

**HUNGARY**

As per 1 January 2020

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**EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY**

<b>Personal Income Tax Rates – Employment Income</b>	The personal income tax rate in Hungary is flat 15% regarding all income.
<b>Tax rate</b>	
<b>Tax period</b>	Tax year in Hungary is identical with the calendar year.
<b>Tax residency / Domicile according to domestic law</b>	<p>As per the domestic legislation all Hungarian citizens are considered as Hungarian tax residents (exception is if the individual has a second citizenship and he/she has no registered address in Hungary).</p> <p>EEA citizens who exercise their right to be present in another member state for more than 3 months in Hungary and such right is exercised for more than 183 days in Hungary in a given tax year. Third country nationals settled down in Hungary as well as stateless persons are to be considered as Hungarian tax residents.</p> <p>If none of the above criteria are met an individual can still be considered as Hungarian tax resident if he/she</p> <ul style="list-style-type: none"> <li>– has permanent home available only in Hungary,</li> <li>– has the centre of vital interest in Hungary, or</li> <li>– has habitual abode in Hungary.</li> </ul>
<b>Tax registration</b>	An individual who becomes subject to Hungarian tax shall apply for a Hungarian tax ID number. Tax payments and declarations can be done only in the possession of such tax ID number (10 digit numerical code).
<b>Employment income definition</b>	As a main rule any remuneration and benefit (either in cash or in kind) which is provided to the employee with consideration to the employment relationship and work performed under such relationship shall be seen as employment income.
<b>Examples of tax exemption</b>	<p>Housing cost of the individuals on assignment in Hungary borne by either the host or home entity might be considered as tax free income.</p> <p>Travel and accommodation cost relating to business trips.</p> <p>Use of company car also for private purposes.</p>
<b>Specific expatriate concession</b>	There are no specific expatriate related tax benefits in Hungary.
<b>Income of board members</b>	Income derived from board membership is treated as employment income for tax purposes.
<b>Tax returns</b>	Tax return is due until 20 May following the subject tax year. The Hungarian system is a self-assessment system, meaning that the individual itself is liable to calculate and report the tax obligations to the tax authority. However if the tax authority possesses certain control data from their system, and other conditions are also met, it prepares draft tax returns to individuals which become their final return if no modification is done by the taxpayer.
<b>Tax payments</b>	<p>In case of local payroll is operated, the employer (as a payer) is obliged to withhold and pay personal income tax advance on a monthly basis (by the 12th of the following month).</p> <p>If no local payroll is operated (income is paid by a foreign employer) then the personal income tax advance is payable on a quarterly basis by the taxpayer due until the 12th of the month following the quarter in which the income was paid.</p> <p>In case of capital related income (interest, dividends, capital gains) tax is payable simultaneously with the tax return filing.</p>
<b>Tax on real estate property</b>	

## TAX TREATIES

Employment income / income from board members

Art 15/16 OECD Model Tax Convention

## INTERNATIONAL SOCIAL SECURITY

Cross border employments

EU Regulation No 883/2004 and EU regulation No. 1408 / 71 and several totalization agreements are applicable.

Exception under Art 16 of Reg. 883/2004

Generally applicable

and Art 17 of Reg. 1408/71

Social Security Cost as % from gross salary and absolute amounts

Payable by the individual on the gross salary:

- 18.5% social security contribution.

Payable by the employer on gross salary:

- 15.5% : Social Contribution tax;
- 1.5% : Training Fund contribution (only for Hungarian companies)

## IMMIGRATION

Work permit

Swiss, EU and EEA nationals do not need a work permit to work in Hungary. However, the Labour Office needs to be informed about the employment. Nationals of another countries need a work permit in order to perform (employment) activities in Hungary.

Visa

EU and EEA citizens do not need a visa to enter Hungary. Non-EU and EEA citizens from particular countries may be obliged to apply for a visa before entering Hungary.

Residence permits / Registration card

Third country nationals need to have a residence permit for the purpose of employment in order to work in Hungary.  
EU and EEA nationals need to obtain a registration card if their stay in Hungary exceeds three months.  
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Driving license

A foreign driving licence is valid for one year from the first day of the individual's stay in Hungary. After one year it needs to be replaced by a Hungarian driving licence.  
The driving licence issued in EEA countries are valid as regular. If it does not contain an expiry date it has to be replaced after a two-year stay by a Hungarian driving licence.  
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STOCK OPTION PLAN

Tax treatment depends upon the conditions of the Stock Option Plan. However general rules apply. Taxation point is when the option is exercised. If the income needs to be allocated between various countries, the grant to vest period must be observed.

## ARTICLE 15 OF THE OECD MODEL

183 days

The number of days spent in Hungary is relevant in the determination of tax residency in the Hungarian national legislation.  
The Act on personal income tax prescribes, that an individual qualifies Hungarian tax resident in the case the right of free movement and residence is exercised for at least 183 days in a calendar year, including the day of entry and exit (effective for the citizens of the European Economic Space).  
In practice, the physical presence is to be considered by the calculation of the 183 days. Those days, when the individual is partially in Hungary, qualify as Hungarian days.

**Notion of employer**

In general, it is the organization, with whom a private individual has an employment relationship. The notion of the employer includes any legal person, registered company, association of persons, any private entrepreneur or partnership and any other organization having a registered office, business establishment or representation in Hungary. Foreign companies shall also be considered employers in the case they establish employment relationship, which results social security coverage for the individual in Hungary.

In respect of the economic employer approach, the Hungarian Tax Authority issued a summary that this concept is applicable in Hungary. This is fully in line with the OECD approach. However, it is not prescribed by the Hungarian law.

**Existence of a permanent establishment**

In the Hungarian legislation it covers:

- permanent business establishment, equipment, and accessories that is used by the taxpayer in whole or in part for business activities;
- site of construction or assembly operations;
- foreign person in the case of the direct utilization of natural resources in Hungary;
- foreign person in the case of utilization of real estate
- foreign person in the case of activities undertaken by other business entities, who are entitled to enter into a contract in Hungary on behalf of the foreign person and exercise such right on a regular basis.



(<http://www.mazars.com/Users/Our-team/Sandor-Szmicsek>)

Sándor Szmicsek

Tax partner – Budapest, Hungary

Send Email (<http://www.mazars.com/Users/Our-team/Sandor-Szmicsek>)

Direct line: +36 1 885-0203

Address: Nagyenyed utca 8-14, 1123 Budapest

[www.mazars.hu](http://www.mazars.hu) (<http://www.mazars.hu>)