

Tax Agenda Hungary

January 2022



No.	Fact	Action	
1	<p>Reduction of taxes on labor from 1 January 2022</p> <ul style="list-style-type: none"> ▶ A reduction in the social contribution tax rate by 2.5% to 13%; ▶ The elimination of the 1.5% vocational training contribution ▶ A reduction in the small business tax (in Hungarian: KIVA) rate to 10% and ▶ An extension of the relief providing a reduced local business tax rate of 1% for SMEs (the 1% rate is the maximum rate, instead of the standard 2% maximum rate) 	<p>Analyze the impact on your payroll budget and situation of each group of individuals employed or cooperating based on business-to-business agreements with your group in Hungary.</p> <p>Review whether the new changes would result in any tax implications for the group.</p>	<p>● ●</p>
2	<p>BEPS Action 15 (BEPS Multilateral Instrument; MLI)</p> <p>The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Hungary on 1 July 2021. With respect to the covered agreements (tax treaties) between Hungary and the other countries for which the MLI has already entered into force, the MLI is generally effective from 1 January 2022 in respect of withholding taxes and for taxable periods beginning on or after 1 January 2022 in respect of other taxes (six months after entry into force).</p> <p>Solely for the purposes of its own application of the MLI for other taxes, Hungary has opted for the MLI to apply from 1 January of the calendar year beginning on or after the expiration of the 6-month period after entry into force.</p>	<p>Evaluate the impact of the application of the MLI for the group. Assess whether if any change should be carried out with respect to current or future transactions.</p>	<p>● ● ●</p>



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3	<p>Hungary Increases Minimum Monthly Wage from January 2022</p> <p>Hungary increased the standard minimum monthly wage from HUF 167,400 per month to HUF 200,000 per month for full-time employees with effect from 1 January 2022. For employees in positions requiring at least secondary level qualifications or vocational training, the minimum monthly wage is increased from HUF 219,000 per month to HUF 260,000 per month.</p>	<p>Analyze the impact on your payroll budget and update the relevant contracts and payroll systems.</p> <p>●</p>
4	<p>Increase of Top Retail Turnover Tax Rate</p> <p>The Hungarian parliament has approved an increase in the top progressive rate for the retail turnover tax from 2.5% to 2.7%. The progressive rates are based on the net retail turnover in the previous year, with the top rate applied for annual turnover exceeding HUF 100 billion. The increased top rate will be effective from 1 February 2022.</p>	<p>Review whether the retail turnover tax applies for the company and prepare a draft estimation to assess the potential increased tax liability of the company.</p> <p>●</p>
5	<p>Reversed hybrid rules</p> <p>Reversed hybrid rules are introduced to complete the implementation of the Amending Directive to the 2016 Anti-Tax Avoidance Directive (2017/952) (ATAD 2).</p> <p>As of 1 January 2022, reverse hybrids will also be considered resident taxpayers. According to the definition, entities registered under Hungarian law or having their seat in Hungary are resident taxpayers if the direct or indirect majority owners are considered to be hybrid entities by their own tax system.</p>	<p>Analyze if the company would fall the definition of the hybrid entities under the reversed hybrid rules and assess if any steps should be taken with respect to ATAD 2.</p> <p>● ● ●</p>
6	<p>Extension of development tax benefit</p> <p>Hungary has approved the measures of the economy protection action plan developed in its 2020 Budget which extends the development tax benefit (discount). Accordingly, effective 2022, the limit of minimum project value has been reduced to HUF 50 million for small enterprises and HUF 100 million for medium enterprises.</p>	<p>Review whether the new changes with respect to the development tax allowance could affect the plans of the company.</p> <p>●</p>
7	<p>Tax-free allowance for young individuals</p> <p>Hungary has approved the introduction of a tax-free allowance (discount) from 1 January 2022 for young individuals under the age of 25 in respect of employment income, including self-employment income. The allowance is equal to the average monthly gross earnings of full-time employees as officially published by the Central Statistical Office for the month of July of the year preceding the reference year.</p>	<p>Analyze the impact on your payroll budget and update the relevant contracts and payroll systems.</p> <p>●</p>
8	<p>Extension of reverse charge</p> <p>Beyond 30 June 2022 in the context of expected changes to EU law on the supply of certain cereal and steel products and on the transfer of a tradable right (allowance) to emit greenhouse gases.</p>	<p>Review whether the company would use the extension of the reverse charge in its future transactions.</p> <p>●</p>

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