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## New tax amendments in Hungary in addition to extra-profit tax

## Transfer pricing rules significantly tightened

*Not long after the [introduction of the extra-profit tax](#) and the increase of other existing taxes detailed in Government Decree No. 197/2022, new significant tax amendments were submitted to the Hungarian National Assembly on 21 June 2022. Bill No. T/360 paving the way for Hungary's central budget for 2023 amends the VAT Act, the Act on Social Contribution Tax and the Act on Rules of Taxation, among others, but changes are also expected with the innovation contribution, while transfer pricing rules will be significantly tightened. We have summarised some of the key points of the tax amendments that business decision-makers should be aware of.*

## Company car tax

As we recently [mentioned](#), the bill will indeed **raise** the rates of the company car tax – which were promulgated by decree and are effective from 1 July 2022 – **to the level of a law** from 1 January 2023. The tax burden is nearly doubling (for the precise amounts, please see our [earlier article](#)).

## Corporate tax

Based on the proposal, the **tax base is reduced** by the amount of the impairment recognised as an increase in pre-tax profit in previous fiscal years when an ownership share was derecognised – as evidenced by tax returns and supporting statements – matching the extent to which the tax base has not yet been reduced by a reversal, and the **tax base is increased** by the amount of impairment recognised in the fiscal year on the ownership share as a charge to pre-tax profit for the fiscal year, at the taxpayer's discretion.

The new provisions on impairment shall first be applicable to the impairment charged in the fiscal year of 2022 when determining the tax liability for the 2022 fiscal year.

## VAT

The latest Hungarian tax amendments do not leave VAT untouched either. According to the proposal and in light of judgment C-717/19 (Boehringer case concerning the price subsidy for pharmaceuticals), **in the case of a claim for a subsequent tax base reduction** stemming from a payment made under a subsidy volume contract, the taxpayer **will not have to perform a self-revision** but will be able to account for the given amount in the tax assessment period including the date of the reimbursement, at the earliest.

## Innovation contribution

The proposal amends the Act on Scientific Research, Development and Innovation, stipulating that the **Hungarian permanent establishment**, including the branch, **of a foreign-registered business must pay the innovation contribution**. The contribution payment obligation of permanent establishments shall enter into force on the 31<sup>st</sup> day after the promulgation of the law.

A permanent establishment falling under the scope of the innovation contribution must determine, declare and pay its innovation contribution advance for the 2022 fiscal year by 20 October 2022. The contribution advance is the estimated amount payable for the 2022 fiscal year and calculated pro rata to the number of days when the contribution payment obligation prevailed. A contribution advance also has to be paid for the first two quarters of the 2023 fiscal year, the quarterly amount is a quarter of the contribution payable for 2022.

## Social contribution tax

The amendment to the Act on Social Contribution Tax changes the social security rules for postings. Accordingly, **working days should be taken as the basis instead of calendar days** when establishing the portion of the income taxable in Hungary, and the pro-rating should be implemented accordingly.

The proposal deletes from the Act on Social Contribution Tax the concept of basic salary applicable in the event of a posting abroad; from now on, the rules of the Act on Social Insurance Contributions will apply, according to which the income underlying the contribution base is the actual basic salary.

## Personal income tax

The latest Hungarian tax amendments also affect the Personal Income Tax Act. The proposal supplements the range of methods that the self-employed can use to calculate the amount chargeable under fuel consumption in connection with the business use of their own (rented or leased) vehicles, with regard to **plug-in hybrid and pure electric vehicles**.

## Hungarian tax amendments in transfer pricing

In our opinion, the most serious tax amendments are expected in the area of transfer pricing. The proposal affects the rules on related companies in several points. We will explain the details on these amendments shortly in a separate article. The most important changes affect the following areas:

- **Data reporting obligation:** In Hungary, data will have to be reported first in the corporate tax return submitted after 31 December 2022. The exact content of the data reporting will be defined by the transfer pricing decree.
- **Application, definition and use of the interquartile range:** If the consideration applied is outside the arm's length range, then as a general rule only the median can be taken into account as the arm's length price, and the transfer pricing adjustment must be made to this point. The exception to this is if the taxpayer verifies that a value within the range other than the median reflects the transaction under review the best, in which case an adjustment should be made to that value instead of the median.
- **Fines and default penalties applicable during tax inspections:** For missing or incomplete transfer pricing documents, the maximum fine will increase from HUF 2 million (roughly EUR 4,918) to HUF 5 million (roughly EUR 12,290), and for repeated infringements from HUF 4 million (roughly EUR 9,835) to HUF 10 million (roughly EUR 24,590).

## Tax amendments for casual employment

The modification of the Act on Simplified Employment was incorporated into the government decree containing the extra-profit tax, and these changes entered into force on 1 July. According to this, for **seasonal workers** in agriculture and tourism **working under the simplified employment** scheme, the public levy payable by the employer will rise from the current HUF 500 (roughly EUR 1.2) to 0.5% of the minimum wage, i.e. to HUF 1,000 (roughly EUR 2.5). For general casual employment, the employer has to pay 1% of the minimum wage i.e. HUF 2,000 (roughly EUR 5) instead of the daily HUF 1,000 (roughly EUR 2.5). For film extras, employers are obliged to pay 3% of the minimum wage, which corresponds to an increase in the tax burden from HUF 4,000 (roughly EUR 10) to HUF 6,000 (roughly EUR 14.7).

### TAX CONSULTING

In this article we only highlighted the most important aspects of the tax amendments submitted on 21 June. If you have any questions about these or any other rule changes not mentioned here, feel free to contact the [tax consulting team at WTS Klient Hungary](#).

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