

Rödl & Partner

NEWSLETTER HUNGARY

MUTUAL SUCCESS

5/2021

Tax changes in Hungary
in 2021 during the year and in 2022

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→ Introduction

Dear Readers,

We wish a happy Christmas and a successful new year 2022 to you and your families.

With our present Newsletter, we would like to inform you about major tax modifications in Hungary regarding the upcoming year 2022 among which some were passed already in Summer 2021.

Kind regards from Budapest



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→ Corporate tax

Taxpayers

As of 10 June 2021, a new corporate taxpayer is the public trust foundation performing a public function. As of 1 July 2021, the cooperative of persons with young children at home is also subject to corporate tax, which must fulfil the tax liability according to the regulations for school cooperatives.

Group taxation

From 2022 onwards, non-profit organisations, social cooperatives, public interest pensioners' cooperatives and school cooperatives cannot be group taxpayers any longer.

Support for public interest foundations and higher education

Under certain conditions, companies subject to the corporate tax liability benefit from tax relief already from July 2021 on grants to public trusts with a public-service mission and to higher education institutions with a public-service mission, whether they are managed by a

foundation or a church. In the latter cases, the corporate tax base may be reduced by up to 300 per cent of the grant on the basis of a higher education grant agreement.

Taxation of hybrid entities

Domestic tax resident entities include hybrid entities registered or domiciled in the territory of the country which are majority-owned by non-resident taxpayers. Exceptions are investment funds with a diversified portfolio of securities and similar forms of investment. The income of hybrid entities is taxed to the extent that it is not taxed under tax laws of Hungary or other countries.

Development tax benefit

The requirement of using development tax benefit granted for the small and medium-sized enterprises investment incentive is the establishment and operation of an investment of HUF 50 million for small enterprises and an investment of HUF 100 million for medium-sized enterprises.

→ KIVA

The tax rate of the small business tax will be reduced from 11 per cent to 10 per cent.

→ Flat-rate taxation for self-employed

Self-employed persons whose income have not exceeded 10 times the annual minimum wage have the possibility of opting for flat-rate taxation (HUF 24 million in 2022). For self-employed engaged exclusively in retail trade, the threshold is 50 times the annual minimum wage (HUF 120 million in 2022).

Flat-rate taxpayers can in principle determine their taxable income by taking into account an expense ratio of 40 per cent. For certain industries (e.g. construction, taxi

passenger transport, hairdressing), the cost ratio to be taken into account is 80 per cent, and 90 per cent for self-employed engaged exclusively in retail activities.

As from 1 January 2022, flat-rate incomes not exceeding 50 per cent of the annual minimum wage are exempt from tax, social security contributions and social security contributions – in case of the latter two public charges, subject to the minimum requirements.

→ Business tax burden of small and medium sized entities

In 2022, the tax rate of 1 per cent may continue to apply in case of entities, which comply with the classification requirements as small and medium sized enterprises also in the business year 2022.

→ Income tax

Recreation card (SZÉP-Card), Covid-19

In view of the Covid-19 epidemic, the tax-advantaged and social contribution tax threshold for employer contributions to SZÉP-Card sub-accounts has been increased from HUF 450,000 to HUF 800,000, but this regulation will remain in force until the end of 2021. From 2022, the annual threshold will be HUF 450,000 again and the employer's share of social contribution tax will have to be paid again for this benefit.

Due to the epidemic, many cardholders were not able to use the amounts received in time and therefore the possibility to transfer between sub-accounts was allowed (annual limit for tax relief: accommodation 225,000 HUF, catering 150,000 HUF, leisure 75,000 HUF). This concession has been extended until 30 September 2022.

Tax exemption for young people under 25 years of age

From 1 January 2022, young people under 25 years of age will benefit from an exemption from income tax up to a certain amount. The income tax exemption can be claimed up to the level of the average gross income in July of the previous year, up to HUF 433,700 in 2022. The last month in which the exemption can be claimed is the month in which the employee reaches the age of 25.

Tax refund for persons entitled to family allowances

Private persons who were entitled to a family allowance on any day in 2021 will be refunded in February 2022 the amount of personal income tax paid on the remaining part of their consolidated tax base after the tax base allowance has been applied. Persons entitled to family allowances are: pregnant women and their spouses, persons

entitled to family allowances in their own right or their relatives living in the same household, and persons entitled to invalidity allowances or their relatives living in the same household. The maximum amount of the refund is HUF 809,000 (the taxable amount of the average annual income in December 2020). If the tax authority knows the correct details of the person claiming the family allowance (bank account number, etc.), it will automatically transfer the amount to be refunded, otherwise a refund application must be submitted by 31 December 2021 by providing the correct details, or the refund must be claimed in the 2021 tax return.

Tax-exempt income

Among others, the following incomes are exempted from tax:

- electricity produced by individuals up to 12,000 kWh (this rule applies from 10 June 2021),
- subsidies set out by the law and received in connection with the purchase of housing
- private use of a company bicycle or a bicycle with an electric motor of up to 300 watts. The costs incurred through the purchase, use, maintenance and operation of bicycle or electric bicycle at the employer shall be deemed as costs acknowledged in the corporate tax from 1. January 2022.

Taxation of income from crypto asset transactions

From 2022, there will be special rules on the taxation of income from crypto asset transactions, so that it will no longer be included in other income. The income from crypto-asset transactions will be deductible for expenses incurred in acquiring or producing/mining the crypto asset and the remaining part will be subject

to VAT. If the income from a given transaction does not exceed 10 per cent of the minimum wage or the annual income from such transactions does not exceed the minimum wage, no personal income tax has to be declared, provided that only one transaction is carried out on a single day. A tax liability arises in the year in which the crypto asset is removed from the cryptocurrency portfolio, i.e. exchanged for cash or other assets (e.g. real estate, car). For the purposes of determining the tax liability, the transfer of crypto assets is based on the current market value, not the value of the

consideration received. The tax rate is 15 per cent and no social contribution tax is payable.

If a private person has made a loss in the tax year, taking into account all crypto transactions, he or she can claim a tax offset. The transactional losses incurred in the tax year and the two preceding years may be taken into account against the income in the tax return.

If no income from crypto assets has been declared before 2022, it is possible to declare income from such transactions retrospectively in the 2022 tax return. The new rule is also retroactive to 2021.

→ Minimum wage

In 2022, the minimum wage will be increased from HUF 167,400 to HUF 200,000.- and the guaranteed wage minimum will be increased from HUF 219,000.- to HUF 260,000.-.

→ Social contribution tax and vocational training contribution

In order to offset the burden on employers due to the significant increase in the minimum wage or guaranteed wage minimum, from 1. January 2022, the 1.5 per cent vocational training contribution will be abolished and the social contribution tax payable by employers will be reduced by 2.5 per

cent. This will reduce the social contribution tax payable by employers to 13 per cent, the social contribution tax act will be amended by the provisions on vocational training and dual training..

→ Value added tax

E-commerce

The current exemption for deliveries outside the European Community below the 22 euros threshold will be abolished (in force from 1 July 2021). However, goods below 150 euros will continue to be exempt from customs duties, with the exception of tobacco, alcoholic beverages and perfumes.

As of 1 July 2021, a threshold of 10,000 euros has been introduced for distance sales within the EU (to private individuals, tax-exempt persons), for services and for goods together. If the total consideration for the distance supply exceeds the threshold in the tax year, or exceeded

it in the previous tax year, it will be taxable at destination, but the extended EU-wide OSS (one-stop shop) system will apply instead of the obligation to register in the country of destination. This allows distance sellers to fulfil their obligations to declare and pay tax in their own language via a single portal.

Irrecoverable debts

The possibility to recover VAT on amounts recognized as irrecoverable debts has been extended. From 10 June 2021, the certain restrictions on refunds will be lifted, in particular in the following cases:

- the customer was subject to insolvency proceedings at the time of the original transaction,
- the purchaser was at the time on the database of debtors with a large tax deficit,
- the tax identification number of the buyer was cancelled at the time of the transaction.

If the original transaction is already statute-barred, it is still possible to claim a refund of the VAT not paid by the purchaser. A written request for this can be submitted within one year of the date on which the claim became irrecoverable.

Reverse VAT/VAT rate

From 1 April 2021, temporary agency work will be taxed at the reverse charge rate only in the context of the construction sector.

From 1 August 2021, the 5 per cent VAT rate on takeaway and home-delivered food and drink has been abolished.

For new residential property, it is possible to apply 5 per cent VAT until 31 December 2022, provided that the building permit becomes final by the end of 2022.

BREXIT

Northern Ireland has been granted special status for VAT purposes as follows:

- To be treated as an EU Member State for the purposes of supplies of goods,
- To be treated as a non-EU country for services.

→ Tax procedure

Advance pricing agreement

As of 1 October 2021, the Ministry of Tax Policy will be responsible for intergovernmental agreements (Advance Pricing Agreements, "APAs") relating to intra-group business relations between affiliated companies.

Seat service

Only service providers that have registered their activities with the competent authorities and supervisory bodies are allowed to provide seat services.

Deferment or reduction of tax debts

Persons who are in a financially disadvantaged situation due to the Covid-19 epidemic may apply for an interest-free deferral or reduction of their tax debt until 31 December 2021. The maximum amount of the deferment or reduction is HUF 5 million. Reductions can only be applied for one tax and cannot be combined, i.e. those applying for a deferral cannot apply for a reduction.

Self-revision and late payment surcharge

The daily amount of the self-revision and late payment surcharge must be calculated to three decimal place.

→ Special tax on financial organisations

From 2022, the obligation to pay a special tax on stock exchanges, commodity exchange operators and venture capital fund managers will be abolished.

→ Accounting act: Development supports

If contractual conditions are met, accruals may be created or reversed on a pro rata basis for development support approved but not yet paid.

→ INTRASTAT system change

From 1 January 2022, new European Union legislation on statistics relating to the trading of goods within the European Union will enter into force. Under the EU regulation, from 2022 Member States will be obliged to exchange micro-data, the main components of which are the "Country of

Origin" and the "Partner Tax Number", without which the report cannot be submitted. There are also minor changes in the transaction codes. The Combined Nomenclature codes will be used instead of the tariff codes.

The thresholds will not change in 2022.

Contact for further information



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Imprint

Newsletter Hungary, Issue 5/2021

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