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HUNGARY INTRODUCES TAX BREAKS IN INDUSTRIES PARTICULARLY IMPACTED BY COVID-19 PANDEMIC

Developments related to COVID-19 are occurring rapidly. Wolf Theiss will continue to distribute regular Client Alerts via email and publish up-to-date analysis on our website. A list of daily updated resources can be found here:

<https://www.wolftheiss.com/covid19/>

Taking into account the severe economic impact of the COVID-19 pandemic on the tourism, hospitality, entertainment, gambling, film, performance arts, event, media and sport services industries, Hungary introduced special tax measures as of 19 and 23 March 2020 for the period between March and June 2020 for businesses where the main activity falls in either of the aforesaid industries:

- Businesses are exempt from payroll taxes (e.g., social tax and training fund contribution) due in respect of employees, private entrepreneurs and shareholders taking part in the activities of their business as well as from one third of the rehabilitation contribution payable.
- As regards the social security contributions payable by the employees (which normally amount to 18.5% of the gross wage) and the contributions payable by private entrepreneurs and shareholders taking part in the activities of their business, only the in-kind health insurance contribution should be paid at a rate of 4%, but the amount thereof is capped at HUF 7,710 (approximately EUR 22),
- Businesses subject to the tourism development contribution shall be exempt therefrom.
- Companies that have elected to be taxed under the small business tax regime may, when assessing their tax base, disregard the amount of staff costs
- Small businesses (e.g., private entrepreneurs, limited partnerships etc.) that have opted for the lump-sum tax regime (referred to as KATA in Hungarian) pursuing business activity in the abovementioned industries (and in some additional sectors, e.g., health services, construction etc.) are exempted from this lump-sum tax. With a view to lump-sum tax amounts that became due prior to 1 March 2020 and are

yet to be settled, the amount thereof may be paid in 10 equal monthly instalments starting from the month following the quarter in which the state of emergency is lifted.

In order to be able to rely on these measures, the actual main activity of the business concerned should fall in any of the previously mentioned industries (therefore, it is not sufficient to claim these tax benefits with mere reference to the main activity of the business registered with the authorities). In this respect, the actual main activity means such business activity that was the most significant source of revenues of the business (which has to comprise at least 30% of its total revenues) in the 6 months preceding 24 March 2020.

In addition to the above, starting from 24 March, the enforcement of taxes already due will be suspended until the 15th day following the lifting of the of the state of emergency.

Besides the special measures set out above, in its press release, the Ministry of Finance recalled that every business – irrespective of its main activity – may be eligible for the deferred or installment payment (or a combination thereof) of taxes due as well as for having their non-due corporate income tax, energy suppliers' income tax, innovation contribution or small business tax advance payments reduced. These payment facilities are available for taxes administered by the municipal tax authorities as well and may be availed of by submitting a request to the competent tax authority. In case of asking for deferred or installment payment, the business must substantiate that it is not liable for the payment difficulty and such difficulty is only temporary (i.e., it will be able to settle the taxes due). As to the reduction of the non-due tax advance payments, the Ministry of Finance expressly mentioned that it may be worthwhile requesting it if the business can demonstrate that its revenues have been significantly reduced due to the COVID-19 pandemic, consequently its corporate income tax payable does not reach the amount of the advance payments payable in the tax year.

Does your business need support in implementing a work from home policy? We are pleased to offer our online collaboration platform WT Space to support you during the current COVID-19 pandemic.

WT Space is a fully customizable, secure collaboration platform that requires no additional hardware or software. Whether you need to collaborate on documents, manage project tasks or communicate more efficiently, WT Space can help bring your team together.

Wolf Theiss is here for our clients, if you have any questions about how WT Space can help you meet the unique challenges currently being faced, or you wish to discuss pricing, please contact us at any time at space@wolftheiss.com.

About WOLF THEISS

Wolf Theiss is one of the leading law firms in Central, Eastern and Southeastern Europe (CEE/SEE). We have built our reputation on a combination of unrivalled local knowledge and strong international capability. We opened our first office in Vienna over 60 years ago. Our team now brings together over 340 lawyers from a diverse range of backgrounds, working in offices in 13 countries throughout the CEE/SEE region.

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