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2019 tax package

The Hungarian Parliament has approved the [proposals submitted](#) in mid-June, so the 2019 tax package for Hungary has been accepted. Let us take a look at the most important amendments in the omnibus law promulgated on 25 July 2018: Act LXI of 2018. Further changes and refinements are expected to come in the autumn, adding to the 2019 tax package.

Act on Rules of Taxation

- From 2019 the Hungarian tax authority has to pay interest if its [decision was unlawful](#) and a reimbursement is due to the taxpayer.
- The rate of late payment interest will increase to the base interest rate of the central bank plus 5 percentage points. The rate of [self-revision interest](#) remains unchanged.

Personal income tax

- Main changes to fringe benefit system under 2019 tax package

Benefit	2018	2019
Housing allowance to facilitate mobility	tax-free	taxed as salary
Assistance for housing purposes	tax-free	taxed as salary
SZÉP card (3 sub-accounts)	fringe benefit	fringe benefit
Fringe benefits provided in cash (HUF 100,000)	fringe benefit	salary
Meals related to official or business trips	other benefit taxable at the employer	other benefit taxable at the employer
Voluntary fund payments to individual accounts	other benefit taxable at the employer	salary
Payments to voluntary insurance funds (targeted service)	other benefit taxable at the employer	other benefit taxable at the employer
Using company phones for private purposes	other benefit taxable at the employer	other benefit taxable at the employer
Representation, business gift	other benefit taxable at the employer	other benefit taxable at the employer

→ Change in tax rate

Benefit	2018	2019
Fringe benefit	34.22%	34.5%
Other benefit taxable at the employer	40.71%	40.71%

- **Declarations on tax advances** – e.g. to claim family allowance, newlywed allowance – **can be submitted via the government portal too** from 2019.
- **NAV will prepare draft tax returns for the self-employed.** The deadline to submit the tax return will be 20 May following the fiscal year (also for the 2018 fiscal year).

Corporate tax

- **Reported shares.** From day 31 after the promulgation of the law, the restriction under which taxpayers must report original shares to be able to report additional shares will be phased out. One further change in the definition is that a transformation, merger or separation does not qualify as a disruption of the continuous, one-year mandatory retention period.
- **Tax allowances for investments improving energy efficiency.** One change taking effect on the day after the promulgation is that the conditions for granting tax allowances for investments improving energy efficiency will become more favourable.
- **Amount eligible for investments will increase.** The maximum amount of the development reserve is to rise from the current HUF 500 million to HUF 10 billion (from roughly EUR 1.5 million to EUR 30 million) from 1 January 2019.
- **Dividing tax-base reduction related to R&D services.** According to an amendment that will apply from the promulgation of the law, the tax base relief applicable for R&D services

used directly from domestic partners can also be claimed based on a written statement from the parties affected and shared between the customer and the provider.

→ **Costs allocated to the operation of day-care centres at workplaces will be eligible costs when assessing tax bases.** The concept of a day-care centre at the workplace will be introduced within the context of corporate tax at the same time. A day-care centre at the workplace is an institution providing pre-school education, as a public service, where at least 80% of the children cared for are from workers employed by the taxpayer.

Social contribution tax

- **From 2019 the health care contribution will merge** into the social contribution tax; a separate law will be adopted on this tax.
- **The new, uniform tax rate** is 19.5%. The 14% health care contribution will be removed.
- The previous rule on the **calculation of the upper threshold** is changing. Employees who earn 2 times the minimum wage on a monthly basis do not have to pay social contribution tax on dividends or income from exchange gains. (The health care contribution is currently capped at HUF 450,000 – roughly EUR 1,400.)

Value added tax

- **The tax rate on milk will be a standard 5% from 2019** (for ESL and UHT milk too).
- **Reverse charges** can still be applied for cereals and steel products, up until 30 June 2022.

Other key changes based on 2019 tax package

- **Centralising administration.** From 1 July 2019, the obligation to register and report changes at the tax authority of the competent local government based on the registered office of the company will cease and be replaced with reporting at the state tax authority.
- **Public health product tax.** From 1 January 2019 the taxation of alcoholic drinks will change within the public health product tax. In the future, most alcohol products under the excise tax law will qualify as taxable products.
- **Accident tax.** From 1 January 2019 the accident tax will be removed, and the taxation of third-party motor liability insurance will be integrated into the insurance tax – as in the case of other insurance services – reducing the rate of the tax in most cases.
- **Continued phase-out of simplified entrepreneurial tax.** According to the proposal, the EVA can be chosen for the 2019 fiscal year until 20 December 2018 by registering at

the State Tax and Customs Authority, after which date it will no longer be possible to switch. Taxpayers who choose the EVA by 20 December 2018 may remain subject to this law.

→ **For transfers from private bank accounts** from 1 January 2019 there will be no tax payment obligation for the amounts below HUF 20,000 (roughly EUR 60) per transfer.

TAX CONSULTING

If you would like more detailed information on any part of the 2019 tax package, or if you would like to know how this will affect your company, please get in touch with the **tax experts** at WTS Klient Hungary.

Tamás Gyányi
partner
Tel: +3618873736
tamas.gyanyi@wtsklient.hu

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Should you have any questions regarding the above or any other professional issues, please do not hesitate to get in touch with your WTS advisor or use any of the contact details below.

WTS Klient Hungary

1143 Budapest • Stefánia út 101-103. • Hungary
Telephone: +36 1 887 3700 • Fax: +36 1 887 3799
info@wtsklient.hu • www.wtsklient.hu

WTS Klient Ltd.

H-1143 Budapest, Stefánia út 101-103.
Registration number: 01-09-930353

WTS Klient Tax Advisory Ltd.

H-1143 Budapest, Stefánia út 101-103.
Registration number: 01-09-978231

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