

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 ID 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% - 6% depending on the value of the property. A purchaser is exempt from Stamp Duty if the value is under €60,000 approx.

Hungarian VAT is payable on the first sale of new property only. The rate of 20% applies. It is not recoverable by an individual. Subsequent sales are not subject to VAT.

Ongoing property taxes payable in Hungary are as follows:

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

1. Flat rate @ 25% with no allowance for costs
2. Profits less allowable deductions, the tax rates range from 18% - 36% and vary according to the amount of income received.

Once a specific option is chosen the tax payer must follow this tax method for the following four 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 Business Tax @ 2% also applies. Full deductions will be given for eligible costs incurred in connection with the property. The taxes are due by 20th December and a Tax Return must be submitted by 20th May following year end.

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.

Other applicable taxes are as follows:

Hungarian Capital Gains Tax (CGT): A seller is exempt from Hungarian CGT if s/he re-invests the gain back into another Hungarian property within 5 years. Otherwise the CGT @ 25% applies. If you are unable to re-invest before submitting your tax return, you have to pay the CGT and then claim it back. A 10% reduction applies on properties owned for 6 years. No Hungarian CGT payable after 15 years.

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. The rates vary from 2.5% - 40%.

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