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The Bridge.**Extra-profit tax in Hungary just round the corner!****Retail tax and company car tax also to increase**

The details of the so-called extra-profit tax announced earlier by the Hungarian government were revealed in the 2022/93 edition of the Hungarian Gazette on 4 June 2022. Government Decree 197/2022 (VI.4) sets out, among other things, the introduction of special taxes affecting a total of eight economic sectors and the increase of other existing taxes, such as the retail tax or vehicle tax. The goal of these tax measures is to rebalance the central budget and prepare for a global economic recession caused by the protracted Russian-Ukrainian war.

Most of the decree provisions will take effect on 1 July, and will apply for the fiscal years of 2022 and 2023.

Extra-profit tax for the financial sector

The new bank tax is one of the special taxes to keep public finances balanced in Hungary. The extra-profit tax on **credit institutions and financial enterprises** is a new obligation for the affected taxpayers, in addition to the [special sectoral tax](#) already in place for several years now. The extra-profit tax is based on the net sales revenue determined in the financial statements for the fiscal year preceding the current fiscal year, or for banks, more precisely, the net interest income and the net income from fees and commissions. The rate will be **10% in 2022** payable in two equal instalments by 10 October and 10 December, and **8% in 2023** payable in three equal instalments by 10 June, 10 October and 10 December.

Insurers will also be charged a new additional tax for the period between 1 July 2022 and 31 December 2023. For insurers the extra-profit tax will be based on premium income, its rate will be **tiered**, and it will also depend on whether it pertains to **life insurance**, or to comprehensive motor insurance, property or liability insurance, or third-party motor liability insurance, which are already taxed. Insurance companies in Hungary have until 30 November 2022 and 31 May 2023 to assess, pay and declare the advance on the additional tax. The deadline for declaring and paying the tax will be 31 January 2023 and 31 January 2024. If the paid advance on the extra tax exceeds the amount of the extra tax declared, the taxpayer may reclaim the difference from the day the extra tax return is submitted.

The decree extends the obligation to pay the **transaction duty** on the purchase of securities (not the sale thereof), and raises the transaction duty ceiling from HUF 6,000 to HUF 10,000 (from roughly EUR 15 to roughly EUR 25). The tax will remain at 0.3%, but from now on it will also apply to financial service providers rendering cross-border services.

Contributions from airlines

The **extra-profit tax applied for passenger airlines** will be levied on the business entity providing ground handling services, and the tax will be based on the number of passengers departing from Hungary, excluding transit passengers. The taxpayer will have to pay **HUF 3,900** (roughly EUR 9.8) **per passenger** with destinations **in Europe** (more precisely Albania, Andorra, Bosnia-Herzegovina, North Macedonia, Iceland, Kosovo, Liechtenstein, Moldova, Monaco, Montenegro, Great Britain, Ireland, Norway, San Marino, Switzerland, Serbia, Ukraine and the European Union), and **HUF 9,750** (roughly EUR 24.5) per passenger for destinations **outside Europe**.

Pharmaceutical tax

In line with the government decree, the marketing authorisation holder or in certain cases the **distributor of medicinal products** too will have to pay the extra-profit tax. The new tax burden will apply to medicinal products with a producer price exceeding HUF 10,000 (roughly EUR 25), on which **28%** tax will be paid instead of the current 20%. The 20% tax rate will remain for medicinal products with a producer price of less than HUF 10,000. The new tax rate shall first be applied for payment liabilities due on 20 July 2022.

Special energy taxes

The government decree imposes a new 25% extra-profit tax on **producers of oil products**, and it also states that contrary to the District Heating Act in effect in Hungary, **entities in the manufacturing sector** will also be subject to the **income tax on energy providers** for the fiscal years of 2022 and 2023.

In practice, this means bioethanol producers, starch and starch product manufacturers as well as sunflower oil producers, who will have to declare their payable tax advances for the 2022 fiscal year by 20 September, and pay them in equal monthly instalments by the 20th day of each month. The tax advance payable for the 2023 fiscal year must be declared by 20 January 2023 and also paid in equal monthly instalments by the 20th day of each month.

Extra telecommunications tax

The rate of the extra-profit tax for **telecommunications companies** in Hungary will also be **tiered** in line with net sales revenues for the reporting year, as follows:

- 0% on the part not exceeding HUF 1 billion (roughly EUR 2.5 million),
- 1% on the part exceeding HUF 1 billion, but not exceeding HUF 50 billion (roughly EUR 126 million),
- 3% on the part exceeding HUF 50 billion, but not exceeding HUF 100 billion (roughly EUR 251 million),
- 7% on the part exceeding HUF 100 billion.

The telecommunications extra tax for the fiscal year including 1 July 2022 and the fiscal year starting in 2023 must be determined, paid and declared by the last day of the 5th month of the fiscal year following the reporting year. Telecom companies are also subject to pay tax advances: an extra tax advance equalling the extra tax assessed for 2022 must be paid and declared by 30 November 2022 based on the net sales revenue generated in the fiscal year started in 2021, and by the last day of the 5th month of the fiscal year starting in 2023.

Changes to special retail tax

The **tiered rates** of the **special retail tax** already raised in February will not be further increased **this year**, but taxpayers will have to pay an additional **80%** of the **tax originally levied** this year as the extra retail tax. In 2023, however, the tax rate will increase. The rate based on the tax base thresholds will therefore

- remain at 0% for the part not exceeding HUF 500 million (roughly EUR 1.26 million),
- rise from 0.1% to 0.15% for any amount exceeding HUF 500 million, but not exceeding HUF 30 billion (roughly EUR 75.33 million),
- rise from 0.4% to 1% for the part not exceeding HUF 100 billion (roughly EUR 251 million),
- increase from the current 2.7% to 4.1% for the part exceeding HUF 100 billion.

Company car tax

In addition to the special taxes impacting on certain sectors, the government decree also amends the Act on Vehicle Tax. Accordingly, between 1 July 2022 and 31 December 2022, the monthly rate of **company car tax** will **almost double** in Hungary. (We will explain the details on this shortly in a separate article.)

Advertising tax

Although the decree does not contain a paragraph on this, upon disclosing the other tax measures the government also announced the reintroduction of the advertising tax. The advertising tax is to return from 1 January 2023, and according to our information its rate will rise from 0% to 7.5% on the part of the tax base exceeding HUF 100 million (roughly EUR 252,000).

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In our article we only highlighted the most important aspects of the decree on extra-profit tax published on 4 June. If you have any questions about these or any other rule changes not mentioned here, such as changes to the mining royalty, simplified employment, excise tax or the public health product tax, feel free to contact the [tax consulting team at WTS Klient Hungary](#).

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