

# Taxes at a Glance 2009

## Hungary



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Our firm's major services include, among others, Audit, Advisory, Direct and Indirect Tax Advisory, Compliance Services, Transfer Pricing, HR Advisory, Accounting,

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As PwC's correspondent law firm in Hungary, Réti, Antall and Madl Landwell offers a complete range of business-related expert legal services.

Capital:	Budapest
Official language:	Hungarian
Official currency:	Hungarian Forint (HUF)
Population:	10,033,000 (2008)
Area:	93,030 km <sup>2</sup>
GDP growth (%):	0.8 (2008)
GDP per capita (USD):	13,800 (2008)
Double Tax Treaties:	65
FDI (USD):	5,766 million (2008)

- EU
- NATO
- OECD
- WTO
- IMF
- EBRD



## Highlights – Hungary as an attractive investment location

- A standard EU tax system and OECD compliance.
- No withholding on interest, royalty or dividends.
- 50% of net interest income from related parties is tax-deductible.
- 50% of gross royalty income is tax-deductible.
- Incentives for R&D.
- No tax on gains arising from the sale of registered share participations held for more than one year.
- Corporate tax exemption on dividend received.
- Exemption from tax on profits of permanent establishments abroad through most of the tax treaties.
- No set substance requirements.
- Advance binding rulings are available.
- Deductibility of investment costs.
- No capital tax on registration.
- No stamp duty/transfer tax except on real estate.
- Capital and books may be kept in a foreign currency if criteria are met.
- Flexible depreciation rules.
- A party to major international treaties and conventions on intellectual property rights protection.
- Extensive double tax treaty network.
- VAT grouping opportunities.
- Separation of seat and central place of management.

# Corporate Taxation

Rate	16% + 4%	The general rate is 16%. If certain conditions are met, the tax rate is 10% up to HUF 50 million. In addition, a special profit tax of 4% is levied on entities subject to corporate tax.
Thin capitalization (debt:equity ratio)	3:1	The thin capitalization rules cover liabilities that entail the payment of interest (except interest from financial institutions).
Tax loss carry forward	unlimited	Tax losses can be carried forward indefinitely. Tax Authority permission is required in certain circumstances.
Withholding tax	N/A	No withholding tax on dividend, interest or royalty paid to companies.
Special features		Capital gains on the sale of registered shareholdings are exempt and subject to a one-year minimum holding period. CFC rules are not applicable to OECD and treaty countries. CFC rules are only applicable to dividends distributions (i.e. no deemed dividend or look-through approach). Binding rulings and Advance Pricing Agreements (APAs) are available.

## Value Added Tax

General rate	20%	
Reduced rate	5%	Pharmaceuticals, nutritional products and books.
Refund period	30/45 days	Residents: via VAT return
	6 months	Non-resident: EC directive or reciprocity.
Special features		Real estate rental. Domestic reverse-charge for special transactions. Financial institutions. VAT grouping.

## Individual Taxation

Personal Income Tax	18%/36% + 4%	18% up to HUF 1.7 million and 36% over, plus 4% solidarity tax on income over HUF 7,446,000.
Mandatory Social Security Contributions	Employer: 32%	Contribution is payable above a minimum base of HUF 143,000/month.
	Employee: 17%	
Special features	Flat tax rate	On capital gains, rental income and dividends.

## Other Taxes

Local business tax	max. 2%	Adjusted sales turnover from business activities carried out in the municipality.
Other		Excise tax, Energy tax, Customs duties, Stamp duties, Healthcare tax, Registration tax, R&D tax, Pharma taxes, Community tax, Tourism tax, Environmental taxes, WEEE, Bank tax, Cultural tax.

# Contacts

## PricewaterhouseCoopers Tax Partners

Russell W. Lambert  
+ 36 1 461 9223  
russell.w.lambert@hu.pwc.com

Gabriella Erdős  
+ 36 1 461 9130  
gabriella.erdos@hu.pwc.com

Paul Grocott  
+ 36 1 461 9260  
paul.grocott@hu.pwc.com

Dr. Tamás Lócsei  
+ 36 1 461 9358  
tamas.locsei@hu.pwc.com

Zaid Sethi  
+ 36 1 461 9289  
zaid.sethi@hu.pwc.com

Susan Lumpkin  
+ 36 1 461 9940  
susan.lumpkin@hu.pwc.com

## Réti, Antall & Madl Legal Partners

Dr. László Réti  
+ 36 1 461 9890  
laszlo.reti@hu.pwc.com

Dr. György Antall  
+ 36 1 461 9870  
gyorgy.antall@hu.pwc.com

[www.pwc.hu](http://www.pwc.hu)

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