

News Flash

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Expenses of property buying and selling in Hungary 2016

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In the last years, mainly because the short-term rental and property rental are becoming more popular year by year, the real estate market in Hungary is started to continuously uplift. As it didn't change this year neither, it might be important to discuss every expense and obligation about real estate sale and purchase to not to be caught unprepared if the time comes, therefore in our recent newsletter we are going to cover the duties, taxes, rules and allowances what affecting both the buyer and the seller, to answer every possible questions about this topic.

Payable by the seller

According to the Civil Code of Hungary, the following costs will be charged to the seller:

- Land register fees
- Transfer related fees
- Personal Income Tax

- **Transfer related fees**

These may include the basic expenses, what are necessary for the legitimate selling, such as the settlement of utility bills and mortgage liabilities, or the cost of real estates and their intermediaries, if the transaction happened this way.

- **Land register fees**

In case of property selling, some other administrative expenses might arise in connection with the seller such as the drawn up of the energy certification (green cad) and the procurement of the title deed and the property layout.

- **Personal income tax**

In case of selling an apartment, house or any other real estate, a personal income tax payment obligation arise on the income from the selling, regulated by Article 59-64 of Act CXVII of 1995 on Personal Income Tax. From 1 January 2016, the domestic personal income tax rate on property selling is 15 %, but the amount of required tax depends on several factors:

- 1) After selling a property, the first thing to do is to determinate the income; what

should be calculated by deducting the following expenses from the selling price (i.e. the income):

- amount of the property purchase
- value added investments (renovation, modernization)
- other transfer costs

(It is important to note that only costs proven with official receipt counts as eligible cost)

2) The value observed counts as income and the taxpayers should pay their taxes after this amount, with a rate what depends on the date of purchase:

- If the selling is in the same year or the year after the buying: 100% of the calculated amount counts as income
- If the selling is two years after the buying: 90% of the calculated amount counts as income
- If the selling is three years after the buying: 60% of the calculated amount counts as income
- If the selling is four years after the buying: 30% of the calculated amount counts as income
- If the selling is five or more years after the buying: there is no VAT paying obligation

It is important to highlight, that this write-off can be only applied on residential houses and flats, but this gradually decreasing payment obligation is available for every type of property, only with different terms. The tax rates for every other type of property can be calculated by a calculator what can be found on the webpage of the National Tax and Custom Administration of

Hungary, wherewith the rate of tax liability can be easily calculated in every case for every actual property.

Payable by the buyer

In case of purchasing, there is no tax paying obligation, just a duty on onerous transfer, what should be paid. The rate of this duty is independent from the type of property, currently its 4% uniformly, while in case of part-ownership, every owner should pay this value after the extent of their ownership interest.

Without attempting to be comprehensive, the tax allowances in 2016 are the following:

1) Tax exemption:

- If the newly purchased property costs less than the property sold in the previous or following years
- buying/selling between spouses
- buying/selling between direct relatives
- in case of buying a building site, if the construction starts within 4 years after the purchase
- in case of buying a state or governmental property
- in case of buying a new flat, if it does not exceeds the 15 million HUF limit

2) Discounted tax:

- Before the age of 35, in case of buying the first own flat, only the half of the tax should be paid if until the 15 million HUF limit
- In case of buying a new flat, if it's over 15 million HUF but does not exceed the 30 million HUF limit, then the first 15 million HUF in the final price is free of tax
- In case of change of dwelling/shift (when less than one year passed between selling of the old flat and buying the new one) the margin of the two flats prices gives the basis of the duty.

Above these expenses, the buyer is charged by the contracting expenses (for example lawyer fees or the property deed expenses) or the expenses of the ownership change registration in land register.

If you are before property selling or buying and you feel that you have to clarify some details or you need further informations about this topic, feel free to contact us, our advisors and specialists would be pleased to help you.

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