

## wts klient newsflash

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## Allowance for young people under 25 round the corner

## Exemption from personal income tax from January

*Personal income tax base allowances* are to be extended with a new element next year. The allowance for young people under 25 can be claimed from January 2022 up to the average national gross wage – actually HUF 403,600 (roughly EUR 1,120) –, and it provides exemption from personal income tax for young people under 25 in Hungary. Bill no. T/15395 constituting part of the Hungarian government's action plan to relaunch the economy was submitted to Parliament on 10 March 2021 by the minister without portfolio responsible for family matters, and was approved on 28 April.

## What does the allowance for young people under 25 apply for?

Based on the bill, the allowance for young people under 25 as a tax base reducing item will be incorporated in Act CXVII of 1995 (Personal Income Tax Act). According to the amendment, the allowance for young people under 25 **relates to the income forming the consolidated tax base of income earned by a young person in the entitlement months** (in the case of income from employment, the income accounted for the entitlement months). These are:

- income qualifying as **wage or salary**,
- the amount of **other income derived from non-independent activities** excluding the legally prescribed amount of termination benefits received for the termination of employment, and
- from the income derived from independent activities, amounts taken out by **sole traders** subject to taxation based on entrepreneurial income (in case of flat-rate taxation, the income defined under the flat rate), income derived from **agricultural producer** activities, income of European Parliament and local government representatives, income of selected auditors and income of **private individuals** derived from activities conducted under a contract for paid work not concluded as a sole trader.

It is important to note though that the allowance for young people under 25 **cannot exceed the average national gross wage** published by the Hungarian Central Statistical Office for full-time employees in July of the previous year multiplied by the number of entitlement months. A month may be considered an entitlement month if the young person is not yet 25 years old. The last month to be considered is the month when the person turns 25.

## Allowance for young people under 25 and other allowances

As we already highlighted [in our earlier article](#), if somebody is entitled to several tax base allowances, **they can only claim**

**them in a specific order.** The allowance for young people under 25 can be claimed following the allowance of mothers raising four or more children, but before the personal allowance, the newlywed allowance or the family tax relief.

However, the law amendment enables married couples under 25 who wish to claim the **newlywed allowance**, but cannot do so because of the exemption from personal income tax, to take advantage of this allowance at a **later date**. In such cases, the first month of entitlement for the newlywed allowance is the first month after the month when either of the spouses turns 25.

## When and for what period of income can the allowance be applied for?

In the case of income from employment, the new provisions are first applicable for the tax obligation of income calculated for a period after 31 December 2021 or for the year before 2022 but **paid after 10 January 2022**.

## Payroll

The system of applicable personal income tax base allowances may strongly affect the wage and payroll planning of employers, and navigating through the system of allowances often requires great expertise. Feel free to contact our [payroll specialists](#) if you as an HR employee or decision-maker have any specific questions regarding the allowances.

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