

HUNGARIAN PROPERTY TAX INFORMATION

Owners of rental property in Hungary, who are non-resident there, are liable to pay taxes and must apply for a Hungarian Tax number.

An Individual is considered non-resident in Hungary if s/he does not spend 183 days or more in any tax year (calendar year) in Hungary or does not have their primary residence there.

Taxes payable in Hungary when purchasing a property are as follows:

Hungarian Stamp Duty is payable on the purchase of property. Rates range from 2% - 10% depending on the value of the property. A purchaser is exempt from Stamp Duty if the value is under €60,000 approx. Tapered relief applies for properties valued between €60,000 and €120,000. Newly built residential properties with a value of less than €60,000 are exempt.

Hungarian VAT: the selling of newly built properties is always subject to VAT. VAT payable on the sale of second-hand properties depends on the VAT status of the property seller (Vat @ 25%.) Vat paid is recoverable by an individual if certain conditions are fulfilled. Subsequent sales can be subject to VAT depending on the VAT status of the seller. NB: The Hungarian VAT rate was raised to 25% from July 1st 2009.

Ongoing property taxes payable in Hungary are as follows:

Hungarian Income Tax: There are three methods of taxation you can choose from:

1. Flat rate @ 25% with no allowance for costs.
2. Gross income with 10% notional expense deduction, the tax range from 18%-36% and vary according the amount of income (no need to have proof of any expense).
3. Profits less allowable deductions, the tax range from 18%-36% and vary according the amount of income received (all deducted expenses must be proved with invoices).

The 20th May following year-end is the deadline for individual income tax returns. The taxpayer can chose 1st method only in the first year in which receive rental income and use it for the following 4 consecutive years. Taxpayer can use 2nd and 3rd methods presented above for each year, without any obligation of following the same choice for a given number of tax years.

Hungarian Corporate Income Tax is payable if property is purchased through a company and is calculated @ 16%. Additional taxes such as Solidarity tax @ 4% and Local Business Tax @ 2% also applies. Full deductions will be given for eligible costs incurred in connection with the property. Taxes due must be paid by December 20th and a tax return must be submitted by May 20th the following year.

Hungarian Luxury Tax (Wealth Tax) applies on residential and holiday dwellings.

Local Hungarian Property taxes (rates) are also payable and vary per location. The average cost of local taxes are **€3.95** per sq/m per year /Building tax is 900HUF/sq.m or 3% of market value of the property; land tax is 500HUF on sq/m or 3% on market value; in all cases final decision rests with the local tax authority.

Other applicable taxes are as follows:

Hungarian Capital Gains Tax rate is @ 25%. CGT deductions will apply considering the amount of time the property registered as residential was owned as follows:

- ❖ If the Property to be sold is owned for 5 or more years then there is no obligation to pay CGT.
- ❖ If the Property to be sold is owned between 4 and 5 years then the CGT will be paid for the amount corresponding to 30% of the CG.
- ❖ If the Property to be sold is owned between 3 and 4 years then the CGT will be paid for the amount corresponding to 60% of the CG.
- ❖ If the Property to be sold is owned between 2 and 4 years then the CGT will be paid for the amount corresponding to 90% of the CG.
- ❖ If the Property to be sold is owned for less than 2 years then the CGT will be paid entirely.

A seller is exempt from CGT if s/he re-invests the gain back into a room, an apartment in a retirement home in Hungary or any European member state.

Hungarian Property Tax Calculator: Check out our new Hungarian Property Tax Calculator providing a generic overview of the taxes payable when purchasing and the ongoing taxes when renting the property.

Hungarian Inheritance Tax (IHT) is payable by non-resident beneficiaries on certain transferred assets. The tax rate depends on the relationship between the beneficiary and the donor as well as on the value of the property. The rates vary from 2.5% - 40%. Any inheritance below 20 million HUF, in the case the inheritor is child/parent/spouse or nephew without parent as legal guardian will be stamp duty exempt.

Worldwide income

If resident in the UK or Ireland you will have to declare any income received in Hungary in your annual resident tax return. There is a double taxation agreement between Hungary, Ireland and the UK so double taxation relief applies in some cases. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

Property Tax International can organise the completion and filing of all necessary Hungarian tax returns in addition to advising on your property tax obligations in your home country.

Hungarian Tax Deadline: Hungarian income tax returns must be filed by the 21st May following the year income was received.

CONTACT: Property Tax International can organise the completion and filing of all necessary Hungarian tax returns in addition to advising on your property tax obligations in your home country:

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