This guide has been prepared by an independent third-party firm.

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HUNGARY – TAX CONSIDERATIONS ON SHORT-TERM LETS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Hungary.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Hungary, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

INCOME TAX

When an individual earns income in Hungary, it is likely that they will be required to pay a percentage of the tax on this income to the Hungarian tax authority. Below is a brief outline of the tax that may arise on income earned from short-term lets in Hungary, and some information on how this tax can be paid to the Hungarian tax authorities.

Hungary's tax year runs from 1 January to 31 December.

Coming within the charge to income tax in Hungary

If you earn rental income on a Hungarian property, this income is taxable in Hungary.

Reporting tax in Hungary

If the accommodation was rented by a private individual, you will have to report your personal income tax either (i) electronically or (ii) on paper using the form 23 SZJA for the year of 2023 . This can be found on the Hungarian tax authority's website .

Reporting tax - filing deadline

The deadline for filing your income tax return is 20 May following the end of the tax year (*e.g.,* the deadline for filing your tax return for the period 1 January 2023 to 31 December 2023 is 20 May 2024).

Reporting tax - payment deadline

There is a quarterly tax advance payment obligation in Hungary. The deadline for this payment is the 12th of the month following the relevant quarter (*e.g.,* 12 of April, July, October and January).

This is also applicable for lump sum taxation payments, which will be explained below.

Hungarian Tax Authority contact details

The contact details of the Hungarian tax authority are outlined below:

- https://nav.gov.hu/en/contact
- https://nav.gov.hu/en/contact/Tax_and_Customs_Directorates_of_the_NTCA

Hungarian income tax rates

For private individuals there are two taxation options available when paying personal income tax on income from short-term rentals.

The first taxation option is lump sum taxation. In order to choose lump sum taxation, you must register yourself using the form T101 in the first year and include this on your annual return thereafter. If you do not register for lump sum taxation you cannot use this option.

Lump sum taxation can only be chosen for a maximum of 3 properties owned by the landlord, provided that the number of rooms does not exceed 8 and the number of beds does not exceed 16 in the given property and the landlord provides accommodation to the same person for less than 90 days in any tax year. The amount of the lump sum tax is annually HUF 38 400 per bedroom and living room and a tax is due with a quarterly tax advance payment obligation by the 12th calendar day of the month following the relevant quarter. If the activity is started or ended during the year, you only pay the relevant portion of the tax attributable to this period. If the activity is ended, the tax is payable within 15 days of the end of the quarter in which the activity is ended. Under this option no costs can be deducted from the rental income and no further taxes need to be paid to the Hungarian tax authority. Local taxes, specific to your area, may still apply under this option.

If you do not choose lump sum taxation, the income derived from short-term lets is regarded as income from an independent activity. The tax rates for 2023 on such income are 15% under the personal income tax.

If you have any doubt regarding the correct tax treatment of your income, you should consider seeking advice from a tax professional.

Typical expenses that can be deducted from an individual's income in relation to short term lettings

As noted above, there is no deduction for costs against rental income if you are making use of the lump sum taxation option.

In the case of regular taxation there are two options for deduction of expenses. You can deduct 10% of the gross income as a cost, or you can deduct the actual costs paid from the rental income.

Under the costs paid option the following costs can be deducted from your rental income:

- Service fees, such as the Airbnb Service Fee
- Depreciation
- Other taxes including the healthcare tax paid can be deducted as long as five years after they incurred with the help of a self-revised personal income tax form.

The deduction of mortgage payments and insurance is not allowed.

Special reliefs from income tax in Hungary that an individual providing short term lets may be able to claim

Family tax allowance can lower your tax base, provided you are not making use of the lump sum taxation option. The family tax allowance is subject to the number of dependants. The term Dependant is defined in the Personal Income Tax Code as follows: any person who is to be or would be reckoned for the purpose of determining the amount of family allowance in accordance with the Family Assistance Act.

- HUF 66 670 for one dependant
- HUF 133 330 for two dependants
- HUF 220 000 for three or more dependants.

The family allowance is available for each beneficiary dependent who qualifies as a permanently ill or severely disabled person under the Family Assistance Act, in the increased amount of HUF 66 670 per month of entitlement and per beneficiary dependent.

Non-resident individuals are unlikely to be entitled to family tax allowance.

For further guidance on tax reliefs , please see the Hungarian tax authorities' website.

Deductions available for tax depreciation (*e.g.,* capital allowances / wear and tear).

Depreciation is only available as a deduction if you purchased the flat. You cannot claim depreciation as a deduction if the property was gifted to you or if you inherited it.

For most flats, depreciation is 2% of the purchase price per year.

In respect of tangible assets, the depreciation rate differs based on the type of the tangible asset. The depreciation rate could be 33%, 20%, 14,5%, 10% or 7%, however, under certain circumstances, a taxpayer may opt for a 50% depreciation rate. The determination of the exact rate depends on the category in which the tangible asset falls. We recommend to reach out to your local tax advisor to get clear guidance for your specific case.

Hungarian income tax obligation for non-resident individuals

If you are non-resident, your income should be taxable in Hungary based on the double tax treaties of Hungary, as the income received from short-term lets should be regarded as income from immovable property.

As a non-resident you have the same tax obligations as residents, thus you are entitled to opt for lump sum taxation. Otherwise, your tax burden is 15%, just as it is for residents.

If you are a non-resident, you are not entitled to the family tax allowance unless at least 75% of your income is taxable in Hungary and provided that you are not entitled to such a tax allowance in your country of residence.

If you are a non-resident, you will need a tax identification number (adóazonosító jel) in order to fulfill these tax obligations. You can apply for such a number by submitting form T34. A tax identification number has to be applied for only once (*i.e.,* not on a yearly basis). In 2024 it is possible to apply for such a number for the tax obligations of 2023, however, the tax return should be submitted before the due date we mentioned above. You should therefore take into consideration that, prior to fulfilling this obligation, you should request a tax identification number.

Hungarian income tax obligations for a Hungarian individual in receipt of foreign rental income

If the foreign rental income is earned in a country with which Hungary has a double taxation agreement (DTA), then there is no obligation to pay tax in Hungary on this income. However, the income must be reported on your Hungarian tax return.

Hungary has a DTA with all EU and OECD countries.

General property taxes payable.

Property tax is levied by local municipalities. The tax is different for all municipalities; however, it cannot be higher than HUF 1100 per square meter or 3.6% of the corrected value of the property. The corrected value of the property is 50% of the actual value, so the tax cannot be higher than 1.8% of the value of the property.

Some municipalities do not levy this tax, and in most cases, it is lower than the maximum described above.

Specific property taxes payable on properties that are let for short-terms.

While there are no specific property taxes for short-term lets in Hungary, it is quite common for municipalities to only levy property tax on flats that are not owner occupied.

Capital taxes in Hungary.

Owning Hungarian immovable property is taxable only if the property was bought in the last 5 years. For example, immovable property sold in 2023 is not taxable if it was bought in 2018 or earlier.

The tax rate is 15% of the profit, but this can be lowered the longer the individual holds the flat. This tax needs to be paid and declared by the 20th of May in the year following the tax year.

Sample Tax Computation
Laura owns a 2 bedroom flat in Budapest. She rents out the spare room on the weekends.

Laura received total gross rent in 2023 of HUF 120 000.		
Laura incurred the following expenses in relation to this house in 2023 : ● local property tax HUF 3 500 ● online commission payments HUF 24 000 and ● electricity/gas HUF 16 000		
		HUF
Gross rental income		120 000
Less allowable expenses:		
	Local property tax	3 500
	Electricity/gas	16 000
	Online commission[1]	24 000
Net taxable rental income		76 500
	Personal tax due (15%)	11 475
	Total tax due	11 475
**As noted above, house insurance and mortgage interest are not allowable deductions.*		
***Laura can also choose to make use of the lump sum taxation options as outlined above.*		

VALUE ADDED TAX

Value added taxes can be complicated, and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Hungary is a tax on consumption. Most goods and services supplied in Hungary are subject to VAT.

A person who supplies goods and/or services in Hungary may have to charge VAT and pay this to the Hungarian tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Hungary.

[1] Airbnb Service fees may be considered online commission for purposes of this deduction and may therefore be deducted.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Hungarian tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Hungary?

In general, individuals who make taxable supplies in Hungary need to register for VAT and charge VAT on their supplies regardless of the profitability of the service. There is currently no registration threshold for VAT registration in Hungary. As such, once you begin supplying short term accommodation, you should register for VAT.

The supply of holiday accommodation that is located in Hungary is a taxable transaction regardless of whether you are resident in Hungary or not. Therefore, if you are an individual who is not resident in Hungary, but your accommodation is located in Hungary, then you should also register for VAT.

However if you are a resident taxpayer in Hungary and you do not carry out other businesses that are subject to VAT, you can choose to opt individual exemption from VAT obligations during the registering process provided that the sum of the value of the provided accommodation services does not exceed HUF 12 000 000 in a year. In this case you do not have to collect and pay VAT but you have to fulfil certain reporting obligations and issue a receipt or invoice.

Before choosing this option consider consulting with a professional or seek further information on the Hungarian tax authorities' website.

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the Hungarian VAT rate applicable to the supply of holiday accommodation is 5%. The supply of holiday accommodation is the supply of accommodation to guests for tourist purposes.

However, there are other VAT rates currently in force in Hungary, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

For further guidance on registering for VAT, please see the Hungarian tax authorities' website.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT to the Hungarian tax authorities, which means that you have to pay and report the collected VAT in accordance with the applicable reporting rules.

VAT is paid through the submission of a periodic VAT return. You will be obliged to file VAT returns on a monthly or quarterly basis. The VAT return is required to be filed on the 20th of the month following the monthly VAT period or on the 20th of the month following the quarterly VAT period. The VAT payment is required to be made on the same day that the VAT return is required to be filed.

Issuing a receipt or an invoice to your guests is also required regardless of the fact that the guest pays for the accommodation via Airbnb's platform. Please find more information on this here.

For further guidance on filing returns, please see the Hungarian tax authorities' website.

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.

Tourism development contribution

As an accommodation provider, you should pay a tourism development contribution on the provision of accommodation services. The contribution is payable on the value of the service excluding VAT and is set at 4%.

As a general rule, the declaration and payment of the contribution is aligned with the VAT return period, but for the period for which you are not required to submit a VAT return, you must submit a return by 25 February of the year following the date of supply of the service for which the contribution is due.

The contribution should be declared on the 'TFEJLH' form available on the Hungarian tax authority's website. There is no obligation to declare if you do not provide any services subject to the tourism development contribution during the declaration period.

Tourism tax

The person using the accommodation you provide is liable to pay tourism tax, which you as the accommodation provider should collect. As an accommodation provider, you should pay the tourism tax even if you have not collected it from the individual.

As an accommodation provider, you must submit a tourism tax return to the competent municipal tax authority by the 15th day of the month following the month in question, using the form provided by the local tax authority.