Hungary Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Hungary

EU Member State Yes

Double Tax Treaties

With:

Albania	Denmark	Kazakhstan	Norway	Switzerland
Armenia	Egypt	Rep. of Korea	Pakistan	Taiwan
Australia	Estonia	Kosovo	Philippines	Thailand
Austria	Finland	Kuwait	Poland	Tunisia
Azerbaijan	France	Latvia	Portugal	Turkey
Belarus	Georgia	Lithuania	Qatar	UK
Belgium	Germany	Luxembourg	Romania	UAE
Bosnia &	Greece	Macedonia	Russia	Ukraine
Herzegovina[a]	Hong Kong	Malaysia	San Marino	Uruguay
Brazil	Iceland	Malta	Serbia[a]	US
Bulgaria	India	Mexico	Singapore	Uzbekistan
Canada	Indonesia	Moldova	Slovakia	Vietnam
China	Rep. of Ireland	Mongolia	Slovenia	
Croatia	Israel	Montenegro[a]	South Africa	
Cyprus	Italy	Morocco	Spain	
Czech Rep.	Japan	Netherlands	Sweden	

Notes: (a) Treaty signed in 2001 with former Yugoslavia applies.

Forms of doing business

Limited liability company (korlátolt felelősségű társaság), private limited corporation (zártkörűen működő részvénytársaság), public limited company (nyilvánosan működő részvénytársaság).

Legal entity capital requirements

Limited liability company - HUF 3,000,000 (approximately EUR 10,000)
Private limited company - HUF 5,000,000
Public limited company - HUF 20,000,000

Residence and tax system

A company is resident if it has been incorporated or has its place of management in Hungary. Resident companies are taxed on their worldwide income. Non-resident companies with a permanent establishment in Hungary are only subject to tax on their Hungarian source income.

Non-residents may be taxed on capital gains on the sale of Hungarian companies, including Hungarian real estate, and at the same rates as resident companies. However, DTTs may take precedence over this domestic legislation.

Compliance requirements for CIT purposes

A tax return (also including proposed advance tax payments) must be filed within five months following the end of the tax year. Advance tax payments must be paid monthly/quarterly with a top-up on the 20th of the last month of the FY.

FY: calendar year or any other 12-month period in line with parent.

Tax rate

The standard corporate income tax rate is 19 percent. A reduced rate of 10 percent applies to income up to a threshold of HUF 500,000,000 (approximately EUR 1.7 million) for companies without any special requirements.

There is a minimum tax base threshold of 2 percent of the total adjusted income, i.e. if neither the profit before tax nor the normally calculated tax base reaches this minimum tax base threshold, the taxpayer can opt either to pay the corporate tax based on the minimum threshold or to complete a form declaring that the income was a result of prudent management and business activities.

Local business tax is payable at a maximum of 2 percent on adjusted total trading turnover; it is deductible for corporate income tax purposes.

Withholding tax rates

On dividends paid to non-resident companies

WHT is not levied on dividend payments to non-resident companies (whether resident in a treaty or a non-treaty country).

On interest paid to non-resident companies

No WHT on interest payments

On patent royalties and certain copyright royalties paid to non-resident companies

No WHT on royalty payments

On fees for technical services

No

On other payments

No

Branch withholding taxes

No

Holding rules	Dividend received from resident/non-resident subsidiaries Dividends received are exempt unless received from a Controlled Foreign Company (CFC), or if tax deductible abroad. Capital gains obtained from resident/non-resident subsidiaries Exemption is available subject to certain conditions, unless from a CFC.
Tax losses	Tax losses may be carried forward for an indefinite period spread over the following tax years up to 50 percent of the tax base in any one year.
Tax consolidation rules/Group relief rules	No, only for VAT purposes
Registration duties	Only minimal registration fees at a fixed amount are due: HUF 600,000 (approximately EUR 2,000) for public limited companies, HUF 100,000 (approximately EUR 340) for private limited companies and limited liability companies, HUF 50,000 (approximately EUR 172) for business associations without legal personality. The duty is 40 percent of the abovementioned amount when increasing share capital.
Transfer duties	On the transfer of shares On the transfer of shares (except for the case stated below) and other assets: 0 percent. On the transfer of land and buildings On the transfer of real property or the shares of a company holding Hungarian real estate property: at a rate of 4 percent up to a value of HUF 1 billion and 2 percent on the value exceeding HUF 1 billion (capped at HUF 200 million per property). A reduced rate is applicable for residential properties. Stamp duties There is no standard rate. Financial Transaction Duty was introduced as of January 1, 2013.The tax base is generally the amount of payment in question. As of August 1, 2013 the default tax rate is 0.3 percent capped at HUF 6,000 for each payment transaction, while cash withdrawals are taxed at a higher rate of 0.6 percent without a cap. The tax should be assessed and paid by the payment service provider/credit institution/special intermediary to the tax authorities before the 20th day of the month following that in which the payment transaction was carried out. Real estate taxes 4% up to HUF 1 billion per property (residence other immovable property), 2% on the excess market value, capped at HUF 200 million per property

	Real property acquisition for commercial purpose 2% Acquisition of real property by credit institutions 2% Asset acquisition of regulated property investment companies 2%
Controlled Foreign Company rules	As of January 1, 2010 these rules apply to foreign entities with Hungarian-resident individuals as ultimate shareholders (with at least 10 percent ownership) or to entities whose income is derived mainly from Hungarian sources and that are taxed at an effective rate less than 10 percent. These rules do not apply to companies resident in any of the EU or OECD member countries, or more generally, in any country with which Hungary has a double tax treaty, provided the entity has a genuine economic presence in its country of residence.
Transfer pricing rules	General transfer pricing rules OECD guidelines on transfer pricing are applicable. In practice, however, few tax offices have challenged to date. Following the introduction of new documentary requirements as of January 1, 2010, transfer pricing may become a more significant issue. Advance Pricing Agreements (APAs) are available. Documentation requirement Yes
Thin capitalization rules	Debt-to-equity ratio of 3:1 applies to both domestic and cross-border interest bearing loans from related as well as non-related parties (not applicable to bank loans) and non-interest bearing loans if a transfer pricing adjustment has been applied to them. Not applicable for intra-group financing companies.
General Anti-Avoidance rules (GAAR)	In addition to the specific rules listed above (CFC rules, transfer pricing and thin capitalization rules) the same general anti-avoidance rules apply in a domestic and cross-border context.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	Anti hybrid rules for dividends received (not exempt in Hungary if deductible in source country)
Advance Ruling system	Frequently applied binding ruling system, can be obtained within 75 - 135 days.
IP / R&D incentives	■ 200 percent deduction for direct R&D costs. Tax allowance/credit regime in place for certain investments. 50 percent of royalty income is exempt from CIT, ■ Profits realized on sale of 'reported intangible assets' (if entitled to royalty income) exempt from CIT in certain circumstances.

Other incentives	Incentives apply for certain investments and developments.
VAT	The standard rate is 27 percent, and the reduced rates are 18 percent and 5 percent. Group taxation is available.
Other relevant points of attention	Anti-avoidance rules vague, with formal approach taken by the tax office. However, there are general anti-avoidance rules that are rarely invoked.

Source: Hungarian tax law and local tax administration guidelines, updated 2015.

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