Short summary on the taxation of private persons in 2026

Personal income tax

1. Taxpayers

Private persons resident in Hungary are subject to tax liability in respect of all their income whether earned in Hungary or abroad. The tax year is identical with the calendar year.

2. Income

Save the exemptions provided by law, all types of income of private individuals are subject to income tax. The Personal Income Tax Act (Act CXVII of 1995 and its amendments, hereinafter PIT) distinguishes between the following categories of income in the case of private individuals:

- **incomes to be consolidated**: income from activities other than self-employment, income from activities of self-employment and other incomes to be consolidated;
- **incomes taxed separately**: (e.g. income from capital gains, income from private businesses and income from the sale of movable and immovable assets).

The rate of the personal income tax is 15 percent.

3. Tax-exempt income

Tax-exempt benefits are listed mainly in Article 7 and Appendix 1 of PIT. Among others, such benefits include:

- some forms of state support for fostering and raising a minor;
- scholarships paid by non-residents to students studying in a foreign educational institution or researchers working abroad;
- certain services of the insurance companies;
- incomes from pension:
    - state pension,
    - pension payments provided by a private pension fund,
    - income defined as pension in the provisions of treaties on the exclusion of double taxation.

4. Incomes constituting the consolidated tax base

4.1. Income from activities other than self-employment

Income from non-independent activity includes activity carried out in employment, the activity of the leader of an economic organisation, and the activities of the private individual who is an owner of a company.

Income from activities other than self-employment includes, in particular, salary and remuneration received by private individuals in payment for such activities, and income paid for personal participation and for activities as senior officers and elected office-holders. As a rule, these costs cannot be deducted from the revenue.

4.2. Income from self-employment activities

As a main rule, outside the framework of one-man businesses, income from independent professional activity shall be calculated as the difference of all revenues and expenditures. Private individuals with an independent professional activity include primary agricultural producers, private entrepreneurs, lessors of property, appointed auditors and employees in a commissioned employee status.

The taxpayer can choose between the two options of cost accounting:

- itemized accounting (based on the actually incurred and proved costs),
- 10 percent of revenues can be regarded as cost accounting

Within one fiscal year only one way of cost accounting can be applied.

Income from royalties at its original holder is taxed in accordance with the rules applicable to income from self-employment activities.

Special rules apply to private entrepreneurs.

Primary agricultural producers may opt for flat rate taxation instead of the itemized accounting or the 10 percent expenditure rate.

4.3. Tax allowances / tax benefits

An individual can reduce the consolidated tax base with a tax base allowance, such as a family tax allowance, or a first-marriage tax allowance.

An individual can claim tax base allowances only if he/she has not received or is not using the same or a similar benefit in another state for the same period.

As of 1 January 2025, the conditions for claiming tax base allowances for foreigners have changed.

From 2025, the tax allowance for young people under the age of 25 and the tax allowance for young couples in first marriage may be claimed by foreign individuals who are citizens of an EEA country, or a non-EEA country bordering Hungary (Ukraine, Serbia) and meet the other eligibility criteria.

If the foreign individual is not entitled to a family allowance or disability pension in Hungary, but is entitled to a family allowance, disability pension or other similar benefit under the legislation of an EEA or non-EEA country bordering Hungary (Ukraine, Serbia) and meets the other legal requirements, he or she may claim the family tax allowance.

To claim any tax allowance in Hungary, it is also necessary that all income from self-employment and activities other than self-employment subject to tax in Hungary, including entrepreneurial income and the entrepreneurial dividend base or flat tax base, or from pension and other similar income from previous employment reaches at least 75 per cent of his/her total income acquired during the tax year. Total income earned in a tax year includes income from self-employment, activities other than self-employment, or other income, and separate taxable income, regardless of the country in which they are taxable.

If the above is met and other conditions for tax allowances are also met, the foreign individual may also be entitled to claim the tax benefits during the year or at the end of the year.

5. Incomes taxed separately

5.1. Taxable allowances where the tax is to be paid by payer

These include among others allowances and services provided under the title of representation and business gifts; meals and other services related to business travel, and besides, the financial support transferred by the employer to the “Széchenyi Pihenő” Card (SZÉP “Recreation” Card). The tax base shall be:

- the value of the allowance in case of fringe benefits
- 1.18 times the value of the allowance in case certain specific allowances.

5.2. Shares and options

If a company grants its employees shares under an employee stock option scheme, no taxable income is generated if the total regular market price of the securities thus acquired is lower than HUF 1 million.

5.3 Capital gains

Dividend incomes shall be paid by the payer after the deduction of tax. The relevant treaty on the exclusion of double taxation provides for non-resident private individuals' tax payment liability on dividends paid by Hungarian companies. In the absence of such treaty, the applicable tax rate is 15 percent.

In respect of dividends from abroad received by Hungarian resident private individuals, the dividend tax paid abroad can be deducted from the 15 percent tax if evidence of such tax payment is provided. In the absence of an international agreement on the exclusion of double taxation, at least 5 percent must be paid as dividend tax in Hungary.

A 15 percent tax rate is applied to **interest income** as well. Interest income means, among others, interest paid on savings account deposits as well as interest on other income from publicly offered and traded debt securities and investment fund shares.

A 15 percent tax rate is applied to income (**traded price gains**) from the sale of securities. The tax base is the difference between the sales price and documented costs, like the purchase price and transaction costs.

A 15 percent tax rate is applied to income from **property withdrawal from a business**.

Any interest, dividends or traded price gains paid by a legal person or other organisation established in an offshore state is/are taxable as consolidated income.

It is worth noting that if the private individual's income stated by the law is 24 times value of the minimum wage in the financial year than based on the Act LII of 2018 (Law on Social Security Contribution) a 13 percent social contribution tax is also payable on incomes from dividends with a 15 percent tax burden, on exchange gains, and on incomes from withdrawal from a business.

6. Income from private entrepreneurial activities

Entrepreneurial withdrawals (the actual remuneration of a private entrepreneur) originating from business activities and recognised as costs

must be recorded among incomes to be consolidated. Private entrepreneurs are subject to entrepreneurial income tax payment liability and entrepreneurial dividend tax payment liability. The private entrepreneur may, provided that certain statutory conditions are met, opt for flat-rate taxation or for Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax (KATA).

The tax base of entrepreneurial income is the difference between the total income and total costs. The law stipulates a minimum income tax base and a minimum contribution base for private entrepreneurs.

The rules governing depreciation write-offs are similar to those applied by companies.

Self-employed individuals may carry forward their losses in the next five tax year (but no later than the tax year of the termination of the activity as a private entrepreneur) but within the framework specified under the law provided that these losses were incurred in compliance with the principle of the proper exercise of law.

The rate of income tax for the self-employed is 9 percent.

Entrepreneurs opting for flat-rate taxation pay tax on the difference between their total income and a fixed proportion of costs ranging from 45 to 90 percent, depending on the activities pursued. Flat rate incomes shall be treated as parts of the consolidated tax base.

Taxpayers paying the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax (KATA) will pay a specific monthly tax of HUF 50.000. The self-employed individual (sole proprietor) who is not considered a full-time employee may not opt for being subject to the KATA regime.

7. Avoidance of double taxation

The exclusion of double taxation is based on the provisions of double taxation treaties or, in the absence of such, the Hungarian law.

If there is a double taxation treaty in force, **the provisions of the relevant treaty** must be applied to income earned abroad.

Taxable income of private individuals who are not residents in Hungary become taxable as per the rules on taxable income in Hungary applicable to Hungarian residents under the convention to avoid double taxation. Income of private individuals who are residents in Hungary that are liable to tax outside of Hungary based on the convention (typically except for dividends) is exempt from taxes in Hungary.

Unless otherwise provided by international treaty or reciprocity, the computed tax on income included in the consolidated tax base is reduced by 90 per cent of the tax paid on the income in the state in which the income is earned, up to a maximum of the tax on the tax base of that income at the tax rate.

8. General administration (filing of tax returns, payment of taxes)

The completion of tax returns is based on self-assessment. The tax authority prepares a plan for the tax return of private individuals who are not entrepreneurs on the basis of the available data. This plan becomes final if the private individual accepts it or he/she does not file the tax return in any other way. Employers and payers are obliged to deduct taxes and/or tax advances from wages and other payments. Private individuals are obliged to pay income tax and/or income tax advances themselves if their income is from sources other than payers or employers.

If the non-resident private individual earned income in Hungary and based on the convention to avoid double taxation is exempt from taxes, no later than 30 April of the year following the given tax year – on the 'NYK form – can declare that has not been taxed in Hungary in the tax year of earning the income considering being non-resident.

Private individuals must file their annual tax returns by the 20 May of the year following the given tax year. The possible outstanding taxes are also to be paid by these dates, taking the already withheld tax and paid tax advance into consideration.

The obligation to file a tax return must be fulfilled on the 'SZJA form of the reference year – in the case of income for the year 2026 on 26SZJA form or with the help of the draft tax return (pre-filled tax return).

Hungarian Tax and Customs Administration