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International Assignment Services
Taxation of International Assignees
Country – Hungary

Human Resources Services

International Assignment Taxation Folio

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Introduction – International assignees working in Hungary

This booklet was prepared by PricewaterhouseCoopers to provide foreign nationals planning to work in Hungary with a general background of the Hungarian tax law and other relevant issues. It reflects tax laws and practice as of January 2011.

The booklet does not claim to be a comprehensive guide. Accordingly, we advise the reader against making decisions without taking professional advice.

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Step 1 – Understanding basic principles

The scope of taxation in Hungary

1. A foreign national working in Hungary will, subject to certain conditions, become liable to Hungarian taxation. The main tax is personal income tax. Other taxes to which an expatriate can become liable are local taxes, property transfer tax, etc. As Hungary is also a member of the EU, expatriates may become liable to Hungarian social security contributions as well.

2. Taxable income of an individual resident in Hungary includes all income regardless of age, occupation, citizenship and family circumstances. Husband and wife are treated as separate individuals for tax purposes.

The tax year

3. In Hungary the tax year is the calendar year. Generally, income is taxed in the year in which the payment or non-cash benefit is actually received.

Determination of residency

4. From the Hungarian tax point of view, tax residency is the most important determining factor. An individual can qualify as resident or non-resident for tax purposes under Hungarian legislation. Tax residents are taxable on their worldwide income while non-residents are only taxable on their Hungarian source income.

   The Hungarian legislation determines the tax residence status of a non-Hungarian individual first based on the existence of a permanent home, then based on the central of vital interests of that individual, and lastly based on the regular place of stay. The law defines permanent home as a place where the individual has settled to live and actually lives there.

   If an individual has a permanent home both in Hungary and abroad, then residency must be determined based on the centre of vital interest (i.e. it needs to be examined where the individual has closer economic or social ties).

   If the centre of vital interests cannot be determined (e.g. because an individual's economic ties are in Hungary and social ties in another country), then the individual will be resident of the country in which he has his regular place of stay (spend more than 183 days in that county).

   Under the Hungarian tax legislation, Hungarian citizens (if not a dual citizen and does not have a permanent home abroad), as a principle, are deemed to be Hungarian tax residents for the full year.

   If an individual is a non-resident of Hungary, he is only taxable in Hungary on his Hungarian source income.

5. The tax treatment may also be affected by the terms of a double taxation treaty. Treaties override the local tax legislation. Under the provision of the Double Tax Treaty between Hungary and the home country, it may be possible that the non Hungarian resident will not have any tax liability in Hungary. In order to avoid Hungarian taxation, the provisions of the relevant Double Tax Treaty need to be fulfilled. We would recommend seeking advice before a transfer is made to Hungary. (Appendix C contains the valid double taxation treaties.)

6. Tax residents of Hungary will be taxed on their worldwide income while non-residents will be taxed only on domestic source income or on income which is taxable in Hungary according to the relevant Double Tax Treaty.

Methods of calculating tax

7. As of 1 January 2011 the personal income tax rate is reduced to 16%. The tax base addition remains 27% in 2011, but will be halved to 13.5% from 2012 and will be abolished from 2013. In 2011, the tax base addition is determined on the basis of the overall contribution rate (27%) payable by the employer and specified in the social security rules. The consolidated tax base must be multiplied with 1,27 although if the individual is not subject to paying social security contributions in Hungary. (In cases when the employer's contributions are paid by the individual, this increase does not apply.)

   From 2011, a more generous tax allowance scheme has been introduced for families with children. The family tax allowance, which will be deductible from the tax base, will be HUF 62,500/child/month (approx. EUR 223) for one or two dependent children or HUF 206,250/child/month (approx. EUR 737) for three or more dependent children. The family tax allowance will be deductible from the tax base increased by the tax base addition. These regulations will apply to all private individuals entitled to family benefit under the laws of an EEA Member State.

8. In cases of income from private investments (i.e. dividends and capital gains) the former different tax rates are replaced by the 16% flat rate. Additional 14% healthcare tax may be payable on dividends and capital gains if certain circumstances are met.

9. There have been significant changes to non-cash benefits. Benefits-in-kind will no longer be treated separately for tax purposes: as a general rule, private individuals will have to pay tax on all benefits as part of their consolidated tax base.

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Step 2 – Understanding the Hungarian tax system

Taxable income

10. Taxable income covers income from:

- Dependent services (employees, elected officials of corporations, shareholders of companies receiving remuneration for personal involvement);
- Independent services (including elected auditors, shareholders of companies receiving remuneration for services);
- Interest, dividends, capital gains;
- non-cash benefits;
- Income from the benefit of interest free loans (or loans granted at a preferential interest rate);
- Income from winnings (lottery games, prize draws); and
- Private entrepreneurs' (self-employment) business activities.

Taxation of employment income

11. Employment income as a part of the consolidated tax base is increased by the amount of a "tax base addition". From 2011, the consolidated tax base remains the taxable gross income multiplied by 1,27. The former tax-bracket limits were abolished and a 16% flat rate applies from 2011.

    The calculated tax liability on the consolidated tax base will be deducted from the gross income.

    You cannot reduce your income from employment with business expenses (unless you receive the income as allowance).

Taxation of income from independent service

12. Income from independent services can be reduced by actual business expenses supported by invoices, or in the absence of invoices a lump sum of 10% can be deducted. In case of 10% deduction, individual can not reduce the income by actual expenses.

Taxation of investment income

13. The taxation of income from capital (i.e. income from interest, dividends, capital gains, and the sale of real estate) has also changed.

    In general dividend income is taxable at 16% personal income tax, and no tax base addition has to be applied and an additional 14% healthcare tax is payable on dividend income. Dividends from securities listed on a recognised stock exchange in an EEA Member State is taxed at 16% instead of the 10% applicable in 2010, but the 14% healthcare tax does not apply.

    The tax on income from dividends can be reduced by credit for foreign withholding taxes on dividends paid from double tax treaty countries.

Interest income is also subject to tax at 16%, but in certain cases the tax rate is 0% on interest received from investments that have been kept for at least five years, and 10% on investments that have been kept for three years on a "long-term investment account". The qualifying criteria are stipulated in the law.

Dividend, interest or capital gains income from a "controlled foreign company" or from a "company established in a country with low tax rate" are classified as "other income" and thus part of aggregated income. In addition, if an individual has a share of more than 25% in a controlled foreign company, the post-tax profit (even if it is not distributed) is classified as "other income" and taxable accordingly.

The special taxation rules on rental income have been repealed. If a private individual who lets his or her property does not qualify as a private entrepreneur, the rental income will be taxable as part of the consolidated tax base. Expenses supported by invoices can be deducted from the tax base or, alternatively, a lump sum of 10% can be deducted. Individuals can account depreciation against the rental income that they earn only if they choose the actual itemized expense deduction.

In addition, 14% health care tax is payable by the individual if income realized from property rental exceeds HUF 1,000,000 (approx. EUR 3,570) per annum. In this case, the healthcare tax is due on the total rental income, up to a contribution cap of HUF 450,000 (approx. EUR 1,607) in a given year.

Taxable non-cash benefits

14. The tax regulations on benefits in kind provided by the employer have changed significantly with effect from 1 January 2011. Based on the general rule, benefits are taxable as part of the individual's aggregated tax base. Fringe benefits (e.g. vacation vouchers, meal vouchers, employer contributions to mutual private pension or health insurance funds) and "special benefits" listed in the Personal Income Tax Act (e.g. local travel passes, gifts of small value) are taxable by the provider at 16% personal income tax, and the tax rate is calculated with the 1,19 multiplier. In case that their values exceed certain amounts, 27% healthcare tax is needed to pay on them.

Company cars

15. Company car tax is levied on passenger cars owned by companies and in some cases on passenger cars owned by private individuals, if costs relating to the company care are borne by the Hungarian company or the individual uses his own car for business purposes and reimbursed for the costs. The regulations regarding the tax liabilities and the tax rates are set in the Vehicle Tax Act.

The private use of a company car is not subject to personal income tax.

16. The benefit of interest free loans (includes any payments made by the company to the employee, which should be paid back to the employer) and loans provided by local employers at an interest rate lower than the official rate of the Hungarian National Bank plus 5% are regarded as taxable benefit in the amount of the unlevied interest (quasi income). The provider is liable to pay 16% personal income tax on the quasi amount multiplied with 1.19.

    If the income from interest rate discount is received with respect to an employment relationship between the provider of the interest rate discount and the individual receiving it, this income would be considered as other non-cash benefit and 16% personal income tax will be payable. In case that the foreign employer is the provider, the quasi income is classified as an employment income and the employee has to pay the personal income tax and 27% healthcare tax on it.

    Any prepayment provided for a period of less than thirty days in connection with the payer's activities or any prepayment relate to foreign assignments, does not qualify as income from Interest Rate Discount. (The condition is that the account is settled with the payer within thirty days following the time of return.)

Stock option

17. Stock option plans are more and more common in Hungary, mostly at local affiliates of international companies, who expand their global plans to Hungary.

18. Income from stock options must be classified based on the relationship between the provider of the income and the recipient, or based on their relation to any other parties. In general, since the recipients would have an employment relationship with the Hungarian affiliate, the income would be classified as employment income even if the options were provided by their foreign mother company. The tax rate applicable is 16% on the super-gross basis. Taxation of stock options cannot be qualified as non-cash benefits.

19. Income from stock options is not recognized at the time when the option is granted to the employee, but first when the individual exercises an option (transferable options may be taxed differently).

20. The stock option income is subject to either 27% healthcare tax or social security contribution. The tax and other payment liabilities pertaining to the income from stock options depend on the given circumstances therefore all types of income are needed to be investigated.

Social security

21. Social security contributions in Hungary are payable by both the employer and employee.

    If an individual is subject to the Hungarian social security, the following charges are due on the employer's and employee's side:

    In 2011 the rates for the employer part of the contributions are as follows:

    - 24% Pension contribution
    - 3% healthcare and unemployment contributions
    - 1.5% training contribution

    In 2011 the rates for the employee part of the contributions are as follows:

    - 10% pension contribution(subject to an annual cap of HUF 7,665,000, approx. EUR 27,375)
    - 7.5% healthcare and unemployment contribution (6%+1.5%)

    Pension fund members had to choose until 31 January 2011 whether the stay in the private pension funds or they return to the state-owned system.

    The pension contribution is capped at HUF 7,665,000/year (HUF 21,000/day).

    Employers, and also individuals who are paid by a non-Hungarian company, are liable for both social security payments and the electronic filing of monthly social security declarations.

    Dependent persons over 18 years of age are only eligible for healthcare services if they pay healthcare service contributions. Uninsured persons are liable for monthly contributions of HUF 5,100 (approx. EUR 18).

    From 2012, the exemption for third-country nationals will only apply if the period of work carried out in Hungary does not exceed two years. If it is longer than two years, the individuals become subject to Hungarian social security.

22. Since Hungary is a member of the EU, the current EU co-ordination regulations (Regulation 1408/71/EEC and 883/2004/EK must be applied, and these affect the social security liabilities of individuals working in Hungary. Thus, if an individual works in Hungary and cannot obtain an A1/E101 from another EEA state, he/she will fall under the Hungarian rules on social security.

23. The social security agreements that Hungary concluded before May 2004 with the new EEA states do not apply anymore. The EU Regulations are applicable, however there are few countries for which the old agreements are still applicable (e.g. the agreements with Korea, Croatia, and Russia).

Healthcare tax

24. Individuals may be subject to 14% healthcare tax on certain types of separately taxed income, including the income from entrepreneurship, dividends (in general), capital gains, rental income above HUF 1,000,000 (approx. EUR 3,450). The 14% health care tax is payable by the individual if the healthcare contributions paid by the company and the total amount of 14% healthcare tax paid already does not reach a total of HUF 450,000 (approx. EUR 1,550) in a year.

    Income from controlled capital market transactions and dividends from securities listed on a recognised stock exchange in an EEA Member State are not subject to the 14% healthcare tax.

    Regarding income from Employee Equity Plans, whether social security contributions or healthcare tax is payable on such income depends on the employment structure and the content of the plan.

Taxation of private entrepreneurs

25. Private entrepreneurs are liable to 16% entrepreneurial income tax on profits generated from their incorporated business or an independent profession. Profits are calculated on the entrepreneurial revenue received less the costs incurred. Private entrepreneurs are required to take a monthly personal withdrawal from the business at least in the amount of the official minimum wage. The personal withdrawal can be accounted for as costs incurred against entrepreneurial revenue (and taxed as a part of the consolidated tax base). After tax profit adjusted by the tax law is subject to a 16% dividend tax.

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Step 3 – What to do before you arrive in Hungary

Work permits

26. The general rule is that if you are not a Hungarian citizen, then you need a work permit to take up employment before arrival in Hungary. No work permit is required for nationals and their close relatives from the European Economic Aria (EEA); however, there is a reporting obligation towards the local authorities without stating any details of personal identifications.

    For non-EEA nationals, the Hungarian company to which an individual will be assigned is obliged by law to hand in a work force demand application 15 days in advance of any work permit application. On the 16th day following the work force demand application, the Hungarian employer or the company to whom the individual have been seconded (both hereafter called the "employer"), must apply for a work permit. Granting a work permit takes 10 days.

    A local employer may employ a foreign national having a valid work permit a Schengen visa and a residence permit or registration card.

    For the work permit application, the assignees need to provide a degree certificate or certificate of other professional qualification (in the original), and a simple medical certificate stating that they are fit to carry out the job in question. The medical certificate can be obtained abroad if preferred, or on a "look-see" visit to Hungary before the official arrival date.

    The work permit is a document issued by the Labour Office ("Munkaügyi Központ"). Work permits for third country nationals may be issued for a maximum of two years, and may be extended.

    Further to third country nationals, there are no general exemptions from the requirement that all foreign nationals must obtain a Hungarian work permit. Please note that specific exemptions cover:

    - Spouse of a Hungarian national and EEA national living in Hungary;
    - Managing Directors of a Hungarian Kft (limited liability company) and the members of the board of directors of an Rt (joint stock corporation);
    - Employees of a diplomatic body of a foreign country operating in Hungary;
    - Employees temporarily working in relation to delivery service, warranty work and putting goods into operation in Hungary on the basis of a contract between an off-shore supplier and a Hungarian customer where this service is not acceding 15 days continuous work at a time;
    - Scientific or artistic activity done by an internationally recognized scientist or artist; and
    - International treaty cases.

Schengen Visa requirements

27. In order to enter Hungary for working purposes, foreign nationals need to obtain one of the following visas (not applicable if the assignee is an EEA citizen):

- Schengen visa: you need a Schengen visa for working purposes if a work permit is necessary;
- Schengen visa for Income earning: you need a similar Shengen visa even if you do not need a work permit (managing directors, members of the board of directors) or your stay in Hungary involves an economic activity aimed at the acquisition of income or property
- Schengen visa for business purposes: you need a business visa if you intend to participate in business meetings or attend international exhibitions. Staff of an international transport operation will also need a business visa.

The Schengen visas are issued for the individuals to enter Hungary.

In case the Shengen visa was issued for working or income earning purposes, shortly after the arrival, the individuals are required to pick up their residence permits from the Immigration Office.

Family members accompanying the assignee to Hungary should also apply for family member Schengen visas on the strength of the assignee's visa.

Visas can be obtained at the Hungarian Embassy of the individual's home country. A Schengen visa for working purposes is issued on the basis of a valid work permit, while the Schengen visa for income earning is issued based on the company documents showing the assignees status.

Importing personal possessions

28. Personal possessions can be imported duty free if certain conditions are met:

- You have a valid work permit (if it is required) for at least 12 month and;
- You may not import your belongings before you obtain your residence permit. You will have to declare formally to Customs Authorities anything you are importing. We recommend you to engage a shipping agent to handle all customs documentation.

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Step 4 – What to do when you arrive in Hungary

Residence permit and Registration card

29. For EEA nationals who wish to exercise their right of free movement within the EEA, since they are not obliged to obtain visas, a registration card application should be made.

30. For non-EEA nationals the authorities, based on the visa application, issue a residence permit. After entering into Hungary the individual will need to pick up the residence permit from the Immigration Office.

Address registration

31. For EEA nationals, the address card application has to be made together with the registration card application. The authorities may issue the registration card instantly, however, the address card is normally sent to the individual's Hungarian address by post at a later date.

32. For non-EEA nationals, a formal address registration has to be made when they obtain their residence permits.

Tax card number

33. Foreign nationals working in Hungary have to register with the competent tax authority and apply for a personal tax identification number (card) in order to be able to pay taxes and file a tax return.

Withholding tax

34. Hungary operates a system of tax advance payments whereby a Hungarian employer/payer is required to deduct personal income tax at source (PAYE) the every monthly salaries, while individuals employed by a non-Hungarian company are required to make tax advance payments on a quarterly basis. The quarterly tax advances are due by Hungarian tax residents. The quarterly advances are payable by the 12th of the month following the quarter.

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Step 5 – What to do at the end of the year

Tax return

35. Hungary operates a system of self-assessment of tax. After the end of each calendar year a tax return must be filed if the individual has received taxable income.

36. The deadline for filing an individual's tax return is 20 May of the year following the tax year. The overall tax liability needs to be paid at the latest on 20 May if there is a balance due over the total of withholdings or tax advances paid during the tax year. If the balance is for some reason an overpayment, then the difference can be reclaimed. The Tax Authorities are obliged to pay the reclaimed amount back within 30 days after the filed tax return is received by the Tax Authority (not earlier than 1 March).

37. Income subject to the 16% flat rate, as well as non-Hungarian interest income, dividends and capital gains must be reported. The tax-free income would not need to be reported (e.g.: social benefits, etc.). Income from the sale of moveable if these remain below HUF 32,000 in the year do not need to be reported.

38. Returns need not be filed if the individual does not have taxable income or if all his/her income is taxable abroad, under a double tax treaty. Hungary operates a system of self-assessment of tax. Therefore individuals can prepare and file their tax returns themselves. However, if the conditions set out in the Personal Income Tax Act are met, either the employer can prepare and file the annual personal income tax return on behalf of the employee or, in certain cases, the individual can ask the tax authority to prepare it. In addition, the Personal Income Tax Act introduced a new alternative, the tax declaration. Taxpayers will first be able to submit such a declaration when filing their 2011 tax returns.

    All individuals must file separate returns; husbands and wives cannot file joint returns.

Foreign tax relief

39. If an individual is considered as a Hungarian tax resident, Hungary will seek to tax the individual's worldwide income, which means that not only his employment, but also his private income received from any countries is subject to Hungarian taxation. However, if any other country would also wish to tax the same income the provisions of a double tax treaty (if there is one, see Appendix B for the list of the countries Hungary has a double-taxation agreement with) will be applied to avoid double taxation. In the absence of a double tax treaty, the local legislation would also provide some reliefs from exposure to double taxation of the same income.

    If an individual is a non-Hungarian resident for tax purposes, he or she has only limited tax liability in Hungary, meaning that only that part of the total income is taxable in Hungary that can be allocated for work performed in Hungary. In this case the individual would have to present a so called "residency certificate" (a document issued by the relevant foreign tax authority proving the individual's residency status).

40. Dividends, interest income and capital gains derived by a Hungarian tax resident individual from sources outside of Hungary are subject to Hungarian taxation. Furthermore, if an individual has a share of more than 25% in a controlled foreign company, the post-tax profit (even if it is not distributed) is taxable in Hungary.

Penalties

41. A delay in filing a tax return results in a penalty of HUF 200,000 (default fine if the individual is the taxpayer and HUF 500,000 in case of other taxpayers) being charged.

42. A 50% tax fine is levied on the basis of unpaid taxes if the tax authorities discover that the taxpayer did not declare any taxable income.

    Default penalty (HUF 20,000 if the individual is the taxpayer and HUF 100,000 in other cases) can also be levied if the taxpayer does not declare his income in a correct way. If the taxpayer declares his income after the deadline and not in a correct way, default penalty can be levied only for missing the deadline.

    The tax authority may also levy a tax penalty on taxpayers who claimed any subsidies or tax refunds without eligibility. Penalties in these cases are levied based on the amounts claimed without eligibility.

43. Late payment penalty is charged on overdue payments if the tax payments are made after the deadline. The annual rate of interest is twice the official rate of the National Bank of Hungary (currently 2 x 6.0% p.a.). The late payment penalty is calculated by the Hungarian tax authority on a daily basis.

44. You may correct your tax return by a self-revision. However you will need to pay a self-revision charge on the increase of tax liability due to the revision (if there is a decrease, there is no charge payable). The self-revision interest is calculated on a daily basis at a rate equivalent to the official rate of the National Bank (currently 6.0% p.a.).

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Step 6 – What to do when you leave Hungary

Reporting departure

45. Prior to your own and your family's departure from Hungary, you must inform the authority which issued your residence permit about the fact of changing the registered place of residence. You will also need to return your residence permit to the immigration office.

46. If you had a contract for health insurance services, then you must report your departure and the cessation of contributions to the social security authorities as well.

47. If you leave Hungary during the tax year, then you may file a tax return by 20 May of the following year, or you may inform the tax authorities about your departure and the income you earned.

    In case of non-Hungarian tax resident's departure from Hungary before the end of the tax year without the intention to return during the tax year to continue engaging in taxable or gainful activities, the tax authority will establish the tax liability by resolution. The tax authority must be informed 30 days in advance before the individual leaves Hungary and all the documents necessary for the tax assessment shall be enclosed with the notification.

VAT refund

48. Foreign citizens (with a residence outside the European Union) can reclaim VAT on possessions purchased in Hungary and subsequently exported.

49. VAT can be refunded if the following conditions are met:

    The goods purchased by the foreign citizen belong to his/her personal luggage (for example a personal car can not be considered as tax-exempted product);

    - The product is exported within 90 days following the date of purchase, and the export is certified by the customs officials;
    - The foreign citizen's legal status should be proved by a valid travel document;
    - The total value of the invoice including VAT is at least EUR 175 (HUF 48,000);

    The vendor should complete a printed form called "Tax reclaim form for foreign traveler – A külföldi utas áfavisszaigénylő lapja" at the place of the purchase in three copies, which should be given to the foreign national in two copies together with the original invoice. One copy of this form will be kept by the Customs Office.

50. Tax exemption may be asserted in two ways:

When the goods are sold, the vendor issues an invoice including VAT to the foreign citizen and completes a VAT reclaim form (A külföldi utas áfavisszaigénylő lapja), the first two copies of which he hands over to the foreign citizen, and keeps the third for his own records. After the transportation of the goods to a third country, the foreign citizen brings / sends the vendor the first copy of the VAT reclaim form endorsed and stamped by the customs office along with the original invoice received at the transaction, and the vendor refunds to the foreign citizen the VAT charged to him, provided that the foreign citizen has provided evidence of his legal status to the vendor, the total value of the purchased goods, including VAT, exceeds EUR 175 and the transportation of the purchased goods has taken place within 90 days following the date of the purchase of these goods.

The other way is that the vendor may sell the goods net of VAT to the foreign citizen. If such is the case, the foreign citizen must provide evidence to the vendor, by sending the vendor the first copy of the VAT reclaim form endorsed and stamped, that he has transported the goods to the territory of a third country within 90 days

51. In case the vendor sells the goods according to the first mentioned case, the repayment will be made in HUF but it can be converted to foreign currency. You may employ an agent to handle VAT refunds.

Other issues

52. The export permission of the National Bank of Hungary is not required for the following goods:

- Personal belongings imported free of duty;
- Goods purchased (with exceptions) for HUF originating from the conversion of foreign currency or from your convertible forint account; and
- If you stayed in Hungary as an employee, on finally leaving the country, the movable property purchased in Hungary.

53. The export of certain goods is limited or specific permission is required. For details please contact our office.

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Step 7 – Other matters requiring consideration

Transfer tax

54. In general the transfer of immovable property is subject to 4% transfer tax up to HUF 1 billion. Over that limit 2 % transfer tax is payable by the new owner. If the property is a residential property, the rate is 2% up to HUF 4 million and 4% over that limit. The transfer tax applies equally to residents and non-residents.

VAT

55. Hungary applies a VAT system based on the relevant European Union's directives. The standard VAT rate is 25%. A reduced rate (5%) applies to certain goods and services (e.g. medicaments, equipment for blind people, books and journals), and some services are not subject to tax (e.g. the services of the Hungarian post, services regarding nursing, insurances and credit granting).

Inheritance and gift tax

56. Inheritance and gift tax is imposed on the recipient of an inheritance or gift. The tax rate depends on the relationship with the devisor.

57. Inheritance tax is not payable in case of close relatives on the heritage less than HUF 20,000,000 per inheritor. As of 2011 the direct descendants will not have to pay inheritance tax at all. Gift tax is not payable on the movable property of less than HUF 150,000.

Purchase of real estate

58. Foreign individuals may acquire the ownership of real estate in Hungary (excluding agricultural/and protected nature conservation area) with the permission of the competent local authority. For details please contact our office.

Vehicle tax

59. Vehicle tax should be paid for all vehicles whether Hungarian registered (Hungarian number plate and car permit) or registered abroad (foreign number plate and car permit).

60. The tax is payable by the registered owner of the car. However, if the car permit registers a different authorized user of the car, the latter is obliged to pay vehicle tax. In the case of foreign registered cars the user is obliged to pay vehicle tax.

61. Vehicle tax is based on the registered power (in Kilowatt or in horse-power) of the vehicle registered in Hungary. Vehicle tax is levied by local governments.

Appendix A – Typical tax computation

Typical tax computation for 2011 (in HUF)

	Employed by Hungarian company, Hungarian social security applies	Employed by offshore company (Hungarian and EU national) Hungarian social security applies	Employed by offshore company (non-EU national) Hungarian social security does not apply
Individual's tax obligation			
Gross income (HUF)	20,000,000	20,000,000	20,000,000
Base of personal income tax	25,400,000	25,400,000	25,400,000
Tax payable	(4,064,000)	(4,064,000)	(4,064,000)
Pension contr. (10%) Capped at 7,665,000/year	(766,500)	(766,500)	0
Health care contr. (7.5%) Uncapped	(1,500,000)	(1,500,000)	0
Healthcare tax (27%) *	0	0	0
Net income	**13,669,500**	**13,669,500**	**13,669,500**
Company's tax obligation			
Pension contr. (24%) Uncapped	4,800,000	4,800,000	0
Health care contr. (2%) Uncapped	400,000	400,000	0
Unemployment contr. (1%)	200,000	200,000	0
Training fund (1.5%)	300,000	0	0
Total employer's cost	**5,700,000**	**5,400,000**	**0**
Subtotal employer's cost	**25,700,000**	**25,400,000**	**20,000,000**

Note

* In case of the individual has an A1 / E101 or Certificate of Coverage.

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Appendix B – Double-taxation agreements

Countries with which Hungary currently has double-taxation agreements:

Albania	India	Philippines
Australia	Indonesia	Poland
Austria	Ireland	Portugal
Azerbaijan	Israel	Romania
Belarus	Italy	Russia
Belgium	Japan	Serbia
Bosnia and Herzegovina	Kazakhstan	Singapore
Brazil	Korea	Slovak Republic
Bulgaria	Kuwait	Slovenia
Canada	Latvia	South Africa
China	Lithuania	Spain
Croatia	Luxembourg	Sweden
Cyprus	Macedonia	Switzerland
Czech Republic	Malaysia	Thailand
Denmark	Malta	Turkey
Egypt	Moldavia	Tunisia
Estonia	Mongolia	Ukraine
Finland	Montenegro	United Kingdom
France	Morocco	United States
Germany	The Netherlands	Uruguay
Greece	Norway	Uzbekistan
Iceland	Pakistan	Vietnam

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Appendix C – Social security agreements

Countries with which Hungary currently has social security agreements:

Canada	Former Yugoslavian countries[1]	Quebec
Croatia	Korea	Switzerland[2]Serbia
Former Soviet countries[3]	Montenegro	Macedonia
Bosnia and Herzegovina		

EU regulations are applicable with the European Union member states.

Notes

1. The agreement is applicable in case of Serbia, Macedonia and Bosnia-Herzegovina.

2. With respect to Switzerland the EU regulations are applicable.

The agreement is applicable for the previous Soviet countries except with Latvia, Lithuania, Uzbekistan, and Moldavia.

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Appendix D – Hungary contacts and offices

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