



# Investing in Hungary 2026





## About Hungary

Area: approx 93,000 km<sup>2</sup>

Population: 9.5 million (2025)

National currency: Hungarian forint (HUF)

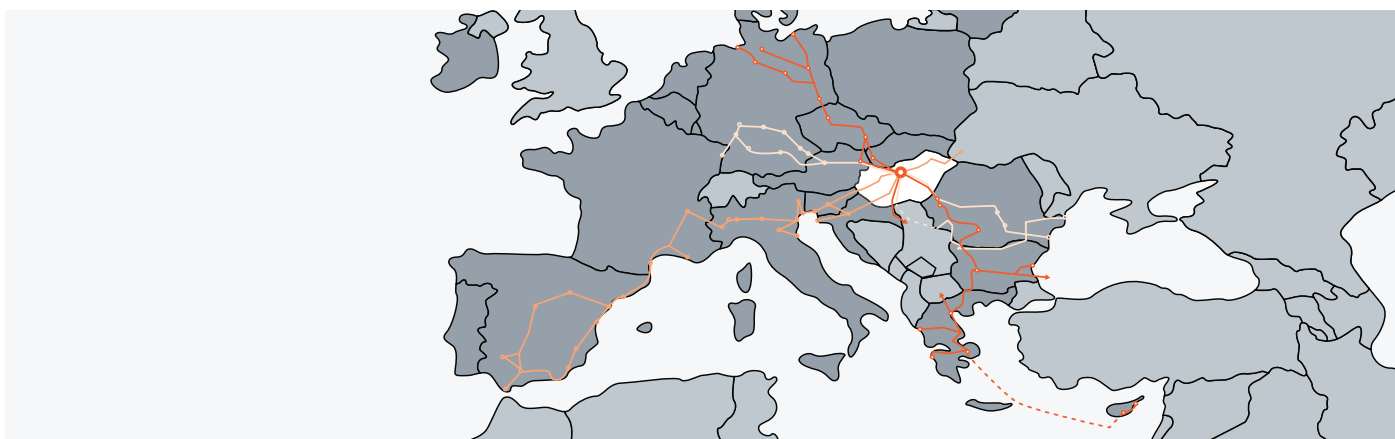
Capital city: Budapest (pop.: 1.7 million)

Time zone: CET/CEST

GDP: 218.5 billion (at market prices in 2025, Eurostat)

## Key sectors

Automotive is one of Hungary's core industries, employing more than 100,000 people, producing roughly 15% of total exports. Considering the ongoing large investments in the country, Hungary is a significant location in Europe for EV battery production capacities. Electronics, ICT, pharmaceuticals and medical technology and renewable energy are also increasingly important, as the country is shifting towards an R&D and innovation focus. The food industry may also be considered a traditionally important sub-sector of the economy. The last decades have shown that Hungary, with its skilled labor force, is an ideal country for the operation of shared service centers.



## Why Hungary?



### Favorable location

The easy accessibility of Hungary is often cited as one of its main advantages: it is at the crossroads of three major European transport corridors. Hungary has one of the highest motorway densities in Europe and has three international-, and four regional business airports. The country's location enables companies to have morning calls with Asian countries and afternoon calls with the USA, which makes Hungary a preferred location for shared service centers as well. The climate of the country lacks extremes and can be considered a typical continental climate.



### Attractive human capital

Hungary provides a well-qualified workforce at an advantageous cost. The labor force consists of roughly 4.6 million individuals (2025 December data), and the unemployment rate was 4.4% (in December 2025). As of 1 January 2026, the minimum wage in Hungary is around EUR 838, the guaranteed minimum wage for skilled workers is around EUR 977, while the average gross salary is around EUR 1,950 (in November 2025). The rate of personal income tax is 15% and the rate of employees' contributions is 18.5%. The employer's social tax rate is 13%. Employers can apply several social tax allowances for employing certain classes of individuals, such as jobseekers, jobseeker mothers with three or more young children, individuals with reduced ability to work, researchers, employees participating in vocational education and dual training etc. (only one type of allowance can be applied for a given employee).



### **Hungary has a favorable corporate income tax regime**

The Hungarian corporate income tax ('CIT') rate is a flat rate of 9%. There is no withholding tax, based on Hungarian domestic law, on any outbound payments (including dividends, interest, royalties and management fees) made to foreign business entities. Dividend received is exempt from CIT unless it is received from a CFC. In addition, Hungary operates a participation exemption regime for capital gain taxation purposes resulting that Hungary is a favorable holding location for multinational company groups. Furthermore, a favorable group taxation regime is available for Hungarian taxpayers operating within the same company group as from 2019. In a nutshell, by opting for group taxation, group members' positive tax bases can be offset by up to 50% of the group members' negative tax bases (or previous group tax losses) and group members can benefit from tax incentives together, with certain conditions.

Other main taxes in Hungary are as follows:

- a maximum of 2% local business tax;
- 0.3% innovation contribution liability;
- 27% as general VAT rate;
- 18% reduced VAT rate applies to certain products, for example bread and certain types of dairy products;
- 5% reduced VAT rate applies to certain products and services, for example journals, books, internet services, medicines, chicken, pork, fish, central heating, accommodation services;
- retail tax;
- 7,5% Advertisement tax liability starting 1st July 2026;
- 31% energy suppliers' income tax.

Based on the OECD Model rules the European Member States (including Hungary) implemented the Global Minimum Tax directive as of 1 January 2024. Accordingly, MNE groups having a Hungarian subsidiary and meeting the annual threshold of at least EUR 750 million of consolidated revenues are subject to the new rules. Based on the rules, a minimum 15% effective tax rate should be achieved by an MNE in Hungary. It is important that not only corporate income tax qualifies as a so-called covered tax for effective tax rate calculation purposes in Hungary, but also the local business tax, innovation contribution and income tax of energy suppliers as well, which in many cases together result in an effective tax rate of above 15%. Please note that, the global minimum tax effective tax rate calculation requires a complex exercise taking into account several factors and can result in very different scenarios based on the exact facts and circumstances.

The rules contain a full list of Pillar 2 collection mechanisms, including a Qualified Domestic Minimum Top-up Tax.

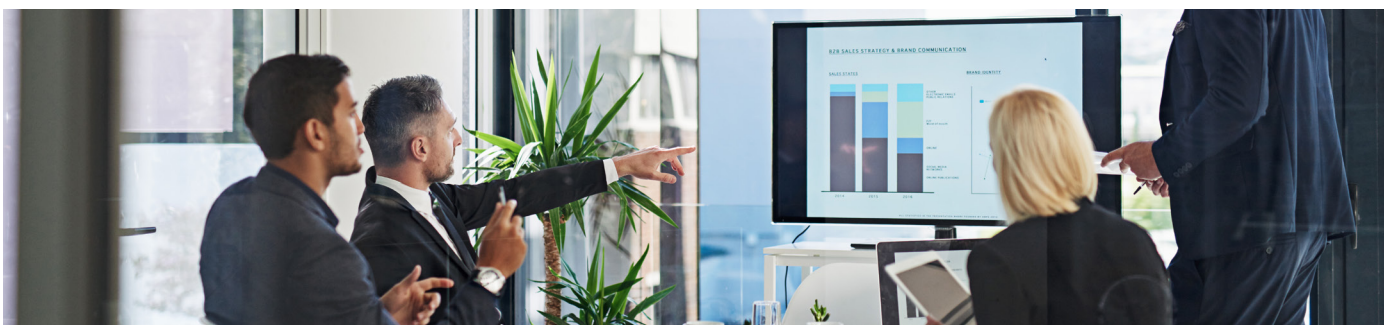
The collection mechanisms are in force according to the following timetable:

- Qualified Domestic Deduction Top-up Tax ("QDMTT") from 1 January 2024, which has received the Safe Harbour QDMTT status, meaning the jurisdictions of its parent companies will not be required to recalculate the QDMTT paid in Hungary with respect to FY24,
- Income Inclusion Rule ("IIR") from 1 January 2024, and
- Under-taxed payments rule ("UTPR") from 1 January 2025.



### **Investor-friendly legal environment**

As a member of the European Union, Hungary has harmonized its legal system with European law. New business may be established in several forms; however, the most common company form is the limited liability company (Kft.). The costs of company registration in Hungary are considered low in the European Union. Company establishment is registered by the Court of Registries and registration takes relatively short time (usually 1-3 weeks).



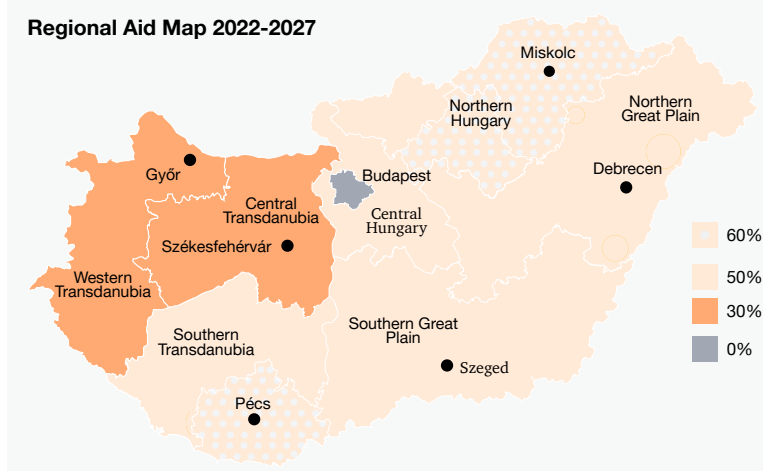
## Subsidies and incentives

One of Hungary's economic advantages is the wide range of available incentives the Government offers to increase the competitiveness of the country's economy, including various tax breaks and subsidies beneficial for the investor companies.

### Regional aid from Hungarian Funds:

The maximum regional aid intensity in Hungary varies between 30% and 60% (which might be increased further in the case of SMEs), except in Budapest where no regional aid can be granted. From 2022 Central Hungary (excluding Budapest) is eligible for up to 50% regional aid intensity. Moreover, Borsod-Abaúj-Zemplén, Heves and Baranya counties are eligible for the Just Transition Fund, thus the maximum aid intensity increased to 60% in those counties.

Regional Aid Map 2022-2027

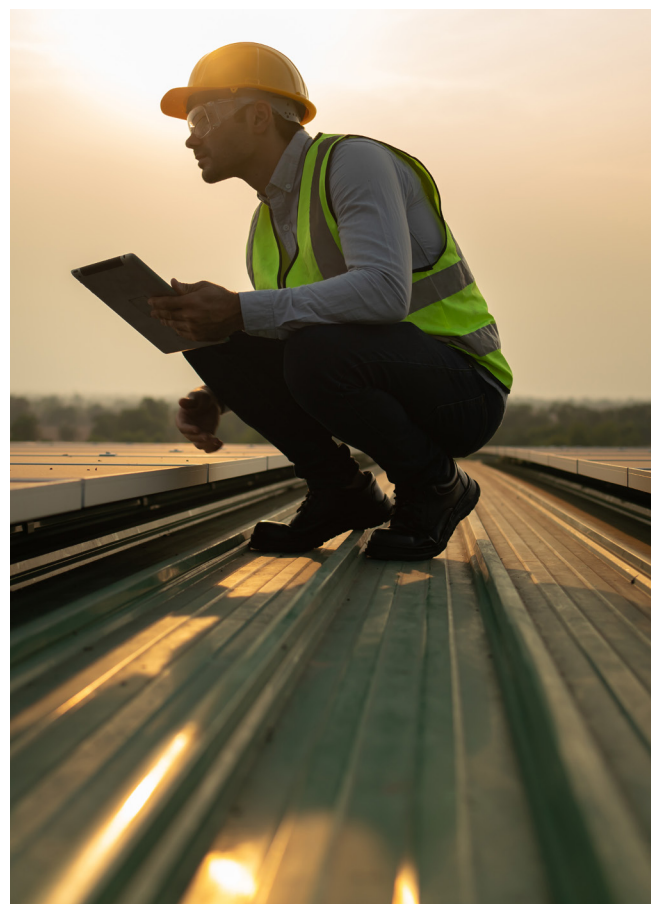


In case of large investments, the intensity rate is adjusted for the portion of costs exceeding EUR 55 million, based on EU rules. All regional aid (including e.g. VIP investment cash subsidy and development tax incentive) need to be considered in the maximum available regional aid intensity. In certain cases (e.g. if regional aid exceeds a certain amount) European Commission notification and approval are also required.

“VIP investment cash subsidy” is available based on individual Government decision. The main aim is to attract investments in the manufacturing (greenfield or capacity extension), and shared service center (“SSC”) sectors.

- For a **manufacturing asset investment**, the minimum criteria are to reach EUR 2-10 million eligible cost depending on the location (see details below) and to maintain the base headcount during the monitoring period in case new jobs are created. Under new legislation the requirements to be fulfilled throughout the monitoring period were significantly changed, the new system of requirements contains separate categories. Eligibility criteria now also include the reaching additional wage costs of at least EUR 2 million, and additional sales revenue of at least EUR 15 million in total during the monitoring period. The remaining commitments form two separate categories, from which investors are free to choose.
  - **Commitments related to financial performance and headcount:**  
Investors are free to choose further increasing wage costs/sales revenue or creating new jobs with some restrictions applied on newly created enterprises compared to already established ones.
  - **Commitments related to R&D and local cooperation:**  
Furthermore, at least two more commitments must be chosen from the list containing different policy focuses and initiatives: creating new R&D jobs, increasing R&D costs, increasing the involvement of local suppliers or cooperating in supplier development activities, the new commitment options also include using renewable energy produced by the investor, or increasing employment of students of vocational/higher education and cooperation with educational institutions.

- The maximum aid intensity is according to the regional aid map. The minimum eligible cost for such investments, based on the location, is as follows:
  - **At least EUR 10 million:** in Győr, Székesfehérvár, Tatabánya, Szekszárd, Kecskemét, Szombathely, Veszprém, Zalaegerszeg, Debrecen, Szeged or Eger,
  - **At least EUR 5 million:** in Salgótarján, Miskolc, Nyíregyháza, Békéscsaba, Pécs, Kaposvár, Szolnok, or in municipalities classified as district seats, in the counties of Hajdú-Bihar, Jász-Nagykun-Szolnok, Pest, Fejér, Komárom-Esztergom, Veszprém, Győr-Moson-Sopron, and Vas (if the county seat and the district seat are the same, the higher prescribed amount of eligible costs must be taken into account),
  - **At least EUR 3 million:** in municipalities not classified as district seats, in the counties of Hajdú-Bihar, Jász-Nagykun-Szolnok, Pest, Fejér, Komárom-Esztergom, Veszprém, Győr-Moson-Sopron, and Vas,
  - **At least EUR 2 million:** in municipalities not classified as county seats, in the counties of Borsod-Abaúj-Zemplén, Heves, Nógrád, Szabolcs-Szatmár-Bereg, Bács-Kiskun, Békés, Csongrád-Csanád, Baranya, Somogy, Tolna, and Zala.
- In case of **establishing or expanding SSCs**, at least 25 new jobs must be created – over the base headcount – without investment amount criteria. The aid intensity is according to the regional aid map.



**The development tax incentive** may be claimed for a 13-year period in the CIT returns, starting from the tax year or the tax year subsequent to when the investment is put into operation, within a maximum period of 16 tax years starting from the tax year following the one in which the application for the incentive is submitted to the Ministry for National Economy. In any given tax year, the tax incentive is available for up to 80% of the CIT payable, but in total up to the state aid intensity ceiling.

There are several ways to qualify for the development tax incentive. The most common investment types are as follows:

- investments reaching at least HUF 3 billion (~EUR 7.9 million) at present value, HUF 1 billion (~EUR 2.65 million) at present value in certain regions, or HUF 100 million (~EUR 265 thousand) at present value in some designated special investment zones;
- R&D-related investments reaching HUF 100 million (~EUR 265 thousand) at present value;
- job creation-related investments with no minimum investment volume requirements;
- investments reaching at least HUF 50 million (~EUR 125 thousand) at present value for small enterprises, or HUF 100 million (~EUR 265 thousand) at present value for medium-sized enterprises.

Project companies of real estate developers may also be entitled to benefit from the development tax incentive, provided that certain conditions are met.

As far as Global Minimum Taxation Rules are concerned, their provisions (in some cases significantly) impact the future utilization of development tax incentives. Based on the Side-by-side package published by OECD on 5 January 2026, it is allowed to treat certain Qualified Tax Incentives as additions to Covered Taxes for Global Minimum Tax purposes, provided the incentives are generally available and based on expenditures or tangible production. The amount that can be taken into account is limited by a Substance Cap, equal to the higher of 5.5% of payroll costs or the depreciation of tangible assets in the jurisdiction. Alternatively, the Group may elect a 1% cap based on the carrying value of tangible assets. Considering the above, it can be concluded that, despite the introduction of the Global Minimum Tax, tax incentives will remain an important element of Hungary's investment incentive framework even after the safe harbour period.

Thus, continuous monitoring of the current development of the respective rules and following their clarification, the review of their impact on tax incentives currently in use and on tax incentives in connection with current and planned investments is highly recommended.



## Non-regional aid from Hungarian Funds:

### VIP subsidy for renewable energy production investment

The Government aims to encourage manufacturing companies to invest in **renewable energy production**. **VIP subsidy** is available for new production capacity investments accompanied by an investment into renewable energy production and/or storage, in case the latter is below 50% of the total investment costs. Recent changes in state aid legislation now also support the production and/or storage of renewable hydrogen. The minimum limit of the total investment costs vary between EUR 2-10 million depending on the location. The maximum aid intensity for the renewable energy investment part is 45% throughout Hungary. The maximum aid amount for the renewable energy investment part is EUR 30 million.

### Aid for investments accelerating the net-zero transition

Based on EU state aid rules, subsidies can be granted for investments in strategic sectors aimed at accelerating the transition to a net-zero economy, such as:

- production of strategic equipment that facilitates the roll-out of renewables and carbon capture technologies (e.g. batteries, solar panels, wind turbines, heat-pumps, electrolysers and equipment for carbon capture usage and storage);
- production of key components designed and primarily used as direct input for the production of the equipment defined in the previous point;
- production or recovery of related critical raw material necessary to produce the equipment and key components defined in the previous points.

Important condition is that the granting authority must verify the concrete risks of the investment not taking place within the European Economic Area without the aid. The subsidy is available throughout Hungary, the maximum aid rate available in Budapest is 15%, and 35% outside Budapest. The possibility of such incentive to be provided for the transition towards a net-zero economy is available both in VIP cash subsidy scheme and development tax incentive scheme.

## Energy-related investments:

In Hungary, several tax incentives are available for energy and energy efficiency related investments.

### Tax incentive for energy efficiency investment projects

Energy-efficiency investments projects (including renovation/modernization) may qualify for tax incentives for CIT purposes and energy suppliers' income tax purposes as well. The available tax incentive depends on the location of the investment and ranges between 30-45% of eligible costs (but maximum the HUF equivalent of EUR 30 million at present value) and can be used in the tax year in which the investment is put into operation and in the following five tax years.

### Tax incentive for investment in electricity storage

The available tax incentive for electricity storage investments amounts to 30% of eligible costs (up to the HUF equivalent of EUR 30 million at present value) and may be applied in the tax year when the storage facility is put into operation, or — at the taxpayer's discretion — from the following year, and in the subsequent five tax years. To qualify, at least 75% of the energy fed into the storage facility during the year must originate from renewable sources connected to the same grid connection point.

Additional environmental-related tax incentives may also be available, making it worthwhile reviewing planned projects in advance.

## Tax incentives regarding R&D:

### R&D tax base allowance

A tax base allowance is only applicable for R&D activities if the taxpayer carries out basic research, applied research, or experimental research activities within its own scope of activities. The direct cost of the R&D activity or the amount of depreciation on the research activity (if the cost of R&D activity is capitalized) are deductible when calculating the pre-tax profit, and the tax base allowance results in an extra deduction granted in the form of a downward tax base adjustment.

The tax base allowance can be utilized both for Hungarian corporate income tax, local business tax and innovation contribution purposes, resulting in an overall tax saving of approximately 11.3%.

### R&D tax incentive

By introducing the global minimum tax, a new R&D tax credit had been entered into force, which is recognized as refundable tax credit, meaning utilizing this tax credit does not reduce the effective tax rate for global minimum tax purposes (as opposed to the R&D tax base allowance). Companies will have the choice between the two types of R&D incentives. The new R&D tax credit is introduced with certain restrictions compared to the current R&D tax base allowance. The legislator narrows down the range of eligible costs and excludes certain direct costs related to rendered R&D services.

It is important to note that the old tax base reduction and the newly introduced tax credit cannot be applied at the same time. If the company opts to apply for the newly introduced tax credit, it cannot take into account the tax base reduction item in respect of R&D activities not only for corporate tax but neither for local business tax nor social contribution tax purposes.

“**VIP R&D subsidy**” can be obtained – based on individual Government decision – for **R&D projects** that last a minimum of one and a maximum of three years, with a minimum of EUR 1 million in eligible costs.

The aid intensity is up to 40% (except Budapest where the maximum is 25%) of the eligible costs, and EUR 25 million is the maximum available subsidy amount. Furthermore, for the part of the project which qualifies as applied research, the maximum aid intensity is 50%. At least 10 new R&D-related jobs must be created (50% of the new jobs created need to be employees with higher education). Under certain conditions, medium-sized companies, with a headcount of at least 50 (taking into account the headcount of its direct owner as well), are also eligible for R&D VIP subsidy. Recent legislative changes have also introduced the filing of a Hungarian- priority European or European-priority international patent application as a possible new commitment which may represent an advantage during the evaluation of the project. In this case the subsidy’s disbursement would be connected to the filing of the patent application.

Moreover, recent legislative changes have introduced the “**VIP cash subsidy for R&D centers**”. The VIP cash subsidy for R&D centers is intended to help establishing R&D centers by companies of a headcount over 50 (including the headcount of their direct parent company) outside Budapest and boost cooperation between innovative private companies and universities, that is why companies are required to conclude an R&D cooperation agreement with a Hungarian higher education institution as a requirement of the subsidy. Contrary to the above mentioned “**VIP R&D subsidy**”, this subsidy scheme covers the cost of assets required to carry out R&D activities, thus financing the acquisition of assets for the applicant’s future **R&D projects**. Furthermore, **no R&D qualification is required to claim this subsidy**. Under this scheme, companies need to create at least 10 new R&D positions. It is important to highlight that this form of subsidy is based on regional aid, consequently EU state aid rules on cumulation of subsidies are applicable.

Furthermore, depending on the available budget, tender calls might be available for subsidizing R&D projects from the **funds of the National R&D&I Fund**.

A “**VIP training subsidy**” is available for companies with a headcount of at least 100 (including the direct parent company’s headcount). It is important to highlight that only trainings that offer professional development, promote the acquisition of





new skills, and enhance the employees' efficiency are eligible for the subsidy. The available subsidy for a training project is a **maximum of EUR 3 million**, however, the available amount also depends on the number of participants in the training project and on the costs of the training project, as the maximum subsidy amount is capped at **5,000 euros per participant**, and it may not exceed 50% of eligible costs. As a minimum requirement the number of training participants must reach 25 people, and the eligible costs have to amount to EUR 250,000 which has to accumulate during a period up to three years, the maximum duration of a subsidized training project. During this period the employees can be provided with both internal and external training.

The Donor takes several factors into consideration when making a subsidy offer, for example: the specific industry sector, the size of the company, the aim and scope of the training project. Establishing or expanding of a shared-service center (SSC) or the implementing of an asset-based investment is no longer necessary due to recent legislative changes.

### Subsidy available from EU Funds:

Significant financial sources and a wide range of tender calls are available from EU Funds in the period of 2021-2027. The tenders reflect the importance of supporting several aims (green investments, R&D activities, digitalization, AI etc.) and focus on small- and medium-sized enterprises. Several opportunities are available within the Horizon Europe program that aims to promote the scale-up of innovative SMEs in Europe as a way to boost the EU's innovation ecosystem.

Through the Clean Industrial Deal, sustainable energy transition and decarbonization have become even more important goals of both EU and Hungarian policies. Subsidy programs with a strong emphasis on sustainability and decarbonization are the LIFE program with different thematic calls (such as climate change mitigation and adaptation) and the CISAF (Clean Industrial Deal State Aid Framework) which is designed to assist industry players to move towards clean energy and clean technology solutions. In Hungary the CISAF has been implanted under the VIP cash subsidy framework (see aid for investments accelerating the net-zero transition on page 6). Recent trends also show electric vehicle and battery production to be one of the EU's new focuses, with a new initiative regarding the Innovation Fund, which now has dedicated calls aimed at EV battery production. Digitalization has also been emphasized in recent years as an important goal and several Digital Europe calls focus on themes such as AI and cybersecurity. The conditions for the EU tender applications, the timing, and the total amount of the subsidy available vary from call to call.



### **PwC can support you in...**

- Obtaining maximum aid available
- Site selection
- Establishing a company in Hungary
- Taxation
- Hungarian accounting requirements
- Payroll
- Labour law and employment contracts
- Evaluating the feasibility of your project



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