

To the  
Ufe Member Associations

Berlin, 7 August 2009/bb

### **Information No. 3/2009**

#### **Modifications in taxation legislation in Hungary from 1 July 2009 and 1 January 2010**

Dear Colleagues,

As a result of the economic crisis, the Hungarian government has modified the taxation legislation in two steps:

The first modifications came into effect on 1 July 2009; the second modifications will become effective from 1 January 2010.

A survey of the modifications is shown in the enclosed overview provided by the Hungarian colleagues in German and English.

We would be grateful if you let us know about similar modifications in the field of taxation and customs legislation in your country in order to inform the Ufe member associations.

I would like to thank for your efforts in advance.

Yours sincerely,

(R. Zender)  
Ufe General Secretary

# Independent Trade Union of the Hungarian Customs and Finance Guard

✉ H-1558 Budapest, Post box: 26, ☎: (+36) 1 412 2587; 📠: (+36) 1 412 2585

E-mail: [vpfsz\\_titkarsag@vam.gov.hu](mailto:vpfsz_titkarsag@vam.gov.hu)

President: [Gábor Holecz](mailto:holecz.gabor@vam.gov.hu) ☎: (+36) 70 335 2396; E-mail: [holecz.gabor@vam.gov.hu](mailto:holecz.gabor@vam.gov.hu)



Nr: 244/2009.

Budapest, 31 July 2009.

**Mr. Dieter Ondracek**  
President  
**Union des Finanzpersonals in Europa**

**Dear Mr. President,**  
**Dear Dieter,**

Please find attached the information about the executed tax changes in Hungary in consequence of the economic crisis. I have indicated in my previous letters we think that the crisis management and the measures of the government gave onto the crisis are late. We inform you about the realized tax changes related to the private persons and separately inform you about the tax changes related to the enterprises.

Due to the economic crisis the Hungarian government had amended the laws relating to the taxation in two scales: the first amendments from 1 July 2009, the second amendments from 1 January 2010.

## **The amendments of taxation law from 1 July 2009.**

### **The applied tax bracket - tax credit on private persons**

The individual income tax band should rise from 1,700,000 HUF/year to 1,900,000 HUF/year, up to this amount 18% tax rate imposes on it, and from this amount 36% tax rate will be applied.

The amended tax schedule will be applied for the tax calculation relating to the private entrepreneur with flat rate taxation and the agricultural small-scale producers.

The tax credit will be unchanged 18% of the earnings in the future, but not more than 11,340 HUF in every month.

### **Private entrepreneurs with flat rate taxation**

The private entrepreneurs can choose again the flat rate taxation from the next year if they perform certain stipulations.

### **Simplified business tax**

The limit of the simplified business tax was increased to 26 million HUF in 2009 in conformity with the general limit of the value added tax.

### **Corporate tax is now 16% and will not be changed from July 2009.**

### **Dividend tax**

Now it is 25% and will not be changed from July 2009.

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## Depreciation

It becomes possible retroactively from the 2008 tax year that above the planned amortization will be usable to decrease the pre-tax profit in its year and the following four years.

## Social security contribution

The employers and the private entrepreneurs pay 26% social security contribution based on the difference between the contribution fund of the employee and the double minimum wage from 1 July 2009 (in 2009 up to 143,000 HUF).

Above this amount the extent of the contribution will be invariably 29%.

We mean in it the employer's 2% health insurance contribution. The extent of the pension-insurance contribution will remain 24%.

## Rehabilitation contribution:

At least 5% employed impaired persons out of 20 employees he should not pay this contribution. Otherwise he should pay 177,600 HUF/year in 2009.

## Employer's contribution

The employer has to pay 1% employer's contribution based on the difference between the employee's income and the minimum wage, above the minimum wage this contribution is 3%.

## Entrepreneur's contribution

The entrepreneur has to pay 2.5% instead of 4% entrepreneur's contribution from 1 July 2009. After the part of the income above the double minimum wage this contribution is invariably 4%.

## Value added tax

The standard rate of the VAT will be increased with 5%, from the current 20% to 25%. The tax rate will decrease to 18% in case of the milk and dairy products, the products produced from flavoured milk, grain, flour, starch, or milk, furthermore the district heating service.

The VAT on the district heating service is 18% from 1 July 2009.

## Changes on excise duty

The specific excise duty on the cigarette was increased from 8265 HUF to 8405 HUF. Its percentage tax was not changed, remained 28.3% of the retail price.

The excise duty of the alcoholic beverages was raised with 6-7%.

The excise duty of fuel was raised with 5.5 HUF which means 6% inflation of prices.

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## Tax changes in 2010

### Tax bracket - tax credit

The total of gross earnings was increased with the employer's contributions which will be the base of the personal income tax (social security contribution and public health contribution) from 2010.

The consolidated tax base can not exceed 5,000,000 HUF i.e. the tax base will be increased from 1,900,000 HUF to 5,000,000 HUF, and the tax rate will be decreased from 36% to 17%.

### Simplified business tax

The extent of simplified business tax will be increased to 30% in 2010.

### Corporate tax

The tax rate will be increased from 16% to 19%.

### Dividend tax

It remained 25%, but it is reducible in the areas with disadvantage.

### Social security contribution

It will not be changed.

### Rehabilitation contribution:

At least 5% employed impaired persons out of 20 employees he should not pay this contribution. Otherwise he should pay - fivefold amount - 888,000 HUF/year from 2010.

### Employer's contribution

It will not be changed.

### Entrepreneur's contribution

It will not be changed.

### Value added tax

It will not be changed.

### Changes on excise duty

According to the plans it will not be changed

### Numerous tax allowances will be dissolved/cancelled

Some example: the corrections of declared part, the allowance of royalty, reduction after the direct cost of research development.

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## **The tax-free benefits will become taxable and presumably lead to dissolve the cafeteria system:**

The preferential **25% tax rate** will be used in case of the in kind and other fringe benefits:

- holiday check or preferential organized holidays till minimum wage/year/person amount;
- school entry assistance till 30% of minimum wage;
- warm catering till 18,000 HUF/month amount;
- local public transport season ticket allowance;
- assumed expense of education system teaching till the two and half fold of the minimum wage;
- employer's contribution in voluntary pension fund till 50% of minimum wage;
- employer's contribution in voluntary health fund till 30% of minimum wage;
- amount of rounding out of the private pension fund membership fee;
- employer's contribution to the pension institution till 50% of the minimum wage.

**In case of other, non-preferential allowances** the employer have to **pay 54% personal income tax** and **27% social security contribution** for the value of allowance.

Such allowance:

- cold catering;
- service of the cultural institution;
- present with little value;
- rent assistance;
- reimbursement of expenses of clothing;

Unfortunately with getting the IMF loan to avoid the collapse of the Hungarian economy the country will have limited scope for action on the taxation in the future. The tax and customs officers would fell additional losses that the ministry plans to cancel the allowance of "movable wage", which means 30% loss of income for them.

I will later inform the dear President related to our combat on these changes.

Yours sincerely,

**Mr. Gábor Holecz**  
President  
Independent Trade Union  
of the Hungarian Customs and Finance Guard  
(VPFSZ)