



Know Your Rights

2025



This material was developed with the support of UNHCR.

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Rules on employment in Hungary

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RULES ON EMPLOYMENT

In Hungary, you can generally work from the age of 16, with a few exceptions.

[We must distinguish between Hungarian/EU citizens and third-country national workers.](#)

Hungarian and EU citizens, long-term residents and people with refugee or subsidiary protection status do not need a separate permit to work.

As for those who fled Ukraine on or after 24 February 2022 and have applied for or have temporary protection status are entitled to work without a permit, including employment by a temporary work agency.

If the Ukrainian national has not applied for or does not have temporary protection or tolerated status, he or she can apply for a residence permit for work purposes, such as the National Card available to Ukrainian nationals.

If you need more information, we recommend that you contact the [National Directorate-General for Aliens Policing](#), which deals with, among other things, the residence and permits of foreigners living in Hungary.

Labour law basics and the employment contract

Work can only be carried out on the basis of a written contract, which must include the basic salary and the job description as mandatory elements.

- In Hungary, the minimum wage in 2025 is **HUF 290,800** gross, which is the minimum amount for full-time work.
- The gross guaranteed minimum wage in 2025 is **HUF 348,000**, which must be guaranteed if the job requires at least secondary education.

It is important to note that these are gross wages, and after paying taxes and contributions, the employee receives a lower so-called net wage.

The employment contract can be for a fixed-term or for an indefinite term. A fixed-term contract is typical when the employee is only entitled to work for a limited period of time on the basis of his or her permit or status.

The employment can be full-time, i.e. 8 hours a day (40 hours a week) or part-time, e.g. 6 or 4 hours a day.

It is a common practice to set a probationary period for a maximum of 3 months. The essence of the probationary period is that during this time, either party may terminate the employment relationship without justification.



There are different rules for simplified employment and occasional work.

As the legal relationship in these cases is created by the employer's obligation to notify the employer, **a written employment contract is not mandatory.**

In the case of simplified employment, the employer is not obliged to provide the employee with a reference, to communicate the working schedule in writing in advance, to apply the provisions restricting Sunday work, or to apply the provisions on the granting of leave, sick leave, unpaid leave and maternity leave. Furthermore, no certificates need to be issued on termination of employment and the daily working time may be distributed unevenly.

The rules on pay are also different:

- In the case of simplified employment, at least 85% of the minimum wage, i.e. **HUF 247,180** gross (in 2025).
- For highly skilled jobs, the minimum wage is 87% of the guaranteed minimum wage, i.e. **HUF 302,760** gross (in 2025).

In addition to the employment contract, the **employer's information leaflet** is an important document that outlines the detailed terms of the employment relationship. Some of the most important elements of this document include:

- the duration of working time, and its schedule (i.e. when working time starts, how long it lasts)
- the method and frequency of salary payment (salaries are typically paid monthly, by the 10th day of the following month at the latest, as required by law)
- information about leave entitlements (20 days is the basic annual leave that everyone is entitled to. Plus, any additional leave that may be granted, for example based on age or having children)
- if applicable, information on additional benefits such as "cafeteria" (fringe benefits).

The **job description** is the document that precisely and thoroughly defines the job duties and responsibilities.

It is important to note that the employment contract can only be amended in writing with the consent of the employee.

The employer is required to report the establishment of the employment relationship to the tax authority by the latest on the first day of work. This creates the insurance relationship, which entitles the employee to benefits such as health insurance, sick leave, or parental support.

The existence of the insurance relationship can be checked via the [Client Portal. \(Ügyfélkapu\)](#)

Termination of employment

There are four cases for terminating an employment relationship:

- mutual agreement,
- termination/resignation,
- termination during the probationary period, or
- termination with immediate effect.

A **mutual agreement** is an agreement between the parties to terminate the employment relationship. In this respect, they are free to determine the terms of the agreement, typically in terms of benefits or the date of termination of employment.



Termination

The employment relationship can be terminated by the employer or the employee. In case the employer terminates the employment relationship, it must justify its decision by one of the following reasons as regards:

- the employee's conduct in relation to the employment relationship
- the employee's capabilities or
- reasons related to the employer's operations.

The employer is generally, with certain exceptions, required to provide justification for the termination, and the justification must be factual, clear, and reasonable. However, the employee is usually not required to justify his/her resignation, except in the case of a fixed-term employment contract.

The notice period is generally 30 days, which increases proportionally with the years spent in employment.

In the case of termination by the employer, the employee must be released from work for at least half of the notice period, during which they are entitled to receive their absentee pay.

After 3 years of service, employees usually, with some exceptions, receive a severance payment, which also increases proportionally with the years spent in employment.

During certain periods, the employee is protected, and his/her contract cannot be terminated, such as during pregnancy, maternity leave, or childcare leave.

In case of incapacity for work, the notice period does not begin until the employee becomes capable of working again.

During the probationary period, the termination of employment is flexible, either party can terminate the employment relationship with immediate effect without giving any justification.

Termination with immediate effect is possible in the event of serious breach of contract or violation of obligations. In this case, the employee is not entitled to a notice period or severance pay.

Employment through a temporary work agency

A special case of an employment relationship is when it takes place through a temporary agency. In this case, the lending company provides the worker it has hired to work for the borrower.

The lender is responsible for the establishment and termination of the employment relationship. **However, the employee works for the borrowing employer, who determines the work schedule, working hours and rest periods.**

In such cases, there is a contract between the employee and the lender, which must include:

- that the employment contract is for the purpose of a loan,
- the worker's basic salary,
- the nature of the employment.

It is important to underline that any agreement under which the employee is to pay remuneration to the lender for the loan or for the establishment of a legal relationship with the borrower is null and void.



Social Security in Hungary

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SOCIAL SECURITY

In Hungary, society provides for the adequate social security of its members and for the care of people who are unable to work in various ways. The insurance system set up for this purpose, based on a risk-sharing scheme, is called social security.

What types of benefits exist in Hungary?

Social security benefits can basically be divided into two groups: health benefits and pension benefits.

Health insurance benefits:

- i. health services in kind,
- ii. cash benefits,
- iii. accident benefits, which may be benefits in kind and cash benefits, and,
- iv. benefits for persons with changed working capacity, which can also take the form of benefits in kind and cash benefits.

Pension insurance: the pension scheme based on the person's own right. In addition, the pensioner's dependants may also be entitled to a pension, such as a widower's pension or orphan care.

Eligibility groups by benefit

Depending on who is entitled to which benefits, we can distinguish between the following groups:

- i. those who are insured and entitled to all benefits,
- ii. those who are only entitled to accident and emergency medical services (e.g. people doing voluntary work in the public interest),
- iii. those who are only entitled to health services (e.g. pensioners),
- iv. dependants who are entitled to a pension/care, and
- v. a natural person who is not insured and is not entitled to health care on any other grounds may conclude an agreement to provide health care for him or herself and for his/her child living with him/her.

Important: for information on the health care benefits based on your protection status, please visit <https://help.unhcr.org/hungary/healthcare/> or <https://help.unhcr.org/hungary/asylum/support-and-services/>.



Within the category of insured persons entitled to all benefits, the following main sub-categories can be distinguished:

Work-related insurance, i.e.	<ul style="list-style-type: none">• Employed persons, public servants, and persons benefitting from jobseekers' allowance
Business-related insurance, i.e.	<ul style="list-style-type: none">• Self-employed entrepreneurs or• Partners (<i>personally and effectively involved in a company</i>)
Conditional policyholders, i.e.	<ul style="list-style-type: none">• People working for remuneration under other types of arrangements (<i>e.g. people working in a personal capacity under an agency contract</i>)

What benefits are students entitled to?

For the purposes of social security, students are defined as persons in primary and secondary education, students in vocational education and training, and active students at university.

Students are only entitled to healthcare services. It is important to note, however, that being a student does not in itself always create an insurance relationship for the person concerned: it only creates an insurance relationship for Hungarian citizens, refugees and beneficiaries of international protection.

How is the insurance relationship established?

In addition to the above, it is important to clarify that a basic legal status is necessary for the creation of an insurance relationship. Such a basic legal status can be, for example, an employment relationship, an agency contract or a self-employed status.

Procedure for paying the surcharge

As mentioned above, social insurance is a system based on the shared assumption of risk by its members. To maintain it, all employers and beneficiaries must contribute to it by making certain payments, in accordance with the principle of social solidarity. This takes the form of **contributions**.

- On the basis of the existing insurance relationship, insured persons (i.e. those entitled to all benefits) are liable to pay a **social security contribution of 18.5% of** the contribution base calculated on the basis of their income.
- A person who is not insured in Hungary and is not entitled to health services under any legal title is liable to pay **health service contributions**. By paying the health service contribution, they become entitled to health services. The monthly amount of the health service contribution is HUF 11,800 in 2025.



Personal income tax – “SZJA”

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PERSONAL INCOME TAX – “SZJA”

Hungary taxes all income (i.e. both domestic and foreign income) of individuals with Hungarian tax status, while for individuals with foreign tax status it taxes only income from Hungary.

So the first important thing to determine is whether the individual has Hungarian tax residence, and then whether the individual is liable to pay tax in Hungary on that income.

Tax residence determines the country with which an individual is most closely connected for tax purposes, not necessarily the same as nationality. To determine tax residence, it is necessary to examine

- i. the Hungarian rules,
- ii. (any relevant foreign rules,
- iii. and the international rules for the avoidance of double taxation between states.

Who qualifies as a Hungarian tax resident?

Under Hungarian rules, the following persons qualify as resident taxpayers:

- Hungarian citizen,
- Citizen of a European Union or European Economic Area country, and resides in Hungary for at least 183 days in a calendar year,
- An individual with long-term resident status,
- Stateless person (i.e. not a national of any country),
- An individual who is not one of the aforementioned and has his/her permanent residence only in Hungary.
- If the individual has his/her permanent residence in more than one country, he/she is considered to be a Hungarian tax resident if his/her so-called centre of economic interest is Hungary.
- If based on these the tax residency cannot be determined, the individual is considered a Hungarian tax resident if his/her habitual residence is in Hungary.

If an individual is taxable in more than one state at the same time under the domestic rules of several states, the agreement between the states determines which state is entitled to tax the income. Such a convention is in force between Hungary and Ukraine.¹

The personal income tax is based on the part of the taxable income determined by law, which is the amount on which the tax is payable. The personal income tax rate in Hungary is 15% of the tax base. As a general rule, it is paid annually by self-taxation, except for wages and salaries, which are determined and paid by the payer, i.e. the employer (in the form of a monthly tax advance).

¹ Act XXX of 1999 on the Proclamation of the Convention between the Republic of Hungary and Ukraine for the Avoidance of Double Taxation and the Prevention of Tax Evasion in the Field of Income and Wealth Tax, signed in Kyiv on 19 May 1995



Tax declarations must be submitted online by 20 May of the year following the subject year. The tax authorities prepare a draft of the tax return form to make it easier for individuals to complete it. The individual can decide whether to accept or supplement this draft by 20 May.

Some income is exempt from tax, listed in the Personal Income Tax Act.

To summarise the above, employment wages are subject to the following contributions and taxes:

- 15 percent personal income tax (SZJA),
- 18.5 percent social security contribution.

In addition, it should be noted that social contribution tax is payable on income included in the consolidated tax base under the Personal Income Tax Act (such as wages or commission), but this is generally paid by the employer on the income of its employees.

It should be noted that the personal income tax system also allows for the possibility of claiming various benefits under certain conditions, such as (i) the family allowance, (ii) the allowance for mothers with four or more children, (iii) the allowance for mothers under 30, (iv) the allowance for young people under 25, (v) the allowance for first-time married couples or (vi) the personal allowance. With regard to the benefits, it should be stressed that not all income categories can be reduced in the personal income tax base by these benefits, and that these benefits are not available to all, and that the law may impose different conditions for their use (for example, in the case of family benefits, eligibility for family allowance).

Below is a brief description of the main features of each personal income tax relief.

- The **family tax benefit** is available to individuals who are entitled to a family allowance, for example, biological parents living together as spouses or civil partners. The amount of family tax benefit that can be claimed depends on the number of dependants. The amount of the family tax benefit per beneficiary dependant per month is (i) HUF 66,670 for a family with one dependant, which means that the family has HUF 10,000 more net income, (ii) HUF 133,330 for a family with two dependants, which means HUF 20,000 more net income, and (iii) HUF 220,000 for three dependants, which means HUF 33,000 more net income for the family. Individuals can use the family tax benefit to reduce their total taxable income: this includes (i) income from self-employment (e.g. self-employment, rental income) and (ii) income from non-self-employment (e.g. wages, taxable social security benefits, including childcare allowances).

From 1 July 2025, **the family tax benefit will increase by 50 percent.** From July, families with one child can expect tax savings of **HUF 15,000** instead of HUF 10,000, families with two children **HUF 60,000** instead of HUF 40,000, and families with three or more children **HUF 49,500** instead of HUF 33,000 per child.



- ii. **A mother with four or more children** can claim the benefit if she (i) is entitled to family allowance or (ii) is no longer entitled to family allowance but has been entitled to it for 12 years and (iii) if her entitlement to family allowance ceases due to the death of a child. A mother of four or more children is not liable to pay personal income tax on income as defined in the Personal Income Tax Act (including, for example, wages, sick pay, various taxable social benefits and entrepreneurial withdrawals).
- iii. A mother under the age of 30 can claim the **tax benefit for mothers under the age of 30** if she has reached the age of 25 and becomes eligible for the family allowance after 31 December 2022 in respect of a child by blood or adoption or a foetus (as under the Personal Income Tax Act). The maximum amount of the benefit for mothers under 30 years of age in 2025 is HUF 656,785 per month of entitlement, which in practice could result in tax savings of up to HUF 98,518. The benefit for mothers under 30 and the benefit for young people under 25 cannot be claimed at the same time. A young mother who has not yet turned 25 can only claim the benefit from the month after her 25th birthday. The benefit for mothers under 30 can be claimed on certain types of income included in the consolidated tax base, such as income that is considered as wages and self-employment tax.
- iv. **The benefit for young people under 25** is available to young people under the age of 25. The benefit for young people under 25 reduces the amount of certain income included in the consolidated tax base of a young person under 25. In 2025, the amount of the benefit per month of eligibility is HUF 656,785, which means a tax saving of HUF 98,518.
- v. **The first-married couples' allowance** is available if at least one of the spouses is married for the first time. The member of the couple who is not married for the first time can also claim the benefit. It makes no difference whether the marriage took place in the country or abroad. The first-married couples' allowance, like the family allowance, reduces the consolidated tax base. The joint entitlement of a married couple entitled to the allowance is HUF 33,335 per month. In practice, this means that net earnings will be HUF 5,000 more per month than without the allowance.
- vi. **The personal allowance** is available to persons with severe disabilities. Such a person is someone who (i) receives disability pension, (ii) receives disability allowance, and (iii) is suffering from one of the diseases listed in Government Decree 335/2009 (XII. 29.) on diseases that constitute severe disability. The amount of the benefit per month of entitlement is equal to one third of the minimum wage rounded up to HUF 100, i.e. HUF 96,900 per month in 2025, which means a net monthly surplus of HUF 14,535. If the entitlement is maintained for the whole tax year, the total tax base for the whole year can be reduced by HUF 1.162,800, which amounts to HUF 174,420 tax savings. The individual can use the personal allowance to reduce his/her consolidated tax base.



Renting and buying a property in Hungary

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LEASE AGREEMENT, RIGHTS AND OBLIGATIONS OF LANDLORDS AND TENANTS

Under a lease agreement, the landlord is primarily responsible for allowing the temporary use of the dwelling and the tenant for taking possession of the apartment and paying rent.

- **The tenant** can be a natural person. If several tenants rent a dwelling together, their rights (e.g. rights of use) and obligations (e.g. payment of rent) are equal and can be exercised jointly, and their obligations towards the landlord are joint and several (e.g. the landlord can claim the full amount of rent from any of them separately).
- If several tenants rent a dwelling by occupying some rooms separately and other rooms jointly, they are considered independent tenants and have independent rights against the landlord and are entitled to exercise their rights separately. The tenant may only accept someone else (with some exceptions, e.g. a minor child) into the dwelling with the written consent of the landlord.
- **The landlord** is the person who has the right to dispose of the property, so typically the owner of the property, but may also be the beneficial owner or even the tenant. A sub-lease is when the landlord is himself a tenant, i.e. subletting the property as a landlord. The duration of the sublease may not exceed the duration of the main lease, and the termination of the main lease will terminate the sublease.
- **Dwelling** - The lease covers the dwelling and its associated premises (e.g. cellar, attic). In all cases, dwelling is a group of connected rooms with a floor area of at least 12 square metres, with a living room, cooking facilities and toilet facilities, and which, on the basis of its rooms, plumbing, hot water supply and heating system, can be classified in one of the comfort classes (all-comfort, comfort, semi-comfort, comfort-free) laid down by law

Lease agreement

- **Formally**, the lease agreement must be in writing. It must be signed by the parties, either in the same copy or in different copies. Electronic documents and declarations are only considered as written in special cases (e.g. an e-mail exchange only does not qualify as a written lease agreement). It is advisable to have the signatures on the lease agreement authenticated by two witnesses. If the landlord or the tenant does not understand the language of the contract, the content of the contract must be explained by one of the witnesses or by a person who certifies the signature. This also applies to amendments, termination and other related legal statements.
- **In substance**, the contract must cover all relevant matters (such as a detailed description of the dwelling, the determination of the rent) and include any other matter or aspect that either party considers relevant.
- It is important to note that the landlord and tenant are free to deviate from most of the legal provisions, but there are certain imperative provisions that will apply even if the parties have agreed otherwise. It is also important to note that other special rules may apply in the case of public or municipal housing (e.g. the rent may be set by law).



Duration

- The lease agreement can be either for a fixed or indefinite period.
- Unless otherwise provided for in the contract, the lease agreement is normally considered to be concluded for **an indefinite** period. If the fixed term in a fixed-term contract expires but the tenant continues to use the accommodation and the landlord does not object within 15 days, the lease agreement becomes an indefinite contract.
- In the case of a **fixed-term lease**, the contract will terminate on a fixed date (e.g. a fixed date or at the end of a fixed term).
- In the case of termination **by condition**, the parties do not specify a specific date, but a future event (e.g. expiry of the tenant's residence permit), upon which the contract will terminate.
- The duration of the tenancy is also relevant in the context of termination, which will be dealt with separately below.

Rights and obligations

Landlord

- The landlord is obliged to **hand over the dwelling to the tenant** in a condition suitable for its intended use, on the terms and at the time specified in the contract, with the appropriate level of comfort (e.g. all-comfort). The dwelling is fit for its intended use if, for example, the heating, water system, electricity, cooking appliances are in working order and the furniture is fit for its intended use.

It is advisable to record the handover of the apartment and its condition in a jointly signed and detailed handover protocol. In addition, it is advisable to list in detail the equipment and fixtures in the dwelling, to mention their condition and defects (e.g. cracks, breaks, missing elements) and to record the status of the utility meters. The report may be accompanied by photographs, descriptions, even video footage, to avoid disputes about damage to the dwelling and furniture, etc.

- The landlord is responsible for ensuring that the accommodation is **fit for its contractual use** and meets the requirements of the contract. The landlord is also responsible for ensuring **that no third party has any right to the accommodation** which restricts or hinders the tenant's right to use it.
- The landlord is responsible for the maintenance of the building and central equipment, and parties must agree on the maintenance of other parts of the dwelling. The landlord's maintenance obligation includes preventive and repair works. In the case of defects which endanger life, endanger the condition of the building or substantially hinder the normal use of the dwelling or the neighbouring dwelling, the landlord must carry out the maintenance without delay, in all other cases at the same time as the maintenance or renovation of the building.

The tenant is obliged to allow the landlord to carry out the works necessary to preserve the condition of the dwelling. However, the tenant is not obliged to tolerate works necessary for the modernisation of the dwelling (e.g. complete renovation), unless the works do not significantly restrict the use of the dwelling. The tenant must be informed in advance of the planned modernisation works, in which case the tenant may decide to terminate the contract by the last day of the month.



The landlord and the tenant agree on the costs of maintaining, renovating or replacing coverings, doors, windows and equipment of the apartment. In the absence of such an agreement between the tenant and the landlord, the costs of maintenance and renovation shall be borne by the tenant and the costs of replacement and replacement by the landlord.

The landlord is obliged to present the energy performance certificate for the building and the dwelling in it, as required by law, to the tenant before the conclusion of the contract and to hand it over to the tenant at the time of the conclusion of the contract.

Tenant

- The tenant **can use the** dwelling according to its purpose and the contract, which the landlord can supervise without unnecessary disturbance. The tenant may carry out alterations or modernisation work only with the landlord's consent.
- The tenant is only allowed to **sublet** or give the use to a third party of the apartment with the landlord's consent. In such a case, the tenant is liable for the subtenant's or user's conduct as if he/she had used it him/herself, and without the landlord's consent he/she is liable for the damage caused according to the rules.
- The tenant may admit **another person** to the apartment, except for his/her minor child and the child born to this child of him/her during the period of cohabitation, only with the written consent of the landlord. In the case of co-tenants, the written consent of the co-tenant and the landlord is required.
- If the tenant requests consent, the landlord must respond to the request within 30 days. If the landlord does not respond within 30 days, the permission is deemed to have been granted

Deposit, rent, charges

- Rental contracts often include a security deposit. The amount of the deposit is usually set in the monthly rent (typically the equivalent of one or two months' rent), which the tenant is obliged to pay to the landlord. The security deposit is used as a guarantee that if the tenant fails to meet his payment obligations (e.g. fails to pay the monthly rent or damages), the landlord is entitled to deduct it from the security deposit. The amount of the deposit cannot be more than three times the monthly rent (if it is higher, it can be reduced by the court at the tenant's request).
- The rent is payable monthly in advance. If the parties have not agreed on a specific date for the payment of the rent, the tenant must pay the rent in one instalment by the 15th day of the month at the latest. If the rental contract is for less than one month, the rent is due at the time the contract is concluded. No rent is due for the period during which the tenant is unable to use the accommodation for reasons beyond his/her control.
- Minor maintenance costs are borne by the tenant, while major expenses and charges are paid by the landlord.
- The landlord has a lien on the tenant's possessions (e.g. furniture) in the property up to the amount of the rent and costs, and can therefore prevent the removal of the tenant's possessions (as long as the lien remains in place).



Cancellation/termination

Normal termination

- A contract concluded for an **indefinite** period may be terminated by either party for any reason (ordinary termination), provided that the termination is made by the 15th day of the month in question at the latest, and is valid for the end of the following month. If this deadline is not met, the tenancy will end at the end of the 2nd month following the month in which the notice of termination is given. In the case of a contract of indefinite duration, the right of ordinary termination cannot be excluded (but the parties may agree that neither party may terminate the contract for a fixed period of time).
- A **fixed-term** contract cannot, as a rule, be terminated by ordinary notice.

Extraordinary termination (for breach of contract)

- If the rent is not paid by the tenant on time, the landlord must first send the tenant a written demand for payment and inform him/her of the consequences. If the tenant does not comply with the notice within 8 days, the landlord may terminate the contract in writing within a further 8 days. The notice of termination may be given for the last day of the month following the month in which the payment was not made, and the minimum period of notice is 15 days.
- The landlord can terminate the contract if the tenant (or the person living with him/her), despite a written notice, behaves in a way that is blatantly contrary to the landlord's or neighbours' standards of coexistence, or if he/she uses the accommodation or common areas in a way that is not in accordance with the intended purpose or the contract. The notice of termination is given with a minimum of 15 days' notice and is valid for the last day of the month following the month in which the notice is given. The notice of termination must be given in writing within 8 days of the continuation or recurrence of the conduct on which it is based. If the conduct is so serious that the lessor cannot be expected to continue the contract, the notice of termination need not be preceded by a notice.

Other cases of termination

- The contract can also be terminated in other cases, e.g. by mutual agreement, if the apartment is destroyed or if the tenant is expelled from Hungary.
- If the dwelling is in such a bad state that it is a health hazard, the tenant can terminate the lease agreement even if he/she knew about it at the time of signing the contract or taking possession. This rule cannot be derogated from

After the end of the lease, the tenant must return the apartment and its equipment to the landlord in a condition suitable for its intended use. The tenant may remove the equipment installed at his own expense, without prejudice to the integrity of the dwelling.



BUYING REAL ESTATE IN HUNGARY, RIGHTS AND OBLIGATIONS OF PROPERTY OWNERS

The property

The property to be acquired

Special rules may apply to the acquisition of real estate depending on its nature (e.g. real estate classified as agricultural land, real estate under monument protection, or residential real estate in the Buda Castle District). We will not discuss these special rules, in this summary we will only examine the rules for the acquisition of real estate that can be acquired under the general rules (i.e. not subject to special restrictions).

The land register

Real estate in Hungary is listed in the central land register, which is a public register of rights to real estate and of legally significant facts.

The content of the land register includes: title deeds, a database of data on cancelled entries, a database of maps, and a register of deeds.

- The **title deed** contains the rights to the property and other legally relevant facts. The title deed consists of three parts. Part I contains the physical details of the property, e.g. the name of the municipality, the parcel number, the designation, the area. Part II contains the details of the owner of the property and the title to the property - here you can check that the person acting as the seller of the property is the registered owner of the property. Part III contains other charges, data and facts relating to the property, e.g. mortgage, usufruct, registered right of pre-emption.
- The land register **map** shows the spatial location of properties.
- The **register of deeds** contains the documents, certified copies, applications for registration, etc., on which entries are based.

The title deed and the map can be consulted by anyone in the land register. However, the contents of the documents on which the entries (rights) and records (facts) are based can only be seen if the applicant can prove that the persons entitled and obliged to see the document have given their consent or that they have a legal interest in seeing the document.

The public authenticity of the land register means that no one can claim ignorance of the rights and facts registered. Moreover, until proven otherwise, the person who is registered as rights holder is presumed to be such. Therefore, the law protects persons who, in good faith and for consideration, have acquired rights by relying on the land register, and the contents of the land register shall be deemed to be correct and complete for the benefit of such persons, even if they differ from the true situation.



It is advisable to check the title deeds of the property you are buying as soon as possible to make sure that the property is in good standing and free of encumbrances. The title deeds can be obtained from the seller, from the estate agent, or via the Ügyfélszolgálat (if you are registered).

When buying a condominium apartment, it is advisable to check the contents of the condominium's master deed containing the common ownership details, as well as the separate deed containing the details of each apartment, and to obtain from the seller the condominium's articles of association and bylaws (including the house rules), which may contain restrictions on use or ownership (e.g. provisions on pre-emption rights in favour of co-owners).

The parties - foreigners acquiring real estate in Hungary

A foreign natural or legal person - i.e. a citizen or a company or other organisation of a state that is not a member state of the European Union, a state party to the Agreement on the European Economic Area or a state that is considered as one (e.g. Switzerland) - may acquire real estate that is not considered as land only with the permission of the competent government office of the capital and county where the real estate is located (except in the case of inheritance).

A foreign natural person may not buy property if it is contrary to public or municipal interests. This is the case, for example, if the applicant has a criminal record, is subject to expulsion or an entry and stay ban, or has an arrest warrant.

When applying for the permission from the Government Office, the applicant must submit, in addition to the specified form, the contract for the acquisition of the property, a certified copy of the acquirer's travel document or identity card, a certificate of good character, a certified title deed of the property and a power of attorney if the applicant is not acting in person.

An administrative service fee of HUF 50,000 per property is payable for the procedure for obtaining a permission. However, it is HUF 10,000 for a foreign natural person applicant who has the right of free movement and residence or has settled status and has applied for Hungarian citizenship.

The administrative deadline for this procedure is 45 days.

According to the provisions in force from 29 July 2024, the fee for the general land registration procedure is HUF 10,600, while the fee for the registration of mortgage and the procedure for amending the registration is HUF 20,000 per property affected by the change.

A judicial review of the decision of the Government Office can be initiated on the grounds of an infringement of the law.

Real estate sale and purchase agreement and assistance of a lawyer (or notary)

Real estate sale and purchase agreement

- In Hungary, you can only buy property with a written contract of sale and purchase, prepared in accordance with the law by a notary or countersigned by a lawyer. In order to acquire the property, it is also necessary to register the buyer's title in the land register.



Assistance of a lawyer (or notary)

- An important step in the real estate purchase process is usually the appointment of a lawyer, as the registration of the acquisition of ownership of the property in the land registry requires the submission of a sale and purchase agreement countersigned by a lawyer (or prepared by a notary) and the mandatory provision of legal representation.
- The lawyer's countersignature ensures that the contents of the contract underlying the acquisition of the property comply with the law. The lawyer drafting the deed is required to retrieve the title deed of the property on the day of the conclusion of the contract and also to identify the contracting parties by their identity documents (passport, identity card, or driving licence) and by the parties' address certificates and tax identification documents.
- No later than 30 days after the conclusion of the sales contract, the lawyer submits to the competent real estate authority an application for registration of the buyer's ownership, together with the sales contract.
- Lawyers' fees are subject to negotiation (the amount varies), usually between 0.5% and 1.5% of the purchase price (depending on the value of the property and the complexity of the transaction).

Energy certification

- As a general rule, an energy performance certificate must be obtained for the sale of apartments or buildings, and the sales contract must include the identification code of the energy performance certificate and the fact that the certificate or a copy of it has been received by the buyer from the seller.
- It is not necessary to obtain an energy performance certificate if the property does not include a building or a separate use structure. It is also not required, for example, if the object of the sale is a building with a useful floor area of less than 50 m² not connected to another building, or if the building is used for residential and leisure purposes for less than 4 months per year.
- The energy performance certificate is valid for 10 years, during which time a new certificate is required if the legal requirements for the building change during the 10-year period.

Taxation in the case of real estate sale and purchase

As a general rule, if you buy property, you have to pay a property acquisition tax equal to 4% of the market value.

In certain cases, the buyer is entitled to exemption from duty (e.g. in the case of a sale between direct ascendants or descendants or between spouses) or a reduction in duty (e.g. in the case of an exchange of property – replacement purchase), and if the market value of the new property is higher than that of the previously acquired property, duty is only payable on the difference in value.

It is important to note that the tax authority is entitled to check the market value during an on-site inspection and determine it differently from the contract purchase price, in which case the amount determined in this way is the amount applicable for the payment of the tax.



Purchase price

The time and method of payment depend on the parties' agreement.

Deposit vs. advance payment

- The parties often agree a **deposit** as the first instalment of the purchase price, which is used to confirm the obligations in the contract. If the parties perform the contract, the deposit is included in the purchase price, but if they fail to perform, the deposit takes on a "penalty" character. If the buyer is responsible for non-performance, he/she loses the deposit paid; if the seller is responsible, he/she is obliged to repay twice the deposit received to the buyer. If performance of the contract fails for reasons for which neither party is responsible or both parties are responsible, the deposit is returned.

The amount of the deposit is agreed between the seller and the buyer, and in practice the parties usually agree on 10% of the purchase price of the property. Excessive deposits can be reduced by the court on request. The deposit is usually handed over directly to the seller at the time of the conclusion of the contract (it is recommended to avoid handing over the deposit to a real estate agent before the conclusion of the contract).

It is important to note that the parties are only bound by the sale and purchase agreement already signed, and the penalty for withdrawing from it may go beyond the loss of the deposit or double repayment, depending on the terms of the contract.

- If the parties do not agree on the application of a deposit, any instalment paid shall constitute **an advance payment** until payment of the full purchase price, which shall be refunded to the buyer (once only) in the event of default, irrespective of the cause of the default and of whose fault.

Full payment of the purchase price

Usually the purchase price is paid in instalments and the seller retains ownership until the full purchase price is paid.

As soon as possible after the signature, the lawyer submits the contract to the real estate authority and requests that the application be suspended or that the fact of the sale of the property with reservation of title be recorded. The buyer's title can only be registered once the full purchase price has been paid and the so-called registration permit issued by the seller has been submitted to the authority.

If part of the purchase price will be paid by a bank loan, it is important that the lawyer drafting the deed is provided with the bank's requirements for the contract before the sale and purchase agreement is drafted, and that these requirements are reflected in the sale and purchase agreement.



Procedure for the handover of property

In addition to the transfer of title, the seller is also obliged to transfer possession of the property to the buyer at the time agreed in the contract, which is achieved by the transfer of effective control over the property, such as the transfer of the keys to the property accessible to the buyer.

The buyer can use the property from the date of transfer of possession, so it is advisable to include a penalty in the contract of sale for non-transfer of possession (i.e. a daily amount to be paid by the seller to the buyer in case of late transfer of possession).

The transfer of possession is usually recorded in a signed protocol, in which the parties record the fact and time of the transfer of possession, the equipment, accessories and their condition, as well as the status of the utility meters.

It is then necessary to transfer the utility services to the buyer's name.

Purchase of real estate that is not unencumbered

If the property to be acquired is subject to any encumbrances (e.g. right of pre-emption, mortgage, usufruct, etc.), the lawyer drafting the sale and purchase agreement will provide information and the release of the property from the encumbrances will be regulated in the contract on the basis of the lawyer's proposal and the agreement of the parties.

Right of pre-emption

In all cases, it should be checked whether the property to be bought is subject to a right of pre-emption. If so, the seller must give the rightful claimant adequate notice to exercise it, together with full disclosure of the existing offer (or contract). Failure to do so, or to do so in an inadequate manner will result in severe legal consequences.

Under the right of pre-emption (right of first refusal), the right holder may, by unilateral declaration to the seller, obtain ownership of the property on the terms on which the seller intends to sell it to a third party in accordance with the offer communicated. The right of pre-emption may be based on law (e.g. the right of first refusal of the co-owners in the case of jointly owned real estate) or on an agreement (e.g. the right of first refusal in favour of the co-owners in the deed of association of a condominium), the former preceding the latter.

The right of pre-emption holders may be exempted by law from the requirement to give notice if, because of the place of residence of the holder or other circumstances, such notice would be extremely difficult or would cause considerable delay, but the existence of such circumstances is always a matter for case-by-case consideration. In the procedure for registration of ownership, a renunciation by the pre-emption beneficiaries or a document proving their request must be submitted.



Mortgage (and prohibition of alienation and encumbrance)

The most common encumbrance on real estate is a mortgage, which means that the owner has pledged the property as security for the payment of a financial debt, typically to a bank. In addition, banks typically impose an alienation and encumbrance clause to secure repayment, whereby the property cannot be sold, given away or encumbered without the bank's consent.

The registration of the mortgage is usually for the amount of the loan taken out and its charges (interest and costs), but the seller must obtain a statement from the mortgage holder (e.g. a bank) of the amount of the debt behind the mortgage.

The contract should specify how and until when the debt will be repaid and the property discharged. The debt can be settled either by the seller him/herself or by the purchase price, in which case the buyer pays the part corresponding to the debt directly to the bank, which then issues the documents necessary for the cancellation of the debt, on the basis of which the authority cancels the debt and the buyer acquires a property free of the debt.

Usufruct

Under a usufruct, the usufructuary may possess, use, exploit and benefit from the property owned by another person, but does not have the right to dispose of it, and therefore cannot sell or encumber it.

The owner of the property may sell the property without the consent of the usufructuary, but the usufruct remains irrespective of this. Therefore, usually, at the same time as the sale of the property, the usufructuary waives his/her right (free of charge or for consideration) in the sale and purchase agreement or in a separate declaration upon its conclusion.



Doing Business in Hungary

Know Your Rights



2025

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DOING BUSINESS IN HUNGARY

The aim of this document is to provide an overview of the possible frameworks for doing business in Hungary, covering the basics of company law and tax rules.

In Hungary, entrepreneurs can set up various types of companies, the most common of which are **limited liability companies** (Kft.), **joint stock companies** (Rt.), **limited partnerships** (Bt.) and **general partnerships** (Kkt.).

In addition to the forms of partnership, there are also a number of options for self-employed people in Hungary. **Sole proprietorship** (EV) is the simplest form, where the entrepreneur is liable for his/her obligations with his/her own assets. In addition, sole proprietorships **are eligible for the small taxable enterprises tax** (KATA), which is based on a simplified tax form. Another important option is the **sole proprietorship**, which is a form of business without legal personality, although registered as a legal entity.

Business companies in Hungary

Setting up a business

In Hungary, companies can be set up electronically, and since 2022, a simplified procedure can be used to register a company in just a few days. The procedure can be initiated free of charge at the commercial court of the company's domicile, with the assistance of a legal representative. An important element of company formation is the deed of foundation, which must be recorded in a notarial deed or a private deed countersigned by a lawyer. The deed must contain the name of the company, its registered office, its main activity, the names of the founders, the name of the first managing director, the value of the pecuniary and non-pecuniary contributions. Foreign legal entities and natural persons not resident in Hungary must appoint a service agent to forward documents relating to the operation of the company. The service agent may be either an organisation established in Hungary (e.g. a law firm) or a natural person with a permanent residence in Hungary.

For the payment of the contribution in kind, it is compulsory to open a payment account for the company to be set up (or within 15 days of the notification of the tax number). To open a payment account, it is generally necessary to have proof of representation of the company, such as a specimen signature, and a registration order from the court of registration or, if registration is pending, the deed of foundation of the company to be formed and a certificate confirming the registration procedure.

The types of companies that can be incorporated in Hungary:

- **General partnership (Kkt.):** When a Kkt. is formed, the members enter into a corporate agreement in which they undertake to contribute assets to the company for the purpose of the company's economic activities and to be jointly and severally liable for its obligations not covered by the company's assets. The law does not stipulate either the amount of the contribution or a time limit for its provision.



- **Limited partnership (Bt.):** When a Bt. is formed, the members of the company also undertake, by entering into a corporate agreement, to make a contribution to the company for the purpose of its activities and to the company. However, unlike in the case of a Kkt., only the general partners are liable for the company's obligations, which are not covered by the company's assets, whereas the limited partners cannot be held liable for the company's obligations, they are only liable for the performance of their financial contribution.
- **Limited liability company (Kft.):** A limited liability company is a business company formed with company shares consisting of a predetermined amount of share capital, where the member's obligation to the company is to pay its share capital and other services of pecuniary value as set out in the company's deed of foundation. The members are not liable for the obligations of the company. The Kft. is one of the most popular forms of company in Hungary. The minimum required share capital is HUF 3 million. To fulfil the contribution of assets, it is possible to make a non-monetary contribution, which may be, for example, an acknowledged debt or other property right.
- In the case of limited liability companies, it is important to mention the possibility of setting up a one-person limited liability company, where the member is the owner of the company and also the decision-maker, making it an ideal form for entrepreneurs who wish to manage their business alone and operate their company free from the potential constraints of a multi-member company. It is important to note that there is no difference between the liability of a single-member Kft. and a multi-member Kft.
- **Joint Stock Company (Rt.):** A joint stock company is a business entity consisting of a fixed number and value of shares. Shareholders are only liable to pay the nominal or issue value of the shares and are not usually liable for the company's obligations. The minimum share capital of a private limited company (Zrt.) is HUF 5 million, while that of a public limited company (Nyrt.) is HUF 20 million. At least 30% of the share capital must be paid in cash at the time of incorporation. A non-monetary contribution is also possible, accompanied by an auditor's or expert's valuation. The remainder must be paid within the time limit laid down in the articles of association, but not later than within one year in the case of a cash contribution and not later than within three years in the case of a non-monetary contribution.

Taxation of business companies

When setting up a company in Hungary, it is important to take into account which of the different tax forms the most optimal in view of the company's form and activities. When setting up or starting a partnership or a sole proprietorship and operating it, **it is essential to seek the help of an accountant**, who will help you choose the right tax form, using the following summary rules.

- **Corporate tax (TAO):** Corporate tax is an income tax paid on the income from an activity by resident and non-resident taxpayers who carry out an economic activity for the purpose of, or resulting in, the acquisition of income and wealth. Resident taxpayers include, inter alia, all companies, cooperatives and sole proprietorships.



The tax base is the sum of the pre-tax profit for the financial year and the adjustments under the TAO Act. The tax rate is 9% on the tax base determined as above, but it is important to note that various tax reliefs can be used for corporate tax.

- **Small business tax (KIVA):** the small business tax (KIVA) is a simplified form of taxation for small businesses, replacing the 13% social contribution tax and the 9% corporate tax. It can be chosen if the company has no more than 50 employees and its revenue in the previous year does not exceed HUF 3 billion. The KIVA is based on personnel payments and dividends paid out. The tax rate is 10% of the tax base.
- **Local taxes, business tax:** in Hungary, local governments can introduce local taxes in their areas of jurisdiction. Local taxes may include, for example, building taxes, land tax, municipal tax, tourism tax or local business tax.

The most common local tax applied to companies is local business tax. This is payable by entrepreneurs who have their registered office or place of business in the municipality and carry out local business activities. Local business tax is based on net turnover less certain adjustments. The tax is payable by both sole proprietors and companies. The maximum rate is 2%, the exact rate being set by decree by the municipalities.

Status of self-employed entrepreneurs and sole proprietorships

Self-employed entrepreneurs

In Hungary, the **self-employed entrepreneur** must carry out commercial and regular economic activities in his/her own name and at his/her own risk, with the aim of making profits and acquiring assets. It is important to underline that **beneficiaries of temporary protection cannot be self-employed**, nor can a member of a sole proprietorship or a member of a company with unlimited liability be a self-employed entrepreneur.

In Hungary, a self-employed person may be a Hungarian citizen, a citizen of a Member State of the European Union or of another Member State of the European Economic Area (EEA), or a person enjoying the same legal status as EEA nationals with regard to establishment under an international treaty between the European Community and its Member States and non-EEA countries.

Persons exercising their right of free movement and residence in Hungary, persons with immigrant or settled status, persons holding a residence permit for employment, family reunification or study purposes, and beneficiaries of tolerated status and stateless persons holding a residence permit for humanitarian purposes are also entitled to redeem the status of self-employed person.

Preparing a sole proprietorship can be done in person or by registering online. A self-employed person may carry out one or more activities in several establishments or branches.



Individual entrepreneurs can choose between the **entrepreneurial income tax**, **flat-rate tax** and the **small taxable enterprises tax (KATA)**.

- As a general rule, self-employed persons are subject to the **entrepreneurial income tax** rules. Entrepreneurial income tax is made up of three parts: the entrepreneurial withdrawal, the entrepreneur's income and the entrepreneur's dividend base.
- The **flat-rate tax** is recommended in cases where the self-employed person has few costs or the KATA tax form is not an option. Its advantage is that it is not necessary to itemise costs, as they are allocated to cost shares depending on the activity of the business, and then this cost share is deducted from the income, thus giving the entrepreneur his/her income. The expense ratio can be 40%, 80% or 90%, corresponding to 60%, 20% and 10% of the entrepreneur's income. For this form of taxation, the following are also payable: personal income tax (15%); social security contributions (18.5%); social contribution tax (13%).
- The **KATA** is a monthly itemised tax form, where a monthly payment of HUF 50,000 replaces all contributions and taxes payable. Under KATA taxation, there is no possibility of cost accounting, and the annual KATA limit is currently set at HUF 18 million. KATA taxation is only available to full-time self-employed individuals if they invoice exclusively to individuals (except taxi drivers, who can also invoice to companies) and do not work more than 36 hours per week.

Sole proprietorship

A **sole proprietorship** with unlimited liability (ec.) is a form of business established by a natural person in the register of sole proprietorships without legal personality. It is created by registration in the company register, has its own tax number and legal capacity, i.e. it can acquire rights and assume obligations under its own company name. In the case of a sole proprietorship, there is no mandatory minimum amount of registered capital, but a non-monetary contribution can only be made if the registered capital exceeds HUF 200,000.

A **sole proprietorship** pays corporate tax (TAO) on profits, rather than personal income tax as a sole proprietor, but the sole proprietorship can also opt for taxation under the KIVA. In addition, it must declare and pay business tax.

Conduct of business in Hungary by an existing foreign company

This chapter describes the activities that foreign businesses can carry out in Hungary, such as branches, commercial representations and financial representations.

Branch of a foreign company in Hungary

A branch is an organisational unit of a foreign company in Hungary, which has legal capacity and management autonomy and can exercise employer rights. This branch is registered in the domestic company register as a branch of a foreign enterprise, with either a domestic or a foreign tax number. Once registered, the branch may acquire rights and assets for the benefit of the foreign enterprise, incur liabilities for the account of the foreign enterprise, enter into contracts and bring legal proceedings.



One of the main differences between a company incorporated in Hungary and a branch is that there is no minimum amount of registered capital required for a branch, the foreign company must provide the assets necessary to operate the branch and pay off debts. In addition, it is important to note that the branch is not required to pay an innovation contribution.

Commercial representation of a foreign company

A commercial representation is an organisational unit of a foreign enterprise without legal personality. It mainly mediates contracts on behalf of the foreign enterprise, participates in the preparation of contracts, and carries out information or advertising activities.

Financial representative of a foreign company

Companies from third countries outside the European Union that are not established in the EU must appoint a financial representative to carry out their taxable transactions in Hungary. The financial representative will only fulfil the foreign company's tax obligations on its behalf and will represent it exclusively before the tax authorities.

Taxation of foreign companies

It is important to note that a **branch of a foreign company** is subject to corporate tax, local taxes and VAT, but is exempt from VAT on transactions between the foreign company and the branch and is not subject to innovation contribution.

A commercial representation is liable to pay corporate tax in Hungary only if it carries out business activities at a domestic establishment. This is a limited tax liability covering only income from the domestic establishment. The representation may also opt for small business taxation instead of corporate tax.

Summary

To sum up, our experience shows that foreigners arriving in Hungary most often set up a business company (limited liability company, joint-stock company) or a branch or direct commercial representation.

When setting up a new, independent company, the most commonly chosen forms of company are Bt. and Kft. The total cost of incorporation of a Kft. is higher than, for example, a Bt. due to capital requirements. However, since - as a general rule - the member has no underlying liability for the company's obligations that are not covered by the company's assets, the formation of a Kft. can be an attractive alternative for doing business in Hungary.

This material provides general legal information and is not intended as legal advice. For specific legal advice, please consult a qualified legal professional.

