsequent tax base reduction in the case of **bad debts** will also be extended to claims against non-taxable customers. Furthermore, where the **limitation period** does not exceed one year, there will be no condition for one year from the due date.

Please contact us in connection with reclaiming irrecoverable VAT. The conditions for reducing previously paid tax have become simpler from 2022.

2) From 27.11.2020 in the case of termination by legal succession, the legal predecessor may claim back the incoming VAT in its final return, which the legal successor would not have been able to pay in the absence of a domestic tax number.

These cases must be considered as if it were a termination without legal successor, so the legal predecessor can include the tax to be reclaimed in its final return regardless of the reclaim value limit.

3) Non-resident taxpayers may request a VAT refund for VAT paid domestically. In connection with this refund, attention must also be paid to the date of issue of the invoice, in addition to the date of the performance

4) A new special tax refund procedure appears in which taxpayers can apply for a refund of their VAT in certain cases by referring to the principle of tax neutrality (e.g. if the taxpayer incorrectly calculated VAT, the buyer did not pay the consideration including the tax, and the customer is terminated).

VII.11. Rules and amendments affecting electronic commerce

With regard to **distance selling** (the buyer is not a taxable person, the seller is obliged to transport the product), thanks to the new definition, different rules apply to distance selling within the Community and distance selling of products imported from third countries. As a general rule, such transactions are completed in the buyer's Member State, i.e. the Hungarian taxpayer must issue the invoice with the tax rate there.

In parallel with the change in the place of taxation, the possibility opens up for the taxpayer to comply with the tax payment and tax declaration obligation for distance sales within the Community by using the **one-stop shop system** (OSS). The use of the single-window system is not an obligation, but an option, which ensures that the taxpayer does not have to register as a taxable person in the Member States of the place of performance due to his or her specific transactions performed in other member states of the Community, due to the transactions, comply in one Member State by applying the system.

With this, the single-window system (MOSS), which was previously only available for services that could be provided remotely (telecommunications, electronic, radio-audiovisual services), has been expanded and can be used:

- in connection with all services provided to non-taxable persons, which are taxed in the Member State of consumption
- in connection with distance sales
- for product sales to certain non-taxable persons

There is also a version of the system that can be used by third-country taxpayers (IOSS). With its use, the product is imported and imported - after the IOSS registration has been checked by the customs authorities - with no tax levied (so the import is exempt from import VAT).

In accordance with the new e-commerce regulations, as of 01.07.2021, the rules for the import customs clearance of low-value consignments have also changed, and the tax exemption for low-value import consignments (under 22 euros) has ended.

New rules for taxation of electronic interfaces (e.g. webshop)

The new rules apply to those electronic interfaces that facilitate the **intra-Community distance selling of a trader established outside the territory of the Community**, or **the distance selling of a product imported** from a third country as a **consignment with an internal value not exceeding 150 euros**.

The essence of the rule:

From July 1 2021, these electronic interfaces must be treated as **an intermediary** in a three-party transaction (trader – electronic interface – non-taxable customer), **who purchases the product from the dealer and then resells it to the non-taxable customer**.

VIII. FEES

(Act XCIII of 1990)

Its purpose: to provide funds for the performance of state, social and local government tasks; contribution to the costs of administrative authority and court proceedings.

VIII.1. Reversible property acquisition taxes

- To whom it concerns: the party acquiring the property.
- Subject: **real estate**, certain **movables** and **property rights** are not free of acquisition by acquisition of wealth. **Acquisition of an asset deposit in a company with domestic real estate assets** (it is considered as a company with domestic real estate assets, whose assets represent more than 75% of the value of the real estate, regardless of the main activity of the company stated in the company register)
- Basis: *the turnover value of the acquired property not reduced by encumbrances. When determining the turnover value, in the absence of comparative value data, the tax authority can also use other valuation methods, such as valuation based on net replacement costs or valuation based on yield calculation*
- Rate: 4%
- In the case of real estate: 4% per real estate up to HUF 1 billion, the turnover value exceeds this 2%, but no more than 200 million HUF / property

VIII.2. 90% tax on speculative real estate sales

- In order to extract the extra profit resulting from speculation, the **Seller is subject to a 90% non-refundable property transfer tax on the real estate moved into the built-up area**, as well as transfer of the financial deposit of a company owning real estate that has been brought into the built-up area. The rules will be applied in the case of the transfer of the real estate included in the internal area, or the asset deposit of a company that owns the internal area, **whose real estate was included in the built-up area after January 31 2020**
- **TAX is based** on the difference between the turnover value at the time of acquisition and the turnover value determined at the time of transfer (in addition, in the case of a business part, the proportion of the assets sold in the total assets), i.e. the **increase in value**
- The **amount of TAX** is **90%** of the TAX base
- The **transferring party** will be obliged to pay the fee!
- The tax exemptions and **tax reductions included in the law** - with the exception of beneficiary transformation, beneficiary share exchange, beneficiary asset transfer, transfer between affiliated enterprises - will not be applicable in the case of these sales

VIII.3. Inheritance and gift duties

- To whom it concerns: the person who acquired wealth this way
- Subject: acquisition of property due to death or gifting
- Basis: the net value of the inheritance/gift
- Amount: two duty rates:
 - General tax rate: 18%
 - Discounted rate of tax related to the purchase of an apartment: 9%

VIII.4. Exemptions, discounts

Exemptions for housing policy purposes

- The purchase of the ownership of a **new apartment** built by the contractor with a market value not exceeding **15 million HUF** is exempt (up to HUF 30 million, and the portion of 15 million HUF is exempt)
- The purchase of home ownership by a **private individual** is exempt if the individual sells his previous home ownership **within three years** prior to the purchase, or **within one year** after the purchase, and the value of the home ownership acquired is less than the value of the property sold. Individuals who acquired the apartment from a non-private owner are also entitled to pay the tax after the difference in the market value of the apartments affected by the exchange.
- Young people under the age of 35 are entitled to a **TAX discount of up to 50%** when acquiring their first home, but only if the market value of the home does not exceed 15 million HUF
- Upon request, **12 monthly installments without additional fees** can be allowed in the event of the acquisition of the private individuals' first home
- The acquisition of land suitable for the construction of a residential building is **exempt** if the acquirer builds a residential building on the property within 4 years (under certain conditions)
- The part corresponding to **the market value of the building is exempt** from the market value of the real estate, if it is clear from the agreement concluded with the owner of the plot, and from other documents certifying the costs and conditions of the construction that the building was created by the owner of the property
- **The acquisition of apartment ownership is exempt** if the acquirer **leases it to the previous private owner of the apartment** for at least 5 years for an annual rent not exceeding 7% of the purchase price (in the case of landlords acquiring apartments, the TAX authority imposes the TAX, but suspends it in terms of payment and cancels it if the previous owner of the apartment (current tenant) buys back the previous share of ownership within 5 years, namely at most the purchase price previously paid by the landlord at a purchase price corresponding to 105%)

The following are also exempt from duty:

- newly included in this category are public interest asset management foundations performing a public task.

Real estate trader- and leasing companies after the market value of the purchased property:

- in the case the entrepreneur undertakes that the resale contract to be fulfilled within the two-year period, a **2%** tax is paid
- if the contractor undertakes in the contract just to resell the property within two years, a **3%** tax is paid

Special exemptions

- The acquisition of property is exempt from the tax if it comes from the transfer of property between direct relatives, spouses, siblings, gifts, or inheritance
- The part of the movable inheritance that goes to an heir whose market value does not exceed 300,000 HUF is exempt (the value of the decedent's motor vehicle, trailer, clothing, and the normal amount of property for personal use shall not be included)
- The acquisition of agricultural land by the farmers is exempt if they do not alienate it for 5 years and use it for agricultural purposes
- The acquisition of ownership of agricultural land based on an agreement concluded within the framework of a voluntary land exchange for the purpose of property consolidation is exempt
- The release of the dividend claim is exempt from TAX
- Buses, semi-trailer trucks and trucks are exempted, as well as trailer operators acquisition by the organization
- Acquisition of assets in the context of beneficiary transformation according to the TAO (Corporate TAX) Law is exempt, the transfer of the property within the beneficiary asset transfer

VIII.5. Company foundation tax

- Business registration application fee using the simplified procedure:
 - Zrt. (Private Limited Company): 50,000 HUF
- Business registration application fee using the standard procedure:
 - Zrt. (Private Limited Company): 100,000 HUF
 - in all other cases (General Partnership, Limited Partnership, LLC.): tax-free
- Hungarian branch office, commercial representation of a foreign-based company in case of: 50,000 HUF
- The creation of the transformation, merger, separation, influence that ensures a qualified majority, as well as the application fee for operating as a recognized group of companies and registering a change in the company data of a publicly operating joint-stock company: 50,000 HUF
- The fee for the preparation of a company extract is 5,000 HUF. The fee for the issuance of a company certificate is 3,000 HUF and for the preparation of a copy of the company 7,000 HUF, copies of electronic documents are 2,000 HUF per company document.

Company with domestic real estate assets - the mid-year classification has changed

- As of 10.07.2021, the amendment to the law stipulates that if the property deposit is sold between the two balance sheets, then the data of the previous period's balance sheet must be corrected with the book value of the assets acquired or sold since then, provided (!!)
- that these corrections are combined impact affects the rating.

An important change is that property transfer between related parties will be exempt from tax from 2023, only if at least 50% of the previous year's net revenue of the acquirer was derived from leasing, operating, buying and selling their own properties.

If the estimate for the 50% amount turns out to be inaccurate, a 50% punitive liability arises, and if such duty liability is revealed during the tax authority's subsequent tax investigation, the taxpayer is charged with a 100% penalty.

IX. LOCAL TAXES

(Act C 1990)

The local tax is the tax that the municipality can collect in the area of competence based on the authorization granted by law. From 01.01.2021, the local business tax return can be submitted to the state tax authority using the general form filling program.

IX.1. Property-type taxes

IX.1.1. BUILDING TAX

IX.1.1.1. TAX liability

- Buildings, parts of buildings (= structures) used for housing/non-housing are liable to tax from among the structures in the municipality's area of jurisdiction

IX.1.1.2. Subject of TAX

- the owner of the building on the first day of the calendar year (hereinafter: year) (In the case of several owners: in proportion to the ownership shares of the owners),
- if the structure is encumbered by a property right registered in the real estate register (e.g. usufruct): the owner of the property right
- in the case of condominiums, garages and community resorts, the community of owners is an independent taxable person, for common use premises the tax subject is the community mentioned above

IX.1.1.3. TAX base

The basis of the tax depends on the decision of the municipality:

- the useful floor area of the building calculated in m² or
- the adjusted turnover value of the building

In the case of taxation based on adjusted sales value, the adjusted sales value of the floor area of the additional room belonging to the apartment, the annex, or part of the annex must be ignored.

IX.1.1.4. TAX rate

Upper limit of the annual amount of the tax:

- in the case of tax base calculation based on floor area: HUF 1100/m²
- in the case of calculation of the tax base according to the adjusted turnover value: the adjusted turnover 3.6% of the value

IX.1.1.5. The TAX exemption

Exempt from tax:

- emergency housing
- the room for the purpose of health care provided by the family doctor
- exclusively for the disposal of radioactive waste and spent nuclear a building used to store fuel
- a building for animal husbandry or crop cultivation
- Exempt from tax the renewed (listed with valid building permit issued after January 1, 2008) building for 3 years after renovation

IX.1.2. Land tax**IX.1.2.1. Tax liability**

Land in the municipality's area of jurisdiction is taxable.

IX.1.2.2. Subject of TAX

The subject of the tax is the person who is the owner of the plot on the first day of the year, in the case of several owners, in proportion to the property share of the co-owners, in the case of a property value right registered in the real estate register (for example, usufruct), the owner of the property value right.

IX.1.2.3. TAX base

The base of the tax depends on the decision of the local government:

- the area of the plot in m² or
- the adjusted sales value of the plot.

IX.1.2.4. Tax rate

Upper limit of the annual amount of the tax:

- in case of tax base calculation according to the area: HUF 200/m²
- in the case of tax base calculation according to the adjusted sales value: 3% of the adjusted sales value

IX.1.2.5. TAX exemption

Exempt from TAX:

- a plot of land equal in size to the useful floor area of the building
- inland land under agricultural cultivation
- 50% of the taxable area of the plot subject to a construction ban
- belonging to the product manufacturing plant of the taxable person, legally or officially protection-security area (zone) established in the regulations, provided that at least 50% of the taxable person's annualized net sales revenue for the tax year preceding the tax year comes from the sale of self-produced products.

IX.2. Local business tax**IX.2.1. TAX liability**

Business activity carried out in the municipality's area of jurisdiction (hereinafter: business activity) is taxable

IX.2.2. Subject of TAX

The subject of the tax is the entrepreneur and the assets managed under the trust management contract. The purchasing and selling cooperative is exempt from tax.

IX.2.3. Tax base

In the case of business activity, the basis of the tax is the net sales revenue, reduced by

- the purchase value of the goods sold and the value of the mediated services together depending on the amount of net sales, bandwise
- the value of the subcontractor's performance
- the material cost
- basic research, applied research, and experimental development are accounted for in the tax year at its direct cost

Attention!

An entrepreneur preparing its annual report in accordance with IFRS must comply with the deviations contained in the Act on Local Taxes when determining the net sales revenue, purchase value of goods sold, cost of materials, mediated services and subcontractor performance.

When establishing the business tax base above 500 million HUF in annual sales, the sales can only be reduced to a limited extent by the purchase value of the goods sold,

Net turnover

- of an amount not exceeding 500 million HUF, the entire reduction amount falls into this bracket
- of an amount exceeding 500 million HUF but not exceeding 20 billion HUF, the reduction amount falling into this bracket is limited to a maximum of 85% of the net revenue falling into this bracket
- of an amount exceeding 20 billion HUF but not exceeding 80 billion HUF, the reduction amount falling into this bracket is limited to a maximum of 75% of the net revenue falling into this bracket
- For an amount exceeding 80 billion HUF, the reduction amount falling into this bracket is limited to a maximum of 70% of the net revenue falling into this bracket

Reduction amount for a bracket = Total reduction amount x (Net revenue falling into that bracket / Total net revenue)

According to the Corporate Income Tax Act, affiliated companies that have come into existence by demerger after October 1 2016, and whose combined sales of goods at purchase prices and mediated services exceed 50% of their revenue, must first determine their tax base at the group level, and then calculate the tax base at the individual company level based on their net revenue in proportion to the group tax base. The calculation of the tax base is based on a daily pro rata basis for the duration of the affiliated relationship.

Therefore, the general obligation to consolidate the tax base of affiliated companies has ceased. Taxpayers who are expected to pay less tax as a result of this change may submit a request for reduction to the local tax authority.

In the case of affiliated companies, the obligation to apply the arm's length principle also appears when determining the local business tax base, if the transaction between the affiliated companies affects the net revenue or the costs that reduce it.

For goods and services **sold for export**, the **total value** of the cost of goods sold and the value of the intermediary services **is deducted** from the net revenue when determining the tax base.

The simplified determination of tax

Change came into effect on January 1 2023 affects the newly introduced category of tax payers, the so-called "small businesses". This includes all entrepreneurs whose annual revenue does not exceed 25 million HUF, or in the case of personal income tax law-based lump-sum tax traders, 120 million HUF.

Small businesses can meet their local business tax obligations under a significantly simplified regulation, depending on their choice:

- they determine their tax base on a revenue range basis, itemized
- the payment obligation arises only once a year
- they only need to submit a tax return under certain conditions

The business tax base can therefore be an itemized amount of the same size for each local government (according to the location of their headquarters and locations), differentiated in bands depending on the size of the income for the tax year of the above-mentioned circle. The amendment defines three income bands and the corresponding itemized tax base:

- if the 12-month income (proportionately over time) did not exceed HUF 12 million, the tax base is HUF 2.5 million per municipality
- -if the 12-month income (proportionately over time) did not exceed HUF 18 million, the tax base is HUF 6 million per municipality
- -if the 12-month income (proportionately over time) did not exceed HUF 25 million, or HUF 120 million in the case of taxpayers only engaged in retail activities, the tax base is HUF 8.5 million per municipality

The "small business" must declare the choice of the tax base determination method by the last day of the fifth month of the tax year in which they first wish to apply this method (so by May 31, 2023 for the tax year starting in 2023). The declaration can be made on the tax return form for the previous tax year (so on the tax return form for 2022 in 2023). A starting entrepreneur without a predecessor in 2023 may also apply the simplified tax base determination for the tax year of 2023, which can be indicated on their return to be submitted in 2024. Those who apply this new itemized tax base determination will not be eligible for any statutory or local tax exemptions, tax-free status, or tax reductions from 2023 onwards.

A small business taxpayer may also determine the tax base at an amount that is increased by 20% of their small business tax base, contrary to the general rule.

IX.2.4. Tax rate

The upper limit of the annual tax rate is 2% of the tax base. *The 1% tax rate reduction that was applied during the pandemic will cease to exist.*

The taxpayer may deduct from the tax payable for the tax year to the municipality of their registered office or place of business (up to the amount of the tax payable)

- o as an expense the proportional amount of tolls paid for the use of motorways, highways, and main roads domestically and abroad, i.e., the toll fee and the user fee (together referred to as toll), up to 7.5% of the tax payable.
- o Additionally, the taxpayer may claim a deduction of an amount equal to 10% of the direct costs of basic research, applied research, or experimental development incurred in the tax year.

IX.2.5. Exemption from submitting a tax return

There is no obligation to submit a tax return if the taxpayer is exempt from paying taxes based on the exemption or preferential provisions of the local tax regulation.

IX.2.6. Inaccurate legislative regulation for mediated services

Attention publishers, travel agencies, and property managers!

Due to the ambiguity of the legislative regulation and its interpretation, local tax authorities may impose an unbearable tax deficiency on businesses in specific cases:

- The procurement of books (or printed products) produced by printing companies is treated as a service used, rather than as purchased goods, and therefore cannot be deducted from the tax base.
- Services used by travel agencies and included in travel packages are considered as used services rather than mediated services, and therefore cannot be deducted from revenue.

When property managers sublet rented areas in smaller units, the rental fee for the entire area is not considered a mediated service and therefore does not reduce the tax base.

IX.3. Communal-type TAXES**IX.3.1. Communal TAX for private individuals**

The taxpayer: the private individual who owns the property/land subject to construction tax, as well as the private individual who has the rental right to a dwelling that is not owned by a private individual within the jurisdiction of the municipality.

TAX object is the building owned by the private individual, the unbuilt urban land, and the rental right to a dwelling.

TAX base: every tax object

TAX rate: HUF 17000/tax object /year

IX.3.2. Tourist TAX

The TAX obligation applies to the private individual who is not a permanent resident and spends at least one overnight stay as a guest within the jurisdiction of the municipality, and who owns a building suitable for vacation or relaxation that is not classified as a dwelling within the jurisdiction of the municipality.

TAX base:

1. the number of commenced overnight stays, or
2. the accommodation fee for the commenced overnight stay, or if not available, any consideration paid for the accommodation (e.g. vacation rental rights)

The upper limit of tax rate:

- based on point 1: HUF 300/person /overnight stay
- based on point 2: 4% of tax base

X. COMPANY CAR TAX

(Tax Code - Act LXXXII 1991)

X.1. Subject of the tax

Company car tax must be paid for **non-private registered passenger cars** (with Hungarian license plates) owned by non-individuals, except for environmentally friendly vehicles. Company car tax is only applicable to foreign-registered passenger cars that are not listed in the official registry if costs and expenses have been accounted for.

Private passenger cars, whether domestically or foreign registered, are subject to the tax if costs and depreciation have been accounted for.

X.2. Taxpayer

In the case of a registered passenger car, the taxpayer is the owner listed in the vehicle registry, and in the case of financial leasing, the lessee.

X.3. Monthly tax rates

The company car tax for vehicles is determined based on the kW performance of the passenger car (code P.2 in the vehicle registration document) and the environmental classification (code V.9 in the vehicle registration document) according to the following table:

Engine power (kW) of motor vehicle	Environmental classification rating		
	Between classification ratings "0" and "4"	Between classification ratings "6" and "10"	Between classification ratings "5" and "14-15"
0-50	30,500 HUF	16,000 HUF	14,000 HUF
51-90	41,000 HUF	20,000 HUF	16,000 HUF
91-120	61,000 HUF	41,000 HUF	20,000 HUF
Over 120	81,000 HUF	61,000 HUF	41,000 HUF

Deductible: quarterly proportionate amount of the annual motor vehicle tax (weight tax) paid on time for the vehicle by the deadline of March 15th and September 15th.

It **is not possible to calculate the tax on a daily basis**, therefore the tax must be paid for the entire month.

TAX must be declared and paid to the Hungarian Tax and Customs Administration (NAV) on a quarterly basis, by the 20th of the month following the end of the quarter.

XI. VEHICLE TAX**(Act LXXXII 1991)**

The state tax and customs authority is responsible for taxation tasks, and sent out a decision in 2021 regarding the payable tax. As long as the vehicle tax obligation specified in this decision remains unchanged, the National Tax and Customs Administration (NAV) will only send out annual vehicle tax invoices and will not issue a new decision.

XI.1. Subjects to tax:

- motor vehicles and trailers put into circulation within the country (with the exception of agricultural tractors, slow-moving vehicles and their trailers, "beekeeping" vehicles, work machines, and vehicles with CD, OT, and Z license plates used for export purposes, as well as four-wheeled mopeds)
- foreign-registered heavy goods vehicles operating in Hungary (with the exception of those registered in a member state of the European Union)

XI.2. Creation and Termination of Tax Liability

The vehicle tax liability arises on the first day of the month following the placing into circulation within the country, or on January 1st of the year following the acquisition for used vehicles.

The vehicle tax liability ceases on the last day of the month in which the authority withdraws the vehicle from circulation.

XI.3. The Taxpayer

- The operator of the vehicle
- In the absence of the operator, the owner

XI.4. The Rate of Tax

As a general rule, the tax must be paid based on the performance of the vehicle.

The rate of tax for passenger vehicles is:

- 345 HUF/kW for the year of manufacture and the following 3 calendar years
- 300 HUF/kW for the 4th to 7th calendar years following the year of manufacture
- 230 HUF/kW for the 8th to 11th calendar years following the year of manufacture
- 185 HUF/kW for the 12th to 15th calendar years following the year of manufacture
- 140 HUF/kW for the 16th calendar year and subsequent calendar years following the year of manufacture.

For a new, medium-sized car with an average level of motorization, the annual tax is around 25,000-30,000 HUF.

The state tax and customs authority informs the owner or operator of the tax rate through a decision/notification. The tax must be paid in two installments, with deadlines on March 15th and September 15th.

XII. INNOVATION CONTRIBUTION

(Act LXXVI 2014)

XII.1. Obligation to pay the contribution

Domestic economic companies subject to the Accounting Act (Act C 2000) are required to pay the innovation contribution.

An economic company can be established as a general partnership, limited partnership, limited liability company, or joint-stock company (Act V 2013, Section 3:89, Civil Code).

The following are exempt from the obligation to pay the contribution:

- economic companies qualifying as micro or small businesses (Act XXXIV 2004 on SMEs)*
- economic companies established without a predecessor and their predecessor company
- non-profit economic companies for public benefit
- economic companies that are subject to contribution payments but are under liquidation or compulsory cancellation proceedings

*Micro and small business classification should be carried out at the **group level**, taking into account the 2-year rule. This means that many companies that would qualify as micro and small businesses at the individual level become subject to the innovation contribution based on group performance indicators.

The state of affairs on the first day of the business year is relevant for the above application.

XII.2. Contribution base

The contribution base is the net revenue, determined in accordance with the Local Taxes Act (Act C of 1990, Section 39 (1)), reduced by the portion of the business tax base allocated to a foreign establishment:

- +Net revenue
- Cost of goods sold (categorized)
- Value of mediated services (categorized)
- Value of subcontractor performance
- Material costs

XII.3. Contribution rate

0.3% of the contribution base

XII.4. Contribution reporting

- The obligated party determines and reports the annual amount of the contribution to the tax authority by May 31 of the year following the tax year.
- Along with the contribution report, an advance payment for the 12-month period beginning on the first day of the second calendar month following the due date of the report must be declared, indicating equal portions for the advance payment periods.
- The obligation to make tax advance supplementary payments was abolished on July 24, 2019

- In the first year of the obligation to pay contributions, the contribution advance must be established based on the data of the tax year preceding the tax year, and a contribution advance declaration must be submitted by the last day of the fifth month of the tax year. For the first two advance payment periods of the year in which the contribution obligation arises, the taxpayer submits a return at the same time as the advance payment. The amount of the advance payment is the time-proportional part of the expected annual amount of the contribution

XII.5. Payment of the contribution

- An advance must be paid every three months (advance payment period), until the 20th day of the month following the advance payment period
- The quarterly contribution amount is one quarter of the annual contribution amount
- The amount of the annual contribution advance is equal to the amount of the contribution payable for the previous tax year
- The difference between the advance paid and the annual amount of the contribution is calculated between May 31 of the tax year must be paid up to, or the excess payment can be reclaimed from this date

XIII. ACCOUNTING LAW

(Act C 2000)

XIII.1. Scope of the law

The law applies to business **operators**.

The law does not apply to: sole proprietors, civil law partnerships, building communities, and the Hungarian commercial representation of foreign-based companies. The law also does not apply to public corporations, limited partnerships, sole proprietorships, and law firms that keep their records in accordance with the regulations of the law on the simplified tax for small businesses and the small business tax for the business year (tax year).

XIII.2. Obligations Imposed by the Accounting Law on Entrepreneurs

Reporting and Bookkeeping

The business operator is required to **prepare a financial statement in Hungarian regarding their operations**.

The form of the financial statement depends on the annual net revenue, the total balance sheet amount, the number of employees, and the respective threshold values.

The financial statement can be:

- annual financial statement
- simplified annual financial statement
- consolidated annual financial statement
- simplified financial statement

Simplified annual financial statement can be prepared by the entrepreneur keeping double-entry bookkeeping, if in two consecutive business years, on the balance sheet date, any two of the following three indicator values indicating the size do not exceed the following threshold values:

- the total balance sheet amount is **1,200 million HUF**
- the annual net revenue is **2,400 million HUF**, and
- the average **number of employees** in the business year is **50**

Simplified annual financial statement for micro-enterprises can be prepared from 2013 onwards.

The characteristics of preparing simplified annual financial statement for micro-enterprises are regulated by a separate government decree (Government Decree 398/2012 (20th December)).

The annual report can be prepared according to IFRS by:

○ the entrepreneur, whose direct or indirect parent company prepares its consolidated annual report according to IFRS

- the insurer
- a financial undertaking, payment institution, electronic money institution, investment firm, central securities depository, central counterparty, exchange, occupational pension service provider, money market intermediary and insurance intermediary, which are included in the IFRS consolidated financial statements based on a parent company decision, as well as the funds and fund managers falling under the scope of the Act on Collective Investment and Their Managers and Certain Amendments of Financial Laws
- an economic company obliged to have an audit in accordance with Section 155
- a branch office of a foreign company located in Hungary

The annual financial statements according to IFRS can be prepared by:

- Entrepreneur whose securities are traded on a regulated market in any state of the European Economic Area
- Credit institution, as well as a financial enterprise equivalent to a credit institution complying with prudential regulation

Consolidated Annual Financial Statements

An entrepreneur that qualifies as a parent company in relation to one or more companies shall prepare consolidated annual financial statements and consolidated annual reports - except for the provisions of the Accounting Act.

The parent company is not required to prepare a consolidated annual report for the business year if, on the balance sheet date of the business year and in the two consecutive business years preceding it, two out of the following three key indicators do not exceed the following threshold values:

- a) total assets of 6,000 million HUF
- b) net turnover of 12,000 HUF million per year
- c) an average number of employees of 250 during the business year

Obligation to retain documents

The annual report, business report, inventory, valuation, general ledger extract, as well as the accounting documents directly and indirectly supporting the accounting records (including the general ledger accounts, analytical or detailed records), must be kept in legible form for at least **8 years**.

The person authorized to represent the company is responsible for preparing the following regulations:

accounting policy, inventory and inventory taking regulations, asset and resource valuation regulations, internal regulations on cost accounting, cash management regulations. A company required to prepare an annual report must also prepare a business report.

Responsibility for selecting an accounting service provider

The entrepreneur is required to

- engage a natural person who holds a certified auditor or certified accountant qualification, or who has made a statutory declaration, or
- engage an accounting service provider that meets the requirements specified in the previous paragraph to manage and supervise the tasks related to bookkeeping services

to prepare the annual report, simplified annual report, or consolidated annual report.

The company must ensure the deposit and disclosure of documents specified by law.

An entrepreneur who keeps double-entry accounting and is registered in the Companies Register is required to deposit the approved **annual report**, simplified annual report, independent auditor's report containing the auditor's opinion or a statement of refusal to give an opinion in case of mandatory audit, as well as the resolution on the use of the taxed profit (for the approval of dividends) **by the last day of the fifth month following the closing date of the given business year.**

The parent company is required to deposit the **consolidated annual report**, independent auditor's report containing the auditor's opinion or a statement of refusal to give an opinion in case of mandatory audit, along with **the consolidated annual report by the last day of the sixth month following the closing date of the consolidated financial year.**

When a mandatory audit is required, the entrepreneur is obligated to choose a registered auditor or audit firm.

If an audit is mandatory, the main governing body of the enterprise is **required to select a registered auditor or audit firm - at the time of accepting the previous year's annual report or simplified annual report**, or before the balance sheet date of the business year for an entrepreneur who has been established without a legal predecessor. Only members of the Hungarian Chamber of Auditors or audit firms registered with the Hungarian Chamber of Auditors may be selected for an audit.

XIII.3. Accounting in Euros, US Dollars, and other currencies

Any entrepreneur may prepare their annual report in Euros or US dollars if this decision has been recorded in their articles of association and accounting policy. **The changeover can only occur on the balance sheet date of the business year** (usually January 1st), which must be reported in the preceding month. The entrepreneur may change their decision regarding the currency of their report and accounting for a period of three years.

Those whose functional currency is a currency other than the Euro or US dollar, and whose revenues and expenses are at least 25% in that currency may also keep their books in a currency other than the Euro or US dollar. However, this decision must also be recorded in the articles of association and accounting policy.

The currency used for the preparation of the annual report and accounting must correspond to the currency recorded in the articles of association.

XIII.4. Daily cash balance

The maximum amount of cash that can be kept on hand in a company's daily cash balance can be freely determined according to the circumstances characteristic of the enterprise. **The maximum amount of the daily cash balance must be specified in the company's cash management policy.**

XIII.5. Interim balance sheet

In all cases where it is necessary to report on the company's equity or assets during the year, this can only be done by preparing an interim balance sheet. The latest annual report or interim balance sheet can be used to support the company's equity for up to six months after the balance sheet date, unless otherwise provided by law.

Interim balance sheets must always be authenticated by an auditor for companies subject to audit.

XIII.6. Report containing corporate tax information

If the consolidated annual revenue of a top-level parent company subject to the law exceeded 275,000 million HUF on the balance sheet date for two consecutive business years, a report containing corporate tax information must be prepared.

An independent company not included in the consolidation is also required to prepare the report if its annual revenue exceeds the above threshold according to the annual report. The conditions for exemption are determined by the law.

Effective: to be applied to business years starting on or after June 22, 2024

XIII.7. Calculation of thresholds in case of withdrawal

The Accounting Act provides general provisions on when a company founded without a predecessor may opt for the preparation of a simplified annual report and how to determine the value thresholds determining the obligation to have an audit. The law requires the annual conversion of net sales revenue.

The amendment stipulates that in case of separation, the newly established economic company must apply the provisions applicable to an entrepreneur founded without a predecessor in a proper manner.

Effective from January 1, 2023, but can also be applied to the 2022 business year.

XIII.8. Ownership interest in healthcare, social, cultural and educational institutions

If the ownership interest in healthcare, social, cultural and educational institutions does not meet the definition of investment as defined in the Accounting Act, it must be recognized as other long-term ownership interest.

Unless otherwise provided by law, the ownership interest may also be shown in the balance sheet at the value of the equity of the owned healthcare, social, cultural and educational institution as of the end of the last financial year, as reported in its balance sheet.

Effective: from January 1 2023, but may also be applied for the 2022 financial year.

XIII.9. Clarifying and supplementary provisions

- **Financial leasing liability:** In the interest of clear legal application, the legislator has amended the Accounting Act, which stipulates that the amount recorded as other long-term liabilities in connection with financial leasing cannot include the amount of repayments due in the following year (and therefore considered short-term).

- **Deviation from the Accounting Act for entities preparing simplified annual financial statements:** in exceptional cases -with the agreement and declaration of the auditor - it is possible to deviate from the provisions of the Accounting Act if, under the given circumstances, it can be ensured that the financial statements provide a reliable and true overall picture of the financial and asset position of the entity

- **Clarification of provisions on supplementary payments**

The current legal provisions on supplementary payments refer to business entities as employers, while the Civil Code of 2013 (Act V) allows the application of supplementary payments in the case of cooperatives as well.

Accordingly, the amendment expands the circle of those who can apply the provisions on supplementary payments to include entrepreneurs, which includes not only business entities but also **cooperatives** among others.

- **Supplementing the regulations concerning the retained earnings in the balance sheet**

The current legal provisions specify which items can alter the amount of the retained earnings of the predecessor in the balance sheet in case of a transformation. Recent legislative changes affecting the retained earnings (such as the amount of the reserve for tax payable due to the transformation or the accounting of the previous supplementary payment release in retained earnings) had to be incorporated into the regulations concerning the balance sheet.

- **The provision on early retirement pension section has been replaced by the provision on pre-retirement benefits.**

- **Clarification of the concept of number of employees**

The text of the law clarifies that the standardized "average number of employees" refers to the **"average statistical number of employees" for the value limits defining the audit obligation.**

- **Recording the content of the auditor's report:** according to the EU directive provisions on the audit of the report - and in accordance with the current Civil Code - the auditor must give an opinion in the auditor's report on whether the report complies with the legal requirements. Effective: from 01.01.2023, but can also be applied to the 2022 business year

XIII.10. Audit

Auditing is mandatory for every entrepreneur who keeps double-entry bookkeeping, except as stated in the following paragraph.

Audit is not mandatory if **both of the following conditions are met:**

- The entrepreneur's net revenue, converted to an annual level, did not exceed 300 million HUF on average in the two business years preceding the business year, and
- The number of employees employed by the entrepreneur on average did not exceed 50 in the two business years preceding the business year.

If a company has outstanding public debts exceeding **10 million HUF that are more than 60 days overdue** on the balance sheet date of the current business year, the audit is mandatory for the following business year, contrary to the general rule.

Audit is mandatory in all cases listed by law, regardless of the thresholds.

The auditor must verify the correctness of the value adjustments and their accounting within the mandatory audit. **If the audit is not mandatory, an independent auditor must be commissioned to review the evaluation.**

In all cases where auditing is not mandatory, the entrepreneur may decide to commission an auditor to review the financial statements.

According to the amendment to the Transformation Act, the auditing of transformation balance sheet drafts and asset inventory drafts is not mandatory if none of the participating companies are obliged to undergo an audit under the Accounting Act.

The final asset balance sheet and inventory must still be audited in all cases.

XIII.11. The system of depositing and publishing financial statements

The Accounting Act stipulates that the annual financial statements must be published by the last day of the fifth month following the balance sheet date, while the publication of the consolidated financial statements must be done by the last day of the sixth month following the balance sheet date.

A company whose securities are traded on a regulated market in any state of the European Economic Area must comply with the obligation to deposit the annual financial statements and the consolidated financial statements by the last day of the fourth month following the end of the respective financial year.

According to Section 18 of the Company Act (Act V 2006), the company must submit the financial statements in accordance with the Accounting Act electronically through the government portal to the Company Information Service.

The Online Reporting Form Filling System can be accessed on the following website:

<https://e-beszamolo.im.gov.hu/ebekuldes>

XIV. SIMPLIFIED TAX FOR SMALL BUSINESS OWNERS ("NEW KATA")

(Act XIII 2022)

As the name suggests, after the change, only individual entrepreneurs can use the new KATA, but there are limitations as follows:

XIV.1. Who can choose it?

- individual entrepreneurs who are considered to be full-time

An individual entrepreneur is considered full-time if they do not have a work relationship exceeding 36 hours and do not engage in supplementary activities according to the Social Security Act, meaning they are not retirees.

It is important to note that:

- In case of multiple concurrent work relationships, the required working hours must be added up
- Revenue cannot be derived from Art. payers, it can only be obtained from individuals (with the exception of interest)
- An individual entrepreneur who is otherwise considered full-time cannot choose this tax mode if their tax number was cancelled in the reporting year or in the previous 12 months, or if their tax number is currently under cancellation at the time of reporting
- An individual entrepreneur cannot choose this tax mode if they have obtained revenue from activities classified as 68.20 (leasing and operation of self-owned real estate) in the reporting year
- Furthermore, an individual who qualifies as a privately insured person abroad cannot choose it either

Method of registration:

- For a starting entrepreneur during the year, registration can be done through the Web-based Customer Service provided and supervised by the National Tax and Customs Administration (NAV).
- For an already operating business, registration can be done using the form 'T101E' prescribed by NAV.

Thanks to the "one-stop-shop system," no separate notification needs to be made to the municipalities regarding the local business tax. However, it may be advisable to contact the local municipality in the case of rural settlements.

XIV.2. Termination of taxpayer status

- The individual entrepreneur declares that they will no longer fulfill their tax obligations according to the rules of the KATA Act, as of the last day of the month of the declaration,
- The status of the small taxpayer individual entrepreneur ceases on the day of termination,
- With the last day of the month in which a final decision by the tax authority has been made due to a violation (failure to issue an invoice or receipt, employment of undeclared employees, unauthorized trade in goods),
- With the last day of the month in which a decision to delete the tax number is finalized,
- With the day preceding the date of acquiring income if the income does not derive from an Art. payor (with the exception of interest),

XIV. Simplified Tax for Small Business Owners ("new KATA")

- With the day preceding the date of acquiring income if the income derives from real estate rental activities,
- If the net tax liability on the last day of the tax year exceeds 100,000 HUF.
- If the liability is financially settled by the last day of the month in which the decision on exclusion by the tax authority has become final, the tax authority will withdraw the decision on termination of KATA status

XIV.3. Payment obligation(s)

As its name suggests, this is a lump-sum tax payment obligation, the amount of which is 50,000 HUF/month. The lump-sum tax must be paid by the 12th day of each month to the revenue account of the National Tax and Customs Administration for Small Business Tax (10032000-01076349).

The lump-sum tax must be paid in full for each calendar month in which the tax liability exists. There is no possibility of proportionate calculation.

Choosing this type of taxation also results in an additional 40% surtax obligation if the taxpayer's revenue exceeds the annual limit. In 2023, the limit is 18,000,000 HUF (12 x 1,500,000). Payment of the 40% surtax does not exempt the taxpayer from the monthly lump-sum tax payment obligation.

XIV.4. Additional payment obligations

In 2023, there has also been a change in the payment obligation for the **local business tax**, which benefits small businesses. As a result of the change, there is also the possibility of a band or revenue-based business tax payment obligation. There is no separate reporting obligation for choosing the simplified tax base for new KATA taxpayers.

Chamber dues (MKIK=Hungarian Chamber of Commerce and Industry: 5000 HUF/year) Mandatory payment to the Hungarian Chamber of Commerce and Industry. Exemption is only possible if the taxpayer has suspended their activities for the entire year. Proportional payment is not possible. It is important to note that in case of default, it can be enforced as a tax.

XIV.5. Public burdens fulfilled by the lump sum tax

- personal income tax and social security contributions payable by the entrepreneur
- corporate income tax and dividend tax
- social contribution tax

in the case of remuneration paid to employees, the tax and contribution reporting and payment obligations must of course be fulfilled by the employer, by the 12th day of each month

Exemption from the lump sum tax payment obligation:

- if the entrepreneur suspended their activities for the entire month and reported it on the web assistant
- the entrepreneur received health insurance benefits for the entire month (e.g. sick leave)

Basis of Benefits and Income:

A taxpayer subject to the Simplified Business Tax (KATA) is considered insured by paying a lump-sum tax. They are entitled to social security benefits (such as sick pay and pension) and jobseekers' allowance. The basis for benefits is 108,000 HUF. 60% of the taxpayers' latest declared (earned) income is considered their KATA income. In the case of income verification, the taxpayer's earned income will be verified by the National Tax and Customs Administration (NAV) at 60%.

It is important to note that if the taxpayer suspends their business activities and, as a result, no longer has to pay the lump-sum tax, they will no longer be insured (there is no passive 45-day period!) and will be obliged to pay health care service contributions (9600 HUF /month in 2023).

Declaration Obligation

Once a year. By February 25th of the year following the tax year, on the KATA form issued by the NAV. The 40% surtax must also be declared on this form.

Registration Obligation

Revenue register, with a minimum content of the following:

- serial number
- document (invoice/receipt) number
- amount
- date of acquisition of the amount (date of receipt of money or credit to the account)

The retention period for the register and the supporting documents is the end of the fifth year following the year of issuance.

Before choosing KATA, please consult with your accountant to make the appropriate decision. From 2022, it is worth considering the Flat-Rate Tax in individual entrepreneurship as well.

XV. THE SIMPLIFIED BUSINESS TAX, OR KIVA

XV.1. Who can choose it?

Practically any enterprise can choose the Small Business Tax, except for:

- Sole proprietorship
- Public limited company
- Individual lawyer
- Civil organizations

The conditions to be met when entering are:

- the average statistical headcount cannot exceed 50
- revenue cannot exceed 3 billion HUF
- balance sheet total cannot exceed 3 billion HUF
- its tax number has not been permanently deleted in the previous two years before the tax year
- the balance sheet date is December 31
- (it cannot have a different fiscal year)
- the financial statements are compiled in HUF
- on the day of registration, it does not have enforceable tax and customs debts exceeding 1 million HUF

When calculating the headcount and revenue, **the data of related companies must be added based on the data of the last closed fiscal year.**

XV.2. How much tax should be paid?

A 10% tax must be paid on the tax base:

- + Personal payments (Adjusted for "favored" employment) o +/- Dividends withdrawn or received from the enterprise, capital transactions
- +/- Correction item
- = TAX BASE

(If the calculated tax base does not reach the amount of personal payments, then a 10% tax must be paid at least after personal payments, except if it has reserved losses and carries out new investments, as in this case, the tax base can be further reduced).

Non-wage benefits and certain designated payments are considered personal payments.

XV.3. What does not need to be paid compared to before?

- Corporate tax (9% on the profit tax base)
- Social security contribution tax (including for employees) (13% SZOCHO)

XV.4. Advance tax

The advance tax must be reported and paid quarterly by the 20th day of the month following the reporting quarter.

XV.5. Local business tax

The entrepreneur can choose the most favorable tax base from the following:

- Continue to pay tax based on general rules, or
- 80% of net revenue (if revenue does not exceed HUF 8 million), or
- 20% higher than the KIVA base.

Note!

If you would like to sign up for KIVA, please contact our tax advisors for details (advantages and disadvantages).

XVI. THE FLAT-RATE TAXATION OF SOLE TRADERS

(Chapter X of Act CXVII 1995)

Flat-rate taxation according to the PIT (Personal Income Tax) has been available as a tax option for sole traders since January 1, 2000. Until the summer of 2021, there were no significant changes to this form of taxation, but an approved (amending) proposal has brought it back into focus, with more favorable conditions for taxpayers.

The most important aspect is that only sole traders can choose/apply for it. There are no restrictions regarding contractual partners, meaning invoicing can also be done to payers.

Starting a sole proprietorship can be done through client portal registration via the WEBES ÜGYSEGÉD (WEB CLIENT ASSISTANT).

Regarding the legal status of a sole trader, they can be either full-time, part-time, or supplementary activity-based.

Full-time sole trader: no employment relationship reaching 36 hours (in case of multiple employment, the worked hours must be added up)

Part-time sole trader: has an employment relationship reaching 36 hours

Supplementary activity-based: self-employed pensioner, widow(er) pensioner who has reached the applicable retirement age.

The taxation varies depending on the different legal statuses (explained in detail below).

The most important characteristics of flat-rate taxation:

After the KATA (Simplified Business Tax), this is the tax option with the lowest administrative burden.

Only minimal revenue records are required to be kept, including the following data:

1. serial number
2. date of revenue acquisition
3. name/tax number of the payer
4. amount of revenue
5. advance tax deducted from revenue (if applicable)
6. income (difference between point 4 and point 5)

Regarding expense invoices, the law does not require mandatory retention, but it is advisable to keep them, as if we exceed the limit set by law, we must apply the entrepreneur's personal income tax for the whole year, where expenses can be taken into account (but only if there is an invoice for them!).

For different activities, the law specifies separate cost ratios, which are as follows:

40% cost ratio: for all activities not listed below.

80% cost ratio (TESZOR= Classification System for Products and Services)

- Agricultural, forestry (TESZOR 01, 02), mining (TESZOR 05 to 09) and processing (TESZOR 10 to 32) product manufacturing, construction execution (TESZOR 41, 42)
- Agricultural post-harvesting services (TESZOR 01.6), wildlife management-related services (TESZOR 01.70.10), forestry services (TESZOR 02.40.10), and green area management (TESZOR 81.30.10)
- Fishing services (TESZOR 03.00.71), fish farming services (TESZOR 03.00.72)

XVI. THE FLAT-RATE TAXATION OF SOLE TRADERS

- Processing services (TESZOR 10 to 32), except for contract work services and other duplication services (TESZOR 18.20)
- Construction services (TESZOR 43);
- Repair of industrial machinery, equipment, and tools (TESZOR 33.1), vehicle repair (TESZOR 45.20), personal and household item repair (TESZOR 95.2), and building mechanical equipment repair (TESZOR 43.21, 43.22, 43.29)
- taxi transportation services (TESZOR code 49.32.11) with driver-operated passenger vehicles for rent (TESZOR code 49.32.12), other land passenger transport not elsewhere classified (TESZOR code 49.39.39), and road freight transport (TESZOR code 49.41.1)
- repair of computers and communication equipment (TESZOR code 95.1)
- photography services (TESZOR code 74.20)
- washing and cleaning of textiles and furs (TESZOR code 96.01), hairdressing and beauty treatment (TESZOR code 96.02), pet care services (TESZOR code 96.09.11)
- catering services carried out in accordance with the government decree on the conditions for conducting commercial activities (TESZOR code 56)

The 90% cost ratio applies only to retail activities, which may include sales to individual customers.

The portion of costs not covered by this ratio will be the individual entrepreneur's income, on which they must pay the required taxes

For a 40% cost ratio, the income is 60%,

For an 80% cost ratio, the income is 20%

For a 90% cost ratio, the income is 10%

For a revenue of up to 27,840,000 HUF/year (232,000 x 12 x 10), the simplified tax regime can be chosen for 40% and 80% cost ratios, while for a revenue of up to 139,200,000 HUF/year (232,000 x 12 x 50), the simplified tax regime can be chosen for a 90% cost ratio

If the revenue thresholds are exceeded, the taxpayer will fall under the scope of the entrepreneurs' personal income tax, and they will only be able to choose the lump-sum taxation again after 2 years (exclusion year + 1 year). It is important to note that from 2023, it will no longer be necessary to apply the previous year's revenue rule, meaning that those who had higher revenue than the upper revenue limit prescribed in the lump-sum taxation in the previous tax year can also choose this method.

The tax and contribution-free "limit amount" is uniformly 1,392,000 HUF, which means that:

- In case of a 40% cost ratio: 2,320,000 HUF (price) revenue will be tax and contribution-free (2,320e x 60%)
- In case of an 80% cost ratio: 6,960,000 HUF (price) revenue will be tax and contribution-free (6,960e x 20%) if the business only performs the activities listed in the law throughout the tax year
- In case of a 90% cost ratio: 13,920,000 HUF (price) revenue will be tax and contribution-free (13,920 x 10%) (only for retail activities!!!)

Regarding tax and contribution-free limits, it needs to be clarified in what employment relationship (main/side/retired) the individual entrepreneur wishes to continue their activities, as the tax methods differ for different employment relationships.

It is also important to note that for those who start their business during the year, the annual limit (27,840,000 HUF) must be taken into account proportionally, while the tax

XVI. THE FLAT-RATE TAXATION OF SOLE TRADERS

and contribution-free limit does not need to be proportioned. The same applies to the tax-exempt VAT limit, with the difference that it needs to be proportioned on a daily basis.

Therefore, for example, a taxpayer who becomes a lump-sum taxpayer from April 1, 2023 (for 9 months until the end of the year) should calculate with the following limits:

Annual revenue limit: $(27,840,000:12)*9= 20,880,000$ HUF

Exempt income limit: 40% - HUF 2,392,000 / 80% - HUF 6,960,000

VAT exemption limit: $(12,000,000:365)*275= 9,041,095$ HUF (If the limit amount is reached or exceeded, the taxpayer becomes a VAT payer. In this case, the taxpayer cannot choose the exemption again for 2 years).

Of course, lump-sum taxation does not exclude the possibility that a taxpayer is also entitled to pay VAT and therefore to deduct VAT. Such a declaration can be made via the web assistant at the time of establishment or on the T101E form for an already operating company until December 31 of the year preceding the tax year.

In case of full-time self-employment (with no employment exceeding 36 hours).*

The '58 declaration must be submitted quarterly, and based on this, taxes and contributions must be paid. The minimum contribution is the social security contribution of 18.5% and the health contribution of 13% (based on a 112.5% of the social security contribution base), calculated on at least the minimum wage or skilled minimum wage. In the case of personal income tax (PIT:15%), there is also a quarterly payment obligation, but only if the income exceeds the exempt limit (1,392 thousand HUF). The PIT must be declared/settled by May 20th of the following year on a '53 form.

If the entrepreneur exceeds the relevant limit, they need to monitor their income quarterly. If in a given quarter, the income does not reach the prescribed contribution base (232 thousand HUF /296.4 thousand), they still have to pay at least the social security contribution and health contribution, calculated on the minimum or guaranteed minimum wage, as well as the PIT. Of course, if the income exceeds the limit, that will be the contribution base. The main point is that the higher amount will always be the contribution base. It is important to note that the 12.5% correction does not have to be applied for the social security contribution above the exempt limit.

In the case of part-time self-employment (with employment exceeding 36 hours per week):*

There is no mandatory tax and contribution base. The '58 declaration must be submitted quarterly, showing zero income up to the annual exempt limit, and actual income exceeding the exempt limit, with a 18.5% social security contribution and 13% health contribution (no 112.5% base is applied here for the health contribution). The PIT must also be settled quarterly, with the declaration due the following year on a '53 form. As of January 1, 2023, the '58 declaration became a bundled form, which means it must be submitted quarterly, broken down by month. The income for the given quarter must be determined using the rolled-up method.

It is also important to note that PIT and social security contributions allow for various tax incentives (e.g., family tax and contribution credits). Furthermore, if the activity entitles the entrepreneur to apply an 80% cost ratio, but there is an activity for which this cannot be applied, the least favorable cost ratio must be applied for the entire activity, i.e., 40%.

Example:

In the case of full-time self-employment:

even if there is no revenue, the contributions must be paid quarterly at least on the guaranteed minimum wage.

guaranteed minimum wage: 296,400 HUF

social security contribution (18.5%): 54,834 HUF

health contribution (13% - based on 112.5%): 43,349 HUF

total (monthly): 98,183 HUF

PIT (15%) obligation also arises for revenue exceeding 2,392,000 HUF, the amount of which depends on the revenue earned (paid) in the given quarter. If it is greater than the guaranteed minimum wage, then it is calculated on the excess amount, if not, then it is calculated on the guaranteed minimum wage. Therefore, the fixed payable is 44,460 HUF /month (296,400 HUF x 15%), but only for revenue exceeding 2,392,000 HUF.

In the case of a part-time self-employment

There is no mandatory payment (quarterly) required. However, if the income exceeds 2,392,000 HUF, the obligation to pay social security contributions (18.5%), vocational training contribution (13%), and personal income tax (15%) arises. In this case, there is no correction for vocational training contribution (12.5%), and there is no mandatory contribution base. The contributions must be paid based on the actual income earned. Therefore, if the income in a given quarter is 50,000 HUF, then the total contribution to be paid is 46.5% (15% personal income tax + 18.5% social security contributions + 13% vocational training contribution).

Individual entrepreneurs use the OVTJ (List of Independent Entrepreneurial Activities), which does not always correspond to the TESZOR (List of Activities Subject to Entrepreneurial Taxation) defined by law. It is necessary to verify whether they match in order to apply the higher cost ratio.

XVII. SIMPLIFIED CONTRIBUTION TO PUBLIC REVENUES (EKHO)

(Act CXX 2005)

XVII.1. Who can choose it

- Private individuals who have general taxpayer income (e.g. from employment, business exception)

It is important to note that:

- Can only be applied to occupations listed in the law in the fields of arts, media, and sports
- This tax regime can only be chosen if the private individual participates creatively in the process of creating the work when practicing the occupations listed in the law.
- It can be applied not only to employment contracts but also to business and agency contracts.
- It can only be applied to a certain level of income.

Revenue thresholds:

- If the private individual earns a general taxpayer income in the tax year that is at least equal to the annual minimum wage, then EKHO can be applied up to 60 million HUF in revenue. There are exceptions to this rule.
- For professional athletes (competing in a first-class competition system), the amount limit is 500 million HUF / year.
- For professional coaches (in a national sports federation), the amount limit is 250 million HUF / year.
- For employees of international sports federations, the amount limit is 250 million HUF / year.
- If the general taxpayer income does not reach the amount of the annual minimum wage, then the annual limit must be proportionally reduced as much as the general taxpayer income relates to the annual minimum wage.

For example, in 2023, the minimum wage is 232,000 HUF per month, which is 2,784,000 HUF / year. If the income reaches this amount, then the available limit is 60 million HUF by default. However, if the income only reaches half of the annual minimum wage (1,392,000 HUF), then the available limit must be proportionally reduced accordingly. (60 million / 2 = 30 million HUF)

- If the private individual is subject to VAT, the revenue must be reduced by VAT.
- For retired private individuals, the limit is 60 million HUF / year

XVII.2. Basis and rate of EKHO, declaration

The basis for EKHO is the income earned from the occupation. If the private individual is subject to VAT, this revenue must be reduced by VAT

15% EKHO must be deducted from the income paid to private individuals.

For retired and privately insured individuals abroad, the rate is 9.5%

Private individuals must deduct 15% EKHO (health contribution tax) from their paid income. For pensioners and individuals insured abroad, the rate is 9.5%. The deduction and payment of EKHO is the responsibility of the payer, but it can be waived if the individual declares this in writing to the payer. In the case of payer deduction, the payer must provide information to the National Tax and Customs Administration (NAV) by

XVII. Simplified Contribution to Public Revenues (EKHO)

January 31 of the year following the tax year, which will appear in the personal income tax return. In the case of waiver, the deducted EKHO amount must be paid quarterly by the 12th day of the month following the quarter, and must be declared in the annual personal income tax return by May 20 of the year following the tax year.

From September 1 2022, the payer is not required to pay 13% EKHO on the EKHO base.

XVII.3. Method of choice and termination of tax liability:

- based on a statement made to the payer
- by exceeding the value threshold

XVII.4. Paid public burdens

- EKHO (health contribution tax) deducted from the income considered as the EKHO base, which includes personal income tax and social security contributions payable by the insured, as well as
- the social contribution tax payable by the payer

Health insurance benefits

According to the EKHO regulations, taxable income and consideration cannot be taken into account when calculating health insurance benefits (e.g. sick pay)

The private individual fulfills their obligation to use health insurance services by paying the deducted and paid EKHO, meaning they become entitled to healthcare services

Record-keeping obligation

Required to maintain records as prescribed by the PIT Act, which must be capable of substantiating EKHO-related obligations and entitlements, particularly in relation to the election of EKHO.

XVIII. CIVIL ORGANIZATIONS

(Act No. CLXXV 2011, Act No. CLXXXI 2012, Act No. CXXVI 1996, Government Decree No. 350/2011 (XII. 30.), Government Decree No. 479/2016 (XII. 28.))

XVIII.1. Scope of the law

The law applies to:

- Foundations
- Associations
- Public benefit organizations
- Other organizations established under the right of association

XVIII.2. Public benefit qualification

Organizations fulfilling the following requirements are eligible for public benefit qualification:

- Registered in Hungary
- Engaging in public benefit activities
- Having adequate resources for satisfying the common needs of society and individuals, and
- Demonstrating adequate social support

Contributing to the satisfaction of common needs of society and individuals means that based on the public benefit report attached to the previous year's financial statement, the organization's services are not only accessible to its members but also to other individuals and the public.

Having adequate resources means that at least one of the following conditions is met based on the last two fiscal years:

- The average annual revenue exceeds 1 million HUF **or**
- The sum of the two years' consolidated taxable profit is not negative, **or**
- Personnel-related expenses, excluding the compensation of executive officers, reach one quarter of all expenses.

It has adequate social support: if at least one of the following conditions is met with regard to the previous two completed fiscal years:

- The amount of 1% of the personal income tax (SZJA) allocated to the organization reaches 2% of the adjusted total revenue listed in the public benefit supplement, **or**
- The expenses and investments incurred for public benefit activities reach half of all expenditures on average over the two years, **or**
- The provision of public benefit activities is sustained (on average over two years) by at least 10 individuals engaging in voluntary activities for public benefit.

Upon depositing the financial statement, the court examines whether the conditions are met. If not, the court terminates the organization's public benefit status and removes it from the public benefit registry. The public benefit organization must request the deletion of its public benefit status within 60 days if it fails to meet the conditions for public benefit qualification.

In addition to submitting the financial statement, the civil organization must inform the public about its operations and the use of donations continuously, but at least once a year, through its own website or newsletter. The financial statement for a given year must be kept on the organization's website for five years, and the financial statement for the year 2022 must be available until May 31, 2027.

XVIII.3. Personal Income Tax 1%

The beneficiary of 1% personal income tax can be:

- an association or foundation registered with the Court at least 2 years prior to the first day of the year in which the declaration of donation is made. Therefore, for the 2022 personal income tax 1%, the organization that was already in the court's register on January 1, 2021, can receive it.
- they perform public benefit activities according to their declaration
- they have a domestic headquarters and their operation serves the interests of the Hungarian population or the Hungarian minority beyond the border
- they do not engage in direct political activities, their organization is independent of political parties, and they do not provide financial support to them.

Civil beneficiaries can only receive donations from 1% personal income tax in 2023 if they registered with the tax authority by September 30, 2022. The deadline is final. In case of later registration, they can only become beneficiaries in the following year. The list of registered organizations can be found on the website of the Hungarian Tax and Customs Administration:

https://nav.gov.hu/ado/szja1_1/felajanlasra-jogosultak/regisztralt_civil

The tax authority will transfer the donations to the beneficiary by September 30 of the year of the declaration at the latest.

A civil organization that wishes to receive 1% donations in 2024 must submit a registration request to the tax authority by September 30, 2023, using form 23EGYREG.

XVIII.4. Corporate tax

Acquiring, transferring, and leasing real estate is not considered entrepreneurial activity under civil law, but if a civil organization derives income from the use or investment of real estate, it is subject to tax under Section 9(4a) of the Corporate Income Tax Act, even if it does not engage in entrepreneurial activity.

Tax benefits for supporters and donors:

Support given to a public benefit organization for the purpose of supporting its public benefit activities will be recognized as an expense of the donor's company, and the donor may reduce its tax base by 20% of the support amount if it has proof of the public benefit organization's certification.

In the case of support given to a non-public benefit organization, the donor's company will only be able to calculate the support as an expense, if it has a declaration from the recipient stating that its pre-tax income and tax base will not be negative, and that it has paid the corporate tax due on the revenue. This declaration must be made after the preparation of the corporate tax return. If the recipient does not engage in entrepreneurial activities, it must be declared, as well.

APPENDICES

Annex number 1

Elements of the "Cafeteria" system

2023.		
Name of benefit	Tax burden	Discount limit
Ticket or pass for a sports event.	0.00%	232,000 HUF / year
Entrance fee, season pass, library registration fee for cultural services	0.00%	232,000 HUF / year
Computer usage	0.00%	No limit
Private use of a bicycle provided by the payer, operated solely by human power or with an electric motor of up to 300 W	0.00%	No limit
Nursery, kindergarten services	0.00%	Up to the costs
"Szép" card		
SZÉP card - accommodation	28%	450,000 HUF / year
Company phone usage (20% tax base)	33.04%	No limit
Representation, business gifts	33.04%	No limit
Meals related to official or business travel	33.04%	No limit
Small-value gifts for employees	33.04%	No limit
Non-wage benefits above the limit	33.04%	Once a year, 23,200 HUF/occasion/person
Local pass	Taxed as wages	No limit
Back-to-school support	Taxed as wages	
Housing support for mobility purposes	Taxed as wages	
Premium of risk insurance paid by another person	Taxed as wages	
Employer contribution to student loan repayment	Taxed as wages	
Cost of education in a school system	Taxed as wages	
Voluntary mutual pension fund	Taxed as wages	
Voluntary mutual health fund	Taxed as wages	
Taxable insurance premium paid by the payer under a personal insurance contract	Taxed as wages	
Employer-provided benefits, services, and products that are specified in an internal policy for all employees are included in this category. These may include various vouchers that clearly specify their purpose of use.	Taxed as wages	

Annex number 2

Obligation to issue invoices, provide data and report**1. Obligation to issue invoices****Forms:**

- **Mandatory content of an invoice:** invoice number/date/date of performance only if different from the invoice date, name/address/tax number of the seller, name/address/tax number of the buyer, description/quantity of the product/service, tax base/rate/amount, unit price without tax, reference to the relevant provisions of the VAT Act in case of tax exemption, data related to certain provisions of the VAT Act, such as reverse charge/vat margin scheme/cash accounting-travel agencies/used goods/artworks/collectibles and antiques, data related to new means of transport
- **Content of simplified invoice:** Number, issuer's name/address/tax number, buyer's name/address/tax number, date of invoice, description, classification according to the issuer's decision, unit of measure, quantity, gross unit price, gross consideration itemized/by tax amount/total, gross price with VAT content (21.26%/15.25%/4.76%), other remarks indicating the tax method.
- **Receipt:** Number, issuer's name/address/tax number, date of issue, amount payable. Can be electronic.
- **Collective invoice:** can be used based on prior written agreement to indicate the total value of multiple transactions performed for the same buyer in the same tax assessment period in a single document.
- **Electronic invoice:** the consent of the invoice recipient is required, the directive does not prescribe a mandatory procedure, in the case of an invoice package sent to the same invoice recipient, it is sufficient to indicate the identical data of different invoices only once.

Note:

- **Main rule:**
 - an invoice must be issued for product sales, service provision, and advance payments to a taxable person.
 - for performance exceeding 900,000 HUF to another person, or if requested separately.
- **Deadline:** If paid in cash or cash substitute, the invoice must be issued immediately, otherwise by the time of the performance, but no later than 8 days.
- **Exception:**
 - it is not mandatory to issue an invoice for certain tax-exempt sales (but a bookkeeping document is required).
 - in the case of invoicing exemption, it is no longer a requirement for the seller and the non-taxable buyer to be present simultaneously (in case of invoices below 900,000 HUF)

2. Obligations to provide information and reporting (on issued invoices)

- Data must be provided on "free" product sales and service provision that qualify as taxable product sales and service provision. It must also be reported whether the purchaser or service recipient will reimburse the VAT

- If the value of distance sales performed by the taxpayer to another Member State of the EU reaches the relevant threshold (3,100,000 HUF), it must be reported within 15 days after crossing the threshold

- Data must be provided to the issuer for every invoice subject to Hungarian invoicing rules (invoices issued to non-taxable private individuals, non-taxable organizations, Community and export sales, and transactions subject to reverse charge). This does not apply to those using the OSS system
 - The obligation to provide data on invoices issued in place of cash registers (PTGSZLAH) has been abolished
 - Customers engaged in antiques trading are reminded that it is not sufficient to indicate on the invoice that the sale is subject to differential VAT, but the nature of the item sold (artwork, collectible item and antique, used chattel) must also be listed in accordance with Annex 8 of the VAT Act (different invoicing programs may have different solutions for this). The classification of sold products into these categories is a professional task

Annex number 3

Social contribution tax benefits

Social contribution tax benefit	Benefit rate	Time limit
Unskilled and agricultural workers	Up to minimum wage: 8.75%	None
Workers entering the labor market	Up to minimum wage: 17.5%	First 2 years
	Up to minimum wage: 8.75%	3 rd year
Female workers entering the labor market with 3 or more children	Up to minimum wage: 17.5%	First 3 year
	Up to minimum wage: 8.75%	4 th and 5 th years
Workers with disabilities, individual and corporate entrepreneurs	Up to twice the minimum wage: 17.5%	As long as the conditions are met
Public workers	Public employment wage, but up to 130% of the guaranteed public employment wage: 8.75%	As long as the conditions are met
Protected civil servants dismissed in a protected age group	Up to 4 times the minimum wage: 17.5%	Until their own retirement
Research employment benefits	For research and development employees with a doctoral or higher degree, the gross salary, but up to 500,000 HUF: 17.5%	Until employment in a designated activity
	For employees participating in doctoral studies or doctoral candidate positions, the gross salary, but up to 200,000 HUF: 8.75%	
Tax benefit for research and development activities	Up to 8.75% of the wage cost accounted for as a direct cost of research and development activities	As long as the conditions are met

Annex number 4

Table of taxes

Important metrics 2023								
From 1/1/2023	Minimal wage	Guaranteed minimum wage	Minimum wage for personal entrepreneurs	Personal entrepreneur guaranteed minimum wage	Minimum wage for corporate entrepreneurs	Corporate entrepreneur guaranteed minimum wage	Corp. Tax	
Gross wage/exemption	232,000 HUF	296,400 HUF	232,000 HUF	296,400 HUF	232,000 HUF	296,400 HUF	9%	
							KIVA	10%
							VAT	
Obligations of employees/personal entrepreneurs/corporate entrepreneurs							5% Act annex nr 3. 18% annex nr 3/A, 27% other	
PIT	15.0%	34,800 HUF	44,460 HUF	34,800 HUF	44,460 HUF	34,800 HUF	44,460 HUF	Free, Act 85., 86§
Social security cont	18.5%	42,920 HUF	54,834 HUF	42,920 HUF	54,834 HUF	42,920 HUF	54,834 HUF	KATA: 50,000 HUF
Total	33.5%	77,720 HUF	99,294 HUF	77,720 HUF	99,294 HUF	77,720 HUF	99,294 HUF	Flat-rate tax sol tr.: up to 2 mill HUF of revenue PIT free
Net wage/exemption		154,280 HUF	197,106 HUF	154,280 HUF	197,106 HUF	154,280 HUF	197,106 HUF	healthcare service fee
							9,600 HUF/month	320 HUF/day
Obligations of employers/personal entrepreneurs/payer							Innovation contribution	0.30%
Szocho	13.0%	30,160 HUF	38,532 HUF	33,930 HUF	43,349 HUF	33,930 HUF	43,349 HUF	Rehabilitation contribution
Total		30,160 HUF	38,532 HUF	33,930 HUF	43,349 HUF	33,930 HUF	43,349 HUF	2,088,000 HUF/e/y
							EKHO	
							Private prs: 15%	Pensioner: 9.5%
Total monthly cost for employer/payer/individual entrepreneur		262,160 HUF	334,932 HUF	265,930 HUF	339,749 HUF	265,930 HUF	339,749 HUF	
Monthly total cost and the net quotient		1.69924812	1.69924812	1.72368421	1.72368421	1.72368421	1.72368421	Multiply the net amount by this to get the total cost

Inheritance and gift tax	
General duty	18%
Real estate owns.	9%

Retroactive property transfer tax	
General	4%
Real estate sales tax	2%, 3%
Credit inst. prop.	2%
RREC, Fund prop.	2%

Vehicle purchase duty			
Eng. power (kW)	Age of vehicle		
	0-3 yrs	4-8 yrs	over 8 yrs
0-40	550 Ft/kW	450 Ft/kW	300 Ft/kW
41-80	650 Ft/kW	550 Ft/kW	450 Ft/kW
81-120	750 Ft/kW	650 Ft/kW	550 Ft/kW
over 120	850 Ft/kW	750 Ft/kW	650 Ft/kW
Traler purchase duty			
under 2500 kg		9 000 forints	
over 2500 kg		22 000 forints	

Comp. car tax	Environmental classification		
	„0”-„4”	„6”-„10”	„5”,14-15
Eng. power			
0-50 kW	30 500 Ft	16 000 Ft	14 000 Ft
51-90 kW	41 000 Ft	20 000 Ft	16 000 Ft
91-120 kW	61 000 Ft	41 000 Ft	20 000 Ft
over 120	81 000 Ft	61 000 Ft	41 000 Ft