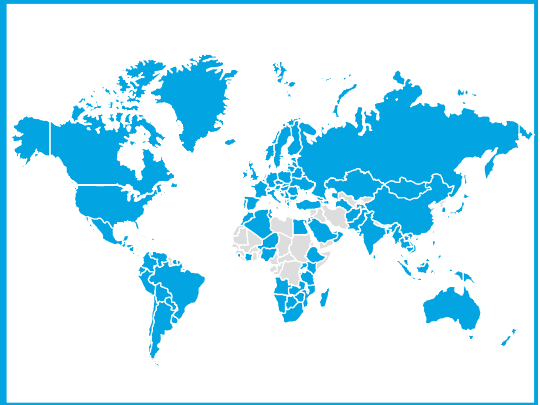


INPATRIATES

Hungary

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

The general principle for taxation in Hungary is that all income arising from all activities undertaken by individuals is taxable under 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 have permanent residence permit or is a “stateless” individual
- Other individuals, if having permanent address only in Hungary, in other case if having center of vital interest in Hungary, or a 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 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).

There are some tax benefits in connection with PIT - available only for Hungarian tax residents: family tax allowance, personal allowances (for certain kinds of illness), allowance for young couples in first marriage, special savings benefit (related to private pension funds and health care costs).

REGISTRATION/FORMALITIES

In the case of an inpatriate working in Hungary, a tax identification number has to be obtained for taxation purposes - and further obligations may arise if being on Hungarian payroll (declaration filing obligation on the side of the employer).

If an individual comes from a country with which Hungary doesn't have a double tax treaty, all domestic income is taxable. On the other hand, if Hungary has a double tax treaty, the rules of the treaty have to be applied.

In the case of EU citizens work permits are not needed, but in the case of citizens of other countries work and residency permit may be needed.

If a taxpayer is on Hungarian payroll, employers are required to withhold and remit income tax on 12th day of the following month.

Simultaneously, the individuals are required to display it on their annual tax return. However, if on Hungarian payroll, the Hungarian tax authority is also required in some cases to prepare a draft assessment for the individual (which is valid if not contested).

If not on Hungarian payroll, but having tax payment obligation in Hungary, one has quarterly tax advance payment obligation (on 12th day of the month following the calendar quarter). In such a case individuals are not provided with a draft return - they are obliged to submit the tax return till 20 May of the following calendar year.

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 CONTRIBUTIONS

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.

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

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