

EXPATRIATES

Hungary

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

The general principle for taxation in Hungary is that all income arising from all activities undertaken by natural persons is taxable according to Personal Income Tax (PIT) Act. However, there are many exceptions detailed in the Act.

An individual is considered as a Hungarian resident, if any of the following applies:

- If he/she is a citizen of Hungary
- Spends at least 183 days in Hungary
- Individuals from third-country, who has permanent residence permit or stateless individuals
- Other individuals, if having permanent address only in Hungary, in other case if having center of vital interest in Hungary, in other case if having habitual residence in Hungary

Residents are liable for tax in Hungary on their world-wide income, while non-residents are liable for tax only on Hungarian-sourced income, taking into consideration the rules of double tax treaty if applicable.

The taxation of income depends on the type of income that the individual (natural person) receives: employment income, income of self-employment, rental income, dividends, interests, capital gains, other income, etc. Certain types of income are summed up together (consolidated).

BREAKING RESIDENCY - EXIT PROCEDURES

There is no exit procedure needed in Hungary related to taxation. As a general rule, if one does not have any tax obligation in a given tax year, there is no tax return required in that year.

Regarding the social security system, a so called exit procedure is necessary: if an individual decides to leave Hungary, a special declaration has to be submitted to avoid prescription of social security contributions.

However, if one intends to stay within the Hungarian social security system and all conditions of assignment are met, it may also be possible by obtaining the Certificate of Coverage (A1).

INCOME TAX RATES

In Hungary there is a flat PIT tax rate of 15% for almost all kinds of income. There are only few kinds of income not bearing this tax rate (e.g. long term savings).

SOCIAL SECURITY CONTRIBUTION

As per the general rule every individual obtaining a permanent address in Hungary recorded at the national registry falls within the scope of the Hungarian social security system and has payment obligation, even if not obtaining any kind of income.

In relation to employment income an individual within the scope of the Hungarian social security system has to pay 8,5% health insurance and 10% pension contribution on employment income (and on the employer side 19.5% social contribution tax and 1.5% training contribution has to be paid as well).

These obligations have to be paid by the employer through withholding procedure until 12th day of the following month.

Regarding expatriate assignments, there is a beneficial rule in Hungary that if one stays within the scope of the Hungarian social security system (by obtaining an A1 certificate), the base of the contributions may be equal to the average wage of the last 12 months (if special conditions are met); as opposed to actual salary.

In the case of an individual working on assignment in a country with which Hungary does not have a social security agreement, double payment obligation may arise for social security purposes.

For further information and to register for future updates contact expat@bdo.global

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