

DUTY ON QUID PRO QUO TRANSFER OF PROPERTY (PROPERTY TRANSFER TAX)

2022

The Information Booklet on duties levied on the transfer of assets (properties) for consideration provides information about duties (taxes) payable on the purchase of real estates and the duty allowances (tax reliefs) and exemptions from duties (tax exemptions) applicable to the acquisition of property.

Table of Contents

I. General Rules

1. Subject Matter, Territorial Scope of and Persons Covered by the Obligation to Pay Duty on Quid Pro Quo Transfer of Property	4
2. Chargeability of Duties.....	7
3. Definitions used in the Duties Act in relation to the Transfer of Property for Consideration.....	7
II. Detailed Rules	12
1. Base and General Rate of the Duty on Quid Pro Quo Transfer of Property.....	12
2. Duty on the Transfer of Residential Property and Associated Rights for Consideration.....	13
2.1. Exchange of Residential Property	13
2.2. Rules of Purchase to Offset an Exchange	14
2.3. Acquisition of a Property Right Associated with a Residential Property	15
2.4. Transfer of a Residential Property in Exchange for the Tenement Right in a Unit Owned by the Local Government	15
3. Base of the Duty on Quid Pro Quo Transfer of Property Rights	15
3.1. Base of the duty on quid pro quo transfer of the rights of beneficial ownership and use.....	15
3.2. Establishment of the Value of Property Rights.....	16
4. Acquisition of a Capital Share in a Company with Holdings in Real Properties Located in Hungary.....	17
5. Duty on the Transfer for Consideration of a Motor Vehicle and a Trailer	18
6. Duty on Quid Pro Quo Transfer of Real Estate Property for Commercial Purposes.....	18
7. Duty on Quid Pro Quo Transfer of Real Estate Property to a Credit Institution	20
8. Duty Payable in the Case of Termination of Joint Ownership of a Real Property.....	20
9. Duty Exemptions and Duty Allowances	20

9.1. Acquisition of an ownership or ownership share of a home by the use of housing benefit for families.....	20
9.2. Duty exemption of transactions resulting in a negative duty base for purchase to offset an exchange and for an exchange	21
9.3. Exemption from the Duty on Quid Pro Quo Transfer of Property between Next of Kin Relatives	22
9.4. Exemption from the Duty on Quid Pro Quo Transfer of Property between Spouses.....	22
9.5. Exemption from the Duty on the Termination of Marital Community Property	22
9.6. Acquisition of a Landed Property Suitable for Construction of a Residential Building if Construction Takes Place within 4 Years	22
9.7. Acquisition of the ownership title to a new residential suite built by an Entrepreneur.....	24
9.8. Duty Allowance on the Acquisition of the First Residential Property	25
9.9. Exemptions Pertaining to the Acquisition of Arable Land	25
9.10. Acquisition of the management right of residential property	27
9.11. Acquisition of management rights, the right of operation, custody rights of water facilities and its components serving public purposes.....	27
9.12. Acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State.....	28
9.13. Acquisition of the right to manage state properties	28
9.14. Acquisition of property by way of preferential transformation under Act on Corporate Income Tax.....	28
9.15 Acquisition of property upon the transformation of a sole proprietorship into a single-member private limited-liability company	28
9.16 Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage	28
9.17 Acquisition of a real property from the sales proceeds of a real property acquired through expropriation.....	29
9.18 Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State	29
9.19 Purchase of residential property in place of one that was destroyed or damaged in a natural disaster.....	29
9.20. Legal succession among law offices.....	30
9.21. Historical monuments	30
9.22 Preferential transfer of assets.....	30
9.23. Transfer of real property or shares between affiliated companies	31

9.24. Purchase of residential property by a private individual	31
9.25 Exemptions for Sports Sponsorship	32
9.26. Temporary exemption of lease back instruments.....	34
9.27. Duty exemption of the acquisition of a residence previously owned by the current lodger or its repurchase by the lodger	34
9.28 Duty exemption of construction on a foreign plot	34
III. Procedural Rules	35
1. Notification of the Accession of Wealth for Consideration.....	35
1.1 Notification of acquisitions requiring real estate registration proceedings..	35
1.2 Notification of acquisitions not requiring real estate registration proceedings	35
1.3. Statutory limitation period of imposing duty	36
2. Notification and Establishment of the Value Constituting the Duty Base.....	37
3. Payment of the Duty	37
3.1. Payment order	37
3.2. Default Interest	38
3.3. Default penalty, Tax penalty	39
3.4. Cancellation and Refund of Duty.....	39

I. General Rules

1. Subject Matter, Territorial Scope of and Persons Covered by the Obligation to Pay Duty on Quid Pro Quo Transfer of Property¹

Pursuant to Duties Act the acquisition of real properties, immovable tangible property and property rights for consideration, and in any other manner, not subject to duty on inheritance or gifts, falls within the scope of duty on quid pro quo transfer of property. The same rule needs to be applied to financial lease agreements for real properties, motor vehicles (trailers) where the ownership right is transferred at the end of the tenor, as well as to any accession of wealth based on a contract of inheritance, provided that the chargeable event with regard to the contract of inheritance arises on the date of the testator's death.

Quid pro quo transfers of

- a) real estate property rezoned as incorporated land,
 - b) capital stock of a company with real estate (rezoned as incorporated land) holdings
- are subject to duty on property transfer for consideration.²

The obligation to pay duty applies to the following rights and movable tangible properties:

- a) acquisition of a right associated with a real property and any accession of wealth following the termination of such right;
- b) transfer of the exercise of the beneficial ownership of the real property;
- c) acquisition of a movable tangible property in an auction, organised by an authority;
- d) acquisition of the ownership right of a motor vehicle or a trailer and rights associated with them;
- e) acquisition of the ownership right to a structure, other than a real property, situated on a public area, and the rights associated with it;
- f) acquisition of securities through a contract of inheritance;
- g) acquisition of a capital share (stocks, business shares, cooperative shares, investor share certificates, converted investor shares) in a company with holdings in real estate properties located in Hungary.

No duty on quid pro quo transfer of property is payable on the accession of wealth by the owner of a real property if that accession of wealth occurs as a result of termination of the right of beneficial ownership charged to the real property or, in the case of widower's rights - through a new marriage or when a condition of the right of beneficial ownership, or use for a definite period occurs, or is terminated after the expiry of the definite period.

The provisions governing duty on quid pro quo transfer of property shall apply to moveable property, intangible assets, real property situated in Hungary, as well as and any share in the capital of a company with holdings in real properties located in Hungary unless otherwise provided for by an international agreement.

¹ Sections 2 (2)-(3), 4-5, 6 (1), 18 (1)-(3) and 27 of the the Act XCIII of 1990 on duties (furthermore referred to as Duties Act).

² Pursuant to Section 26 (21) of the Duties Act the duty exemptions, duty allowances under Section 26 of the Duties Act - other than the duty exemptions referred to in Paragraphs *g*), *h*), *q*) and *t*) of Subsection (1) – shall not apply in the cases provided for in Subsection (1a) of Section 18.

Regarding the acquisition of ownership rights or intangible assets of motor vehicles and trailers, the provisions governing duty on quid pro quo transfer of property shall apply if the vehicle or trailer had been or is registered in Hungary unless otherwise provided for by an international agreement.

These provisions shall apply to the acquisition of a movable tangible property and rights pertaining thereto if the transfer of the movable tangible property and the acquisition of the right took place in Hungary. The provisions of the Duties Act shall apply for the acquisition of and any share in the capital of a company with holdings in real properties located in Hungary irrespective of the place of the transfer.

The registered cohabitants are entitled to all those duty allowances, exemptions of duty which are ensured by the Duties Act to the persons living in marriage.

The duty on the acquisition of property shall be paid by the acquiring party. In the case of quid pro quo transfer of real estate property rezoned as incorporated land and the capital stock of a company with real estate (rezoned as incorporated land) holdings, the duty on property transfer for consideration is payable by the transferring party.

If any acquisition of a property falls within the scope of duty on quid pro quo transfer of property, it does not necessarily mean that duty is also payable on it. Duty exemptions must also be taken into account.

There are two types of duty exemptions:

- *subject-oriented duty exemption*: when exemption applies to the subject matter of a duty, no duty shall be paid.
- *personal duty exemption*: in respect of the exemption of a person otherwise liable to pay duty, no duty may be charged to the exempted party.

The following shall be granted full personal exemption from duties:

1. the Hungarian State,
2. municipal governments and their associations,
3. publicly financed bodies, Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian National Asset Management Zrt.), Maradványvagyon-hasznosító Zrt. (Residual Asset Utilisation Zrt.) and Tartalékgazdálkodási Kht. (Reserve Management Kht.), or the non-profit business association functioning as such;
4. associations, public bodies,
5. religious organizations,
6. foundations, also including public foundations, as well as public interest trust foundations rendering public services and higher education institution(s) maintained by it,
7. water management companies,
8. the health insurance administration agency and the central pension insurance agency
9. Magyar Nemzeti Bank (National Bank of Hungary);
10. Duna Médiaszolgáltató Nonprofit Zrt. (Duna Media Service Nonprofit Zrt.) and the Médiaszolgáltatás-támogató és Vagyonkezelő Alap (Media Service Support and Asset Management Fund);
11. the North Atlantic Treaty Organization, the armed forces of the Parties to the North Atlantic Treaty and other nations participating in the Partnership for Peace, which

are stationed in Hungary, and the military command posts set up within the framework of the North Atlantic Treaty Organization, including their staff and military and civilian personnel with citizenship other than Hungarian who are employed by such armed forces and command posts, in respect of duties which are related to the service obligations of such personnel;

12. the development councils governed under Act XXI of 1996 on Regional Development and Land Use Planning;
13. non-profit business associations registered as public-benefit and priority public-benefit organizations, public-benefit social cooperatives,
14. the European Communities, their institutions and bodies, agencies and separate funds,
15. the operating body of the Act CIII of 2018 on the provision of accommodation of natural persons participating in the Programme of Nemzeti Eszközkezelő Zrt. (National Asset Management Company).
16. the institutional council in accordance with the Act on national public education.
17. the National Deposit Insurance Fund
18. the Resolution Fund defined in Act XXXVII of 2014 on the Further Development of the System of Institutions Reinforcing the Security of Particular Players of Financial Relay Systems and the resolution trustee created by the Hungarian State or the Resolution Fund in the exclusive ownership of the founder, founders.
19. The Investment Protecting Fund, according to the Law CXX of 2001 on the capital market,
20. The Fund for the Settlement of Damages according to the Law CCXIV of 2015, on the damage settlement measures taken in the interest of the strengthening of capital market.

The organizations referred to in points 3)-7) and 13) shall be entitled to duty exemption only if they did not have to pay

- a) corporate tax incurred for income from entrepreneurial activities, or any public dues equivalent to corporate tax in the case of non-resident organizations, pursued in the tax year preceding the time of acquisition of property or the time of the opening of the proceeding or,
- b) in respect of publicly financed bodies, have incurred no payment obligation towards the central budget for their profits.

Upon the **acquisition of a motor vehicle or trailer**, organizations (foundations) shall provide a statement concerning the fulfilment of the conditions for duty exemption at the time of the acquisition and when they initiate public administrative or court proceedings.

- a) If the statement was filed within one hundred and fifty days following the last day of the fiscal year, the organisation (foundation) shall declare in that statement that they do not anticipate to incur any tax liability.
- b) If the commitments contained in the statement are not realized, the organisation (foundation) shall have until the one hundred and eightieth day following the last day of the fiscal year to notify the competent authority thereof and pay the duty subsequently.

In the case of **other accession of wealth** (e.g., purchase of a real property), the National Tax and Customs Administration (furthermore referred to as NTCA) checks the fulfilment of the condition in an ex officio procedure.

The duty exemption of international organizations, their officers and their family, foreign states, the diplomatic missions, consular posts and other representations of foreign states in Hungary, their members and their family shall be governed by international agreements, or in the absence thereof by reciprocity. The duty exemption based on reciprocity is only applicable in duty cases related to service obligations in case of natural persons.

2. Chargeability of Duties³

The obligation to pay duty on quid pro quo transfer of property arises

- a) on the day of conclusion of the underlying contract (including also financial lease agreements for real properties, motor vehicles/trailers with the transfer of the ownership right at the end of the tenor),
- b) on the day of the auction, in the case of purchase by auction
- c) on the day on which the decision becomes definitive, becomes final in connection with the acquisition of real property, movable property and rights by virtue of a court or regulatory decision;
- d) upon acquisition of the property, in the cases other than what is mentioned above.

In connection with transactions related to the acquisition of property subject to the approval of an authority (permit, consent, acknowledgement), the duty shall become chargeable on the day when such approval is granted or, if more than one such approval is required, on the day when the last approval is granted. This is applicable also when the consent of a third person is required for the effectiveness of a contract.

In respect of a contract that is contingent upon a suspension or dissolution condition, or upon a specific day of initiation, the property acquisition duty shall become chargeable on the day when the contract becomes operative.

3. Definitions used in the Duties Act in relation to the Transfer of Property for Consideration⁴

For the purposes of the Duties Act

Real property: shall mean any parcel of land and all other constituent parts of the land

Movable tangible property shall mean payment instruments, securities, capital contribution held in an economic operator, and all things other than real property;

Property right: shall mean dominant tenement, right of beneficial ownership or right of use - including the divided rights of use of a holiday resort and accommodation, - as well as asset management, right of operation, and claims in connection with gratuitous rights;

Market value: shall mean the value expressed in monetary terms which can generally be achieved by the sale of an asset as the price thereof, with regard to its condition at the date when the duty becomes chargeable, without taking into consideration any liabilities in connection with the asset and, in respect of real estate properties, without a lease right being terminated at the time of sale on behalf of the party acquiring the property.

³ Section 3 (3)-(7) of the Duties Act.

⁴ Section 102 (1) and (3) of the Duties Act.

In the case of a company with holdings in real properties located in Hungary, the market value of the company's real estate properties shall comprise the market value of the real estate properties the company owns, plus the market value of real estate properties of economic operators in which the company has a 75 per cent interest, directly or indirectly, in the same proportion the company's direct or indirect share in the economic operator's total capital represents;

Residential property: shall mean a real property built as a residential suite and registered, or in the progress of being registered in the real estate register as a detached house or a residential suite, together with the parcel of land on which it stands. A building structure under construction shown as a detached house in the building permit if the walls and the roof structure are completed shall also qualify as a residential suite. If there is a residential building on a piece of land registered in the real estate register as a homestead, such building shall be regarded as residential property together with the developed parcel on which it stands. Any structure built on the land of a residential building, which is not essential for the residential suite shall not qualify as residential property even if adjoining the residential building (garage, workshop, shop, farm building, etc.), furthermore, any buildings entered in the real estate register as detached houses (residential suites), which have been employed for other purposes for at least five years prior to the time when the duty became chargeable;

Economic operator: economic company, European company, economic interest grouping, European economic interest grouping, European territorial cooperative, cooperative, housing cooperative, European cooperative society, water management association, forest management association, state company, other state undertaking, enterprise of individual legal persons, executing office, public notary office, law firm, patent lawyer's office, mutual welfare fund, private pension fund, individual company and the individual entrepreneur, furthermore, the corresponding foreign legal entity;

Sports-specific property shall mean any property or section of a property shown in the real estate register as a sports ground, sports field, swimming pool, stadium, sports arena, ice rink, ice arena, gymnasium, exercise room, playing ground, water sports facility - or if registration proceedings are pending as verified on the title deed, provided that the said real estate registration proceedings are in fact concluded with registration -, except for any property section installed on the landed property, that is not immediately required for the sports activities in question or for the maintenance of facilities serving such purpose (hotel, office building, shopping centre and the related parking spaces installed according to building standard, etc.), also if built adjoining the sports-specific property, or if not listed in the real estate register as an independent property;

Land property suitable for the construction of a residential building shall mean an undeveloped plot of land that is zoned for residential building in accordance with building regulations and the general zoning plan, on which a structure has been erected for residential purposes although its walls and roof have not yet been completed as defined in the Duties Act in relation to a residential property;

Arable land means a parcel of land which is situated outside the limits of a settlement (unincorporated) and is registered in the real estate register as cropland, vineyard, orchard, garden, permanent pasture and meadow (grassland), reed bank or forest or woodland or as a fish pond, which is registered in the National Forest Database of the Real Estate Register with a forest status and used for either of the purposes listed, excluding any building erected on the land for any reason;

Net sales revenue: shall mean the net sales revenue, defined in act C of 1990 on Accounting;

Company with holdings in real estate properties located in Hungary shall mean an economic operator (acquired economic operator), where within the total value according to the balance sheet of the assets recorded on the balance sheet (other than cash, receivables and accrued income and deferred charges) the balance sheet value of real properties located in Hungary is more than 75 per cent, or which has at least 75 per cent direct or indirect participation in an economic operator (an economic operator with holdings in real estate properties) within the total according to the balance sheet of the assets recorded in the balance sheet (other than cash, receivables and accrued income and deferred charges) the balance sheet value of the real property(ies) located in Hungary is more than 75 per cent, whereby

- a) the balance sheet refers to the balance sheet approved in the last report available prior to the accession of wealth or, if no such balance sheet is available, then the opening balance sheet,
- b) the ratio of an indirect interest in an economic operator with real estate holdings shall be determined by multiplying the ownership share in an economic operator that is owned by the acquired economic operator (intermediary company) by the ownership share held by such intermediary company in the economic operator with real estate holdings,
- c) if there are more than one intermediary companies involved, the ratio of indirect interest determined for each shall be added up,
- d) if, rather than an intermediary company, there is a chain of ownership comprising several economic operators between the acquired economic operator and the economic operator with real estate holdings (intermediary chain of ownership), the multiple of ownership shares existing between these bodies - or if there is more than one chain involved, the total of multiples determined for each chain - shall be recognized as the ratio of indirect ownership,
- e) for the purpose of determining the ratio of interest, direct and indirect shares shall apply collectively,
- f) in calculating the balance sheet value of asset(s) or real property(ies), the balance sheet value of asset(s) or real property(ies) presented in the balance sheet under point a) shall be increased by
 - the book value of asset(s) (not including cash assets, cash receivables, accrued income and prepaid expenses and loans) and property(ies) which are not included in the balance sheet under (a) and acquired in the period between the balance sheet date and the date on which the duty becomes chargeable, as entered in the books of the acquired company at the date when the duty becomes chargeable,
 and decreased by
 - the book value of asset(s) (not including cash assets, cash receivables, accrued income and prepaid expenses and loans) or property(ies) disposed of or destroyed during the same period,

provided that the combined effect of these corrections affects the rating (valuation).

Usage certificate: usage certificate in accordance with the act on the development and protection of the construction environment and the authority certificate verifying the construction of a building subject to a simple report;

Residential building shall mean a building that contains primarily or exclusively residential units;

Foundation shall mean a public-benefit foundation provided for in the Civil Act⁵, and any foundation registered in another EEA Member State, if able to verify its compliance with the conditions laid down in the Civil Act for public-benefit status, not including registration in Hungary; furthermore, in the year of foundation and in the next two years, a newly established foundation that agrees to meet such conditions by the end of the second year after the year of foundation.⁶

If the foundation fails to verify before the end of the second year after the year of foundation, in spite of the commitment made,

- a) a) the acquisition of public-benefit status within the meaning of the Civil Act as a newly established resident foundation by the end of the second year after the year of foundation, or
- b) b) of having fulfilled the conditions laid down in the Civil Act for public-benefit status, apart from the requirements prescribed for registration in Hungary, as a newly established foundation registered in another EEA Member State by the end of the second year after the year of foundation,

the duty unpaid based on the exemption claimed under Paragraph *f*) of Subsection (1) of Section 5 shall be due and payable when so requested by the NTCA with default interest calculated from the original due date. If the foundation is terminated said payment obligation shall accrue upon the founder or its successor.⁷

Trust Foundation shall mean trust foundations pursuant to the Act on Trust Foundations⁸, and foundations stipulated in the Act on Public Interest Trust Foundations Rendering Public Services⁹ as well as foundations registered in another EEA State if they prove that they fulfil the conditions for the establishment and operation of such trusts laid down in the act on trust foundations.

Real estate property rezoned as incorporated land shall mean a real estate property that has been rezoned as incorporated land while the property's owner or right-holder maintained ownership or some right in the property, or the donor if the property was acquired as a gift (all donors in the event of several subsequent gifts), or the predecessor if the property was acquired by means of a transaction specified in Paragraphs *g*), *h*), *q*), *t*) of Subsection (1) of Section 26 [all predecessors in the event of several transactions specified in Paragraphs *g*), *h*), *q*), of Subsection (1) of Section 26], or if the property or some right in the property was acquired by an affiliated company, while the affiliated company maintained ownership or some right in the property [all affiliated companies in the event of several transactions specified in Paragraph *t*) of Subsection (1) of Section 26], or inside a period of ten years before the time of transfer of the real estate property, except if the real estate property was rezoned as incorporated land in the sixth year after it was acquired by the transferor, or if it was acquired by the transferor by way of inheritance;

⁵ Act CLXXV of 2011 on the Freedom of Association, on Public-Benefit Status, and on the Activities of and Support for Civil Society Organizations.

⁶ Based on Section 99/T of the Duties Act, any beneficiary that qualifies as a foundation within the meaning of Paragraph *v*) of Subsection (1) of Section 102 as effective on 31 December 2019, shall be entitled to claim individual duty exemption under Paragraph *f*) of Subsection (1) of Section 5 until 31 December 2022 if undertaking to verify by 15 January 2023 the acquisition of public-benefit status provided for in the Civil Act. If the beneficiary fails to fulfil that commitment, the duty unpaid based on the conditional individual exemption claimed under Paragraph *f*) of Subsection (1) of Section 5 shall be due and payable when so requested by the NTCA with default interest calculated from the original due date. If the beneficiary is terminated said payment obligation shall accrue upon the founder or its successor.

⁷ Section 87 (6) of the Duties Act.

⁸ Act XIII of 2019 on Trust Foundations.

⁹ Act IX of 2021 on Public Interest Trust Foundations Rendering Public Services.

Company with holdings in real estate rezoned as incorporated land shall mean an economic operator that owns real estate property rezoned as incorporated land directly or indirectly.

With regard to the articles of property mentioned above the status prevailing at the time of the chargeable event (based on point I/2) shall prevail.

II. Detailed Rules

1. Base and General Rate of the Duty on Quid Pro Quo Transfer of Property¹⁰

1.1. Basis of the Duty

The basis of the duty is the market value of the property acquired.

In connection with the transfer of title to real properties by way of exchange (with the exception of residential property and the rights related thereto), the duty base shall be the market value of the real property acquired thereby.

In the case of the acquisition of property based on a contract for support, life annuity or inheritance, the basis of the duty shall be the market value of the property acquired.

The average rate of the duty on quid pro quo transfer of property is applicable to the acquisition of other real properties, not classified as a residential suite (e.g., garage, shed, holiday resort, etc.) and a movable tangible property subject to duty on quid pro quo transfer of property.

1.2. General Rate of the Duty

Unless otherwise provided for in the Act, the general rate of duty on the quid pro quo transfer of property shall be 4 per cent, for the acquisition of real property or the capital contribution in a company with holdings in real estate properties located in Hungary, it shall be 4 per cent of the market value of each real property acquired up to 1 billion forints, without any deduction of encumbrances, plus 2 per cent of the portion of the market value above 1 billion forints, not to exceed 200 million forints per property.

In respect of the acquisition of partial ownership in a real property the 4 per cent rate shall be applied for the fraction of the 1 billion forints in proportion of the ownership percentage acquired, or up to 200 million forints per property shall be applied in proportion of the ownership percentage. In connection with the acquisition of any right related to a real property, the 4 per cent duty rate shall apply to that fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion which the right represents in the market value of the real property in question.

In relation to the acquisition of any real property in connection with which any right has been registered - including the rights registered at the time the title is transferred - the 4 per cent duty rate shall apply to the same fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion as the value of ownership represents in the property's market value with the value of the right deducted.

The rate of duty on transfer of property for consideration shall be 90 per cent in the case of real estate property that has been rezoned as incorporated land on the difference between the market value of the real estate property at the time of acquisition as established by the NTCANTCA - or if this is not available, established subsequently for the

¹⁰ Section 19 of the Duties Act.

time of acquisition - and the market value established for the time of transfer. In the case of the capital stock of a company with holdings in real estate that has been rezoned as incorporated land the rate of duty on transfer of property for consideration shall be 90 per cent on the amount received by multiplying the difference established as described above with the ratio the capital stock sold represents in all capital stock.

2. Duty on the Transfer of Residential Property and Associated Rights for Consideration¹¹

In relation to the acquisition of a residential property, the basis of the duty is the market value of the property acquired, not reduced by the encumbrances.

In respect of the acquisition of ownership in a residential property, the 4 per cent rate shall be applied up to 1 billion forints and 2% for any fraction above that, or up to 200 million forints per property. In relation to the acquisition of any residential property in connection with which any right has been registered - including the rights registered at the time the title is transferred - the 4 per cent duty rate shall apply to the same fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion as the value of acquired ownership represents in the property's market value.

2.1. Exchange of Residential Property¹²

In the case of a private individual acquirer, the base of the duty – upon residential property exchange – is the difference between the turnover (market) values of the exchanged residential properties, not reduced by encumbrances.

The right of beneficial ownership and use related to a residential property may be deducted from the market value.

If the private individual transfers more than one residential property by way of exchange, when establishing the value differential on which the duty is based, only the exchange produces a more favourable duty base for the person who is subject to payment obligation and that takes place immediately before or after the acquisition may be applied in terms of each and every exchange of residential property. If the private individual is unable to verify the exchange of other residential property(ies), in compliance with the aforementioned conditions, the duty obligation on such exchanges of residential properties shall be levied according to the general regulations.

When residential properties are exchanged between private individuals and when the residential property exchanged is encumbered with beneficial interest or right of use, and upon the acquisition of ownership the owner establishes a right identical to the previous one for the same beneficiary, the party acquiring said right shall pay a duty on transfer of property for consideration for the value of the right calculated on the basis of the difference of the market values, while the owner shall pay the duty for the value difference reduced by the calculated value of this right.

¹¹ Section 19 (1) of the Duties Act.

¹² Section 21 (2)-(5) of the Duties Act.

2.2. Rules of Purchase to Offset an Exchange¹³

In the case of a private individual acquirer, as regards the purchase of a residential property, when the private individual buyer has sold his other residential property within a period of three years preceding or one year after the time of purchase, the duty shall be based on the difference between the market values of the properties purchased and sold without any deduction of encumbrances. The right of beneficial ownership and use related to a residential property may be deducted from the market value.

In the case of a purchase to offset an exchange, once the acquirer has been granted a non-refundable residential state subsidy to back the purchase, then the market value of the acquired residential property shall be reduced by this amount.

In such a sale and purchase transaction the buyer shall be required to certify the sale of his other residential property mentioned therein by producing a copy of the sale contract suitable for the transfer of title in the real estate register, or in another appropriate way, and shall simultaneously declare that the conditions set out in Section 21 (2) and (4) of the Duties Act have been satisfied.

If the private individual purchases or sells more than one residential properties within a period of three years preceding or one year after the time of purchase, when establishing the value differential on which the duty is based, only the sale that produces a more favourable duty base for the person who is subject to payment obligation and that takes place immediately before or after the acquisition may be applied in terms of each and every sale of residential property. If the private individual is unable to verify the sale of other residential property(ies), in compliance with the aforementioned conditions, to offset his additional transfers by way of purchases of residential properties, the duty obligation on such exchanges or acquisitions of residential properties shall be levied according to the general regulations (for the purposes of this rule, the right of beneficial ownership or use, associated with the residential property, does not constitute an encumbrance) so the duty base could be reduced with the value of the right of beneficial ownership or use associated with the residential property.

If a private individual at the latest before notifying his purchase of a home for dutiable purposes:

- declares to sell his other residential property within one year from the date of purchase of the new home, and
- requests the NTCA to establish the property acquisition duty - depending on the market value of the property sold - or according to exemption pursuant to point II/9.2.

the NTCA shall determine the market value of the newly purchased property, and shall suspend the duty procedure without delivering a decision.

If the private individual – by means of presenting the copy of purchase and sales contract – or otherwise certifies that he has sold another residential property of theirs within a year of the purchase of their homes, the NTCA continues the suspended procedure without adopting a separate decision and determines the amount of duty on the basis of the difference between the values of the purchased and sold homes or according to the exemption pursuant to point II/9.2.

¹³ Section 21 (2)-(6) of the Duties Act.

If the private individual – by means of presenting the copy of purchase and sales contract – or otherwise does not certify that they have sold another residential property of theirs by the last day of the 13th month from the purchase of their homes, the NTCA imposes the duty on the basis of the market value of the purchased home; and simultaneously, imposes additional duty with the calculation of the double of the primary rate of the Central Bank of Hungary from the day of submitting the statement. The additional duty is calculated in the same method as the default penalty given in the Act on the Rules of Taxation¹⁴.

When residential properties are purchased to offset an exchange and when the residential property sold is encumbered with beneficial interest or right of use, and upon the acquisition of ownership the owner establishes a right identical to the previous one for the same beneficiary, the party acquiring said right shall pay a duty on transfer of property for consideration for the value of the right calculated on the basis of the difference of the market values, while the owner shall pay the duty for the value difference reduced by the calculated value of this right.

2.3. Acquisition of a Property Right Associated with a Residential Property

Duty is payable for the acquisition of a right associated with a residential property based on its market value, calculated pursuant to point II/3.2. at the rate specified in point II/1. In connection with the acquisition of any right related to a residential property, the 1 billion forint limit, and the 200 million forint limit shall be applied in proportion to the total market value of the real property in question.

2.4. Transfer of a Residential Property in Exchange for the Tenement Right in a Unit Owned by the Local Government^{t15}

In respect of the transfer of a residential property in exchange for the tenement right of a rental unit owned by the State or a municipal government, the duty base on quid pro quo transfer of the property shall be 50 per cent of the market value of the residential property and, as for the rate of the duty, the rules of residential property acquisition mentioned under heading II/2 shall be applied.

3. Base of the Duty on Quid Pro Quo Transfer of Property Rights

3.1. Base of the duty on quid pro quo transfer of the rights of beneficial ownership and use¹⁶

Where beneficial interest or the right of use is registered into real estate records, granted simultaneously with the quid pro quo transfer of property, the buyer shall be liable to pay duty on quid pro quo transfer of property on the market value calculated in accordance with point II/3.2., reduced by the value of beneficial interest or right of use, while the beneficiary or the user shall pay a duty on the acquisition of property corresponding to the calculated value of beneficial interest or right of use pursuant to point II/3.2.

No duty on transfer of property for consideration shall be charged on the retention of beneficial interest or the acquisition of right of use, if a real property is sold as encumbered with some beneficial interest or right of use already existing, and registered in the real estate register, prior to transfer, or if sold with the transferor retaining

¹⁴ Sections 206-210 of Act CL of 2017 on the Rules of Taxation (hereinafter referred to as Act on RT).

¹⁵ Section 22 of the Duties Act.

¹⁶ Section 20 of the Duties Act.

beneficial interest or the right of use. In this case, the buyer shall pay a duty on transfer of property for consideration according to the market value, reduced as described in point II/3.2. This provision shall also apply when ownership title to the real property is acquired by the holder of beneficial interest or the right of use.

The duty on the basis of the duty base calculated this way shall be paid at general rate pertaining to duty on quid pro quo transfer of property.

3.2. Establishment of the Value of Property Rights¹⁷

One-twentieth of the market value of assets, without any deduction of encumbrances, shall be construed the annual value of rights of the assets encumbered with such rights.

The value of rights defined for a specific period of time shall be established by multiplying the annual value by the number of years specified. However, the value of such rights calculated this way may not be more than twenty-times of the annual value, (or the annual value, multiplied in accordance with the age defined in sub-paragraph *a*) with regard to any beneficial interest or right of use of a natural person.

In respect of rights for an indefinite period, the value of such rights, with the exception set out in the subsequent paragraph, shall be five times the annual value.

If any right applies for the lifetime or the time of marriage or widowhood of a person, the value thereof shall be established in terms of the age of the person in question as per the following:

a) if the holder of the right:

is below 25 years of age:	10 times of the annual value,
is between 25 and 50 years of age:	8 times of the annual value,
is between 51 and 65 years of age:	6 times of the annual value,
is over than 65 years of age:	4 times of the annual value;

b) if the term of a right is conditional upon the lifetime, period of marriage or widowhood of both the beneficiary and the obligee, the age of the older of the two persons shall be applied in respect of the multiplication rates defined in sub-paragraph *a*);

c) if the term of a right is conditional upon the lifetime of more than one persons having simultaneous entitlement, where such entitlement terminates upon the death of the person who dies first, the age of the oldest person shall apply for calculation; however, if entitlement remains in effect until the death of the last person, the age of the youngest person shall apply for calculation. The resulting value, serving as the duty base, shall be divided among the beneficiaries in the percentage the value of the right of any one beneficiary - as calculated by their age - represents in the whole;

d) if the term of a right covers the period of marriage, the age of the older spouse shall be applied for calculation.

Value of the temporary use of a holiday resort and accommodation shall be calculated by dividing the annual value of such right by three hundred and sixty-five for each day stipulated in the contract.

¹⁷ Section 72 (1)-(5) of the Duties Act.

4. Acquisition of a Capital Share in a Company with Holdings in Real Properties Located in Hungary¹⁸

The obligation to pay duty on quid pro quo transfer of property extends to the acquisition of a capital share (stocks, business shares, cooperative shares, investor share certificates, converted investor shares) in a company with holdings in real estate properties located in Hungary.

Duty on the acquisition shall be payable if the holdings:

- a)* controlled by the beneficiary, or - if a private individual - by his spouse, registered partner, child, parent;
- b)* controlled by an economic operator under the majority ownership of the persons referred to in Paragraph *a)*, individually or on the aggregate,
- c)* controlled by a person that is affiliated to the persons referred to in sub-paragraphs *a)* and *b)* according to the Act on Corporate Tax and Dividend Tax¹⁹ reach or exceed - individually or on the aggregate - 75 per cent of the company's total capital.

The acquisition of such property shall be notified only by the person whose acquisition leads to having reached the said limit (the ratio of capital share held by the buyers, individually or on an aggregate basis, reaches or exceeds 75% of the total capital).

At the time of notification for dutiable purposes, the notifier shall disclose the particulars (name, tax identification code or tax number) of the persons mentioned under Section 18 (4) *a)*-*c)* of the Duties Act with additional holdings in the company in which the notifier has acquired the holdings in question.

Upon the acquisition of a capital share in a company with holdings in real estate properties located in Hungary, the duty base shall comprise the market value of the real estate properties held by the company in the percentage the holdings controlled by the party liable for the duty payable represent at nominal value at the time of occurrence of the criteria (the holdings controlled by the buyer reach or exceed - individually or on the aggregate 75 per cent of the company's total capital) in all of the company's capital holdings at nominal value.

That may be reduced by the market value of the holdings controlled by the party liable for the duty payable that was acquired by the party liable for the duty payable:

- a)* more than 5 years previously, or before 1 January 2010;
- b)* inside a period of five years before the time of occurrence of the criteria described in 18 (4) of the Duties Act, but after 1 January 2010, subject to a duty on quid pro quo transfer of property, or duty free under Section 26 of the Duties Act,
- c)* by way of inheritance or as a gift.

¹⁸ Section 18 (2) and (4); Section 19 (1) and (5); Section 27 (2), and Section 91 (4) of the Duties Act.

¹⁹ Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter referred to as Corporate Tax Act).

5. Duty on the Transfer for Consideration of a Motor Vehicle and a Trailer ²⁰

The special rules of duty pertaining to the acquisition of motor vehicles and trailers and the exemption of car dealers from the duty on quid pro quo transfer of property are described in a separate - Nr. 36 - Booklet.

6. Duty on Quid Pro Quo Transfer of Real Estate Property for Commercial Purposes²¹

If the business entity acquiring title to the real estate property provides a statement - at the latest before the order for payment becomes definitive - undertaking to resell the property to a person other than an affiliated company by definition of the Act on Corporate Tax and Dividend Tax, the rate of duty::

- a) 3 per cent of the market value of the real property without any deduction of encumbrances,
- b) 2 per cent of the market value of the real property without any deduction of encumbrances if the business entity undertakes that the resale contract on the real property will be fully executed with the acquisition of the buyer or the lessee.

In the application of Section 23/A of the Duties Act, *business entity* is the business organization that is licensed to engage in the selling of real estate properties (hereinafter referred to as “marketing of real estate properties”), and whose net sales revenue for the previous tax year originate from such activities up to at least 50 per cent or more, and the entrepreneur that is authorised to provide financial leasing services.

Resale shall mean the sale of the real estate property within two years of the time of lodging the notification for dutiable purposes, or to transfer the real estate property by way of transfer of title under lease contract at the end of the term.

Upon acquisition of ownership rights in a real estate property by a licensed real estate fund the rate of duty shall be 2 per cent of the market value of the real estate property without any deduction of encumbrances.

The buyer shall disclose the distribution of net sales revenue before the order concerning payment of the duty becomes definitive. If the duty becomes chargeable before the first day of the sixth month of the tax year, the buyer shall provide a statement declaring that the net sales revenue is expected to be distributed as set out above and as forecasted. If the commitments made in the statement are not satisfied, the buyer shall have until the fifteenth day of the sixth month of the tax year when the duty becomes chargeable to notify the NTCA thereof, upon which the NTCA shall subsequently charge the duty payable for such acquisition of property based on the general rules to the buyer, less the amount assessed according to the rules on duty allowance, plus fifty per cent. If the audit conducted by the NTCA finds that the statement made by the buyer was false, the NTCANTCA shall subsequently charge the duty payable for such acquisition of property under Subsection (1) of Section 19 of the Duties Act to the buyer, in the amount of the difference assessed according to Subsection (1) of the Duties Act, multiplied by two.

²⁰ Section 24 of the Duties Act.

²¹ Section 23/A of the Duties Act.

A business entity commencing the marketing of real estate in the tax year when the duty obligation arises, pays in case of a purchase of a real property determined in Section 23/A (1) of the Duties Act the duty determined in the law, if providing a statement before the order for payment concerning the duty becomes definitive in which to assume that at least 50 per cent of his net sales revenues for the tax year will originate from the buying and selling of real estate properties. If the commitment relating to the distribution of net sales revenue is not satisfied, the NTCA shall subsequently charge the duty payable for such acquisition of property according to the general rules to the buyer in the amount of the difference between the otherwise payable duty and the preferential duty stated above, plus 50 per cent. The business entity shall have until the 15th day of the sixth month of the year following the tax year to notify his failure to comply with the said commitment. If the audit conducted by the NTCA finds that the asset acquirer's commitment relating to the distribution of net sales revenue is not satisfied, the NTCA shall subsequently charge to the business entity the difference between duty payable for such acquisition of property according to the general rules less the duty allowance, multiplied by two.

In case of an acquired property that was acquired for a purpose determined in Section 23/A (1) of the Duties Act, after the two years deadline elapsed from the reporting of the acquisition for duty purposes, the NTCA shall contact the competent real estate authority, or shall consult its own records to verify the transfer of a real property acquired for the purpose of resale.

If

a) resale of the property

aa) is not evidenced in the real estate register, in the case of sale, by the registration of change of ownership,

ab) is not evidenced in the real estate register, in the case of finance lease arrangements, by an indication of the finance lease arrangement and by showing the finance lease agreement with transfer of ownership at the end of the term, or

b) the resale agreement did not materialize in spite of the buyer's commitment referred to in Paragraph b) of Subsection (1) of Section 23/A of the Duties Act, or the parties decided to terminate the resale agreement after it has been executed,

the NTCA shall subsequently charge the duty payable for such acquisition of property under the general rules to the buyer in the amount of the difference assessed according to Subsection (1) of Section 23/A of the Duties Act, multiplied by two. Resale of the property shall be considered verified also in the case where the opening of real estate registration proceedings are verified on the title deed, provided that the real estate registration proceedings are concluded by the registration of ownership or by indicating the conclusion of the finance lease arrangement.

If the buyer divides the property into several separate properties, the excess duty may be charged, as commensurate, only on the property that was acquired for the purpose determined in Section 23/A (1) of the Duties Act, the entrepreneur did not resell .

If the person of buyer changes by succession inside the time limit prescribed for resale, the successor acquiring title to the real property on the basis of Section 23/A (1) of the Duties Act, shall be exempted from having to pay the difference between the amount of duty paid by the predecessor and the amount otherwise payable only if he resells the real property within the two-year time limit provided to the predecessor. If those items are

missing, the NTCA shall charge to the legal successor acquiring the real property the difference between duty payable for such acquisition of property according to the general rules less the duty allowance, multiplied by two.

The amount of duty owed (as provided for by the general rules less and that provided for in this point) may not be doubled if the provider of financial leasing services provides proof that the reason for the failure of the finance lease arrangement was the prospective lessor's death or dissolution without succession, or it was terminated due to the lessor's failure to fulfil the financial obligations stemming from the lease agreement.

7. Duty on Quid Pro Quo Transfer of Real Estate Property to a Credit Institution²²

If the credit institution affected provides a statement, at the latest when the order for payment becomes definitive, of having a real property acquired in a loan for real estate trade-off, for a maximum period of three years in order to mitigate or eliminate its financial loss, or through a liquidation or enforcement proceeding against its debtor, the duty shall be 2 per cent of the market value of the real property without any deduction of encumbrances.

Following the three-year period, the NTCA shall consult its own records, or shall contact the competent real estate authority to verify that the property had in fact been transferred. If after three years the sale of the property in question did not materialize, the NTCA shall subsequently charge the duty payable for such acquisition of property according to the general rules to the credit institution, less the amount of preferential duty, multiplied by two.

8. Duty Payable in the Case of Termination of Joint Ownership of a Real Property²³

In the case of the termination of joint ownership of a real property, duty on the acquisition of property shall be payable if one of the co-owners obtains a value higher than the value corresponding to his former share of ownership as a result of division. The duty on the acquisition of property shall be imposed on the value differential.

9. Duty Exemptions and Duty Allowances²⁴

9.1. Acquisition²⁵ of an ownership or ownership share of a home by the use of housing benefit for families²⁶

Acquisitions of an ownership or ownership share of a home by the use of housing benefit for families is exempt from the duty on quid pro quo transfer of property. The exemption

²² Section 23/B of the Duties Act.

²³ Section 25 of the Duties Act.

²⁴ Section 26 of the Duties Act.

²⁵ Paragraph *f*) of Section 26 (1a) of the Duties Act

²⁶ Paragraph *a*) of Section 1 of the Government Decree No. 16 of 2016 (XII.10.) on the benefit provided for the acquisition, construction of new homes for housing purposes with the effect on 1 October 2020 or point 2 of Section 1 of the Government Decree No. 17 of 2016 (XII.10.) on the housing benefit provided to families for the acquisition, extension of used homes with the effect on 1 October 2020.

shall apply for the property acquisitions covered by sale contract with the effect later than 31 December 2020.²⁷

A) Rules of duty exemption for sales contracts concluded before 10 July 2021:

If the acquirer (beneficiary) becomes entitled to the duty exemption exclusively based on the family home purchase subsidy advanced, and

- a) the obligation to have children is not fulfilled by the deadline given, or
- b) the housing benefit for families was paid back without the fulfilment of the obligation to have children,

the NTCA – after having known about it – imposes the duty on quid pro quo transfer of property based the market price of the home at the time of arising the duty obligation and the duty rate being in effect at that time.

This rule shall not apply if the couple given housing benefit failed to fulfil their obligation to have children due to their health condition.²⁸

B) Rules of duty exemption for sales contracts concluded after 10 July 2021²⁹:

If the acquirer (beneficiary),

- a) has repaid for any reason, or
- b) the authority has ordered the repayment of

the full amount of the family home purchase subsidy on which eligibility is based for the exemption, NTCA will impose the duty on quid pro quo transfer of property on the basis of the market value of the dwelling and the provisions in force at the time when the duty became chargeable.

This rule shall not apply if the couple given housing benefit failed to fulfil their obligation to have children due to their health condition.

9.2. Duty exemption of transactions resulting in a negative duty base for purchase to offset an exchange and for an exchange³⁰

The transfer of a residential property by way of exchange or the purchase of a residential property by a private individual is exempt from the duty on quid pro quo transfer of property, if the private individual sells his other residential property within a period of three years preceding or one year following the time of purchase, and the market value of the acquired property is below the market value of the property exchanged or sold.

²⁷ Paragraph *f*) of Section 99/W of the Duties Act

²⁸ Paragraph *g*)-*h*) of Section 26 of the Duties Act

²⁹ Section 26 (2g)-(2h) of the Duties Act was amended by Section 75 of Act LXIX of 2021 Amending Certain Tax Acts, which entered into force on 10 July 2021. The amended provision of Section 99/X of the act applies to duty related matters in which the duty becomes chargeable after the entry into force of the provisions.

³⁰ Paragraph *y*) of Section 26 (1) and Section 26 (19) of the Duties Act.

When duty exemption is being applied and if the private individual exchanges, purchases or sales more than one residential property within a period of three years preceding or one year following the time of purchase, instead of taking every single exchange or purchase into consideration, only one single sale – immediately preceding or following the contract with the identical legal title – can be considered.

When duty suspension is being applied, the beneficial ownership or the right of use does not count as a burden. When property rights of individuals are acquired related to residential properties, the provision on duty exemption in accordance with II/2.2 is to be applied.

9.3. Exemption from the Duty on Quid Pro Quo Transfer of Property between Next of Kin Relatives³¹

The transfer of assets among relatives in the direct line (including where their relationship is based on adoption), the acquisition of assets by a relative in the direct line (including where their relationship is based on adoption) shall be exempt from the duty on quid pro quo transfer of property.

9.4. Exemption from the Duty on Quid Pro Quo Transfer of Property between Spouses³²

The accession of wealth is exempt from the duty on quid pro quo transfer of property if it stems from the transfer of property between spouses.

9.5. Exemption from the Duty on the Termination of Marital Community Property³³

The accession of wealth within the framework of the termination of marital community property is exempt from the acquisition duty.

9.6. Acquisition of a Landed Property Suitable for Construction of a Residential Building if Construction Takes Place within 4 Years³⁴

Acquisition of ownership (ownership share) of a landed property suitable for the construction of a residential building, and rights in such real property is exempt from the duty on quid pro quo transfer of property, if the party acquiring the property builds a residential building on such real property within four years of the date of submission of the contract for dutiable purposes, and the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the general zoning plan.

The party acquiring the property shall have to notify the NTCA regarding his intention to build a residential building until the order for payment concerning the duty becomes definitive.

As long as the duty exemption is applied, the NTCA shall suspend the property acquisition duty in respect of the payment.

³¹ Paragraph *za*) of Section 26 (1) of the Duties Act.

³² Paragraph *zb*) of Section 26 (1) of the Duties Act.

³³ Paragraph *zc*) of Section 26 (1) of the Duties Act.

³⁴ Paragraph *a*) of Section 26 (1); Section 26 (2a)-(2f) and Section 26 (11) of the Duties Act.

Upon the expiry of the four-year time limit prescribed for the construction of a residential building, the NTCA shall contact the competent building authority within fifteen days for verification of the completion of the residential building in question. The NTCA shall cancel the suspended duty if:

- the competent building authority sends notice, upon receipt of the NTCA's request submitted within fifteen days following the expiry of the time limit, that it has issued a final or definitive occupancy permit made out to the name of the property owner, or acknowledged occupancy; or
- the property owner verifies completion of the residential building by the final and binding (definitive) occupancy permit made out to the property owner's name by the competent building authority before expiry of the time limit, or by the building authority's certificate of acknowledgement of occupancy.

If the competent building authority has issued an occupancy permit made out to the name of the property owner before the expiry of the time limit, however, the permit has not yet become final or definitive within the time limit, the NTCA shall cancel the suspended duty if the occupancy permit subsequently becomes final and definitive without any changes, except for the sections requiring corrections, and the building authority notifies the NTCA about the fact.

The building authority's said notification shall be accompanied by a statement declaring that the final and definitive occupancy permit is identical to the one issued before the expiry of the time limit, except for the sections requiring corrections.

If the owner of the property has purchased more than one landed properties, and agreed to build a residential building on all of them, then proceeded to merge the lands, the NTCA shall cancel the duty if the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the land use framework plan. In all other cases the duty shall be payable on all such landed properties with default interest.

If the owner of the property proceeds to subdivide the landed property acquired, of the suspended duty the NTCA shall cancel the part that applies to the subdivided land on which the residential building was constructed, provided that the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the land use framework plan. The duty remaining shall be payable with default interest.

If the size of the permissible building space applicable at the time the duty becomes payable and at the time the occupancy permit is issued, or at the time of acknowledgement of occupancy, is different, the one that is deemed more favourable for the person liable for the duty payable shall be applied.

If within the time limit made available for the construction of the residential building the beneficiary economic operator is undergoing transformation, merger or split or the beneficiary private individual dies, the successor in title or the heir shall be held liable to finish the residential building. In this case, completion of the residential building can be verified by an occupancy permit made out to the name of the successor or heir, or by the building authority's certificate of acknowledgement of occupancy.

The NTCA cancels the suspended duty of the owner of a residential property, constructed within the time limit available for construction, and the beneficiary of any right pertaining to the residential property even if the final or definitive occupancy permit or the regulatory certificate certifying the recognition of occupancy indicates that the ownership title and in the case of the acquisition of any right the right is registered in the name of one of the parties, simultaneously acquiring them.

If the private individual property acquirer is a natural person and he initiated an out-of-court or in-court debt management procedure³⁵ and if the plot property eligible for the construction of a house has been sold within the period of the procedures mentioned above, then the late payment surcharge counted from the original due date does not have to be paid, moreover, – if the purchaser of the plot property makes a statement to the effect that he wishes to use the 4 years of conditioned exemption after the acquired plot or if the acquirer has a right of first refusal for the plot – the private individuals rendered under the above mentioned procedures do not have to pay the duty suspended either.

If the property acquirer who is otherwise eligible for reduced duty rate under Section 23/A files a statement pertaining to his acquisition of a real property, all subsequent duty obligations shall be subject to the provisions only as related to such statement. Thus, in this case, the preferential duty for the acquisition of a real property for resale shall not apply to the acquisition of such properties.

9.7. Acquisition of the ownership title to a new residential suite built by an Entrepreneur³⁶

It is exempt from the duty on *quid pro quo* transfers of property when a new residential property or a share in such property - with a market value of 15 million forints or less - is purchased, if it has been built or developed by a company for the purpose of resale, including if developed by the conversion of a building that was not registered in the real estate register, or by expansion (e.g. addition of a mansard), and was not used as a residential building or residential suite.

If the market value of the new residential suite or its value *g* is less than 30 million forints and the buyer is unable to provide proof of the sale of another property, then, of the duty established the sum that would be due if the market value of the residential suite was 15 million forints need not be paid. In the case of obtaining a share in such residential suite the buyer shall be able to claim the allowance based on the 15 million forints in proportion of the share he has obtained in the residential suite. The conditions for exemption or allowance shall be verified - if it is not immediately apparent from the sales contract - to the NTCA by the buyer, by presenting the contractor's statement concerning compliance with these conditions, before the definitive date of the order for payment.

An ownership of a dwelling will be qualified as a *new home* after the issuance of the usage permit until its first purchase, or if the home was purchased after the issuance of the usage permit by an entrepreneur defined in Section 102 (5), a real property fund according to Section 23/A (2) of the Duties Act or a business organization according to Section 23/A (4), until its second purchase.

³⁵ According to the provisions of Act CV of 2015 on the Debt Management of Natural Persons

³⁶ Paragraph *f*) of Section 26 (1), Section 26 (13) and Section 102 (4)-(5) of the Duties Act.

For the purposes of the application of that provision, an economic organisation and other organisations authorised to pursue business activities are also considered entrepreneurs.

9.8. Duty Allowance on the Acquisition of the First Residential Property³⁷

Duty Allowance of Young People Buying their First Home

In respect of the first acquisition of a residential property (ownership share), at the time when the duty becomes chargeable, young adults under the age of 35 shall be entitled to an allowance of 50 per cent of the duty otherwise payable, if the market value of the whole residential property does not exceed 15,000,000 forints. In respect of the acquisition of an ownership share in a residential property of such value, the person acquiring the property shall be entitled to an allowance in the percentage of the ownership share acquired.

Instalment Payment of the Duty on the Acquisition of the First Home

In respect of the first acquisition of a residential property (ownership share) by a young adult under the age of 35 at the time when the duty on the quid pro quo transfer of property becomes chargeable, the NTCA shall authorize - upon request - payment by equal monthly instalments - within the framework of free payment facilities - for the duration requested, which may not exceed twelve months from the due date. In the event of the young adult's default in payment of any instalment, the payment facilities shall be withdrawn, and the debt shall become due and payable in full. In this case the tax authority shall charge default interest on the amount of debt remaining effective as of the original due date.

Particular Rules Pertaining to the Duty Allowances on the Acquisition of the First Residential Property

A person who does not own and has never owned a residential property, does not hold and has never held up to a 50 per cent ownership share in a residential property, or does not have and has never had any rights in a residential property registered in the real estate register shall be deemed a *first-time residential property buyer*.

In respect of establishing entitlement for such allowance, residential property encumbered with widow's beneficial interest and, for persons of legal age, residential property that has been sold before reaching such legal age shall not be taken into consideration.

The person who has already used the allowance prior to the time at which the duty obligation originates shall not qualify as a first-time buyer of residential property. The person acquiring the property shall file a statement concerning use of the allowance and fulfilment of the eligibility conditions before the definitive date on the duty payment warrant.

9.9. Exemptions Pertaining to the Acquisition of Arable Land³⁸

Land exchange for the purpose of land integration

³⁷ Section 26 (6), (9) and (15) of the Duties Act.

³⁸ Paragraph *n*), *p*), *s*) of Section 26 (1), Paragraph *e*) of Section 26 (1a) and Section 26 (18)-(18a) of the Duties Act.

The acquisition of ownership of arable land based on an agreement concluded in the framework of land exchange with the purpose of integration of lands, as well as any related beneficial interest or tenure where the same person already had beneficial interest or tenure on the land exchanged is exempt from the duty on *quid pro quo* transfers of property.

Acquisition for consideration of arable land by a farmer

The acquisition for consideration of arable land by a farmer is exempt from duty on *quid pro quo* transfer of property on condition that the private individual agrees not to alienate the arable land, not to register any right on the arable land, and to use the arable land for agricultural or forestry purposes for a period of five years from the time of conveyance, or at the latest from the last day of the twelfth month from the time when the duty becomes chargeable, or in the case of land on which any right has been registered, from the time when said right terminates or ceases, at the latest from the last day of the fifth year from the time when the duty becomes chargeable.

In the application of the duty exemption, alienation shall not include *expropriation*, disposal for a public purpose that may serve as the basis of *expropriation*, and the exchange of land for the purpose of consolidation.

Furthermore, the provisions set out in Subparagraphs *pb)* and *pc)* of Paragraph *p)* of Subsection (1) shall not be considered breached upon the assignment of use or utilization of the arable land by the buyer to a close relative³⁹ qualified as a farmer, provided for in the Civil Code, or to an agricultural producer organization⁴⁰ provided for in the Act on Transactions in Agricultural and Forestry Land of which the buyer, or the buyer's close relative owns at least 25 per cent, on condition that for the remainder of the five-year period the agricultural producer organization or the close relative agrees to use the arable land for agriculture and/or forestry purposes, furthermore upon the assignment of use or utilization of the arable land to an agricultural producer organization, the buyer or his close relative agrees to maintain his ownership share in the agricultural producer organization at 25 per cent or above.

The acquirer of the asset must make a declaration to the NTCA on existing and undertaking of the conditions until the time the payment notice enters into force, becomes definitive at the latest.

In the event that:

- a) the buyer alienates the arable land - not including the modes of acquisition referred to in Section 26 (18) of the Duties Act,
- b) the buyer registers any right on the arable land - not including the assignment of use or utilization thereof to an agricultural producer organization or a close relative provided for in Section 26 (18) of the Duties Act, by way of the means specified therein -, or

³⁹ Based on Point 1 of Section 8:1 (1) of the Act V of 2013 on the Civil Code: spouses, next of kin, adopted children, stepchildren, foster children, adoptive parents, stepparents, foster parents, and siblings.

⁴⁰ The notion of agricultural producer organisation is provided for by Point 19 of Section 5 of Act CXXII of 2013 on Transactions in Agricultural and Forestry Land.

- c) the buyer himself, or the agricultural producer organization or his close relative provided for in Section 26 (18) of the Duties Act can be identified as using the arable land for purposes other than agriculture or forestry,
- d) the buyer or the buyer's close relative reduces his ownership share in the agricultural producer organization below the 25 per cent limit,
- inside the five-year time limit originally agreed upon, the duty otherwise due shall be charged and collected as doubled, except in the case of the buyer's death.

If the buyer or the agricultural producer organization or his close relative provided for in Section 26 (18) of the Duties Act satisfied the conditions agreed upon with respect to a specific portion of the arable land only, the duty otherwise due shall be charged and collected as doubled only in relation to the part for which the said conditions have not been met.

Acquisition of ownership title of arable land (as well as moveable tangible property) under agreement with the close relatives for support for homestead conveyancing by farmers qualifying as private entrepreneur, small-scale producer, small-scale producer family member or family estate farmer

The acquisition of ownership title of arable land, farmstead, or any area removed from cultivation and rezoned for agricultural production, building structure (barns, stables etc.) as well as moveable tangible property under agreement with a close relative defined in the Civil Code as a precondition for eligibility for support to farmers qualifying as private entrepreneurs, small-scale producers, small-scale producer family member or family estate farmers for homestead conveyancing, furthermore, the acquisition of a right, is exempt from the duty on quid pro quo transfer of property.

The acquisition of land use provided for in the Act on Transactions in Agricultural and Forestry Land, and any financial gain obtained through the termination of such right. are exempt of the duty on quid pro quo transfer of property.

9.10. Acquisition of the management right of residential property

Acquisition of the management right of residential property is exempt from the duty on quid pro quo transfer of property.⁴¹

9.11. Acquisition of management rights, the right of operation, custody rights of water facilities and its components serving public purposes

With respect to water facilities and its components serving public purposes the acquisition of management rights, the right of operation, custody rights is exempt from the duty on quid pro quo transfer of property.⁴²

⁴¹ Section 26 (1) *b*) of the Duties Act.

⁴² Section 26 (1) *c*) of the Duties Act.

9.12. Acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State

Acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State is exempt from the duty on quid pro quo transfer of property.⁴³

9.13. Acquisition of the right to manage state properties

Acquisition of the right to manage state property is exempt from the duty on quid pro quo transfer of property.⁴⁴

9.14. Acquisition of property by way of preferential transformation under Act on Corporate Income Tax

Acquisition of property by way of preferential transformation under Act on Corporate Income Tax; acquisition of property by way of preferential exchange of shares under the Corporate Income Tax Act is exempt from the duty on quid pro quo transfer of property.⁴⁵

Both exemptions may be claimed on condition that the party acquiring the property provide a statement that he is not established or does not have a head office in a State:

- a) if the quotient of the tax amount - that is the equivalent of corporate tax - payable by the party acquiring the property for the tax year, and the tax base [in the case of group taxation arrangement the amount of tax paid (payable) at group level, less any tax refund, and the tax base] is less than 9 per cent; or
- b) where, if the balance sheet total and the tax base is zero or negative, the amount of the tax equivalent to corporate tax, or the lowest rate where several different rates apply, does not reach 9 per cent under national law; or
- c) where the income received from the sale of holdings or share is not subject to tax equivalent to corporate tax of a rate of at least 9 per cent under national law.⁴⁶

9.15 Acquisition of property upon the transformation of a sole proprietorship into a single-member private limited-liability company

Acquisition of property upon the transformation of a sole proprietorship into a single-member private limited-liability company is exempt from the duty on quid pro quo transfer of property.⁴⁷

9.16 Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage⁴⁸

Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage, or, up to the amount of indemnification due to the party, purchase of real property by the person so indemnified, also including the

⁴³ Section 26 (1) *d*) of the Duties Act.

⁴⁴ Section 26 (1) *e*) of the Duties Act.

⁴⁵ Section 26 (1) *g*) and *h*) of the Duties Act.

⁴⁶ Based on Section 26 (20) of the Duties Act, the exemption specified in Section 26 (1) *g*), *h*), *q*) and *t*) of the Duties Act may be claimed if the conditions stipulated in Section 17 (4) of the Duties Act are met.

⁴⁷ Section 26 (1) *v*) of the Duties Act.

⁴⁸ Section 26 (1) *j*) and Section 26 (3) of the Duties Act.

acquisition of identical rights from the amount of indemnification received for the termination of rights due to another person in respect of such real property, is exempt from the duty on quid pro quo transfer of property. If the real property received in exchange has a higher value than the expropriated property, or if the market value of the real property acquired exceeds the amount of indemnification or proportionate part thereof due to the purchaser, exemption from duty shall not apply to such excess value.

9.17 Acquisition of a real property from the sales proceeds of a real property acquired through expropriation⁴⁹

Acquisition of a real property from the sales proceeds of a real property acquired through expropriation, including also the acquisition of the same right from the proceeds of the sale for the termination of a right of another person pertaining to such a real property is exempt from the duty on quid pro quo transfer of property. The purchaser shall obtain a statement from the agency competent to conduct the expropriation proceedings to verify that the expropriation would have been justified for the purpose, for which the real property was purchased from him.

9.18 Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State⁵⁰

Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State by a person having, furthermore, by a person having the right of first refusal⁵¹ pursuant to Act LXXVIII of 1993 on the Rules Applicable to the Tenement and Alienation of Residential Suites and other Premises, is exempt from the duty on quid pro quo transfer of property.

9.19 Purchase of residential property in place of one that was destroyed or damaged in a natural disaster⁵²

The purchase of residential property (and any rights associated thereto) in place of one that was destroyed or damaged beyond repair due to a natural disaster shall be exempt from the duty on quid pro quo property transfers, if:

- a) the private individual - whether under the title of full or partial ownership, beneficial interest or tenancy - lived in the residential property that was destroyed by some natural disaster as his principal and only place of residence; and if he does not own another property, does not have a share of 50 per cent or more and does not hold beneficial interest or tenancy in a residential property, and
- b) purchases a residential property with a market value of 10 million forints or less, in full or in part, to replace the destroyed property or acquires beneficial interest or tenancy in a residential property for a valuable consideration, and if such procurement is notified for dutiable purposes by 31 March of the year following the year in which the other property was destroyed.

When purchasing a share in a real property as defined in sub-paragraph *b)*, no duty shall be levied if the percentage of this share does not exceed the percentage held by the purchaser in the destroyed residential property.

⁴⁹ Section 26 (1) *k*) and Section 26 (4) of the Duties Act.

⁵⁰ Section 26 (1) *m*) of the Duties Act.

⁵¹ Section 49 (1)-(2) of Act LXXVIII of 1993.

⁵² Section 26/A of the Duties Act.

The purchaser shall - at the latest by the date the order for payment becoming definitive - verify the conditions laid down in sub-paragraph a) by a certificate issued without charge by the notary of the municipal government responsible for the place where the destroyed property had been located.

The notion of *natural disaster* mean the flood and inland water, the landslide and the earthquake.⁵³

9.20. Legal succession among law offices⁵⁴

Any acquisition of wealth by a law office through transformation (merger, division), bar association reorganization, when the subsequent office (offices) is (are) construed as the successor(s) of the former one is exempt from the duty on quid pro quo transfer of property.

9.21. Historical monuments⁵⁵

In connection with the acquisition of beneficial rights in any non-marketable historical monument (group of properties) owned by the State or a municipal government in exchange for the rehabilitation, development and subsequent preservation, no duty on quid pro quo transfer of property shall apply.

9.22 Preferential transfer of assets⁵⁶

Transfer of a real property or the holdings within the framework of preferential transfer of assets in accordance with the Corporate Income Tax Act subject to compliance with all of the following requirements is exempt from the duty on quid pro quo transfer of property provided that all the conditions stated below are met:

- a) the transferring company did not claim during the year when the transfer took place and during the preceding two calendar years the reduced duty rate under Section 23/A and has no duty suspended under Section 26 (1) a) of the Duties Act ,
- b) the value of the real estate properties and the holdings referred to in Section 18 (2) h) represent in all transferred assets, exclusive of liquid assets and monetary claims, is not higher than 50 per cent at the time of transfer and on the last day of the last tax year closed at least six months before the time of transfer,
- c) the transferring company has at least two divisions that functioned during the previous two full tax years - comprising twelve months - as independent divisions,
- d) the receiving company agrees to refrain from claiming the reduced duty rate under Section 23/A by the end of the second calendar year following the year when the transfer took place.

The buyer may submit a statement to the NTCA on these conditions before the order of payment becomes definitive. If the buyer files a false declaration concerning the conditions in points b)-d) referred to above, or fails to perform his commitment, the NTCA shall subsequently charge twice the duty, otherwise payable under the general rules to the buyer.

⁵³ Paragraph r) of Section 102 (1) of the Duties Act

⁵⁴ Section 26 (1) o) of the Duties Act.

⁵⁵ Section 26 (14) of the Duties Act.

⁵⁶ Section 26 (1) q) and Section 26 (5) of the Duties Act.

The exemption may be claimed on condition that the party acquiring the property provide a statement that he is not established or does not have a head office in a State:

- a) if the quotient of the tax amount - that is the equivalent of corporate tax - payable by the party acquiring the property for the tax year, and the tax base [in the case of group taxation arrangement the amount of tax paid (payable) at group level, less any tax refund, and the tax base] is less than 9 per cent; or
- b) where, if the balance sheet total and the tax base is zero or negative, the amount of the tax equivalent to corporate tax, or the lowest rate where several different rates apply, does not reach 9 per cent under national law, or
- c) where the income received from the sale of holdings or share is not subject to tax equivalent to corporate tax, or the lowest rate where several different rates apply, does not reach 9 per cent under national law.⁵⁷

9.23. Transfer of real property or shares between affiliated companies⁵⁸

Transfer of real property or shares in the capital of a company with holdings in real estate properties located in Hungary between companies which are recognized as affiliated under *a)-e)* of Point 23 of Section 4 of the Corporate Income Tax Act is exempt from the duty on quid pro quo transfer of property. In connection with the transfer of real property, duty exemption may be claimed if the buyer's principal activity at the time the dutiable event occurs was the renting and operating of own or leased real estate properties or the sale or purchase of own real estate properties.

The exemption may be claimed on condition that the party acquiring the property provide a statement that he is not established or does not have a head office in a State:

- a) if the quotient of the tax amount - that is the equivalent of corporate tax - payable by the party acquiring the property for the tax year, and the tax base [in the case of group taxation arrangement the amount of tax paid (payable) at group level, less any tax refund, and the tax base] is less than 9 per cent; or
- b) where, if the balance sheet total and the tax base is zero or negative, the amount of the tax equivalent to corporate tax of the lowest rate where several different rates apply, does not reach 9 per cent under national law, or
- c) where the income received from the sale of holdings or share is not subject to tax equivalent to corporate tax of a rate of at least 9 per cent under national law.⁵⁹

9.24. Purchase of residential property by a private individual

Purchase of residential property by a private individual is exempt from duty on quid pro quo transfer of property, if the seller is the operating body according to the Act CIII of 2018 on the provision of accommodation of natural persons participating in the National Asset Management Program.

⁵⁷ Section 26 (1) *t)* of the Duties Act

⁵⁸ Section 26 (1) *t)* of the Duties Act.

⁵⁹ Based on Section 26 (20) of the Duties Act, the exemption specified in Section 26 (1) *g), h), q)* and *t)* of the Duties Act may be claimed if the conditions stipulated in Section 16 (4) of the Duties Act are met.

9.25 Exemptions for Sports Sponsorship⁶⁰

Acquisition of sport specific properties to be used for sports purposes for 15 years

Acquisition of ownership title to or any rights in sports-specific properties, if the buyer agrees not to alienate the property for a period of fifteen years from the time of acquisition and to use or utilize it for sports purposes is exempt from the duty on quid pro quo transfer of property. The buyer shall file a statement to declare his commitment to these requirements to the NTCA before the definitive date of the order for payment. Duty exemption shall not apply to any section of the property - not recognized as a sports facility - that is built attached to or registered together with the sports-specific property.

If the party acquiring the property alienates the property before the expiry of 15 years or certifiably uses it for purposes other than sports, the duty will have to be paid in an amount made larger by the addition of the default penalty calculated from the original due date.

Acquisition of a plot of land suitable for a sports facility for construction within four years

Acquisition of ownership of or any right in an undeveloped plot of land that is zoned for sports-specific property in accordance with building regulations and the general zoning plan by a sports organization, sports academy, foundation or sports association for talent research and development engaged in sports activities and in the organization of such activities, and in the arrangement of the necessary conditions for sports activities is exempt from the duty on quid pro quo transfer of property, if the buyer develops the land and creates a sports-specific property within four years of the date of submission of the contract for dutiable purposes and agrees not to alienate the property for a period of 15 years from the date of placing the sports-specific property into service and to use or utilize it for sports purposes.

The acquirer of the property must make a statement to the NTCA on the acceptance of the conditions above before the order for the duty becomes definitive. If the buyer notifies before the order for the payment of duty becomes definitive his intention to install on the acquired landed property any building or structure in addition to the sports-specific property, the tax authority shall only suspend from the duty chargeable payment of the duty levied on the landed property intended to be developed for the sports-specific property. In order to verify completion of the construction of the sports-specific property the NTCA shall contact the competent building authority within fifteen days following the expiry of the four-year time limit specified therein. The NTCA shall cancel the duty assessed, but suspended in respect of payment if:

- a) the building authority provides a certificate in proof of the occupancy permit issued for a sports-specific property to the name of the property owner, or acknowledged the property owner's occupancy, and
- b) the property owner did not alienate the property for a period of fifteen years, did not transfer the exercise of his right to others, and did not waive the exercise of his right, and
- c) the property owner used or utilized the sports-specific property for sports purposes.

If the buyer of the property proceeds to subdivide the landed property acquired, or - if exemption was requested not for the entire landed property - proceeds to install on that

⁶⁰ Section 26 (1) *i* and *r*), Section 26 (7)-(8), Section 26 (16)-(17), Section 87 (4)-(5), and Section 103 (6)-(7) of the Duties Act.

part of the landed property for which the exemption was granted any building or structure in addition to the sports-specific property, of the suspended duty the NTCA shall cancel the part that applies to the part of the property that is recognized as a sports-specific property or to the subdivided land on which the sports-specific property was constructed. The duty remaining shall be payable with default interest. If inside the time limit made available for the construction of the sports-specific property the beneficiary economic operator is undergoing transformation, the successor in title shall be held liable to finish the sports facility.

If any of the conditions described in the law is not fulfilled, or if the beneficiary economic operator - or his successor in title held liable to finish the residential building - has requested to have the suspension of duty lifted within the time limit made available for the acquired plot or part of it the duty established but not paid shall be paid with default interest calculated from the due date added.

Common Rules Pertaining to Exemptions for Sports Sponsorship

If, in the cases defined in Section 26 (1) i) and r) of the Duties Act, the sports-specific property - with the exceptions set out in Section 22/C (6) b) and 22/C (7) of the Corporate Income Tax Act - is used by a professional sports organization that does not pursue either of the popular team sports⁶¹ defined in the Corporate Tax Act, the duty exemption shall be treated, at the taxpayer's choice:

- a) as de minimis aid, or
- b) as subsidy provided for sports facilities and multifunctional leisure facilities (henceforth: subsidy provided for sports facilities and multifunctional leisure facilities) according to Article 55 of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

In the application of this provisions, '*professional sports organization*' means an organization that participates (has the right to compete) in a championship organized by a national professional association or national sports association of a team sport other than a popular team sport - including sports academies and foundations for talent research and development - provided that such sports organization employs professional athletes.

If the asset acquirer referred to in Section 26 (1) i) and r) of the Duties Act, or the successor in title of the asset acquirer referred to in Section 26 (1) r) of the Duties Act, who is held liable under this Act to finish the sports-specific property, fails to satisfy the requirements for de minimis aid or for subsidy provided for sport facilities and multifunctional leisure facilities under Section 26 (16) of the Duties Act, Section 87 (4)-(5) of the Duties Act shall apply for the payment of duty chargeable without exemption, and/or for the payment of duty established but not paid.

For the purposes of Section 26 (1) i) and r) of the Duties Act, *use or utilization for sports purposes* means when the buyer uses the property for staging competition-type games, matches, or training or practice sessions organized by sports organizations, sports academies, foundations or sports associations for talent research and development, or for

⁶¹ On the basis of Point 41 of Section 4 of the Corporate Tax Act: football, handball, basketball, water polo, ice hockey and volleyball.

staging leisure sports events, for events organized by student, college or university sports associations or for other events of the like.

Paragraph (1) *i*) and *r*) of Section 26 of the Duties Act contain subsidy provided by Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352 24/12/2013 page 1.) and Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187 26/06/2014 page 1.).

9.26. Temporary exemption of lease back instruments⁶²

The acquisition of a real property at the end of the lease agreement when legal title is transferred as stipulated, if the property in question was owned by the lessee up to the time of conclusion of the lease agreement, and ownership title was transferred to the lessor to facilitate the conclusion of the lease agreement is exempt from the duty on quid pro quo transfer of property.

9.27. Duty exemption of the acquisition of a residence previously owned by the current lodger or its repurchase by the lodger⁶³

The purchase of a residence property by a natural person lodger or their heir if the residence had been the property of the natural person lodger until the conclusion of the tenancy agreement and if the right of ownership had been transferred for the purpose of the conclusion of a tenancy agreement is exempt from the quid pro quo transfer of property duty.

Also exempt is the acquisition of the residence property if the acquirer leases it out to the former owner for a definite term of at least 5 years given in the leasing contract in exchange for a rent the annual amount of which does not exceed 7 percent of the purchase price. The condition of the exemption is that the tenant or their natural person heir establishes a repurchase right that can be practiced in 5 years from the date when the residence lease contract becomes effective for a purchase price that is at most 105 percent of the purchase price originally paid by the lessor.

In the case of applying the latter duty exemption, the NTCA suspends the duty established after the acquisition of property in terms of payment. The NTCA cancels the suspended duty if the lodger or their natural person heir repurchases of the holding corresponding to the ownership holding immediately before the signature of the contract within 5 years from the date when the contract becomes effective.

9.28 Duty exemption of construction on a foreign plot⁶⁴

If a building had certifiably (certifiably from the agreement with the owner of the plot or other documentation certifying costs and circumstances of the construction) been constructed by the acquirer of the plot, the part covering the market value of the building from the market value of the entire real estate is exempt from quid pro quo transfer of property duty.

⁶² Paragraph *x*) of Section 26 (1) of the Duties Act.

⁶³ Paragraph *b*)-*c*) of Section 26 (1a) and Section 26 (22) of the Duties Act.

⁶⁴ Paragraph *d*) of Section 26 (1a) of the Duties Act.

III. Procedural Rules

1. Notification of the Accession of Wealth for Consideration

1.1 Notification of acquisitions requiring real estate registration proceedings⁶⁵

Acquisition (termination) of ownership of real estate property, or a right related to such real estate property shall be reported to the real estate supervisory authority for dutiable purposes by submission of the relevant contract (document), accompanied by a form prescribed by the NTCA for this particular purpose⁶⁶ - containing the tax identification number of the parties, or a statement showing the absence thereof - together with an application for registration in the real estate register, within thirty days of the time when the duty becomes chargeable.

In the case of quid pro quo transfer of real estate property that has been rezoned as incorporated land and the capital stock of a company with holdings in real estate that has been rezoned as incorporated land, the transferor shall declare, using the form, that the subject matter of the transaction is areal estate property that has been rezoned as incorporated land and the capital stock of a company with holdings in real estate that has been rezoned as incorporated land.

The real estate supervisory authority shall file the contract (document) submitted for the purpose of registration in the real estate register and forward an attested copy thereof, together with any other available documents necessary for the calculation of the duty to the NTCA with an index attached immediately upon the conclusion of the real estate registration proceedings. The real estate supervisory authority shall send financial leasing contracts relating to real estate properties, where title to the real estate property is transferred at the end of the lease term as stipulated, following the registration of the financial leasing arrangement to the NTCA

The obligation of notification shall also apply to any acquisition of property under duty exemption. Among duty exempted acquisitions it is not obliged to notify -

- a) acquisition of property due to beneficiary transformation according to the Corporate Tax Act,
- b) acquisition of property through beneficiary exchange of share according to the Corporate Tax Act,
- c) acquisition of wealth by a law office through transformation (merger, division), bar association reorganization, when the subsequent office (offices) is (are) construed as the successor(s) of the former one,
- d) acquisition of land use rights under the Act on Transactions in Agricultural and Forestry Land and acquisition of wealth by its termination⁶⁷

1.2 Notification of acquisitions not requiring real estate registration proceedings⁶⁸

The transaction subject to duty on acquisition of property, which is not subject to any real estate registration proceedings shall be reported by the contracting parties to the NTCA.

⁶⁵ Section 91 (1) and (5) and Section 92 of the Duties Act.

⁶⁶ [Link to form B400.](#)

⁶⁷ Section 91 (5) of the Duties Act

⁶⁸ Section 91 (2)-(3) of the Duties Act.

Such notification shall be effected by having the original and a duplicate of the document establishing the acquisition of property, or in case of notification by electric administration, if the document on the acquisition is an electronic one, with the authenticated electric copy of the document submitted within thirty days of the time when the duty becomes chargeable. Such not electric duplicate shall be attested by the NTCA free of charge.

A transaction which is subject to payment of duty in spite of not being documented may also be reported verbally. Such verbal notification shall be recorded in writing and the NTCA shall issue a receipt thereof to the client.

The buyer can use the VBBA form⁶⁹ for the notification of any acquisition of a capital share in a company with holdings in real properties located in Hungary as described in II/4.

The buyer may use the VVBA form⁷⁰ for the notification of the acquisition, through the transfer of property for consideration of a right associated with a movable property and a movable tangible property.

1.3. Statutory limitation period of imposing duty⁷¹

The right of assessment of duties, other than financial transaction duties, shall lapse five years after the last day of the calendar year in which the accession of wealth was reported to the NTCA for dutiable purposes or in which the NTCA gained knowledge of the omission of payment of duty or reporting for the imposition of duty.

Where the Duties Act provides for the use of the acquired real property or right for a specific purpose or for a specific duration as a precondition for duty exemption or duty allowance, the right of duty assessment shall lapse after five years from the last day of the calendar year during which the time period of use prescribed as a condition for exemption or allowance has run out.

The right for the supplementary determination of the duty in case of a resale according to Point *b*) of Section 23/A (1a)

- a) if the resale fails, the deadline for resale,
- b) if the resale and the undertaking according to Point *b*) of Section 23/A (1) is realized
 - ba) in case of the cancellation or termination of the resale contract, the day of that event, or
 - bb) in case the decision on the refusal to register the ownership rights based on a financial leasing becomes definitive

becomes statute-barred with the elapsing of 5 years after the last day of the above events.

When/if family home purchase subsidy is repaid for any reason, NTCA may assess the duty payable up until 5 years, this shall be calculated from 31 December of the year in which the family home purchase subsidy is repaid or the repayment is ordered by the authority.

⁶⁹ http://nav.gov.hu/nav/letoltesek/nyomtatvanykitolto_programok/nyomtatvanykitolto_programok_nav/adatbejelentok_adatmodositok/vbba.html

⁷⁰ http://nav.gov.hu/nav/letoltesek/nyomtatvanykitolto_programok/nyomtatvanykitolto_programok_nav/adatbejelentok_adatmodositok/vvba.html

⁷¹ Section 86 of the Duties Act.

2. Notification and Establishment of the Value Constituting the Duty Base⁷²

The market value shall be determined by the NTCA. If the value was established in a judgment, such value may not be overruled by the NTCA.

The buyer shall have the option to assert the market value in a statement.

In establishing the market value, the NTCA shall primarily rely on the comparative values, however, if no comparative values are available, it may resort to other methods for determining the value (valuation based on net replacement cost, appraisal, etc.).

In the process of determining the market value, the NTCA may take into consideration the buyer's statement, conduct on-site inspection or involve an external expert where deemed appropriate, and may use data from the property's energy performance certificate.

With a view to working out the comparative value, the NTCA shall record the date when duty on an exchange transaction reported for dutiable purposes becomes chargeable, the purchase price of the real estate property that is the subject of the transaction, the property's market value if it differs from the purchase price, address, land register reference number, type, purpose (e.g. home, garage, commercial establishment, hotel, office space, factory, plant, workshop, arable land, land lot), and known physical attributes (e.g. floor space, wall structure, year built, renovation, if any, condition).

In establishing the market value, from the records of comparative values not more than two years old details of a real estate property - of relevance from the perspective of market value - may be used as comparative value if located in the same neighbourhood and if the same type and purpose as the property under valuation. If no such real estate property is available, details of a real estate property - of relevance from the perspective of market value - that is of the same type and purpose as the property under valuation, but located in another community or neighbourhood bearing similar characteristics may also be taken into consideration.

In the case of acquisition of movable property, the commercial or market price of movable properties of the same designated purpose shall be taken into consideration.

The value calculated in accordance with point 2 of II/3 shall be considered the market value of rights as an object of property.

3. Payment of the Duty

3.1. Payment order⁷³

An *order for payment* (resolution) shall be issued with regard to a duty payable on the basis of imposition, including default penalties as well. Such order for payment shall contain the data and information, taken into consideration, and the regulations based on which the amount of duty was established.

⁷² Section 69 of the Duties Act.

⁷³ Section 78 of the Duties Act.

If the acquisition is exempted under Paragraphs *a)-b)*, *h)-l)*, *n)-q)* and *s)-t)* of Subsection (1) of Section 5, Subsection (1) of Section 16, Subsection (1) of Section 17 or Subsections (1) and (1a) of Section 26 - except for any acquisition of property where duty exemption is granted under Paragraph *g)* of Subsection (1) of Section 16, Paragraph *b)* of Subsection (1) of Section 17, Paragraphs *a)*, *f)*, *i)*, *l)*, *p)*, *q)*, *r)* and *y)* of Subsection (1) of Section 26 and Paragraphs *a)-d)* and *f)* of Subsection (1a) of Section 26 - the NTCA shall, instead of issuing an order for payment, record its decision on the case file. The decision of the NTCA recorded on the case file contains only the application of duty exemption.

A duty to be paid based upon a payment order (resolution) *shall be due on the 15th day* after the resolution therefor becomes definitive, i.e. the levied duty may be paid free of any default interest by the 30th day following the communication of the resolution.

If the taxable person submits an application for duty allowance or duty exemption specified in the Duties Act after the delivery of the resolution on the duty, but before it becomes definitive, the resolution shall not become definitive with respect to any application submitted for the first time and shall not be treated as an instrument permitting enforcement.

As to whether duty allowance or duty exemption applies shall be determined by the NTCA in the duty procedure, by supplementing the existing resolution of the first instance. The supplemented resolution of the first instance shall become effective from the date the supplementing resolution becoming definitive.⁷⁴

3.2. Default Interest⁷⁵

Default interest shall be paid in accordance with the provisions of ART on duties not paid by the deadline set out in the order for payment (resolution) issued by the NTCA based upon a court decision and as issued in the order for payment concerning a duty balance. That is, as a general rule, in the event of late payment of the duty, a late payment default interest shall be paid from the due date.

The obligation to pay default interest shall not apply if the duty has been cancelled under Subsections (2) and (4) of Section 21 or Paragraphs *b)*, *c)*, *g)* of Subsection (1) of Section 80 of the Duties Act, as a consequence of the termination of the transaction, or termination with intent to restore the original status quo, or in the absence of acquisition of any property.

The default interest shall be calculated at a rate of 1/365 of the prevailing central bank base rate plus 5 percentage points for each calendar day effective at the time of the delay or the usage (charging) before the due date.

The NTCA shall not prescribe the default interest that fails to reach five thousand forints.

No default interest shall be paid for the period for which the taxpayer justifies that the delay is not attributable to him. Justification shall lie only if the delay is caused by an unavoidable external reason.

⁷⁴ Section 143 of ART.

⁷⁵ Section 87 of the Duties Act; Section 206 to 210 of ART.

If the condition of the construction within 4 years on the acquired plot of land, suitable for the construction of a residential property is not fulfilled, or if the buyer - or his successor in title held liable to finish the residential building under the Duties Act - has requested to have the suspension of duty lifted inside the time limit made available for the construction of the residential building, the duty established but not paid shall be paid with default interest calculated from the due date (the day when the resolution becomes definitive) added.

If the allowance for the purchase to offset an exchange was deducted without proper entitlement, the party affected shall be subsequently ordered to pay three-times the amount of the difference between the duty established as per the reduced duty base described in Section 21 (2) and (4) of the Duties Act and the duty chargeable according to the general provisions applicable for the property acquisition in question.

If a young person who has not reached 35 years of age yet and unlawfully claimed allowance for the acquisition of the first home, then three times the claimed allowance will be charged to such buyers subsequently.

3.3. Default penalty, Tax penalty⁷⁶

In the event of failure, in part or in full or in default of the deadline prescribed, to fulfil a procedural fee payment obligation prevailing at the time of initiating the proceeding, furthermore, in the event of failure to fulfil the obligation of notification in connection with the acquisition of property, or filing such notice in default of the deadline or if filed insufficiently, the party subject to duty payment obligation shall be liable to pay a default penalty, irrespective of the duty payable, in the amount prescribed by ART. The NTCA shall impose a penalty of fifty thousand forints on natural persons, and one hundred thousand forints on taxpayers other than natural persons, and, apart from warning the taxpayer on the legal consequences of the default, shall set a time limit of fifteen days for lawful fulfilment. Upon expiration of the time limit without result, the tax authority shall impose a penalty of two hundred thousand forints on natural persons, and five hundred thousand forints on persons other than natural persons, and, apart from warning the taxpayer on the legal consequences of the default, shall set a time limit of fifteen days for the lawful fulfilment. In the case of fulfilment of the liability, the penalty imposed may not be reduced.

In the event of claiming the exemptions and/or allowances governed in the Act on Duties without proper eligibility, the infringer shall be liable to pay a tax penalty in the amount specified in ART, unless otherwise prescribed in the Act of Duties.

3.4. Cancellation and Refund of Duty⁷⁷

The limitation rules in the Act on the Rules of Taxation shall apply to the deadlines for the submission of applications for the cancellation of unpaid duties and for the refund of duties paid, or to the time limits for the ex officio cancellation of unpaid duties and for the refund of duties paid ex officio.

⁷⁶ Section 82 of the Duties Act; Section 215 to 238 of ART.

⁷⁷ Section 79-80 of the Duties Act; Section 62-67 and Section 114 of ART; Section 20 of Government Decree no. 465/2017 (XII.28.) on the Detailed Rules of Tax Administration Procedure.

If the court terminates or restricts property acquisition with retroactive effect to the date of acquisition, the applicable duty may be cancelled or refunded past the time limit referred to in the Act on the Rules of Taxation, but no later than within six months of the operative date of the court ruling.

Any refund of duty shall be governed by the relevant provisions of the Act on the Rules of Taxation on tax refund.

Apart from the cases when the duty shall be cancelled or refunded pursuant to the Duties Act, the cancellation of a duty imposed, but not paid, and the refund of a duty paid shall be implemented ex officio or upon request of the party liable for the duty payable or his successor in the following cases:

if the underlying transaction is amended, dismissed or dissolved by the court, or if the court declares it invalid and, consequently, less or no duty applies for the said transaction; if the parties terminate or abandon the transaction upon mutual consent, or if the contract is terminated due to the withdrawal or rescission by either of the parties, and - in connection with real property - the original status in the real estate register is restored and, in other cases, if the applicant is able to produce documentary evidence to verify the termination of the transaction; if a right applies for the lifetime or the time of marriage or widowhood of a person, however, the entitlement terminates within a period shorter than one half of the amount of years presumed as calculated by the applicable multiplication rates (here the amount in excess of the portion of the duty applicable for the actual period of the right shall be cancelled and refunded); if the subject matter of a transaction is a right stipulated for a fixed period, and duty was imposed on the value calculated, yet the entitlement terminates before the lapse of one half of the years applicable (the amount in excess of the portion of the duty applicable for the actual period of the right shall be cancelled and refunded); if a party liable for payment of duty overpaid the duty in consequence of a calculation error or an error in the interpretation of the relevant legislation; if the duty or the duty base was erroneously calculated, or the duty was charged to a person other than the one liable for payment of duty, and also if it was charged more than once; g) on occurrence of a condition subsequent in transactions.

Upon request by the taxpayer the duty on quid pro quo transfer of property must be repaid to the taxpayer if the authority for the protection of historical buildings certifies that the party acquiring the property has started the reconstruction of the building qualified to be protected as a historic building (or a building under local protection by a municipal regulation) within 1 year from the reporting of the acquisition for the imposition of duty and finished it within 5 years of that time. Reconstruction means general repair on the entire building or on its front or on several of its main structures which completely re-establishes the aesthetic condition of the building or at least its original technical conditions.⁷⁸

National Tax and Customs Administration

⁷⁸ Section 80 (4) of the Duties Act.