

# wts newsletter

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## # 7.2015



## highlights

### Personal income taxation – brief overview of the 2015 changes

The deadline for submitting personal income tax returns, i.e. 20 May 2015, is fast approaching. During the preparation of tax returns, regulations pertaining to the 2014 tax year must be applied, but during the payroll and accounting of fringe benefits for 2015 the current tax regulations must be considered. In this newsletter we have summarised the major changes to personal income tax for the year 2015.

## Personal income taxation – brief overview of the 2015 changes

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### Personal income tax

- » The family tax base relief available for families with two children will gradually rise over four years from 2016 to twice its current level, from HUF 62,500/month to HUF 125,000/month per eligible dependant. In order to determine the amount of relief, it is important to differentiate between dependants and eligible dependants, since dependants must be eligible for the increasing relief, and at least 2 eligible dependants must be in the household.

The example below illustrates the development of family tax relief for the period between 2015 and 2019.

| Family allowances | Family allowance for two eligible dependants per eligible month |             |             |             |             |
|-------------------|---|-------------|-------------|-------------|-------------|
|                   | 2015  | 2016        | 2017        | 2018        | 2019        |
| Tax base relief   | HUF 125 000   | HUF 156 250 | HUF 187 500 | HUF 218 750 | HUF 250 000 |
| Tax relief        | HUF 20 000  | HUF 25 000  | HUF 30 000  | HUF 35 000  | HUF 40 000  |

Another important change is that the tax identification number of the eligible dependant must be given to receive the family allowance. The tax identification number must first be provided in the personal income tax return for tax year 2015, to be submitted by 20 May 2016; this information is not yet required in the 2015 tax advance statement. Based on the current wording of the law, if a foreign private individual working in Hungary applies for family allowance, a Hungarian tax identification number should be requested for the foreign children too, before the submission of the 2015 tax return in 2016.

- » A new tax relief has been introduced from 2015, a "newlywed allowance" for people getting married for the first time, based on which the spouses can claim a collective monthly tax allowance of HUF 31,250 for a period of no more than 24 months from the month following their marriage, but only until they become entitled to family allowance. Once in possession of the allowance statement, spouses can already claim the allowance against their tax advances.
- » Whole life insurance with a surrender value (WL) and other savings-type life insurance products will be subject to the same tax treatment given their identical economic content (the tax exemption of the WL regular premium will cease). The regulation shall enter into force on 1 January 2018, thereby providing a 3-year transitional period.
- » Personal income tax and social security rules on temporary labour have been standardised in cases where employees are hired in Hungary as temporary employees and the company providing them is a foreign enterprise. Based on Section 56/A of the Social Security Act, the domestic company shall be responsible for the obligations of notification and keeping records as well as assessing, declaring and paying contributions. The amendment creates the opportunity for the domestic hirer to fulfil the personal income tax obligations.

- » Major changes are coming to the conditions of fringe benefits. The tax on fringe benefits up to an annual HUF 200,000 will remain unchanged; the personal income tax of 16% and the 14% health care contribution shall be payable on 1.19 times the value of benefits. The ceiling of fringe benefits taxable at the preferential rate shall decrease from HUF 500,000 to HUF 450,000; over this amount, benefits shall be considered other benefits. For fringe benefits between HUF 200,000 and HUF 450,000 preferential tax rates and contributions may only be imposed on amounts transferred to SZÉP cards, so the rule is stricter. Fringe benefits provided over the individual threshold and the annual amount of HUF 450,000 shall be considered as other benefits, which shall be taxed as follows: personal income tax of 16% and health contribution of 27% imposed on 1.19 times the value of the benefit. The following example summarises the amendments to fringe benefits.

| Tax liability   | Tax-free benefit  | Fringe benefit    | Other benefits    | Wage              |
|---|---|-------------------|-------------------|-------------------|
| Net benefit   | HUF 100   | HUF 100           | HUF 100           | HUF 100           |
| Personal income tax paid by employee  | HUF 0   | HUF 0             | HUF 0             | HUF 24,43         |
| Employee contribution   | HUF 0   | HUF 0             | HUF 0             | HUF 28,24         |
| Personal income tax paid by paying agent  | HUF 0   | HUF 19,04         | HUF 19,04         | HUF 0             |
| Health-care contribution/ social contribution tax paid by employer                          | HUF 0   | HUF 16,66         | HUF 32,13         | HUF 43,51         |
| <b>Total charge</b>   | <b>HUF 0</b>  | <b>HUF 35,70</b>  | <b>HUF 51,17</b>  | <b>HUF 96,18</b>  |
| <b>Total cost of HUF 100 net benefit</b>  | <b>HUF 100</b>  | <b>HUF 135,70</b> | <b>HUF 151,17</b> | <b>HUF 196,18</b> |
| Benefits available, tax-free benefits, items not qualifying as income (non-exhaustive list) | Tickets to sports events without limit thresholds, cultural services up to THUF 50, work clothing, vaccination, nursery services, costs of non-school-type training relating to workplace activities  |                   |                   |                   |
| Fringe benefits available (non-exhaustive list)   | Széchenyi recreation card, Erzsébet voucher, back-to-school vouchers, costs of school-type training up to 250% of the minimum wage, recreation services in the employer's holiday resort (max. minimum wage), workplace canteen meal vouchers up to HUF 12,500 per month, payments made by the employer to voluntary mutual pension funds up to 50% of the minimum wage per month, payments made by the employer to voluntary mutual health funds up to 30% of the minimum wage per month |                   |                   |                   |
| Other benefits available (non-exhaustive list)  | Fringe benefits that exceed the statutory limits of the benefits as well as fringe benefits of more than HUF 200,000, excluding the Széchenyi recreation card   |                   |                   |                   |

- » From 2015 electronic travel orders shall also be acceptable if they contain the data prescribed by law and are completed and stored in a closed system.

The newsletter accurately reflects the statutory provisions as they stand at the time of its issue.  
The authors of the news articles have endeavoured to provide general information that both reads well and is professional.  
Given the general nature of the content and possible changes to legal regulations, please contact us if you require this information tailored to your personal circumstances.

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