

Taxes payable by private persons renting out real estates

Obligation to register, tax number

If a person in Hungary leases out property within the framework of an activity in compliance with the VAT Act¹, this activity may be pursued without having been assigned a tax number.

Value Added Tax

As a rule, leasing out immovable properties, with the statutory exceptions, qualifies as a VAT-exempt activity, which means that the lessor shall not pay VAT on this activity. However, the lessor does not have the right of VAT deduction, either. Moreover, he/she does not have to register with the tax authority as a taxable person (he/she does not need to apply for a tax number).²

In the case of VAT exempt renting out activity, the taxable person has the right - provided for by the law and subject to prior notification of the choice to the tax authority - to opt for VAT payment obligation (with the right to deduct VAT in such a case). If so, the private individual shall register with the tax authority before the start of the activity by filling in form "T101" or through *Application for a tax number/Notification of change* menu item of [ONYA](#) (Online Form Filling Application) and needs to apply for a tax number.³ Opting for VAT payment obligation may, depending on the taxpayer's decision, pertain to all types of immovable properties that are rented out or only to a restricted scope of such properties: immovable properties other than residential buildings. If taxable persons have made use of their choice, it will bind them until the end of the fifth calendar year following the year in which the choice has been made.⁴

Personal income tax liability

In case of real estate property not qualifying as arable land, the income of the private individual generated by renting out the property is an income from independent activity and is part of the consolidated tax base.

The rate of tax shall be 15 percent of the tax base.

Fees for utility services reimbursed by the lessee need not be taken into account as rental income if they are accounted for on the basis of actual consumption.

Income generated from renting out a property is either 90 percent of the revenues or the actual difference between revenues and actually incurred and substantiated costs.

¹ Act CXXVII of 2007 on Value Added Tax (hereafter: VAT Act.).

² Subsection 5 of Section 257 of the VAT Act.

³ The form can be submitted on paper in one copy to any of the tax and customs directorates of the NTCA by post, or in person at any of the NTCA customer service offices or electronically through the Central Identification Agent service (i.e. abbreviated in Hungarian as KAÜ) by DÁP (i.e. Digital Citizenship Service) or Clientgate+ online identification service using the General Form Filling Framework Program (i.e., ÁNYK in Hungarian) or the Online Form Filling Application (i.e., ONYA in Hungarian).

⁴ Section 88 of the VAT Act.

Private individuals pursuing this activity as private entrepreneurs cannot apply this option.

Taxpayers must pay tax advance on their income from renting out immovable properties **during the tax year already**. The available two alternative options are as follows:

- If the lessee qualifies as a payer (e.g. a business association or a self-employed individual), lessee shall deduct from the private individual, depending the private individuals' statement, a tax advance from the income in compliance with the rules on independent activity. The tax does not have to be deducted by the payer if the individual proves that he/she is carrying out his property rental activity as a sole proprietor. The lessee who qualifies as the payer shall provide the individual with a certificate of the amount paid and the tax advance deducted with the data content prescribed by law.
- If the lessee is not a payer or if the tax or tax advance was not deducted for any reason, the lessor is obliged to pay these amounts by the 12th day of the month following the relevant quarter.

Detailed information on the renting out of immovable properties (real estates) can be found in Information [Booklet no. 10](#) (Taxation of renting out or otherwise exploiting real properties), which is available under the menu item [Tax/Booklets](#).

National Tax and Customs Administration