



COMPANY CENTER & CORPORATE SERVICES

## HIGHLIGHTS OF HUNGARIAN TAX SYSTEM 2017

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The below is a general summary of the taxation rules in Hungary. In Hungary, taxation rules change frequently, but the main concept of taxation does not change and the tax system is stable.

## 1. CORPORATE TAXATION

(a) *Corporate Income Tax 9 %*

The general corporate income tax rate is 9 %, which is the lowest in the EU. The tax base is the company's pre-tax profit amended by tax base increasing and tax base reducing factors (carry forward losses, depreciation, etc).

(b) *No Withholding Tax*

In Hungary, there is no withholding tax on dividend, royalty and interest payments made between corporate entities from a Hungarian source.

## 2. LOCAL BUSINESS TAX

Local municipalities are entitled to levy up to 2 per cent local business tax on the following tax base: net sales revenue less cost of goods sold less value of mediated services less cost of materials. The Municipality of Budapest applies the maximum 2 per cent rate.

## 3. VALUE ADDED TAX

Currently, there are three VAT rates applied in Hungary. The standard VAT rate of 27 per cent applies to most products and services; the reduced VAT rate of 18 per cent applies to basic alimentary (such as milk, dairy products and products made from grain or flour), district-heating and tourist accommodation services; the super reduced of 5 per cent applies to basic pharmaceuticals and books.

## 4. TRANSFER TAX

The transfer of real property and rights related to real property is subject to transfer tax on the basis of the market value of the real estate. The transfer tax is payable by the transferee. The general rate of transfer tax for real estates is 4 per cent calculated on the basis of the market value of the real estate. Special transfer tax rate applies to residential apartment units (and if the real estate is acquired by a real estate agent or a financial leasing company).

The gift of movables, immovables and immaterial rights is subject to gift tax. The general rate of the gift tax is 18% and some preferential rates may apply depending on the value of the gift and/or the relationship between the donee and the donor.

## 5. PERSONAL INCOME TAX

Income earned from employment is subject to

- personal income tax at a flat rate of 15 per cent
- and the following contributions:

<b>Payments by employer</b>		
<b>Payment</b>	<b>Basis</b>	<b>Rate</b>
Social Security Contribution	gross salary	22%
Vocational Training Contribution	gross salary	1.5%
<b>Total</b>		23.5%

<b>Payments by employee</b>		
<b>Payment</b>	<b>Basis</b>	<b>Rate</b>
Pension contribution	gross salary (capped at HUF 7.942.200 per year)	10%
Health insurance contribution	gross salary	8.5%
<b>Total</b>		18.5%

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