

# Expatriate tax guide for Hungary

PERSONAL INCOME TAX, SOCIAL SECURITY AND  
HEALTH INSURANCE, OBLIGATIONS OF LOCAL  
AND FOREIGN TAX RESIDENTS, PENALTIES



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## **Taxation vs. cross-border employment: local specifics with international significance**

With globalization, freedom of movement and emerging businesses across the world the cross-border provision of services and employment of workers has gained more significance than ever before. But new opportunities bring new administrative obligations and responsibility for the management, HR department and employees. As tax and reporting obligations of posted workers or employed persons from abroad differ by each country, the proper setup of non-resident employment requires a thorough strategic planning.

The thriving market of Hungary offers a lot of opportunities for businesses all over the world, increasing expat mobility. But like in other countries, the obligations related to cross-border employment must be respected and fulfilled. Our overview on tax residency conditions, personal income tax, social security and health insurance contributions or penalties for non-compliance provide an easy-to-follow guide for a global mobility strategy in Hungary.

## See what is included

Focusing on the Hungarian legislation, our study further elaborates on:

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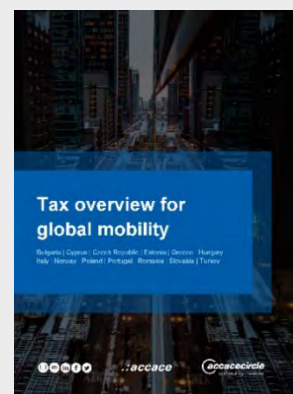
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Get a useful overview of the main frameworks and regulations to manage your global mobility matters in Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Italy, Norway, Poland, Portugal, Romania, Slovakia and Turkey.

[Head over to our study covering 13 countries](#)



# TAX RESIDENCY

## Definition and requirements

In Hungary, a tax resident is:



a person who is a citizen of Hungary (except dual citizens), as formal criteria



a citizen of the European Union who spends more than 183 days per calendar year in Hungary



a third-country citizen with permanent residence status, whose vital interest is in Hungary



any natural person who has a permanent home (habitually residing in the country) or habitual stay in Hungary (where they stay for more than 3 months without the intention to leave)

## Days of presence

For the purposes of calculation of days of presence in Hungary within one or more periods, any part of the day of presence is regarded as whole day (including day of arrival and day of departure).

## Split tax residency

Split tax residency is acknowledged between more countries within one tax period. Although according to the Hungarian law and OECD treaties, in a certain point of time the person can be resident in only one place, but the residency can be changed within a tax period. In lack of a double tax treaty, dual residency may occur.



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# PERSONAL INCOME TAX

## Tax rate and tax period

**15%** is the applicable tax rate without threshold



the tax period is the same as the calendar year

Based on the local tax system, salaries paid till January 10 for the work performed in the previous year are considered as taxable income of the previous calendar year. If paid after the 10<sup>th</sup> day, even if it concerns the previous year, the salary is regarded as a taxable income of the following year.

## Tax base and deductions

The tax base is calculated from all the revenue (money and in-kind) decreased by non-taxable parts of the income, if applicable – such as tax base allowances based on family status. Other possible deductions are allowances for newlyweds, for young people under the age of 25 years, for young mothers under the age of 30, allowances granted to mothers raising four or more children, personal allowance for handicapped private individuals, etc.



### The employment agenda brings complex obligations:

- Proper payroll calculation
- Personal income tax filing
- Labour law and employment compliance
- GDPR and personal data protection

**Avoid the risks of non-compliance**

# SOCIAL SECURITY

## Social security rates and registration

**18.5%** rate for the employee (together with the pension and health care contribution)

**13%** rate for the employer

The registration of the employee including any other further changes and the payments of contributions of the employee and the employer's part is done by the employer. This applies also to foreign employers.

## Social security base calculation

The social security base is calculated on a monthly basis, from the monthly salary. The salary should be not less than minimum wage or guaranteed minimum wage, in case of full-time employment.

## Payment and reporting of the social security

Social insurance contributions in Hungary are not covered by due tax, therefore they are calculated and paid separately on a monthly basis. The reporting and payment of the contributions are done by the employer, including foreign employer. If the employee is employed by 2 or more employers, all of them are obliged to report and pay the contributions.

In case the employee is under a foreign social security, the social contribution tax is not payable by the employer, neither are the health care and pension contributions payable by the employee.

## A1 Forms

A1 forms for purposes of the Art. 12 of the EU regulation 883/2004 are generally issued only for the duration of each respective posting. The Hungarian authorities do a thorough check of documents and conditions before issuing A1 form. Therefore, it may be lengthy process.



Get the A1 applications sorted easily – order their preparation from our eShop.



## HEALTH INSURANCE

The health insurance contributions are covered by the social security contributions. However, employees must register for health insurance as an insured person.

Health insurance contributions are calculated from the gross taxable income (in-kind included). No maximum threshold.

Although the contributions are paid both by the employee and the employers, the reporting and payment is done by the employer on a monthly basis.

# HUNGARIAN TAX RESIDENT WORKING IN ONE OR MORE OTHER COUNTRIES

## Personal income tax return filing

According to general rule, the employee is obliged to file the tax return.



The due date for filing falls on May 20 with the possibility of extension, however, the tax office needs to be notified beforehand. Application for justification may not be refused if the private individual has any income from abroad, penalty for his delay in filing may not be imposed until November 20.

The tax return can be filed electronically, in written form by post or personally. However, entrepreneurs are obliged to communicate with the tax authorities only electronically. The easiest way of filing the tax return for individuals is to opt for registering at the Client Gate. If they do so, the Hungarian Tax Authority will send them their draft tax return after March 15. In this case, the employee will be able to check and, where necessary, modify or accept the draft tax return.

Representation by a tax adviser is voluntary, but it requires a signed power of attorney.

## Avoiding double taxation

If there is no double tax treaty, then only the tax-credit (set-off) method is applicable. The calculated tax shall be reduced by 90% of the tax paid on the income abroad (except refundable tax), but not more than the tax calculated for this income by the Hungarian tax rate.

If there is a double tax treaty, the applicable method (exemption or set-off) depends on the rules of the concerned treaty.

In order to apply the respective methods, a certificate on paid tax or similar confirmation is required. In exceptional cases tax return filed in such other country may be accepted.

## Tax benefits and other specifics

To apply for available tax benefits respective evidence is required. Depending on the respective tax benefit the evidence or documentation may need to be presented to the tax authorities with the tax return.



In general, the income is attributable to the country where the work is performed. If income or its part cannot be attributed to one country as a whole, then the ratio based on the respective time worked in Hungary and other countries is applied. Individual parts of income may need individual evaluation and attribution ratio as they may concern different time periods or situations. This may concern, especially, the paid vacation (granted for calendar year), state holiday and sickness, bonuses and benefits.



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# TAX RESIDENT OF OTHER COUNTRY WORKING AND PAYING TAXES IN HUNGARY

## Personal income tax return filing

The employer who is considered as a payer i.e. domestic legal entity, branch or commercial agency (excluding non-resident foreign employer) is obliged to report and withhold personal income tax on a monthly basis. The monthly report of the employer is due by the 12th day of the calendar month following the month concerned.

The local or foreign employer do not able to handle the yearly tax reconciliation, as it is the obligation of the employee to file their own annual tax return.



The due date for filing falls on May 20 with the possibility of extension, however, the tax office needs to be notified beforehand. Application for justification may not be refused if the private individual has any income from abroad, penalty for his delay in filing may not be imposed until November 20.

The tax return can be filed electronically, in written form by post or personally. However, entrepreneurs are obliged to communicate with the tax authorities only electronically. The easiest way of filing the tax return for individuals is to opt for registering at the Client Gate. If they do so, the Hungarian Tax Authority will send them their draft tax return after March 15. In this case, the employee will be able to check and, where necessary, modify or accept the draft tax return. Representation by a tax advisor is voluntary, but it requires a signed power of attorney.



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## Tax benefits and other specifics

Entitlement to tax benefits is subject to condition of having at least 75% of the total income from sources in Hungary. Depending on the respective tax benefit, the evidence or documentation may need to be presented to the tax authorities with the tax return.

In general, the income is attributable to the country where the work is performed. If income or its part cannot be attributed to one country as whole, then the ratio based on the respective time worked in Hungary and other countries is applied. Individual parts of income may need individual evaluation and attribution ratio as they may concern different time periods or situations. This may concern, especially, the paid vacation (granted for calendar year), state holiday and sickness, bonuses and benefits.

# PENALTIES

## Penalties related to tax



### **Delayed filing of the tax return**

The fine ranges from HUF 0 up to HUF 500,000



### **Delayed payment of the due tax**

The fine is the prevailing central bank (MNB) base rate plus 5% from the value of overdue tax. The fine was 18.00 % on the 1<sup>st</sup> of January 2023.



### **Delayed or missing registrations at tax authorities**

Up to HUF 1,000,000 shall be imposed on an employer for employing an unregistered employee. Up to HUF 500,000 in case the employer complies with the obligation of registration of employees erroneously, defectively or with false data content. It is usually the obligation of the employer



### **Delayed or missing report on monthly salary or withholding tax from salary**

The employer (excluding non-resident foreign employer) is obliged to report salaries and withheld tax on monthly basis. Penalty is up to HUF 500,000

## Penalties related to social security

There is no special penalty in Hungary related to A1 forms. However, a missing A1 form may lead to negative implications and penalisation abroad.

Similarly, a foreign employee working in Hungary without an A1 form may lead to following implications:

- missing registrations with respective penalties from social and health insurance institutions
- missing reports and contributions with respective penalties
- their employment may be regarded as illegal, with respective penalties applicable



### **Delayed report on social security**

The fine can soar up to HUF 500,000

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### **Delayed payment of the social security contributions**

The fine is the prevailing central bank (MNB) base rate plus 5% divided by 365 for each day from the overdue payment. The fine was 18.00 % on the 1<sup>st</sup> of January 2023.

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### **Delayed or missing registrations for the purposes of social security**

The fine can soar up to HUF 1,000,000 for the employer

## **Penalties related to health insurance**



### **Delayed report on health insurance**

The fine can soar up to HUF 1,000,000 for the employer

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### **Delayed payment of the health insurance contributions**

The fine is the prevailing central bank (MNB) base rate plus 5 % divided by 365 for each day from the overdue payment

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### **Delayed or missing registrations for the purposes of health insurance**

The fine can soar up to HUF 1,000,000 for the employer

## **Criminal acts**

If the purpose of incorrect reporting or missing payment of due tax, social security and health insurance contributions is to avoid or decrease them, it is regarded as a criminal offence. The penalty depends on the value of the missing payment and may be at most 10 years of prison. Their later reporting or payment avoids criminal punishment. Criminal penalisation may also concern the employer - as legal entity. Beside imprisonment, penalties may be community service work, fine, prohibition to exercise professional activity, and deprivation of civil rights may be imposed as a form of additional penalty.



## ELEVATE YOUR GLOBAL MOBILITY STRATEGY WITH OUR COMPLEX SOLUTIONS IN HUNGARY

Get in touch with us to see how we can help with the agenda while you can focus on growing your business. Our experienced Hungarian tax team, backed up by a strong international network, will guide you through the complex agenda of cross-border mobility of employees and expatriates, that requires the deep knowledge of local and international legislation in the areas of individual taxation, social security, payroll, labour law, as well as best practices when it comes to providing the necessary administrative work to ensure compliance.

Our service portfolio offers:

- Creation of the tax-efficient employment structures for non-residents
- Evaluation of the tax filing requirements of the home country and the foreign country
- Implications related to a permanent establishment in Hungary, including the reporting obligations
- Social security and health insurance statutory requirements applicable to expatriates
- Preparation and filing of tax returns for non-residents in Hungary
- Payroll calculation and HR administration services for expatriates in Hungary
- Other administrative services, such as obtaining work and residence permits, dealing with the Hungarian authorities and offices for foreigners
- Representation in communication with the Hungarian tax offices and other authorities

**Get all your needs sorted**

## About Accace Hungary

Accace Hungary is a consulting and outsourcing partner made up of highly qualified experts who turn customer needs into tangible solutions. By combining smart technology and forward-looking approach, we provide our customers with comprehensive professional support. With more than 20 years on the market, 70 Hungarian experts and over 200 satisfied customers, we have vast experience in facilitating the smooth operation and growth of small and large-scale businesses.

## About Accace Circle

Accace operates internationally as Accace Circle, a co-created business community of like-minded BPO providers and advisors who deliver outstanding services with elevated customer experience and erase the borders of service delivery. Covering over 50 jurisdictions with nearly 2,500 professionals, we support more than 15,000 customers, mostly mid-size and international Fortune 500 companies from various sectors, and process at least 200,000 pay slips globally.

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## Contact us in Hungary

E-mail: [hungary@accace.com](mailto:hungary@accace.com) | Tel.: **+36 141 235 30**

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