



# Tax and Investment Facts

A Glimpse at Taxation and Investment in Hungary

2022

## WTS Klient Hungary

The Klient Group was established in 1998. We are a reliable partner for our clients with many years of experience gathered on the Hungarian market and have become the Hungarian consultants for many national and international corporations. We provide accurate and professional consulting services in Hungarian, German and English. Our expertise is not only limited to Hungarian regulations. With the help of the WTS Global international network we are able to offer cross-border and global cooperation frameworks.

Within the group, WTS Klient Tax Advisory Ltd. specialises in tax advisory services. The primary objective of our company is to provide our clients with compliance and consulting services with the aim of minimising their tax-related risks. Below are some of the services our tax advisory department offers to our clients:

- » Tax planning based on the full scope of Hungarian and international regulations
- » Representation of clients vis-à-vis tax authorities
- » Obtaining rulings and expert opinions on more complex tax issues
- » Tax audits
- » Due diligence reports
- » Transfer pricing services
- » Preparation and review of tax returns in relation to all taxation categories

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## Table of Contents

<b>1. Ways of Doing Business / Legal Forms of Companies</b>	<b>4</b>
<b>2. Corporate Taxation</b>	<b>7</b>
<b>3. Double Taxation Agreements</b>	<b>14</b>
<b>4. Transfer Pricing</b>	<b>15</b>
<b>5. Anti-Avoidance Measures</b>	<b>17</b>
<b>6. Taxation of Individuals / Social Security Contributions</b>	<b>19</b>
<b>7. Indirect Taxes</b>	<b>22</b>
<b>8. Inheritance and Gift Tax</b>	<b>24</b>
<b>9. Wealth Tax</b>	<b>24</b>
<b>10. Other Taxes / Reporting Obligation</b>	<b>25</b>

## 1. Ways of Doing Business / Legal Forms of Companies

A company established and registered in accordance with Hungarian law has the right to acquire property and conclude contracts as well as to file lawsuits and have lawsuits filed against it. In addition, it may engage in a wide range of activities. For certain activities, special permission is needed from the relevant authority. Companies with foreign participation may be set up in any form listed in the Civil Code, which entered into force from 15 March 2014, including the detailed rules for each company form.

The legal forms of companies in Hungary are as follows:

### Unlimited partnership (Kkt)

In an unlimited partnership, the liabilities of the members are joint and unlimited, and no minimum initial capital is required. Members do not have to contribute to the activities of the partnership.

### Limited partnership (Bt)

In a limited partnership, the liability of at least one of the partners is unlimited and, if there is more than one general partner, the general partners are liable jointly and severally. The liability of at least one of the partners is limited to the extent of his or her capital contribution. No minimum initial capital is required.

### Limited liability company (Kft)

A limited liability company is established with a pre-determined amount of registered capital provided by its founder(s). As a main rule, the liability of each member in relation to the company extends to their initial contributions, beyond which they are not responsible for the company's liabilities. The rights of the members and the share due to them from the assets of the company are represented in the company's registered capital by so-called quota(s). From 15 March 2014 the minimum registered capital requirement was increased to HUF 3,000,000 (EUR 8,333). The establishment of a limited liability company can be arranged by means of a simplified

procedure, which is available for most companies provided that the template deed of establishment is suitable for the company's structure; the mandatory duty of the simplified procedure is significantly lower. A limited liability company is managed and represented vis-à-vis third parties by one or more managing directors.

The main costs payable in respect of establishing a Kft in Hungary are as follows:

- minimum registered capital of HUF 3,000,000 (EUR 8,333)
- duty payable on the registration application is HUF 100,000 (EUR 278)
- duty payable on the simplified registration application is HUF 50,000 (EUR 139)
- disclosure fee for publication in the Company Gazette is HUF 5,000 (EUR 14)
- registration at the Chamber of Commerce and Industry has to be applied for with respect to the location of the company's registered office within 5 days of the company's registration in the Company Register (HUF 5,000 registration fee, EUR 14)
- other charges for signature specimens, official translations and costs for legalising documents that were signed abroad etc. (these out-of-pocket costs vary case-by-case)

### Company limited by shares (Zrt, Nyrt)

This type of company is established by issuing shares of a pre-determined total nominal value. As a main rule, the liability of its members is limited to their contribution to the total nominal value of the shares. The shares of a company limited by shares are securities embodying membership rights. A company limited by shares is managed by the board of directors and must have a supervisory board in certain circumstances. Companies limited by shares can operate in Hungary privately (private company limited by shares – Zrt) with a minimum capital requirement of HUF 5,000,000 (EUR 13,890), or open to the public (public company limited by shares – Nyrt) with a minimum capital requirement of HUF 20,000,000 (EUR 55,555). A company limited by shares can be established solely as a private company limited by shares and the company may go public upon being listed on the stock exchange. The shares of public companies limited by shares may be traded publicly, in contrast with a private company limited by shares, where the shares are not offered to the public.

### Branch and commercial representation office

A foreign investor may decide to establish a presence in Hungary as a foreign private entrepreneur, through a commercial agent, as a commercial representative office or as a branch of a foreign company.

- A branch is an organisational unit of a foreign enterprise with no separate legal identity. The branch is authorised to pursue business activities independently. The foreign company must always provide the assets needed for the operation of the branch, and settle its debts. The foreign founder and the branch bear joint and several unlimited liability for debts incurred in the course of the branch's activities. The branch is established and may start its operation when registered by the Court of Registration.
- A commercial representation office is not allowed to pursue business activities in Hungary independently; its general purpose is to facilitate the local business activity of the foreign company.

## 2. Corporate Taxation

### 2.1. Applicable Taxes / Tax Rates

The standard rate of income tax for Hungarian and in most cases foreign companies is 9%.

Companies only generating royalty income may be taxed at 4.5% if certain conditions are met (key factor is to what extent the taxpayer itself contributed to the creation of the intellectual property).

#### Minimum tax

An "expected" minimum tax is levied on companies whose corporate income tax base does not reach the "expected" minimum tax base, i.e. 2% of total revenue (reduced by certain limited items). The "expected" tax base is subject to tax at the flat corporate income tax rate. Paying corporate income tax on the "expected" tax base can be avoided by filling out a detailed declaration, validating the income generated and costs recognised during a given business year.

#### Local business tax

It is important to note that companies are also subject to local business tax within the territory of a given municipality if they have registered seat or permanent establishment in Hungary. Local business tax rate is determined by the municipalities separately but the maximum rate of the local business tax can be 2% of the tax base. The base of the Hungarian local business tax is the net sales revenue decreased by the cost of goods sold, the cost of intermediary and R&D services and material costs. As provided by the Act on Local Taxes, net sales revenue equals the sales revenue accounted for as provided by the Hungarian Act on Accounting decreased by the royalty income and certain taxes.

When assessing the taxable base for local business tax, the cost of goods sold and the value of mediated services are deductible from the tax base only to a limited extent in certain cases. The entire amount is deductible up to a net sales revenue figure of HUF 500,000,000 (EUR 1,388,888). Full deduction is not possible for the part of the tax base exceeding HUF 500,000,000.

## 2.2. Resident Companies

A company registered in Hungary is obliged to pay corporate income tax on its worldwide income, bearing in mind the provisions of double tax treaties, which override domestic Hungarian rules.

### 2.2.1. Computation of Taxable Income

Taxable income is based on financial statements prepared in accordance with Hungarian accounting standards. Some items are tax deductible, such as dividends received (with the exception of dividends received from controlled foreign corporations). There are certain items that decrease the tax base (including certain donations, R&D costs, amount of development reserve).

Special corporate tax rules apply from the 2016 tax year for companies preparing their local financial statements based on IFRS regulations.

### 2.2.2. Taxation of Dividends

Dividends received are not taxable in Hungary, with the exception of dividends received from controlled foreign corporations.

### 2.2.3. Capital Gains and Losses (Including Capital Gains and Losses from Sales of Shares)

There is no separate capital gains scheme in Hungary; such gains are taxed in the course of normal corporate taxation. However, capital gains/FX gains realised as a result of certain investments are exempt from corporate income tax. If the taxpayer

holds shares in a domestic or foreign company continuously for at least one year, and the acquisition of shares was reported to the tax authority within 75 days following the acquisition, the corporate income tax base can be reduced by the capital gain/FX gain derived from the sale or in-kind contribution of the registered stockholding in the year of the disposal/share contribution.

### 2.2.4. Depreciation

Depreciation is set by companies based on their own accounting policy and the provisions of the Hungarian Act on Accounting. Tax depreciation may differ from accounting depreciation.

### 2.2.5. Loss Carry Over (Including Potential Loss of Tax Loss Carry Forward in Case of Restructuring)

From 2015, tax losses established in accordance with the good faith business principle may be carried forward in the 5 tax years following the tax year. When offsetting the current tax year's positive taxable income by losses carried forward, the earliest losses must be used first (according to the FIFO principle). Taxpayers are able to use the accrued losses of previous years up to 50% of the tax base, excluding losses used.

#### Transitional rule

Previous years' losses incurred up until the last day of the tax year commenced in 2014 and not yet used in the tax base may be written off by the taxpayer according to the rules prevailing when the losses were sustained, until no later than the tax year including 31 December 2030.

### Legal succession

Legal successors are entitled to use losses carried forward if, in the 2 fiscal years following the reorganisation, sales revenue is generated from at least one activity carried out by the legal predecessor. In the event of a spin-off, this obligation also applies to the taxpayer from which the spin-off took place. This condition no longer has to be met if the taxpayer is terminated without legal succession within 2 fiscal years following the reorganisation, or if the activity of the legal predecessor was only related to asset management.

In the case of company mergers, the legal successor can utilise the legal predecessor's corporate tax losses generated in the year of the merger, from the year when the transformation took place.

### Change in ownership of the companies

Similar restrictions apply regarding the utilisation of tax losses in the case of changes in the ownership of companies. The rules have been eased going forward since the 2-year condition does not have to be met if the acquired company is terminated without legal succession within 2 fiscal years of the acquisition. As regards losses carried forward assumed in the course of restructuring or acquisitions, such losses can only be used in each tax year up to the proportion of the tax-year sales revenue or income from the continued activity relative to the average sales revenue and income in the preceding 3 years.

### 2.2.6. Group Taxation

From 1 January 2019 it is possible to choose group corporate taxation. Group corporate taxation can be established between resident group members linked by voting rights of at least 75%, that have aligned their balance sheet date and the currency of their accounting. Group members with certain exceptions do not have to apply transfer pricing regulations – the tax base does not have to be modified if the arm's length principle is not met.

The group's tax base is the amount of non-negative tax bases individually calculated by the group members which can be reduced by the losses generated by other members up to 50% of the positive tax base. The remaining losses may be carried forward to future period. The corporate income tax liability is 9% calculated on the group tax base, which is divided between group members in proportion to their individual tax base.

### 2.2.7. Relief from Double Taxation (Tax Credit / Tax Exemption)

Tax credits and tax exemptions may apply depending on the relevant double tax treaty. Income realised outside Hungary is generally exempt from Hungarian taxation but has to be taken into account when calculating the Hungarian tax liability.

### 2.2.8. Incentives

As Hungary is a member of the European Union, various financial sources for investment or development supported by the EU are available for companies. There are certain tax credits available for companies.

One of the most important tax incentives for companies is the development tax allowance, which can be deducted from the amount of corporate income tax (up to 80% of the calculated corporate income tax). This type of allowance can be claimed depending on the amount of the investment, the industry and the region in which the investment is performed.

Besides the development tax allowance there are additional tax allowances or tax credits for companies providing support for sport and film-making purposes.

Taxpayers may also allocate funds – up to the annual profit – from retained earnings to the allocated reserve for development purposes.

## 2.3. Non-Resident Companies

A non-resident company is taxed on its Hungarian income, as well as on income taxable in Hungary based on double taxation treaties.

### 2.3.1. Concept of Permanent Establishment / Doing Business

Permanent establishments of foreign enterprises and foreign organisations may also, under certain circumstances, be liable to pay corporate income tax and local business tax in Hungary. The Hungarian PE definition follows the definition described in the OECD Model Commentary.

### 2.3.2. Withholding Taxes

There is no withholding tax regime in Hungary. This means that dividends, interest, royalties and service fees (e.g. management fees) can be paid outside Hungary in the B2B environment without applying withholding taxes.

### 2.3.3. Capital Gains

If realising capital gains upon the sale of their shares in companies holding Hungarian real estate, foreign entities, under some circumstances, may also be subject to Hungarian corporate income tax.

## 2.4. Tax Compliance

### Tax assessment

Companies are assessed on a calendar-year basis or on a business-year basis. The business year may only differ from the calendar year if the Hungarian company is a fully consolidated subsidiary or branch of a foreign parent company that follows a business year other than the calendar year.

### Tax filing

Companies must file their corporate income tax and local business tax returns and pay any balance of due tax by 31 May of the year following the tax year concerned, or by the last day of the 5<sup>th</sup> month following the end of the business year, if different from the calendar year. The company calculates its corporate income tax advance and local business tax advance payments for the following 12-month period based on the actual corporate income tax liability indicated in the tax return. If the corporate income tax liability is more than HUF 5,000,000 (EUR 13,888), the advance payments are payable monthly in 12 equal instalments, otherwise the tax advances are payable quarterly. Local business tax advance payments have to be made semi-annually.

## 2.5. Local Taxes

The Local Taxes Act divides local taxes into 3 categories according to their nature: property taxes (building tax and land tax), municipal taxes (personal municipal tax and tourism tax), and a separate category for local business tax. Local taxes may be introduced by municipal and county governments in their areas of jurisdiction. Municipalities have a choice as to which taxes to introduce in their jurisdiction. The Local Taxes Act regulates these taxes. However, only one type of tax may be applied to a taxable subject.

The annual ceiling for the building tax is HUF 1,100 (EUR 3)/m<sup>2</sup>, based on the size of the building, or 3.6% of the adjusted market value of the building. The annual ceiling for the land tax is HUF 200 (EUR 0.6)/m<sup>2</sup>, or 3% of the adjusted market value.

The municipal tax of a private individual is related to the ownership of a dwelling and a building or plot of land for non-residential purposes located in the area of the local authority, as well as to the right to rent a dwelling not owned by a private individual. The annual tax rate is capped at HUF 17,000 (EUR 47) per taxable person. There is no statutory exemption for this tax.

Tourist tax may be levied by municipalities on non-resident individuals who stay at least one night in the municipality. The local government may set the tax rate as a fixed amount per night (HUF 300, roughly EUR 0.83) or as a percentage of the accommodation rate/value (4%), at the discretion of the local government.

### 3. Double Taxation Agreements

Hungary has concluded double tax treaties with more than 80 countries.

Albania	Indonesia	Portugal
Armenia	Iran	Qatar
Australia	Ireland	Romania
Austria	Israel	Russian Federation
Azerbaijan	Italy	San Marino
Bahrain	Japan	Saudi Arabia
Belarus	Kazakhstan	Serbia
Belgium	Kosovo	Singapore
Bosnia and Herzegovina	Kuwait	Slovakia
Brazil	Latvia	Slovenia
Bulgaria	Liechtenstein	South Africa
Canada	Lithuania	South Korea
China	Luxembourg	Spain
Croatia	Macedonia	Sweden
Cyprus	Malaysia	Switzerland
Czech Republic	Malta	Taipei
Denmark	Mexico	Thailand
Egypt	Moldova	Tunisia
Estonia	Mongolia	Turkey
Finland	Montenegro	Turkmenistan
France	Morocco	Ukraine
Georgia	Netherlands	United Arab Emirates
Germany	Norway	United Kingdom
Greece	Oman	United States
Hong Kong	Pakistan	Uruguay
Iceland	Philippines	Uzbekistan
India	Poland	Vietnam

### 4. Transfer Pricing

#### General rules

Transfer pricing principles have to be taken into account and documentation has to be prepared for contracts between related parties to support the market price. The related company concept was broadened from 2015, in that parties shall also qualify as related companies if there is controlling influence over business and financial policy between the companies based on overlaps in the respective management teams. Transfer pricing documentation rules cover transactions between a foreign company and its Hungarian branch as well as transactions between taxpayers and their foreign branches. Transfer pricing rules also refer to establishing companies by way of contributions in kind, if the founder becomes a person with a majority interest upon establishing the company. Use of statistical methods (interquartile ranges) is compulsory during database filtering.

On 17 November 2017 a new decree came into force on the transfer pricing documentation liability in accordance with the BEPS requirements issued by the OECD. Accordingly, transfer pricing documentation consists of a master file and local file. Based on the new decree, a new benchmarking search has to be prepared every 3 years and financial data of the accepted comparables have to be updated in every year unless there is a change in the meantime. The new rules apply first for tax year starting in 2018.

Non-compliance with the transfer pricing documentation rules may result in default penalty up to HUF 2,000,000 (EUR 5,555) per document, while in case of repeated infringement default penalty up to HUF 4,000,000 (EUR 11,111) per document. In the event of any repeated offence concerning the keeping of the same register, a default penalty of up to 4 times the penalty imposed for the first offense may be imposed upon the taxpayer.

#### Language

Besides Hungarian, transfer pricing documentation can also be prepared in English, German or French.



## Exemptions

In some cases, there is no need to prepare transfer pricing documentation at all, while certain transactions qualifying as low-value intercompany services can be documented by means of simplified documentation (transaction value threshold is HUF 150,000,000 – EUR 416,667). No transfer pricing documentation has to be prepared for related-party transactions with a net transaction value at arm's length price of up to HUF 50,000,000 (EUR 138,888) without VAT in the corresponding tax year and for small taxpayers.

## Country-by-Country Reporting

Hungary accepts the BEPS Action Plan which is designed to prevent aggressive tax planning as well as tax evasion by multinational companies. To this end, in addition to the preparation of transfer pricing records (master file, local file), Action Plan No. 13 also requires the preparation and submission of Country-by-Country (CbC) reports. The group member qualifying as the ultimate parent company is generally responsible for preparing the CbC report and submitting it by the given deadline to the relevant tax authority (data reporting). However, a multinational group is exempted from the CbC reporting obligation if its consolidated revenues did not reach EUR 750,000,000 in the financial year preceding the financial year when the data was provided. Apart from the parent company meeting its CbC reporting obligation (data reporting), the group members have a data reporting obligation (notification) towards the relevant tax authority by the end of the financial year. Except for the first financial year (starting on or after 1 January 2016) group members should report data to the tax authority within 12 months of the last day of the relevant financial year. Failure to comply with either the CbC reporting or the obligation to report data (e.g. failing to submit the report or notification) means the tax authority may levy a default penalty of up to HUF 20,000,000 (EUR 55,555) on the party with the notification or data reporting obligation.

## 5. Anti-Avoidance Measures

### 5.1. General Anti-Avoidance Rule

The Hungarian Act on the Rules of Taxation and the Act on Corporate Income Tax include general anti-avoidance and substance over form rules.

### 5.2. Interest Limitation

From 1 January 2019 the new interest limitation rule replaces the previously applied thin capitalisation rule adopting the EU Anti-Tax Avoidance Directive. Compared to the previous equity-based, thin capitalisation approach (3:1 debt-to-equity ratio), a new, EBITDA-based interest limitation rule was introduced in line with ATAD-I.

Accordingly, taxpayers must increase their tax base with borrowing costs that are in excess of either 30% of fiscal-year earnings before interest, taxes, depreciation and amortisation (EBITDA) or HUF 939,810,000 (EUR 2,610,583) – depending on which is the greater amount.

When determining the item increasing the tax base, surplus borrowing costs can be reduced with the unused interest capacity i.e. the positive difference of 30% of EBITDA and the borrowing costs of previous years.

Taxpayers under group consolidation may rely on group-equity rules in line with ATAD-I.

Members of a Hungarian corporate income tax group must take into account their surplus borrowing costs pro-rated to total surplus borrowing costs at group level.

As part of a grandfathering rule, the previous thin capitalisation rules (3:1 debt-to-equity ratio) apply for loans concluded prior to 17 June 2016. For these agreements, the new interest limitation rules apply from the extension of the term or an increase in the loan amount from 2019.

## 6. Taxation of Individuals / Social Security Contributions

### 5.3. Controlled Foreign Company Provisions

The definition of a controlled foreign company changed again slightly from 1 January 2019. A foreign company is classified as a "controlled foreign company" if a resident taxpayer controls more than 50% of the voting rights or more than 50% of the subscribed capital or is entitled to more than 50% of the profit after-tax of the foreign company and the corporate tax paid by the foreign company is less than half of the calculated tax based on Hungarian rules. The foreign permanent establishment of a resident taxpayer may also qualify as a controlled foreign company if it pays less corporate tax than half of the calculated tax according to the Hungarian rules.

When determining CFC status, it should be reviewed if a foreign enterprise or permanent establishment controlled by a Hungarian taxpayer performs activity whose sole purpose is shifting profit/income i.e. non-real or artificial transactions are performed. Control means significant personal functions connected to assets and risks which are crucially important in generating income.

A foreign company or PE is not classified as a controlled foreign company if its profit before tax does not reach approximately HUF 244,000,000 (EUR 677,777) or the profit of its non-commercial activity does not exceed HUF 23,500,000 (EUR 65,280) or if the ratio of profit before tax and operating costs does not exceed 10%.

Personal income tax is an obligation imposed on all private individuals in relation to income derived from sources within Hungary as well as to any foreign income of private individuals resident in Hungary. From 1 January 2016 a flat 15% personal income tax rate is levied on incomes that are subject to tax as part of the consolidated tax base (e.g. employment income) as well as for income taxed separately (e.g. interest, dividend income).

### 6.1. Residency Rules

Based on the Hungarian domestic rules, Hungarian residency is determined based on the following factors:

- Hungarian citizenship
- a private individual spends at least 183 days in the territory of Hungary in a calendar year, including the day of entry and the day of exit

Beyond these factors, the following points are decisive for determining residency: place of permanent home and centre of vital interest. Treaty rules override the Hungarian domestic rules.

### 6.2. Income Liable to Tax

Income realised by private individuals (employment income, independent activity, interest, dividend, other sourced income) is subject to personal income tax. There are certain exemptions available, e.g. housing allowances of foreign private individuals posted to Hungary.

### 6.3. Allowable Deductions

Certain deductions and tax allowances are available, the most relevant are the following.

#### Family tax benefit

A significant family tax benefit system has been introduced to personal income taxation. In the case of:

- one dependant, the deductible amount from the tax base is HUF 66,670 (EUR 185) per eligible dependant per month
- 2 dependants, HUF 133,330 (EUR 370) is deductible from the personal income tax base per eligible dependant per month
- at least 3 dependants, HUF 220,000 (EUR 611) is the deductible amount from the tax base

Certain additional documents are needed to benefit from this deduction. From 1 January 2014, private persons who are unable to fully utilise the family tax allowance during a certain calendar year for lack of a sufficient tax base are entitled to utilise the remaining amount of the tax allowance in the form of relief from individual health insurance and pension contributions payable. To claim family allowance, children of the Hungarian and also of the foreign citizens should have a tax identification number.

#### Limitations

There are limitations on family allowances claimed by non-resident foreign individuals to protect the taxable base. On one hand, the allowance may only be claimed if the same or a similar allowance is not utilised in the other country for the same period, while on the other hand, at least 75% of the private individual's total income must be taxable in Hungary to qualify for this allowance.

#### Newlywed allowance

People getting married for the first time may apply for a "newlywed allowance". Here, spouses can claim a collective monthly tax base allowance of HUF 33,335 (EUR 93) for a period of no more than 24 months from the month following their marriage. Once in possession of the allowance statement, spouses can claim the tax deduction when calculating tax advances (via payroll).

### 6.4. Tax Rates

There is a flat rate of 15% in Hungary.

### 6.5. Tax Compliance

There is a self-assessment system in Hungary meaning that private persons have to prepare and submit a Hungarian personal income tax return by 20 May of the following year. Private persons have to pay quarterly tax advances provided they are not on the payroll of a Hungarian company.

### 6.6. Social Security Contributions / Social Contribution Tax

The rate of the employee social security contribution is 18.5%: each employee is subject to a 10% pension contribution and an 8.5% health insurance and labour market contribution on earnings from their principal employment. The 10% pension contribution is payable regardless of the level of income.

The rate of employer social contribution tax is 13% from 2022. Tax allowances or exemptions are available for certain groups of people (e.g. new joiners to the labour market etc).

## 7. Indirect Taxes

### 7.1. Value Added Tax / Goods and Services Tax

The standard rate of VAT is 27%. A reduced VAT rate of 5% is applicable for certain preferential products (medicines, books, large livestock, fresh milk, poultry etc.) and with respect to the sale of new residential properties until the end of 2022. There is another preferential VAT rate (18%), which applies to dairy products and bakery products for example. From 1 January 2018 the 5% preferential rate can be applied when providing internet access services.

The tax base is the net sales price. Imports (from third countries) are also subject to VAT on a taxable base calculated as the sum of the customs value, customs duties and other charges.

#### Compliance and other related reporting obligations

As a general rule, VAT-registered taxpayers are required to file a VAT return quarterly (newly registered taxpayers are subject to monthly VAT returns filing in the first 2 years of their operation). Taxpayers also have to report incoming invoices in a detailed format in their local VAT return.

Online real-time invoice data reporting started on 1 July 2018. The reporting obligation covers all domestic and foreign taxpayers registered in Hungary. Accordingly, VAT-registered taxpayers have to provide the mandatory data required under the Hungarian VAT Act on all of their invoices issued without any value threshold. If the data reporting obligation is not met or late, or incomplete, incorrect information is provided, a default penalty may be imposed for each invoice affected (the maximum default penalty for companies is HUF 500,000 – EUR 1,388).

### 7.2. Transfer Taxes

The general rate of transfer duty payable on property transfers is 4%. If the market price of the property exceeds HUF 1 billion, the duty rate is 2% on the portion in excess of this, although the total amount of transfer duty payable per property cannot exceed HUF 200,000,000. In the case of companies buying and selling properties, the duty rate is 2%, provided that the company complies with the related statutory regulations. The acquisition of a participation (shares, equity interest, co-operative share, investment share) in a company holding properties in Hungary may be subject to transfer tax (and a reporting obligation).

### 7.3. Others

Excise tax is levied on items such as mineral oils, alcohol and alcoholic beverages, beers, wines, sparkling wines, intermediate alcoholic products and tobacco products, manufactured within the country or imported into Hungary.

## 8. Inheritance and Gift Tax

The general inheritance and gift tax rate in Hungary is 9% in the case of apartments, 18% in the case of other properties. Special rules apply in the case of vehicles. Inheritance tax liability is incurred as at the day when the testator died.

There is no inheritance or gift tax in Hungary between direct line relatives (e.g. if the beneficiaries are the children of the deceased person) and for the surviving spouse (also for spouses in the case of a gift). The same applies also for siblings.

The base for inheritance tax and gift (duty) is the fair value of the asset, which can be decreased by certain costs.

## 9. Wealth Tax

There is no wealth tax in Hungary.

## 10. Other Taxes / Reporting Obligation

### Taxation of crypto currency

As of January 2022, if an individual taxpayer makes a profit on transactions with crypto assets they only have to pay 15% tax. Importantly, a taxable transaction only occurs when the crypto asset is removed from the crypto world, and as long as the crypto asset remains a crypto asset, the transaction is tax-free.

The definition of taxable amount will also change, as income will be generated by the transactional gains realised on the crypto transactions during the tax year.

Under the legislation, income will be deemed to be the open-market value of the crypto asset at the time of its transfer or assignment (when the right is exercised). However, in certain cases, no transaction income will be calculated (under other conditions, if the income does not exceed 10% of the minimum wage).

### EKAER

EKAER-related administration will be greatly simplified from 1 January 2021. Now only certain scopes of goods qualifying as "risky goods" exceeding the value or weight threshold set by the ministerial decree will be subject to the reporting obligation. A default penalty of 40% applies only for errors related to weight and value data, and to the failure to fulfil the reporting required by legislation.

### BIREG

Although EKAER-related regulations eased recently, a so-called advance electronic authorisation registration system for deliveries was introduced. This system, BIREG, mainly refers to transporters, however, it also involves consigners and consignees. All parties may be penalised for non-compliance with legal regulations.

## Disclaimer

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The euro amounts in the booklet are calculated using the exchange rate  
EUR 1 = HUF 360

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