

## FIRST STEPS

- **Activities:** Some activities require a license and incur additional taxes.
- **Client Gate:** You must register a Client Gate account ("Ügyfélkapu" login for government administration) in person at a government office in Hungary or at a consulate abroad and provide credentials to your accountant.
- **Inspections:**  
Expect a "Preventive Inspection" from the Tax Authority in the first few months. They will check if your company is real, reachable at its registered address, and has an accountant.

## TAX OVERVIEW

- **Corporate tax:** 9% on profit.
- **Local business tax:** 2% on net revenue.
- **VAT:** 27%.  
You generally charge this to Hungarian customers. You may issue **zero VAT** invoices to non-Hungarian EU companies with a valid EU VAT number (you must validate this number).
- **Payroll taxes:** 15% personal income tax and 18.5% social security tax for the employees, as well as 13% employer's tax on the gross salary.
- **Director's tax:** Even if you don't take a salary, you may be liable to pay social contributions unless you can prove you are insured/employed elsewhere in the EU.

## CRITICAL DEADLINES

- **Monthly by the 5<sup>th</sup>:**  
Send all invoices and bank statements from the previous month to your accountant.
- **Monthly by the 1<sup>st</sup>:**  
Report sick leaves, salaries, or bonuses for the previous month.
- **Immediate (within 5 days):**  
Report any changes to the company (new bankaccounts, address change, data changes).

## MONEY AND EXPENSES

**Company vs. personal money:** Your money and the company's money are separate. You cannot pay for your personal expenses with company money, unless you receive that money as:

- **Salary** (fixed sum monthly, subject to payroll taxes)
- **Dividend** (taken from the profit after the end of the fiscal year)
- **Dividend advance** (requires additional paperwork)

**Shareholder loan:** If your company needs money to start, you (the owner) should lend it via a shareholder loan. The company can pay you back once it turns a profit. Needs strict paperwork.

**Invoicing:** You need licensed invoicing software to create invoices. Software is available with English-language interface.

**Expense invoices:** Simple shop receipts are not deductible. If you want to deduct a purchase from your profit, you need to ask for an invoice that contains your company's name, address, and VAT number.

**Cash limit:** B2B cash payments are limited to **HUF 1.5 million** / month / partner.

**You will get a price quote for accounting services based on your planned company operation.** Ideally, we should know the following even before you set up your Hungarian company:

- the company's planned activity
- the company's planned working site (office, warehouse, or other)
- number of employees that you plan to hire in the near future, their salaries and positions
- expected sales volume
- the role and salary of the managing director(s)

The above information will also let us determine if your activity requires a permit or license, and whether there are any industry-relevant taxes you will need to pay above standard taxes.

The basic information you find in this brochure is essential for your Hungarian business operation. **While working with you, our colleagues will assume this information is clear to you**, and elaborate on it only if you have specific questions. We cannot be held liable for consequences that result from you neglecting your basic obligations.

**If you are not sure about something, please feel free to ask about it!**

## 1. INVOICING AND TRACKING EXPENSES/INCOME

**INVOICES TO CUSTOMERS** can only be issued through **licensed invoicing software**. Invoices issued in Excel, foreign invoicing programs or other means are not acceptable in Hungary. We can make recommendations on licensed Hungarian software with English user interface. Please ask your account manager for more information.

**EXPENSE INVOICES** (when you buy a product or service for business purposes) must always be full “**tax invoices**” that contain the **name, full address and the VAT registration number** (local or EU VAT registration number) of both companies, **otherwise they are not deductible**. We understand that in many countries, simple receipts that you get at a shop are deductible as business expenses, but this is not the case in Hungary. You must **ask for a tax invoice** when buying computers, hotel rooms, services from providers, goods from your suppliers, or anything else that you want to deduct from your revenues. Please note: in Hungary, **not all expenses are deductible**, so consult your accountant before you make a purchase.

**CASH TRANSACTIONS** are severely limited in Hungary. While the details of regulations change from time to time, the main rule is that B2B cash transactions cannot involve more than **HUF 1.5 million / month / partner**. If your business deals a lot in cash, please discuss this with us in advance.

**ZERO VAT INVOICES** (when you do not charge your buyers VAT) can be issued in two cases: when your buyer is a corporate entity outside the EU, or when the buyer is a non-Hungarian EU company with a valid EU VAT number. In the latter case, it is your responsibility to **check that the buyer's VAT number is valid** and to indicate it on the invoice. VAT must be charged if your buyer is a natural person (based anywhere in the world) or a Hungarian company (although there can be some exemptions). Some types of sales cannot be considered cross-border and as such, are not exempt from VAT (e.g. real estate). If you issue an unjustified zero-VAT invoice, you will have to pay the VAT content of the invoice yourself. This can be quite costly, so if you are unsure, please always consult your accountant first.

## 2. CAPITAL, LOANS, PERSONAL EXPENSES, ASSETS

### **SHAREHOLDER LOAN:**

The minimum starting capital is quite low in Hungary (currently HUF 3 million or about EUR 8,000). This is not normally enough **for starting a business**, so if the company does not have income from the start, the most common solution is for the **shareholders to provide a loan for the company**. If you choose this option, you need to arrange for **additional paperwork** with your lawyer and accountant (also indicating the amount you wish to loan to the company), and you can wire the money to the company's bank account **only after this**. Once the company starts making money, it will be able to return this loan to you.

### **TAKING MONEY OUT OF THE COMPANY**

There are only 3 legal ways you can take money from the company and use it for your personal expenses.

- 1. You can take a salary.** Your accountant will put you on payroll, so you will receive a fixed sum every month, while you will need to pay income tax and social contributions based on the salary.
- 2. You can take a dividend.** If the company makes a profit, it can pay out dividends to the shareholder at the end of the fiscal year. Dividends will be taxed according to the tax treaties between Hungary and your country of tax residency.
- 3. You can take a dividend advance** if you prefer not to wait until the year end closing. This requires special paperwork, so you need to discuss it with your accountant in advance.

**Personal expenses can only be covered by your own personal money**, not via the company's bank account and debit/credit cards. If you pay for personal expenses with a company card and do not provide a fiscal invoice to prove that it was a business expense, you will have to pay it back to the company as if it was a loan.

### **TOOLS, MATERIALS, AND OTHER ASSETS**

When you incur **business expenses**, we must differentiate between direct costs and general costs. **Direct costs** are expenses incurred in direct relation to your sales. For example, when you buy goods that you later re-sell or buy services that you mark up and sell forward, those are direct costs. They are **fully deductible** without limitations, which means that they will reduce your profits, that is, your tax base. **General expenses** cannot be directly linked to your sales. Some general expenses are still fully deductible, such as salaries or office rental. Investment into assets, however, **may not be fully deductible** in one go. For example, IT equipment can only be deducted at a rate of HUF 200,000 / item / year - which means that if a computer costs HUF 300,000, it will be deducted from your profits over 3 years. If you are making material investments, please consult your accountant to clarify these details.

### 3. IMPORTANT DATES, DEADLINES, AND OBLIGATIONS

When your company is formed, expect the following procedures:

- **Reporting the company's registration to various authorities:**

local municipality, statistical office, tax authority, social security office, Chamber of Commerce.

- **Seat address inspection:**

the authority checks whether the company is really available at the physical location it indicated.

- **Preventive inspection:**

most foreign-owned companies are inspected by the tax authority in the first couple of months of their existence. The main objective is to verify that the company is real, available at the registered address, and has a local certified accountant. **The business activity itself must be verified too**, not only with invoices, but with other relevant documentation, such as contracts, consignment notes, or delivery confirmations. anyway, and we will let you know.

The Helpers Team will take care of the reporting, prepare your business for the inspections, and represent it throughout. For this, we will need the following from you:

- **Client Gate** account setup (in person, at a Hungarian government office in Hungary or at a Hungarian consulate abroad)
- Client Gate login credentials
- **Active participation** in the yearly data reconciliation at the time of onboarding to comply with the 2017 PMT law.
- **Proper authorizations (through the Client Gate)** so that we can represent you during the inspections.
- Signed declaration regarding other companies you or your next of kin hold majority shares in.

To ensure the smooth launch of your business, please make sure to complete each task as soon as possible.

Once the company is operational, **please let us know about any changes in the company without delay**. Relevant changes include: modifications of company structure, address, activity, number or positions of employees, salaries, new bank accounts opened inside or outside of Hungary, or anything else that might affect accountancy or reporting. If you are not sure if a change is relevant, inform us anyway, and we will let you know.

**Such changes must be reported to the authorities by strict deadlines. Let us know about changes in time to avoid getting fined.**

## IMPORTANT DATES

- Fiscal year closing reports: May 31 for the previous fiscal year.
- VAT declarations and payments: on the 20<sup>th</sup> of each month for the preceding month.
- Payroll taxes & social contributions: on the 12<sup>th</sup> of each month for the preceding month.
- Corporate tax advances are paid quarterly on the 20<sup>th</sup> of July, October, January and April in 4 equal installments. They are calculated based on the last closed fiscal year.

## ACCOUNTING DEADLINES

- Sending invoices and bank statements to the accountant: the 5<sup>th</sup> of each month for the preceding month.
- Reporting sick leaves, salaries, or bonuses: the 1<sup>st</sup> of each month for the preceding month.
- Reporting any changes in the company's operation (ownership, owner's or director's personal data, bank accounts, activity, employees, etc.): within 5 working days.

## 4. THE BASICS OF TAXATION

**Taxation can be a complex matter. Taxes will depend on your activity, the size of your operation, the tax regime you operate under, and some other factors. To get a grip on the taxes you will need to pay, prepare a business plan before you start your operation; our team also offers this service.**

In any case, the following taxes will be relevant to you.

### **Corporate tax (also known as profit tax):**

**9%**, which applies to profits after the deduction of all expenses including direct and general expenses. It is calculated yearly, but advance payments are made monthly or quarterly.

### **Local business tax:**

**2%** on net revenues (your income minus any direct costs such as cost of goods or services that are re-sold).

### **Dividend tax:**

The company's taxed profits can be retained in the company's budget or paid out to shareholders as dividend. In Hungary, **dividend tax is 15%** and there is an additional 13% social contribution tax payable, maximized yearly in twice the yearly minimum wage. However, this applies only to Hungarian residents. If you are not a resident of Hungary, bilateral agreements between your country and Hungary will determine how your dividends are taxed.

### **VAT (value added tax, also known as sales tax in some countries):**

**27%.** You will charge VAT only towards individual (retail) customers (whether they are from Hungary, the EU, or any third country) and EU-based corporate customers who are not registered for VAT; if you are an international trader, you may not charge VAT at all. Depending on what and where you sell, local VAT rates might apply instead of the Hungarian.

**VAT is declared monthly or quarterly** based on the volume of VAT payable by your company. When declaring VAT, we will **calculate the difference between the VAT that you received from your buyers and the VAT that you were charged by your suppliers.** If the balance is positive, you will need to pay the difference to the state. If the balance is negative (e.g. if you are not charging VAT but still have expenses that contain VAT) you can reclaim this difference. New companies declare VAT monthly in the first two years of their operation and can only reclaim VAT when they reach a HUF 1 million threshold.

**In the case of international trade, there are some additional specific regulations pertaining to VAT**, especially if you are going to be reclaiming VAT regularly. When you discuss your plans with your accountant, make sure to talk about your plans regarding VAT and international trade too.

## **Payroll taxes:**

Employees are paid and taxed monthly. While you will agree on a gross salary with your employee, you are supposed to calculate their taxes and forward them to the Tax Authority yourself, alongside the taxes you pay per employee. **This way employees will always receive only their net salaries.** Hungarian payroll taxes are pretty high, so the net salary is around 67% of the gross salary and 59% of the total company cost. The standard payroll taxes are calculated based on the gross salary. These are the **personal income tax (15%) and the social security contribution (18.5%) for the employee, and the social contribution tax (13%) for the employer.** However, tax benefits may apply. Additionally, salaries must be above the minimum wage, which is adjusted yearly. As such, it is important to calculate all salaries, taxes, and contributions in advance, before entering into salary negotiations with future staff members.

**In most cases, it is obligatory to pay taxes and contributions for the managing director and/or the members of the company** even if they do not actually take a salary (e.g. at the start of the company's operation). Only directors who are already registered, employed, and insured elsewhere in the EU and can provide official verification of this may be exempted. When we are setting up your accountancy, make sure to discuss the number and insurance status of directors with us so we can make the relevant calculations for you.