

COUNTRY PROFILE



Hungary

Tax overview

Corporate Income Tax	9%
Personal Income Tax	15%
Gift Tax	None
Inheritance Tax	None
Wealth Tax	None

Corporate Income Taxation (CIT)

Corporations incorporated in Hungary, and foreign corporations effectively managed from Hungary, are subject to tax on worldwide income at 9%. Non-resident corporations are subject to tax only on Hungarian source income. Hungary does not levy WHT on distributions to domestic entities, but levies 15% WHT on distributions to individuals. Hungary and has a participation exemption regime applicable to dividends and capital gains.

Personal Income Taxation (PIT)

Resident individuals are subject to tax on their worldwide income at 15% income. Hungary also applies gift and inheritance tax at 18%, except that children, siblings, and spouses are exempt. Many other exemptions apply. Hungary does not impose wealth tax.

Anti-Avoidance Rules

Hungary has adopted the EU's Anti-Tax Avoidance Directive (ATAD). Hungary has Transfer Pricing rules in line with OECD guidelines, Thin Capitalization rules, and Controlled Foreign Corporation (CFC) rules.

Controlled Foreign Corporations (CFCs)

CFC rules apply to foreign legal entities where Hungarian resident corporations directly or indirectly own shares, voting rights, or equity in excess of 50% or are entitled to more than 50% of the profits of the legal entity; and the actual tax paid abroad by the foreign entity is less than 50% of the tax that would have been payable in Hungary. Hungarian residents are taxable on their share of the undistributed profits, subject to several exemptions. Qualification as a CFC may be avoided if the income of the CFC arises purely from "genuine arrangements."

CFC rules apply only to corporations. A separate anti-deferral regime applies to Hungarian individuals that receive income from low tax jurisdictions (LTJs) with no double tax treaty with Hungary, which income is not imputed but would be subject to 15% PIT and 13% social tax on receipt.

Foreign Trusts

Hungary has domestic trust and foundation laws, which are used extensively. However, Hungary has not ratified the Hague Convention on the recognition of trusts. As a result, foreign trusts are not expressly recognized and considerable uncertainty exists on the taxation of foreign trusts. They may be taxed as Hungarian trusts, at the standard rate applicable to individuals, or at the punitive rates applicable to income from LTJs.

Double Tax Treaties (DTTs)

Hungary has a broad network of DTTs, including Canada, Cyprus, Luxembourg, Malta, Netherlands, Switzerland, the UK and the US (terminated 12/31/2023), which provide relief from double taxation, and clarity on the taxation of foreign investment.

OECD Multilateral Convention

Hungary is party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which requires exchange "on request," and authorizes spontaneous and automatic exchange.

Common Reporting Standard (CRS)

Hungary is a party to the Multilateral Competent Authority Agreement (MCAA) and has implemented CRS for the automatic exchange of information.

FATCA

Hungary has a FATCA Model 1 Intergovernmental Agreement (IGA) with the United States for the automatic exchange of account information.

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