

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 Hungarian 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 and an EU-citizen;
- 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 in the case of non-residents only Hungarian-sourced income is taxable, 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 combined (consolidated).

BREAKING RESIDENCY - EXIT PROCEDURES

There is no exit procedure needed in Hungary related to taxation. In simple term and as a general rule, if one does not have any tax obligation in a given tax year, there is no tax return filing obligation in that year.

Regarding the social security system, an exit procedure is necessary: if an individual decides to leave Hungary, a special declaration must be submitted to avoid social security payments in Hungary.

However, if one intends to stay within the Hungarian social security system and all conditions of it are met (e.g., in case of assignments, multi state work, exemption request), it may 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 types of income. There are only few types 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 18.5% social security contribution on the employment income (and on the employer side 13% social contribution tax must be paid as well).

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

Regarding an assignment, there are special minimum contribution rules in Hungary if one stays within the scope of the Hungarian social security system (by obtaining an A1 certificate), which may be different from the contracted 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.

Tax	Tax rate	Employees'/ Employers' charges
Personal income tax	15%	Employees' charge
Social security contribution	18.5%	Employees' charge
Social contribution tax	3%	Employers' charge

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