

# 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 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 have 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, or a 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 receives: employment income, income of self-employment, rental income, dividends, interests, capital gains, other income, etc. Certain types of income are combined (consolidated).

There are some tax benefits in connection with PIT-available only for Hungarian tax residents or non-residents providing that the additional conditions are met: family tax allowance, personal allowances (for certain kinds of illness), allowance for young couples in first marriage, allowance for mothers raising four or more children, allowance for young adults who are under 25, special savings benefit (related to private pension funds and healthcare costs).

#### REGISTRATION/FORMALITIES

In the case of an inpatriate working in Hungary, a tax identification number must 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, the entire domestic income is taxable. Alternatively, if Hungary has a double tax treaty, the rules of the treaty must 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 required.

In the case of being on Hungarian payroll the tax obligations must be performed by the employer through withholding procedure until the 12th day of the following month (in the form of advance payment). Simultaneously the individuals are obliged to report on their annual tax return, however, if being on Hungarian payroll, the Hungarian tax authority is also obliged in some cases to prepare a draft tax return for the individual (which is valid if there is no modification made on it by the individual).

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

## 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 subjected to this tax rate (e.g., long term savings).

## SOCIAL SECURITY CONTRIBUTIONS

An individual within the scope of the Hungarian social security system must 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.

Tax	Tax rate	Employees' / Employers' charges
Personal income tax	15%	Employees' charge
Social security contribution	18.5%	Employees' charge
Social contribution tax	13%	Employers' charge

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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