

SME INFO HU

AUTUMN TAX PACKAGE 2023 – PAYROLL-RELATED CHANGES IN HUNGARY



This booklet covers the „classic“ payroll related changes of ‘The Autumn Tax Package 2023’, the most important ones are the quarterly deadline of tax assessment for “benefits in kind”, special tax relief for acquisition of shares in start-up companies, increase in the minimum wage and the guaranteed minimum wage effective from December 1, and the introduction of a new employment certificate. Please keep in mind that as usual

our goal is, instead of issuing a comprehensive summary, to focus on the changes we consider significant.

Besides, we publish separate newsletters about the main tax and accounting changes, and we also issue further booklets about the Global Minimum Tax and the termination of the USA-HU double tax treaty.

The SME Team

The purpose of SME INFO is to provide general information and to draw the attention to the current changes in law which we believe to be important for the business operation of our clients. It is not a replacement for careful review of the acts and rules, and the consultation with your tax advisor.

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 **subject matter
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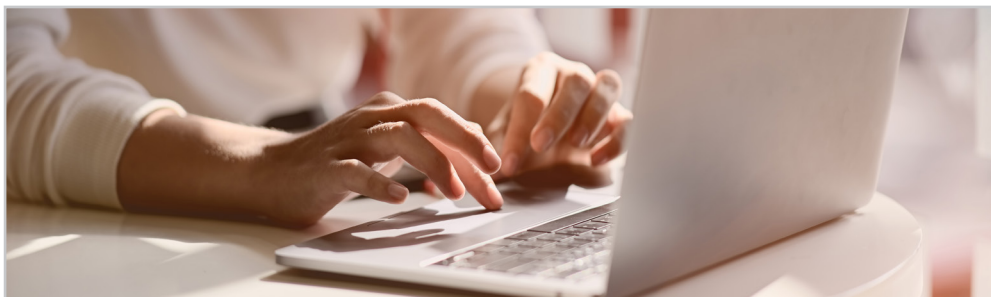
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Note: Editing of this newsletter is closed on 19 December 2023.



1 Personal Income Tax (PIT)

1.1 Modification of the date of acquisition of income ⁽ⁱ⁾

The date of acquisition of income under the PIT Act is changed in the case where income is realised in the form of services received. The time of acquisition of income is important in determining the time of tax liability, and the legislator wished to solve a long-standing problem according to the explanatory memorandum to the amendment. The previous PIT Act, prior to the amendment, stated that in the case of services received, the tax liability arose at the time the service was provided by the supplier in accordance with the VAT Act. However, this information was not available to the person concerned until they had the invoice for the service, which caused problems in many cases. The current amendment shifts the point in time at which the revenue is generated, and the tax liability arises to the point in time at which the document (e.g. invoice) is available. However, it is important to note that the text of the amendment states that this relief is only available where the supplier and the service provider is the same.

Date of entry into force: 1 January 2024

1.2 Tax assessment, declaration and payment deadlines for „benefits in kind“ ⁽ⁱⁱ⁾

The amendment changes the settlement period for the tax liability of specific defined benefits and non-wage benefits from monthly to quarterly, so that from the effective date, benefits in kind will typically be assessed, declared and paid on a quarterly basis rather than on a monthly basis. This means, for example, that a SZÉP Card benefit in July 2024, a company telephone allowance in August and a team-building event in September shall be accounted for, declared and paid all at once by 12 October.

Date of entry into force: 1 January 2024

1.3 Small value gift can be given three times ⁽ⁱⁱⁱ⁾

The amendment allows payers/employers to provide up to three times of so-called „small value gifts“ as defined in the PIT Act. The recipient of the gift can be anyone, but the record keeping of the recipient persons is still required for the favourable tax treatment. A small value gift continues to be a gift of goods or services whose value does not exceed 10% of the minimum wage. With the increase in the minimum wage, the one-off value of the benefit determined on the basis of the minimum wage applicable on the first day of the year will also increase: from 1 January 2024, the maximum value of the small gift will be HUF 26,680 per occasion.

According to previous confirmations from the tax authorities, the 10% limit must be calculated on a gross basis, i.e. if VAT is charged on the gift, it will be included in the calculation of the value of the gift!

Date of entry into force: 1 January 2024

1.4 Acquisition of shares in a start-up company ^(iv)

Special tax relief is granted for shares (as a right of membership) acquired free of charge or at a reduced rate in a start-up company as an employee or manager and this relief is valid also for the right to acquire shares. To qualify for the tax exemption, the acquired share (or the right to acquire it) cannot be sold or transferred for 3 years from the date of acquisition. By 31 January of the following year, the start-up company must inform the tax authorities of the value of the shares transferred and the amount paid by individuals.



Start-ups are micro and small enterprises that have been registered for five years or less, are not listed on a stock exchange, have not yet distributed profits and have not been created by a merger or division.

Date of entry into force: 1 January 2024

1.5 Modification of the family tax allowance in special cases ^(v)

From 1 January 2023, the family tax allowance for a beneficiary dependent who is permanently ill or severely disabled under the Family Tax Allowance Act will be available at a higher rate per month of entitlement. In a specific part of the cases arose, there were obstacles in obtaining the certificate required to claim the increased tax credit for beneficiaries aged 18 or over. The amendment corrects this administrative anomaly.

Date of entry into force: 1 December 2023

1.6 New way to make tax advance declarations ^(vi)

To reduce the administrative burden, the legislator introduces the concept of a so-called 'continuation declaration'. This means that, in the case of the allowance for young couples in first marriage, the personal allowance, and allowance granted to mothers raising four or more children, the individual may request that the payer take into account the content of the tax advance declaration submitted, without any changes, until the expiry of the deadline indicated in the law or until the individual submits a new declaration or requests that the declaration previously made be waived.

Individuals have always been obliged to submit an amended declaration if there was a change in their entitlement to a tax-base allowance during the tax year. However, in the case of a continuation declaration, the individual needs to pay particular attention to changes in entitlement in the year or years following the tax year, for example, if the tax base allowance for young couples in first marriage was claimed by only one spouse in the year of the return and is to be shared later, or if the individual no longer has an illness that would have entitled him or her to the personal allowance.



Individuals can continue to file their tax advance declaration electronically by logging into their client portal. In contrast to paper-based forms, the background checks built into the electronic forms ensure that all the information required for the declaration is completed, that no contradictory information is entered on the declaration, and that the document is proven received by the payer liable for the tax advance assessment.

Date of entry into force: 1 January 2024

1.7 Tax base allowance for mothers under the age of 30 and young people under the age of 25 increases ^(vii)

in 2024, mothers under the age of 30 and young people under the age of 25 can reduce their total taxable income by a maximum amount, equal to the number of months of entitlement multiplied by the average gross earnings published by the Central Statistical Office for July of the precedent year.

This amount is HUF 576,601 per month, if the taxable income of the beneficiary reaches this amount.

Date of entry into force: 1 January 2024

1.8 Other PIT related modifications

- Bottled wine will be a tax-exempt fringe benefit in the case of circumstances determined by the amendment law. ^(viii)

Date of entry into force: 1 December 2023

- The place of acquisition of income is changed for a special category of taxpayers. These are taxpayers engaged in performing, artistic and sports activities. In their case, the place of acquisition of income will be the „state in which the activity is carried out, even if the income from this activity is received not by the individual but by another person“. ^(ix)

- The law defines the concept of gross average earnings at the level of the national economy, which is used to determine the tax base allowance for mothers under the age of 30 and young people under the age of 25.^(x)

Date of entry into force: 1 January 2024

2 Social contribution tax (SCT)

2.1 SCT allowance – change in the scope of eligibility ^(xi)

Under the current rules, SCT allowance is available after labour market entrants for employers, considered as payers, if this person had employment, self-employment or company relationship involving insurance obligation for not more than 92 days in the course of 275 days, preceding the month of the beneficiary employment. However, with the amendment of the law effective from 14th August 2023, when defining a labour market entrant, the law clearly excludes third-country nationals from the conceptual scope. The amendment, effective from 1 January 2024, introduces further tightening by stating that only Hungarian citizens can qualify as labour market entrants. In addition, as a minimal relief it states, that SCT allowance may be enforceable for the citizens of non-EEA states bordering Hungary. According to the legal justification the payer can therefore enforce SCT allowance after citizens of countries, such as Serbia and Ukraine, if additional conditions for prior insurance relationship are met..

Date of entry into force: 1 January 2024

2.2 Income paid in arrears to a person who is a foreigner under the social insurance scheme ^(xii)

In the case of SCT liability on income (e.g. bonuses) paid in arrears in relation to employment in Hungary, it has been clarified that such income earned through employment in Hungary is subject to SCT and is not covered by the general exemption rules.

Date of entry into force: 1 January 2024



3 Social Insurance Contribution (SIC)

3.1 New average gross earnings definition in SIC ^(xiii)

According to the amendment, average gross earnings at the level of the national economy are the average gross earnings of full-time employees as published by the Central Statistical Office in the Official Gazette.

Date of entry into force: 1 January 2024

3.2 SIC base for a third-country citizen on a secondment ^(xiv)

According to the amendment to the act, the basis of the SIC for the secondment of a third-country national from Hungary is equal to the remuneration for the (secondment) activity earned in the month in question.

Date of entry into force: 1 January 2024

4 Other payroll related changes

4.1 Minimum wage and guaranteed minimum wage increase in December 2023 ^(xv)

With effect from 1 December 2023, the mandatory minimum base wage (minimum wage) and the guaranteed minimum wage have also been increased and will be applied for the first time to the calculation of wages for the month of December 2023. All obligations and benefits linked to the minimum wage applicable on the first day of the month in question will also increase in line with the increase in the minimum wage.

The Government Decree, however, stipulates as a different provision, that the new amounts shall be applied from 1 January 2024, for the determination of benefits, allowances, and grants (e.g., sick pay, childcare allowance) that are linked to the amount of the minimum wage or the guaranteed minimum wage, and for the discontinuation of early retirement benefits and service pensions in 2024.

The amount of income, benefits, allowances, and taxes or contributions linked to the minimum wage applicable on the first day of the year in question will be increased with effect from 1 January 2024.

Date of entry into force: 1 December 2023 or 1 January 2024

4.2 New document to be issued: employment certificate ^(xvi)

The legislator introduces the obligation to issue a new document, the so-called employment certificate, in connection with the termination or cessation of employment.

The employment certificate is intended by the legislator on the one hand to replace the current jobseeker's certificate, to provide more information and on the other hand to consolidate into a single certificate the documents to be issued on exit, including income paid, tax advances and contributions deducted in the tax year, and debts to be deducted under a decision or legislation. Besides it integrates the employer's obligation to issue a certificate of paternity leave and parental leave, currently laid down in the Labour Code.

It should be noted that the obligation to issue in priority in the case of termination of a legal relationship subject to insurance obligation the Contribution Certificate ^(xvii), the Certificate of Insurance and Health Insurance Benefits (the so-called Social Insurance Booklet) ^(xviii) and the Certificate of Debt ^(xix) at the close of editing of this newsletter had not been repealed by law as of 1 January. However, in line with the legislator's intention, further detailed rules are expected to be introduced to avoid duplicate issuance of certificates.

The employment certificate must be issued within five working days of the last day of work in the case of termination or within five working days of the cessation of employment in other cases. As a general rule, the certificate is issued electronically, but the employee may also request a paper copy.

Date of entry into force: 1 January 2024

4.3 Health service contribution increases ^(xx)

If the individual's insurance status ceases or is interrupted, he shall pay the health service contribution in his own right after a deadline determined by law. This amount will increase to HUF 11,300 per month, or 380 per day.

Date of entry into force: 1 January 2024

References

- i Act CXVII of 1995 – on Personal Income Tax 9.§ (2) c)*
- ii Act CXVII of 1995 – on Personal Income Tax 69.§ (5) a)*
- iii Act CXVII of 1995 – on Personal Income Tax 70.§ (6) a)*
- iv Act CXVII of 1995 – on Personal Income Tax 77/A.§ (2) m) and 77/B.§ (12)*
- v Act CXVII of 1995 – on Personal Income Tax 29/A § (2a)*

- vi Act CXVII of 1995 – on Personal Income Tax 48.§ (2a)*
- vii <https://www.ksh.hu/gyorstajekoztatok/ker/ker2307.html>*
- viii Act CXVII of 1995 – on Personal Income Tax, Appendix 1. point 8.45.*
- ix Act CXVII of 1995 – on Personal Income Tax 3.§ 4. g)*
- x Act CXVII of 1995 – on Personal Income Tax 3.§ 82.*
- xi Act LII of 2018 – on Social Contribution Tax 11.§ (2)*
- xii Act LII of 2018 – on Social Contribution Tax 5.§ (1) h), 5.§ (4)*
- xiii Act CXXII of 2019 – on Entitlements to Social Security Benefits and on Funding These Services 4.§ (22)*
- xiv Act CXXII of 2019 – on Entitlements to Social Security Benefits and on Funding These Services 27.§ (1) b) bc)*
- xv Government Decree of 508 / 2023. (XI. 20.) – on the mandatory minimum wage and guaranteed minimum wage 2.§, 4.§*
- xvi Act IV of 1991 – on Job Assistance and Unemployment Benefits 36/A.§*
- xvii Act CXXII of 2019 – on Entitlements to Social Security Benefits and on Funding These Services 75.§ (2)*
- xviii Government Decree of 217/1997. (XII. 1.) – on the Implementation of Act LXXXIII of 1997 on Compulsory Health Insurance Benefits 37.§ (1)-(2)*
- xix Act LIII of 1994 – on judicial enforcement 78.§ (1)-(2)*
- xx Act CXXII of 2019 – on Entitlements to Social Security Benefits and on Funding These Services 25.§ (3) and <https://nav.gov.hu/ado/jarulek/Fizetendo-jarulekok-2024.-januar-1-jetol>*

