



Doing Business in Hungary 2021

Audit / Tax / Advisory / Bookkeeping / Payrolls

Smart decisions. Lasting value.

Welcome

to Doing Business in Hungary

Doing Business in Hungary has been prepared by the Crowe Global member firm in Hungary in order to provide general information for persons planning to do business with or in the country concerned and/or individuals intending to live and work in Hungary temporarily or permanently.

This Guide includes relevant information about business operations and taxation matters. It is intended to assist organizations that are considering establishing a business in Hungary either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Hungary to work and live here either on secondment or as a permanent life choice.

Unless noted otherwise, the information contained in this Guide is believed to be accurate as of 1 January 2021. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

All lasting business is built on friendship.

Alfred A. Montapert



About Crowe Global

Crowe Global is ranked among the top 10 global accounting networks, with over 200 independent accounting and advisory firms in more than 145 countries. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily.

Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing the knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Global member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

General information

Local currency, Exchange rate to EUR as of 27/05/2021	349.16
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Types of organization

LLC

Name in local language	Korlátolt felelősségű társaság (Kft.)
Registrable in commercial register / legal entity	Yes / yes
Minimum capital	HUF 3 000 000 (EUR 8 592)
Minimal number of shareholders/ Maximum number of shareholders	1 / n/a
Capital tax / Registration fees	No / no
Written form/ notarization	Yes / no
Registration with tax authorities	Yes
Statutory audit	If net revenue exceeds HUF 300m (EUR 859k) or average number of employees exceeds 50 (based on the past two years)

Public company (joint-stock company)

Name in local language	Nyilvánosan működő részvénytársaság (Nyrt.)
Registrable in commercial register / legal entity	Yes / yes
Minimum capital	HUF 20m (EUR 57.3k)
Minimal number of shareholders/ Maximum number of shareholders	1 / n/a
Capital tax / Registration fees	No / HUF 600k (EUR 1 718)
Written form/ notarization	Yes / no
Registration with tax authorities	Yes

Statutory audit	Yes
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Branch (permanent establishment)

Name in local language	Külföldi vállalkozás magyarországi fióktelepe
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Registrable in commercial register / legal entity	Yes / no
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Minimum capital	n/a
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Minimal number of shareholders/ Maximum number of shareholders	n/a
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Capital tax / Registration fees	No / HUF 55k (EUR 158)
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Written form/ notarization	Yes / no
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Registration with tax authorities	Yes
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Statutory audit	Yes
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Private company limited by shares

Name in local language	Zártkörűen működő részvénytársaság (Zrt.)
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Registrable in commercial register / legal entity	Yes / yes
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Minimum capital	HUF 5m (EUR 14.3k)
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Minimal number of shareholders/ Maximum number of shareholders	1 / n/a
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Capital tax / Registration fees	No / HUF 100k/50K (EUR 286/143)
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Written form/ notarization	Yes / no
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Registration with tax authorities	Yes
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Statutory audit	If net revenue exceeds HUF 300m (EUR 859k) or average number of employees exceeds 50 (based on the past two years)
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Limited partnership

Name in local language	Betéti társaság (Bt.)
Registrable in commercial register / legal entity	Yes / yes
Minimum capital	n/a
Minimal number of shareholders/ Maximum number of shareholders	Minimum 2 (1 limited partner, 1 unlimited partner)
Capital tax / Registration fees	No / no
Written form/ notarization	Yes / no
Registration with tax authorities	Yes
Statutory audit	If net revenue exceeds HUF 300m (EUR 859k) or average number of employees exceeds 50 (based on the past two years)

Value added tax (VAT)

Tax rates	<p>Standard rate: 27%</p> <p>Reduced rate: 18% applies to (among others): hotel accommodation, tickets for concerts, dairy and bakery products.</p> <p>Reduced rate: 5% applies to (among others): books and newspapers, licenced pharmaceutical products , meat, fish, supply of electricity, food and non-alcoholic drinks consumed at restaurants</p>
Supply of goods	Sale of goods and withdrawal for private purposes is taxable
Supply of services	Supply of services and private use/ supply of services without consideration
Reverse charge on local supplies	<p>Among others:</p> <p>Construction services performed between two local taxpayers</p> <p>Sale of property (construction land and buildings with the associated land)</p>
Import of services	Import services are subject to reverse charge VAT

Deadline and conditions for VAT refund	Taxable persons from other EU Member State, or from Switzerland, Norway and Lichtenstein can apply for VAT refund. Deadline for submission of VAT refund request is 30 September of the following year for the previous year VAT refund
Major Tax exemptions	Medical services, insurance, bank charges, education
Real Estate	Rent: Business entities and individuals can opt for VAT exempt or VAT-able status for real estates Sale: Business entities can opt for VAT exempt or VAT-able status for real estates (except new real estates and some other examples - these are VAT-able); Individuals: VAT exempt (except new real estate and some other examples such as constuction plot) Financial Leasing: supply of goods Operative Leasing: supply of services
Foreign taxable persons (VAT registration)	VAT registration is required if supply is taxable/reportable in Hungary. T201 form should be submitted to the Hungarian Tax Authority

Corporate tax

Accounting rules	Double entry bookkeeping. Application of Hungarian accounting standards is mandatory for all entities, except for credit instituitions and entities whose shares or bonds are listed on the stock exchange, they must apply International Financial Reporting Standards (IFRS)
Tax rate	9%
Tax base	Accounting profit/ loss determined in accordance with the applicable accounting standards (International Financial Reporting Standards or Hungarian Financial Reporting Standards) adjusted with tax base increasing/decreasing items.
Tax assessment period	The tax year is usually the calendar year, however the taxpayer can elect different financial year, which applies for tax purposes.
Loss set-offs/ carry forwards	5 years, no tax losses carry back (except agricultural enterprises)

Tax/ accounting depreciation	Depreciation for tax and accounting purposes can be different but must be eliminated (through tax base increasing/decreasing items) when determining the tax base.
Tax deductibility of interest, Excessive interest rate rule, Thin capitalization rule	<p>Deductibility of interest:</p> <p>Interest and other borrowing costs related to borrowings received from abroad are tax deductible up to EUR 3,000,000 or 30% of EBITDA, whichever is higher. This rule is not applicable to financial undertakings and standalone taxpayers (i.e. those that are not part of a consolidated group, are not obliged to prepare consolidated financial statements, have no associated enterprise or permanent establishment and do not approve or receive loans from their shareholders).</p>
Reserves for bad debts, leaves, etc.	Reserves for bad debts are deductible with annual 20% ratio
Other Major tax adjustments a) increasing and b) decreasing taxable profit	<p>a) increasing: accounting depreciation, non-business expenses, some costs related to controlled foreign companies;</p> <p>b) decreasing: tax depreciation, tax reductions related e.g. to development reserves, non-taxable dividend income, royalty income, R&d.</p> <p>Related parties:</p> <p>A company participates directly or indirectly in the management, control or capital of another company (subsidiary), or</p> <p>The same persons participate directly or indirectly in the management, control or capital of both companies (sister company).</p>
Transfer pricing, Transfer pricing documentation, Related parties	<p>Entrepreneurial agreements entered into the court registry</p> <p>Transfer prices and documentation:</p> <p>Arm's length basis</p> <p>Transfer pricing documentation prepared in line with the OECD Guidelines in each year by the time of submitting the annual CiT return</p> <p>Advance Pricing Agreements with the Tax Authorities possible</p>
Withholding tax	Not applicable when payment made to non-resident legal entity.
Interest	No withholding tax is levied on interests paid to a non-resident legal entity.

Royalties	No withholding tax is levied on royalties paid to a non-resident legal entity.
Services	No withholding tax is levied on service fees paid to a non-resident legal entity.
Group taxation	Applicable since 2019, but certain criteria have to be met e.g. one taxpayer controls at least 75% of the voting rights of the other taxpayers, or another person controls at least 75% of the voting rights of the taxpayers.

Personal income tax

Taxable income	Hungarian resident individuals pay tax on their worldwide income, foreign resident individuals pay tax only on their Hungarian-source income.
Income from employment/ self-employment	Tax rate: flat 15%
Income from property and property rights	15% Personal Income Tax applies on incomes from properties with 10% deemed expenses.
Income from capital	Capital gains: 15% out of the difference between market/ sales value and purchase/ acquisition cost.
Other income	Tax rate: 15%
Withholding tax	Applicable - 15% tax rate (unless prevailed over by tax treaty)
Interest	Interest paid to an individual is subject to Personal Income Tax at a rate of 15%, unless the rate is reduced under a tax treaty.
Royalties	Royalties paid to an individual may be subject to Personal Income Tax at a rate of 15%, unless the rate is reduced under a tax treaty.
Dividends	Dividends paid to an individual may be subject to Personal Income Tax at a rate of 15%, unless the rate is reduced under a tax treaty.
Capital gain	Capital gain paid to an individual may be subject to Personal Income Tax at a rate of 15%, unless the rate is reduced under a tax treaty.

Mandatory social contributions

Contribution rates	<p>Social contribution: 15.5% paid by employers based on gross salary</p> <p>Training fund contribution: 1.5% paid by employers based on gross salary</p>
Minimum and maximum contribution	Social contribution is maximum annual HUF 598 920 (EUR 1 715) annually.
Self-employed individuals	Normally pays social contribution, training fund contribution, social security contribution rate: same as employers and employees; base: certain percentage of living wage, but there are other options, like lumpsum tax payment, etc.
Employed individuals	Social security contribution: 18.5% paid by employees based on gross salary

BEPS implementation

CFC	A CFC is a foreign company in which a Hungarian company holds (a direct or indirect) participation exceeding 50%, if the tax paid by the subsidiary is less than half what would have been payable in Hungary on the same revenue. The proportion of the undistributed income from non-genuine arrangements of a CFC are taxable in Hungary as part of the taxpayer's tax base.
DAC6	Implemented as of July 2020. Mandatory disclosure requirements are imposed for certain arrangements with an EU cross-border element where the arrangements fall within certain "hallmarks" and in certain instances where the main or expected benefit of the arrangement is a tax advantage.
CRS	Implemented since 2016.
GAAR/ other anti-abuse rules (PPT, etc)	PPT has been excepted by Hungary in MLI.

Global employment issues

Work and Residence permit	Work and residence permit is required for longer stays (more than 90 days) in Hungary
Minimum salary	Minimum salary is HUF 167 000 (EUR 479)

Taxation of immovable property

Tax depreciation	Linear
Depreciation categories	All are linear, there is fastened depreciation for leased out immovable property
Land	No depreciation
Building	Depending on the classification, but usually 2%
Tax base	Acquisition cost
Special depreciation	Agricultural buildings: 3% Gas pipelines: 6%
Real estate transfer tax	4% of market value up to HUF 1 billion market value (2% above) capped at HUF 200 million (EUR 573k) per real estate
Property tax (rate and base)	Imposed at the discretion of municipalities.
Real estate funds	REIT is introduced in the Hungarian tax regime (CIT and LBT exemption)
Owner of the fund assets	n/a
Valuation	n/a
Investment	n/a
Risk diversification	n/a

Local business tax (LBT)

Tax base	adjusted turnover
Tax rate	maximum 2%

Incentives

Investment incentives	Up to maximum 50% of the invested value and up to 80% of annual pre-tax profits, development tax credit can be applied for certain investments the amount depends on certain factors (e.g. the location within Hungary, amount of investment).
R&D incentives	R&D tax incentive allow a double CIT deduction of qualified R&D costs.
Young employees, elderly employees	Up to HUF 100 000 (EUR 286) /month gross salary base, there is social tax and training fund contribution exemption after fresh employees below the age of 25. Employees will be PIT exempt below the age of 25 as of 1 January 2022.
Educational incentives	Special PIT and social tax treatment for take-over the educational expenses of employees.

Tax liabilities

	For taxpayers	For directors (chief officers)	For shareholders
Binding opinion/ Advanced tax rulings	Yes, one-time or permanent	n/a	n/a
Penalties for late payment of tax	Late payment interest: 5% + Hungarian National Bank Base rate (currently 0.60%) = 5.60% on late payments Tax penalty: Tax shortfall assessed by Tax Authority is subject to maximum 50% tax penalty	n/a	n/a
Tax misdemeanor provisions	Default penalty: up to HUF 1 million (EUR 2 864); up to HUF 2 million (EUR 5 728) for default TP documentation	n/a	n/a
Criminal provisions	Criminal penalties for tax fraud up to maximum 200% tax penalty	Possible criminal prosecution for tax fraud, in extreme cases	n/a
Piercing the corporate veil	Personal liability of company's owners, directors and related parties for misuse of their powers		

Advanced pricing agreements	Yes, for 3-5 years	n/a	n/a
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Deadlines for reporting and payment of taxes and social contributions

Type of tax	Reporting deadline	Payment deadline
CIT	31 May of the following year	prepayments: 20th calendar day of each month/quarter (depending on volume) final payment: 31 May of the following year
PIT	20 May of the following year	20 May of the following year
VAT	20th calendar day of the following month/quarter (depending on certain factors e.g. volume)	20th calendar day of the following month/quarter (depending on certain factors e.g. volume)
Social contributions	12th calendar day of the following month	12th calendar day of the following month

Double taxation treaties

Country	Dividends	Royalties	Interest
Albania	5 / 10	5	0
Armenia	5 / 10	5	10
Australia	15	10	10
Austria	10	0	0
Azerbaijan	8	8	8
Bahrain	0/5	0	0
Belarus	5 / 15	5	5
Belgium	10	0	15
Bosnia-Herzegovina	10	0	0
Brazil	15	25/15	10 / 15

Bulgaria	10	10	10
Canada	5 / 15	10	10
China	10	10	10
Croatia	5 / 10	0	0
Cyprus	5 / 15	0	10
Czech Republic	5 / 15	10	0
Denmark	0 / 15	0	0
Egypt	15 / 20	15	15
Estonia	5 / 15	0	10
Finland	5 / 15	0/5	0
France	5 / 15	0	0
Georgia	0 / 15	0	0
Germany	5 / 15	0	0
Greece	10	0/10	10
Hungary	5 ¹ /10	0	0
Hong Kong	5 / 10	5	5
Iceland	5 / 10	10	0
India	10	10	10
Indonesia	15	15	15
Iran	0	5	0/5
Ireland	5 / 15	0	0
Israel	5 / 15	0	0
Italy	10	0	0
Japan	10	0/10	10
Kazakhstan	5 / 15	10	10
Korea (ROK)	5 / 10	0	0
Kosovo	0 / 5	0	0
Kuwait	0	10	0

Latvia	5 / 10	5 / 10	10
Liechtenstein	0/10	0	0
Lithuania	5 / 15	5 / 10	10
Luxembourg	0/10	0	0
Malaysia	10	15	15
Malta	5 / 15	10	10
Mexico	5 / 15	10	10
Moldova	5 / 15	0	10
Mongolia	5 / 15	5	10
Montenegro	5 / 15	10	10
Morocco	12	10	10
Netherlands	5 / 15	0	0
North Macedonia	5 / 15	0	0
Norway	10	0	0
Oman	0	8	0
Pakistan	15 / 20	15	15
Philippines	15 / 20	15	15
Poland	10	10	10
Portugal	15	10	10
Qatar	0 / 5	5	0
Romania	5 / 15	10	15
Russia	10	0	0
San Marino	0 / 5 / 15	0	0
Saudi Arabia	5	5 / 8	0
Serbia	5 / 15	0	10
Singapore	5 / 10	5	5
Slovakia	5 / 15	10	0
Slovenia	5 / 15	5	5

South Africa	5 / 15	0	0
Spain	5 / 15	0	0
Sweden	5 / 15	0	0
Switzerland	0 / 15	0	0
Taiwan	10	10	10
Thailand	15 / 20	15	10 / 25
Tunisia	10 / 12	12	12
Turkey	10 / 15	10	10
Turkmenistan	5 / 15	10	10
Ukraine	5 / 15	5	10
United Arab Emirates	0	0	0
United Kingdom	0 / 15 / 10	0	0
United States	5 / 15	0	0
Uruguay	15	10 / 15	15
Uzbekistan	10	10	10
Vietnam	10	10	10

1 If the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends

2 If the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends

3 If the beneficial owner is a company which holds directly or indirectly at least 10% of the capital of the company paying the dividends

4 Where the dividends are paid by a company which is a resident of Croatia to a resident of Malta who is the beneficial owner thereof, the Croatian tax so charged shall not exceed 5% of the gross amount of the dividends

5 If the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the voting power of the company paying the dividends

6 If the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends (this share should be at least USD 100,000)

7 If the beneficial owner is a company which holds directly at least 20% of the capital of the company paying the dividends

8 If the dividends are paid to a company that has the capital of which is wholly or partly divided into shares, as long as it holds directly at least 25% of the capital of the company paying the dividends

9 When the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends where that latter company is a resident of Israel and the dividends are paid out of profits which are subject to tax in Israel at a rate which is lower than the normal rate of Israeli company tax

10 When the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends and has invested to the capital of that company at least EUR 150,000

11 If the beneficial owner is a company which is a resident of the other Contracting State and controls, directly or indirectly, at least 25% of the capital of the company paying the dividends (other than where the dividends are paid by an investment vehicle as mentioned in subparagraph (b))

12 When those dividends are paid out of income (including gains) derived directly or indirectly from immovable property within the meaning of Article 6 by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax



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About Crowe in Hungary

Crowe FST is an independent member firm of Crowe Global.

The Firm was established by professional accountants, auditors, tax advisors, information technology and management consultants with international experience and focus. The Firm's professionals apply state-of-the-art methods and tools to provide best possible service and solution delivery to the clients. Additionally, experienced lawyers and other professionals complement the Firm's client service capabilities in Hungary and across the world through other member firms of Crowe Global.

Based on international methodologies and standards we entered into the domestic and regional markets with innovative services tailored to domestic demands and specialties. Our services combine IT, financial, accounting, auditing, risk management and other management consultancy solutions in the necessary composition.

Services include auditing, accounting, bookkeeping and payrolls, tax advisory, company formation and launch (complete service), dissolution, accounting advisory, IT systems roll-out support, consolidation, translation, internal audit, SOX compliance, fraud investigations, risk management, transaction services and corporate finance. In cooperation with our strategic partners we offer complete solutions to our clients. We believe that the excellent value for money of our services meets the expectations of our clients and we are confident that our client-focus and quality services support our commitment. Our commitment is a guarantee for good client relations and confidentiality.

Our Global Reach

In addition to our local and regional services, as members of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 180 independent accounting and advisory services firms in about 140 countries around the world.

As member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, M&A, corporate finance, forensic services, human resources services, tax & regulatory.

This unique combination of our local and regional talent coupled with the global reach of our network provides us with the local expertise and global worldwide capabilities our clients expect and deserve.