

# Rödl & Partner

NEWSLETTER HUNGARY

MUTUAL SUCCESS

1/2021

Latest news on law, tax and business in Hungary

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## → Introduction

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Dear Readers,

With our present newsletter, we would like to inform you amount minimum wage and vocational training contribution modifications in Hungary regarding the year 2021, as well as the reduction in business tax for SME-s.

Kind regards from Budapest



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## → Minimum wage

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From February 2021, the minimum wage will increase from the current HUF 161,000 per month to HUF 167,400, and the guaranteed minimum wage will increase from HUF 210,600 per month to HUF 219,000.

If the government reduces the employer's share of social security by 2 per cent to

13.5 per cent in the course of the year (depending on a 6 per cent increase in real wages in the private sector in 2020), the minimum wage and the guaranteed minimum wage will certainly increase by further 1 per cent.

## → Vocational training contribution

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On 1 January 2021, the obligation to pay contributions for vocational training was changed, according to which the assessment base now corresponds to the assessment base for social security contributions.

The vocational training fee contribution is to be paid e.g. on employee benefits (SZÉP cards), legally defined services, dividends, income from interest discounts and securities lending transactions, however, this training contribution does not apply during the current pandemic emergency state.

As a result, the tax and contribution burden for **legally defined services** is (such as: representation expenses for business partners, business gifts, low-value gifts, private telephone use)

- in current emergency: 36 per cent of the benefit (15 per cent income tax + 15.5 per cent social

security contribution on 1.18 times the benefit) and

- 37.76 per cent after the emergency (15 per cent income tax + 15.5 per cent social security + 1.5 per cent vocational training contribution calculated on 1.18 times the benefit).

In the case of **employee benefits** (SZÉP cards), there is a lower charge, as this benefits services by the employer are exempt from social security contributions even the emergency period:

- in emergency period: 15 per cent of the benefit (15 per cent income tax on the benefit value),

- after the emergency: 32 per cent of the benefit (15 per cent income tax on the benefit + 15.5 per cent social security + 1.5 per cent vocational training contribution).

## → Reduction of local business tax for SMEs

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On 22 December 2020, government decree 639/2020 was issued, which determined a reduction in business tax for SMEs. The regulation maximizes the local trade tax rate for micro, small and medium-sized enterprises for the tax year 2021 to a maximum of 1 per cent. It should be noted that the regulation only applies to SMEs whose annual net turnover or balance sheet total does not

exceed HUF 4 billion (approx. 11.1 million euros), so not all SMEs benefit from the reduction/aid.

Data from the last approved annual financial statements, which are available on the first day of the tax year 2021, are used to determine the SME classification according to the decree. By 25 February 2021, taxpayers are required to electronically declare to the tax authorities (NAV)

of their headquarters or permanent establishment using the form provided that they are to be classified as beneficiary SMEs in accordance with the regulation of the government decree.

## Contact for more information

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## Imprint

Newsletter Hungary, Issue 1/2021

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