Tax Agenda Hungary

March 2023

EY
Building a better working world

No.	Fact	Action
1	**Changes in the local business tax (LBT) for small-sized businesses from 1 January 2023** For small-sized businesses, the law change allows the use of a simplified tax base if its net sales revenue does not exceed HUF 25 million or EUR 62k (HUF 120 million or EUR 300 million for entrepreneurs under flat rate system). Based on the level of net sales revenue, the tax base could be HUF 2.5; 6 or 8.5 million (EUR 6; 15 or 20k). The 1% cap on the LBT rate does not apply from 2023.	Review whether the changes affects the company and assess its potential tax liabilities.
2	**Extension of the 0% advertisement tax rate by 31 December 2023** The 0% rate for advertisement tax is extended by the end of 2023. Advertisers will have no tax return filing, tax paying or statement providing obligation in Hungary until such deadline.	Review whether the advertisement tax would be applicable for the company and follow the potential changes in the future.
3	**Financial transaction tax exemption related to LBT payment account** Technical accounts opened with the Hungarian State Treasury for the payment of local business tax (LBT) in foreign currency are exempt from the financial transaction tax.	Review whether this exemption applies for the company and assess its potential tax impacts.

Mar April May June

Use text boxes above the timeline to plan your actions for coming months

Compliance *Risk management* *Cash-flow or ETR impact*

No.	Fact	Action
4	**Change in the regulation of flat-rate taxation for individual entrepreneurs** From 2023, flat-rate taxation is optional irrespective of the amount of income earned in the tax year preceding the tax year in question. An individual entrepreneur choosing flat-rate taxation should declare and pay social contribution tax and social security contributions by the 12th of the month following each quarter.	Review whether the company's individual entrepreneurs are affected by the change and assess its impacts.
5	**Compliance changes in the personal income tax exemption for young individuals** Regardless of whether the beneficiary (under the age of 25) has used the tax base allowance during the fiscal year, the tax authority includes the information available to it on use of the benefit in the draft return, which the person may correct and supplement.	Review whether the company has any employees under the age of 25.
6	**Extension of the 5% VAT rate for new houses** The possibility to apply the 5% VAT rate on the construction of new housing is extended by two years.	Review whether the company carries out or plan to carry out any construction activities related to new houses and assess the potential impact of the extension of the 5% VAT rate.
7	**New tax was introduced for manufacturers of pharmaceuticals** The rate of such tax is based on the net sales revenue of a company. The rate is 1% for the part not exceeding HUF 50 billion (approx. EUR 130 million), 3% for the part exceeding HUF 50 billion but not exceeding HUF 150 billion (approx. EUR 390 million) and 8% for the part exceeding HUF 150 billion.	Review whether the company is subject to the special tax for pharmaceutical manufacturers and assess its potential tax impacts.
8	**The special tax rate for insurance companies has increased** On the part of insurance companies' premium income exceeding HUF 36 billion (approx. EUR 94 million), the tax rate increased to 12% from 7%, in the case of life insurance the tax rate increased to 5% from 3%.	Review whether the company is subject to the special tax for insurance companies and assess its potential tax impacts.
9	**Mothers are exempt from personal income tax until the age of 30** From 1 January 2023, mothers under the age of 30 are exempt from personal income tax payment obligations.	Review whether the company's employees are subject to this exemption and assess its potential impacts.
10	**Changes to parental leave** Parental leave, which includes 44 working days, is granted to parents - both fathers and mothers - until their child is 3 years old, whose employment relationship has existed continuously for at least 1 year.	Review whether the company's employees are subject to this change and assess its potential human resources impact.
11	**Interest on late payments got maximized** Interest on late payments was maximized at 25% during the state of emergency (i.e., until 29 May 2023). Any late interest claim can be asserted at a maximum rate of 25% per year, and in the part exceeding this, it must be considered as if it had not been bound at all. The regulation also applies to existing contracts as well. If the parties have stipulated a higher interest rate in the contract, it cannot be enforced during such period.	Assess if the company has any claim for interest on late payments that exceeds the set maximum and asses its potential impacts on the planned interest income.

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12	**The obligation to pay the tourism development contribution is suspended** The tourism development contribution of 4% does not have to be paid for the period between 1 October 2022 and 31 March 2023 on the net sales revenue of the relevant companies. The contribution already paid for such period can be reclaimed.	Review whether the company is subject to the tourism development contribution, assess its potential tax impacts and reclaim the paid contribution, if applicable.
13	**The sub-accounts of SZÉP (Széchenyi Pihenőkártya) cards (an extra wage benefits) are erased** Employees do not have to divide the fringe benefits received in this form into different usability sub-accounts. From 9 January 2023, the total amount received on the cards can be used for any purpose.	Review whether the company's fringe benefits system is subject to this change and assess its potential benefits.
14	**The termination of the United States-Hungary Double Tax Treaty is effective** The United States did not change its decision by 8 January 2023; hence the termination of the treaty is effective. It will cease to have effect on 1 January 2024.	Review whether the termination of the Convention will have any impact on the transactions of the company and assess its potential withholding tax considerations.
15	**The extra-profit tax for petroleum product producers has increased** The rate of extra-profit tax for petroleum product producers increased from 40% to 95% on 8 January 2023.	Review whether the company is subject to the extra-profit tax for petroleum product producers and assess its potential tax impacts.
16	**The rate of the Robin Hood tax is increased** The rate of the income tax of energy suppliers (known as Robin Hood tax) is increased from 31% to 41% in 2023.	Review whether the company is subject to the income tax of energy suppliers and assess its potential tax impacts.
17	**The local business tax in Hungary will be a covered tax for global minimum tax purposes** The Council of the European Union recognized the Hungarian local business tax as a covered tax in the effective tax rate calculation under the global minimum fax rules.	Review whether the company will be subject to the global minimum tax and assess the potential impact of the local business tax payables on the effective tax rate.
18	**The minimum wage has increased** As of 1 January 2023, the minimum wage increased to HUF 232,000 gross (approx. EUR 602) per month. Meanwhile, the guaranteed minimum wage increased to HUF 296,400 gross (approx. EUR 770) per month.	Review whether the company's employees are impacted by the minimum wage increase and assess its potential effects on the payroll.
19	**The increased company car tax rate will remain applicable** The rate of company car tax is based on the car's performance in kilowatts and its environmental protection class designation. Originally, the company car tax was increased by 31 December 2022. However, a new regulation set the increased amounts permanently.	Review the impacts of the increased company car tax on the long term for the company and assess its potential tax impacts.
20	**Increased personal allowance for severely disabled individuals** The personal allowances that can be claimed by a severely disabled individual is increased. In 2023, the amount of the personal allowance is HUF 77,300 (approx. EUR 200) per month.	Review whether the company's employees are subject to this allowance and assess its potential tax impacts on the payroll.

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21	**Obligation to report transactions involving a company belonging to a sector of strategic importance** Transactions after 24 December 2022 that exceed HUF 350 million (approx. EUR 909,000) involving a company that belongs to a sector of strategic importance in Hungary should be reported during the state of emergency until 29 May 2023. Penalty for the lack of reporting is 1% of the turnover or twice of the value of the transaction.	Review whether the company's transactions are impacted by this reporting obligation.
22	**New reporting obligations on digital platform operators** From 1 January 2023, in accordance with the DAC7 directive of the European Union, digital platform operators will be subject to new notification, notification of change, due diligence, registration and data provision obligation. For example, rental of real estate, personal service, sale of goods and renting a means of transport should be reported.	Review whether the company is subject to the digital platform operator's reporting obligation and prepare to comply.
23	**Amendment of the special tax for financial institutions** From 1 January 2023, the currently existing special tax payment obligation of financial organizations who provided cross-border services from their registered office in Hungary in the two tax years preceding the tax year, and at least two-thirds of its annual net fee, commission and net interest income originates from foreign currency clients will cease to exist.	Review whether the company is subject to the special tax for financial institutions and the exemption and assess its potential tax impacts.
24	**Changes in the transfer pricing regulation** Taxpayers have to provide information on their related party transactions in their corporate income tax returns. The deadline for preparing transfer pricing documentation will become critical, as data reporting will be required as part of the annual corporate tax return. The data included in the report has to be consistent with the data in the transfer pricing documentation, which means well-prepared transfer pricing documentation will essentially be a prerequisite for data reporting.	Assess the process of the new transfer pricing documentation requirements and prepare the additional reporting in the CIT return within the given deadline.

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