

wts newsletter

WTS Klient.
The Bridge.

2.2014



highlights

Details of tax-free benefit items – already in the know? – Tax free, non-refundable employer grants may now be given to employees to pay housing loan instalments, so the scope of employer financial support for housing purposes has been expanded for the benefit of both employers and employees.

Details of tax-free benefit items – already in the know?

Tax free, non-refundable employer grants may now be given to employees to pay housing loan instalments, so the scope of employer financial support for housing purposes has been expanded for the benefit of both employers and employees.

Prior to 1 January 2014 employers were able to provide tax-free financial support to their employees to help with building or purchasing homes, or expanding an existing home, or grant interest-free or low-interest loans or non-refundable financial support.

The regulations changed from 1 January 2014, and the scope of available benefits was expanded; non-refundable financial support may now be granted as part of the new scheme to fully repay or pay instalments for a housing loan drawn from a credit institution or a former employer, or, based on the latest interim amendment, to pay other liabilities associated with such loans.

The benefit is limited at 30 percent of the purchase price, the full construction cost or the modernisation cost, but no more than HUF 5 million (for a period of 5 years), provided the number of rooms in the home does not exceed the justified housing needs set forth in the relevant government decree on government subsidies for housing purposes (employer support for housing purposes). For example, in the case of a family of five with three children, the maximum number of rooms may be five; no tax exemption may be requested for larger properties. This constitutes significant relief because both the number of rooms and the construction cost previously had to be considered when examining justified housing needs (the value of construction costs specified in law, however, failed to keep up with market changes).

Of course, the most important issue relevant to the topic is why this is beneficial for both employers and employees, and what tax risks and administration challenges are inherent in the scheme?

Essentially, the financial support may be extended free of tax. However, an important regulatory element is that the employer must be in possession of the certificates specified in the decree of the minister responsible for taxation policy by 31 May in the year after the financial support was granted, in the case of grants given for home buying or loan repayments, and by 31 May in the second year after the financial support was granted, if related to constructing, converting, increasing the floor space of or modernising a home. The draft decree is currently available on the NGM website (Ministry for National Economy). The detailed provisions also reveal, for example, that it is primarily the employer who must examine the conditions for tax exemption.

It is important to note that if the employer fails to receive said certificates, the conditions for tax exemption will not be met, in which case the financial support increased by 20% must be considered as income from wages at the employee receiving the benefit. The date of obtaining such a sum qualifying as a wage shall be May in the year after the financial support was granted, and May in the second year after the financial support was granted if it is related to constructing, converting, increasing the floor space of or modernising a home.

Given that a significant number of employees already have housing loans (the new regulation does not exclude using the support to pay instalments of FX loans, in addition to HUF-based loans) the majority of employers may find the regulations outlined above are well received, in spite of the administrative burdens.

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.

Services of the WTS Klient Group:

- » Tax consulting
- » Legal consulting
- » Accounting
- » Payroll
- » Other consulting

WTS Klient Group • Tamás Gyányi, Partner
1143 Budapest • Stefánia út 101-103. • Hungary
Telephone: +36 1 887 3700 • Fax: +36 1 887 3799
tamas.gyanyi@klient.hu • www.klient.hu

wts