

Personal income tax base allowances

2023

Allowance for mothers raising four or more children, allowance for young people under the age of 25, allowance for mothers under the age of 30, personal allowance, newlywed allowance and family allowance

The consolidated tax base of individuals can be reduced by various allowances. These include the allowance for mothers raising four or more children, the allowance for young people under the age of 25, the allowance for mothers under the age of 30, the personal allowance, the newlywed allowance and the family allowance. This information booklet summarizes who is eligible for each allowance and how to claim it.

The content of the information booklet:

1. [The order in which tax base allowance is claimed](#)
2. [Allowance for mothers raising four or more children](#)
 - 2.1. [Eligible persons](#)
 - 2.2. [Eligibility period](#)
 - 2.3. [The basis of the allowance](#)
3. [Allowance for young people under the age of 25](#)
4. Allowance for mothers under the age of 30
5. [Personal allowance](#)
6. [Newlywed allowance](#)
7. [Family allowance](#)
 - 7.1. [Eligible person](#)
 - 7.2. [Beneficiary dependent and dependent](#)
 - 7.3. [Month of eligibility](#)
 - 7.4. [Available family allowance](#)
 - 7.5. [Alternately cared-for child](#)
8. [Family contribution allowance](#)
9. [The use of family allowance](#)
 - 9.1. [Joint claiming](#)
 - 9.2. [Sharing](#)

Booklet no. 73.

10. [The determination of the advance tax throughout the year](#)
11. [Claiming and return of allowances at the end of the year](#)
12. [The eligibility of foreign individuals for the family allowance](#)
13. [Family allowance for persons in receipt of an early retirement or service pension](#)

1. The order in which tax base allowance is claimed

The taxpayer may be eligible for various allowances, so it is important to clarify in which order the allowances can be deducted from the tax base. As of 01 January 2023, tax base allowance can be claimed **in the following order**:

1. allowance for mothers raising four or more children,
2. allowance for young people under the age of 25
3. allowance for mothers under the age of 30
4. personal allowance,
5. newlywed allowance,
6. family allowance.

2. Allowance for mothers raising four or more children¹

The allowance for mothers raising four or more children (Hungarian abbreviation: 'NÉTAK') can be claimed by the eligible mother on each income included in the consolidated tax base, in the order before any other allowance.

The eligible mother can claim the allowance without any limit on the amount of the income on which the allowance is based in each month of eligibility.

The allowance can be claimed during the year upon the determination of the advance tax, or at the end of the year when submitting the tax return.

2.1 Who is eligible for NÉTAK?

A mother raising four or more children (hereinafter referred to as NÉTAK mother) means a **woman** who is eligible for the following **as a birth or adoptive parent** for the child she is raising:

- a) **child benefit**, or
- b) she is not eligible for child benefit anymore, but **her eligibility existed for at least 12 years**,
- c) the eligibility for child benefit terminated due to the child's death.

and the **number of children** referred to in point (a), (b) and (c) is **four**.

¹ Section 29/D of Act CXVII of 1995 on the Personal Income Tax (hereinafter referred to as the Personal Income Tax Act).

A child who is receiving care in a social institution as a disabled person shall also be considered a child within the meaning of point (a), and the mother shall not be entitled to child benefit for the child, but the child shall be taken into account in determining the amount of child benefit to which the mother is entitled.

A child within the meaning of point (b) shall be considered to be a child in respect of whom the mother or the head of the social institution is no longer entitled to child benefit but who has been entitled for at least 12 years to child benefit for one or both of these persons, or for both of them in total, provided that the conditions set out in the preceding sentence have been met during the eligibility period of the head of the social institution.

For example, NÉTAK mother is a woman who

- raises her children of age 3, 6, 9, 12 in her own household,
- gave birth to four children, three of whom she raised (now adults), one deceased,
- gave birth to five children, got divorced from her husband when the two oldest children were 16 and 14 years old, and the three younger children stayed with the mother, while the two older went to the father,
- gave birth and raises/raised three children (the oldest works, moved out of the family home, the middle one goes to university, the third one goes to high school), and earlier adopted a 3-year-old girl who moved out of the family home at the age of 22.

A woman cannot be considered as NÉTAK mother who, for example,

- gave birth to four children, but her 10-year-old daughter stayed with the father when they got divorced,
- raises four children with her second husband, two of whom are her own, two of whom are her husband's.

2.2 Eligibility period

NÉTAK can be claimed for the months where the eligibility exists. The eligibility applies to a whole month, so if a woman **considered as NÉTAK mother for even a day**, then she can claim the allowance for the whole month.

The eligibility **starts** on the first day of the month in which the mother can first be considered as a NÉTAK mother.

For example, if a mother raises three children, and she gives birth to her fourth children in April, the start date of eligibility is 1 April.

The eligibility **terminates** on the last day of the month in which the mother can last be considered as a NÉTAK mother.

For example, if the parents raise their children of age 3, 6, 9 and 12 in their own household, then they get divorced in May and the 6-year-old child stays with the father. In this case, the mother is eligible for the allowance until 31 May.

If the eligibility for the allowance does not exist in the whole of the tax year and the income from self-employment included in the consolidated tax base earned during the eligibility period cannot be determined otherwise, it must be taken into account as a proportion of the income for the tax year earned under this heading in proportion to the months of the eligibility period.

For example, a mother is a member of a licensed traditional small-scale producer. She gives birth to her fourth child in April, so she becomes a NÉTAK mother from this month. As her income can be determined at the end of the year, 3/12 of the earned income - from January to March - is subject to tax, the remaining 9/12 - from April to December - forms the base of the NÉTAK, so it is tax-free.

For example, if after the sharing of income and expenses the mother's tax-year income is HUF 6 million, then:

- taxable income $6,000,000/12*3=\text{HUF } 1,500,000$,
- NÉTAK income $6,000,000/12*9=\text{HUF } 4\,500\,000$.

2.3 The basis of the allowance

NÉTAK **can be claimed** for the following types of income.

Income from wage and other non-self-employment activity, for example:

- income from employment, public employment relationship,
- taxable social security benefits (such as sick pay, infant care allowance, childcare allowance),
- taxable benefits paid under the Act on Social Administration and Social Benefits,
- job-seeker's allowance, job seeker's benefit, income supplement allowance, supplementary allowance to replace earnings and job-search incentive allowance paid under the Act on the Promotion of Employment and Unemployment Benefits;
- the income of a private person performing reserve military service in the Hungarian Defence Forces;

- compensation to replace income as defined above (income supplement allowance),
- remuneration for the activity of foster parent,
- a statutory severance payment in connection with termination of employment (the part of the severance payment exceeding the statutory amount is not eligible for the allowance),
- income paid to an individual member of a partnership in return for personal contributions,
- an allowance for the activities of an executive officer of a company,
- remuneration received in return for the services of an officer elected or appointed under the law (e.g. board member, supervisory board member),
- under an international treaty, income from non-self-employment or, failing that, from employment under the law of that state,
- the income of Members of Parliament, nationality representatives and mayors from these activities,
- income from the state project appraisal contract.

Income from self-employment:

- the entrepreneurial withdrawal of a self-employed person who is taxed on entrepreneurial income or, in the case of flat-rate taxation, on his/her flat-rate income;
- the income of the licensed traditional small-scale producer from these activities;
- the income of the Member of the European Parliament from these activities;
- the local government representative's income from these activities;
- the income of the appointed bookkeeper from these activities;
- income from other remunerated employment contracts (e.g. assignments) entered into by an individual not being self-employed.

Other than those listed, NÉTAK cannot be claimed on other income, such as rental income or income from another individual.

If the individual is engaged in an activity for which part of their income is eligible for the allowance but not the other part, the income on which the NÉTAK is based must be calculated on a pro rata basis.

For example, a mother makes decorative candles. She signs a contract with a company to make 200 decorative candles at a price of HUF 100 each, which will generate an income of HUF 20,000. The mother makes another 100 candles, which she sells on the market for HUF 150 each, making HUF 15,000. Since the total cost was HUF 10,000, thus the income is (20,000+15,000-10,000 =) HUF 25,000.

This income must be shared in proportion to income:

- Forms the base of NÉTAK $25,000/35,000 \times 20,000 = \text{HUF } 14,286,$
- Taxable income $25,000/35,000 \times 15,000 = \text{HUF } 10,714.$

3. Allowance for young people under the age of 25²

As of 1 January 2022, a young person under the age of 25 can reduce their consolidated tax base with the allowance for young people under 25 (hereinafter referred to as allowance for young people).

The young person eligible for the allowance does not have to pay personal income tax up to the monthly amount of the allowance during the eligibility period on their income included in the consolidated tax base as defined by law.

The allowance for young people can be claimed after NÉTAK, and before the allowance for mothers under the age of 30, the personal allowance, the newlywed allowance and the family allowance.

3.1 The basis of the allowance

The allowance for young people can be claimed for the following income during the eligibility period as defined by law:

- **income from wage and other non-self-employment activity**, for example particularly:
 - income from employment, public employment relationship,
 - taxable social security benefits (such as sick pay, infant care allowance, childcare allowance),
 - taxable benefits paid under the Act on Social Administration and Social Benefits,

² Section 29/F of the Personal Income Tax Act.

- job-seeker's allowance, job seeker's benefit, income supplement allowance, supplementary allowance to replace earnings and job-search incentive allowance paid under the Act on the Promotion of Employment and Unemployment Benefits;
 - the income of a private person performing reserve military service in the Hungarian Defence Forces;
 - compensation to replace income as defined above (income supplement allowance),
 - remuneration for the activity of foster parent,
 - a statutory severance payment in connection with termination of employment, but the part of the severance payment exceeding the statutory amount is not eligible for the allowance,
 - income paid to an individual member of a partnership in return for personal contributions,
 - an allowance for the activities of an executive officer of a company,
 - remuneration received in return for the services of an officer elected or appointed under the law (e.g. board member, supervisory board member),
 - under an international treaty, income from non-self-employment or, failing that, from employment under the law of that state,
 - the income of Members of Parliament, nationality representatives and mayors from these activities,
 - income from the state project appraisal contract.
- **Income from self-employment:**
 - the entrepreneurial withdrawal of a self-employed person who is taxed on entrepreneurial income or, in the case of flat-rate taxation, on his/her flat-rate income,
 - the income of the licensed traditional small-scale producer from these activities,
 - the income of the Member of the European Parliament from these activities,
 - the local government representative's income from these activities,
 - the income of the appointed bookkeeper from these activities,
 - income from other remunerated employment contracts (e.g. assignments) entered into by an individual not being self-employed.

The **allowance can only be claimed on the income earned in the month of eligibility**. If the eligibility of the individual terminates throughout the year and they could not claim their available allowance in full on their income earned in the months of eligibility, then they cannot claim the remaining part on the income earned in the other months.

If the eligibility does not exist in the whole of the tax year and the income from self-employment earned during the months of eligibility cannot be determined otherwise, it must be taken into account as a proportion of the income earned in the tax year under this heading in proportion to the months of eligibility.

3.2 Amount of allowance

The maximum amount of allowance per tax year is the product of the number of months of eligibility multiplied by the average gross earnings of full-time employees at the national economy level for the month of July of the year preceding the tax year in question, as published by the Hungarian Central Statistical Office. The allowance's **monthly amount is HUF 499,952 in 2023, which can reduce the payable tax by HUF 74,993**.

If the eligibility exists for the whole tax year, then the amount of allowance reducing the tax base is HUF 5,999,424, which means HUF 899,914 in taxes.

The months taken into account as months of eligibility are those in which the young person has not reached the age of 25, the last month being the month in which the young person reached the age of 25.

3.3 Claiming the allowance

If the individual is entitled to the allowance for young people, it will automatically be taken into account by the employer or payer during the year until the young person declares that he/she does not wish to receive it, in whole or in part.

The young person does not have to give a statement to his/her employer or payer if he/she asks for the allowance to be claimed, but if he/she decides not to claim all or part of the allowance.

The allowance for young people can be claimed in the tax return. If the eligibility exists, then the National Tax Administration will indicate the amount of allowance to which the young person is entitled in the draft tax return based on the available data.

4. Allowance for mothers under the age of 30³

³ Section 29/G of the Personal Income Tax Act.

As of 1 January 2023, the allowance can be claimed by a mother under the age of 30 after NÉTAK and the allowance for young people, before the personal allowance, the newlywed allowance and the family allowance, even during the year when determining the advance tax.

4.1 Who is eligible for the allowance?

Mothers over 25 and under 30 who is **eligible for claiming family allowance**

- with regard to **the biological or adopted child** according to Section 29/A(3)(a) of the Personal Income Tax Act, or
- with regard to **the fetus** according to Section 29/A(3)(b) of the Personal Income Tax Act.

A mother under the age of 30 is a woman who has a child and whose eligibility for family allowances in respect of her unborn child, a child born to her by blood or an adopted child starts on the day before she reaches the age of 30.⁴

A mother under the age of 30 is entitled to the family allowance if she becomes entitled to it after 31 December 2022 in respect of her biological or adopted child or unborn child.

Those mothers over the age of 25 and under the age of 30 can also claim the allowance from 1 January 2023 who became eligible for family allowances before 2023⁵.

The eligibility may start if after 31 December 2022

- her pregnancy reaches day 91,
- she gives birth to a child,
- she adopts a child.

In 2023, mothers under the age of 30 are eligible for the allowance, if, for example:

- their pregnancy reaches the 91st day on 8 February, or
- they give birth to her second child on 15 March, or
- they adopt the child of their husband on 6 August,

in all three cases, they are over 25 years old and will turn 30 after these events at the earliest.

In 2023, mothers are not eligible for the allowance, if, for example:

- they give birth at the age of 23,

⁴ Point 55 of Section 3 of the Personal Income Tax Act.

⁵ Section 104(1) of the Personal Income Tax Act.

- they raise a 2-year-old and a 4-year-old child,
- their pregnancy reached the 91st day in March 2022 and gave birth to their child in December 2022.

4.2 Amount of allowance

The amount of allowance for mothers under the age of 30 per month is up to the amount of the average gross earnings of full-time employees at the national economy level for the month of July of the year preceding the year in question, as officially published by the Hungarian Central Statistical Office. This is HUF 499,952 per month of eligibility in 2023, which means tax savings amounting to HUF 74,993.

If the eligibility exists for the whole tax year, then the 2023 tax base can be reduced by a maximum of HUF 5,999,424 with the allowance, which means HUF 899,914 in taxes.

4.3 The basis of the allowance

Allowance for mothers under the age of 30 can be claimed on the following income earned in the months of eligibility (in the case of income from employment, accounted for in the months of eligibility):

- income from wage and other non-self-employment activity, for example particularly:
 - income from employment, public employment relationship,
 - taxable social security benefits (such as sick pay, infant care allowance, childcare allowance),
 - taxable benefits paid under the Act on Social Administration and Social Benefits,
 - job-seeker's allowance, job seeker's benefit, income supplement allowance, supplementary allowance to replace earnings and job-search incentive allowance paid under the Act on the Promotion of Employment and Unemployment Benefits;
 - the income of a private person performing reserve military service in the Hungarian Defence Forces;
 - compensation to replace income as defined above (income supplement allowance),
 - remuneration for the activity of foster parent,
 - a statutory severance payment in connection with termination of employment, but the part of the severance payment exceeding the statutory amount is not eligible for the allowance,
 - income paid to an individual member of a partnership in return for personal contributions,

- an allowance for the activities of an executive officer of a company,
 - remuneration received in return for the services of an officer elected or appointed under the law (e.g. board member, supervisory board member),
 - under an international treaty, income from non-self-employment or, failing that, from employment under the law of that state,
 - the income of Members of Parliament, nationality representatives and mayors from these activities,
 - income from the state project appraisal contract.
- Income from self-employment:
 - the entrepreneurial withdrawal of a self-employed person who is taxed on entrepreneurial income or, in the case of flat-rate taxation, on his/her flat-rate income,
 - the income of the licensed traditional small-scale producer from these activities,
 - the income of the Member of the European Parliament from these activities,
 - the local government representative's income from these activities,
 - the income of the appointed bookkeeper from these activities,
 - income from other remunerated employment contracts (e.g. assignments) entered into by an individual not being self-employed.

4.4 Month of eligibility

The month of eligibility is the month in which the mother under the age of 30 is entitled to the family allowance in respect of her biological or adopted child or the unborn child, but not earlier than the month following the month in which she reaches the age of 25.

The allowance can be claimed up to the last month of eligibility of the year in which the mother reaches the age of 30.

For example, if

- the 26-year-old woman's pregnancy reaches the 91st day on 4 April 2023, her eligibility exists from April,
- the mother gives birth on 8 January 2023 and reaches the age of 30 on 8 March 2023, then she is eligible for the allowance from January to December 2023,
- if the 24-year-old mother gives birth to her second child in March 2023 and reaches the age of 25 on 5 August, then she is eligible for the allowance for young people under the age of 25 until 31 August, and the allowance for mothers under the age of 30 from September.

If the eligibility for the allowance for mothers under the age of 30 does not exist in the whole of the tax year and the income from self-employment included in the consolidated tax base and earned during the months of eligibility cannot be determined otherwise, it must be taken into account as a proportion of the income earned in the tax year under this heading in proportion to the months of eligibility.

4.5 Claiming the allowance

The allowance can be claimed during the year and at the end of year in the tax return.

The allowance can be claimed during the year in an advance tax declaration provided to the employer/payer.

Self-employed persons and the licensed traditional small-scale producers claim the allowance when calculating the advance tax.

If the mother under the age of 30 is also entitled to NÉTAK, then she cannot claim the allowance for mothers under the age of 30, since the same income form the basis of both allowances, NÉTAK can be claimed earlier and it has no limit amount.

The allowance for mothers under the age of 30 and the allowance for young people under the age of 25 cannot be claimed jointly, so the mother under the age of 30 who has not yet reached the age of 25 can claim the allowance only from the month following her 25th birthday.

The personal allowance and the newlywed allowance can be claimed if the individual has an income included in the consolidated tax base on which the allowance for mothers under the age of 30 cannot be claimed.

The mother under the age of 30 can claim the family allowance even if her advance tax base has been reduced to zero, as there is no obstacle to claiming family contribution allowance on her income.

The allowance can be claimed at the end of year in the tax return. If the mother under the age of 30 asked the employer or payer to claim the allowance during the year, it will be included in the draft tax return for the tax year.

5. Personal allowance⁶

The personal allowance can be claimed as an allowance reducing tax base after NÉTAK, the allowance for young people, the allowance for mothers under the age of 30, and before the family allowance even during the year when determining the tax base.

The amount of the allowance is equal to one third of the minimum wage per month of eligibility, rounded up to HUF 100, i.e. HUF 77,300 per month in 2023⁷. If the eligibility exists for the whole tax year, then the consolidated tax base can be reduced by HUF 927,600 in the whole year. It means HUF 139,140 in taxes.

A severely disabled person is a person who

- suffers from one of the diseases listed in *Government Decree No. 335/2009. (XII. 29.) concerning diseases that constitute severe disability*, and
- receives disability pension or
- disability allowance.

The personal allowance can be claimed **on the basis of a medical certificate of severe disability** or a **decision** on entitlement to a disability pension or disability allowance. The medical certificate or decision does not have to be attached when filing the advance tax return, but the certificate must be kept within the limitation period. **Those who are in receipt of a disability pension or disability allowance can claim the personal allowance without a medical certificate.** Proof of the allowance is *provided for in Decree No. 49/2009. (XII. 29.) of the Ministry of Health on the classification and proof of severe disability.*

The allowance is **available for the months affected by the disability**. The start date of disability is included in the medical certificate. The first month in which the personal allowance is taken into account is the month in which the disability

⁶ Section 29/E of the Personal Income Tax Act.

⁷ The monthly minimum wage in 2023 is HUF 232,000.

starts. If the disability is **temporary**, the last month in which the personal allowance can be taken into account is the month in which the disability ceases.

If the individual is in receipt of a **disability pension⁸ or disability allowance**, the allowance is payable for each month in which the benefit or allowance is paid. The eligibility for the allowance can be certified with the decision on the allowance.

6. Newlywed allowance⁹

The newlywed allowance allows an eligible individual to reduce his/her total taxable amount, even during the year, when the advance tax is calculated, in the order following **the NÉTAK, the allowance for young people, the allowance for mothers under the age of 30 and the personal allowance but before the family allowance**. The latter is important because if an individual is eligible for both allowances and does not have a sufficient tax base, **he/she can claim the family contribution allowance** if he/she can no longer claim the family allowance under the Personal Income Tax Act due to a lack of tax base.

To qualify for the newlywed allowance, **at least one member of the couple must be married for the first time**. This means that a member of the couple who is not married for the first time is also entitled to claim and share this allowance. **There is no age limit to qualify for the allowance**. The provisions applicable to spouses also apply to registered partners, so the term spouse is also used to include registered partners.¹⁰

The amount of the newlywed allowance that can be claimed jointly by spouses is **HUF 33,335** per month of eligibility, which means that the amount of tax they have to pay is reduced by HUF 5,000.

The month of eligibility is the 24 months following the month of the marriage during the period of cohabitation. This means that a couple married on 3 January 2023 can claim the allowance from February 2023 until the end of January 2025. As the allowance can only be claimed during the period of cohabitation, the eligibility will expire within the 24-month period if the couple divorces or one of the spouses dies.

⁸ The conditions of the eligibility are determined by the Decree No. 83/1987. (XII. 27) of the Council of Ministers.

⁹ Section 29/C of the Personal Income Tax Act.

¹⁰ Section 3(1) of Act XXIX of 2009 on Registered Partnerships, amending certain acts related thereto and amending certain acts necessary to facilitate the certification of registered partnerships.

From 2022, if both members of the couple eligible for the newlywed allowance are under 25, the first month they can claim for the newlywed allowance is the month preceding the month in which one of the spouses reaches the age of 25.¹¹ If one party is aged 25 at the time of marriage and the other is not, the special rule does not apply.

For example, they get married on 8 January 2023. The husband will be 25 in April, the wife in July. The couple can claim the newlywed allowance from May 2023 to April 2025.

However, if they get married in April, then the newlywed allowance can generally be claimed from May, the month after the marriage.

Under a transitional rule, if the marriage of a young person under the age of 25 took place before December 2021 and the young person had already claimed the newlywed allowance, the allowance was to be suspended from 1 January 2022. In this case, for the remaining months of the eligibility period of the newlywed allowance, the allowance is available from the month following the month in which one spouse turns 25.¹²

For example, if the date of marriage was 4 June 2021, the newlywed allowance would be valid for the months of July to December 2021, but not for January 2022. If one of them turns 25 on 5 August 2023, they will be able to claim the newlywed allowance for the remaining 18 months from September. The person claiming it must then submit an advance tax declaration of the newlywed allowance to the employer paying regular income.

The newlywed allowance **is claimed jointly by the spouses**. This can be done by splitting the HUF 33,335 between them, or by one of them taking the allowance. When claiming jointly, the couple pays HUF 5,000 less tax per month. The joint claiming of the allowance in the tax return is independent of the spouse who was taken into account in the assessment of the advance tax.

To qualify, spouses must make a joint **declaration** in their tax return, including each other's tax identification number, stating their decision to share the amount of the allowance.

The allowance can be claimed by the spouses during the year when determining the tax base. For more information see point 9 ("[The determination of the advance tax](#)").

¹¹ Section 29/F(5) of the Personal Income Tax Act.

¹² Section 101(3) of the Personal Income Tax Act.

7. Family allowance¹³

The family allowance is a tax base allowance which reduces the total tax base and which the eligible individual **can claim for the number of the beneficiary dependent**, depending on the number of dependents per month of eligibility.

7.1 Eligible person¹⁴

The Personal Income Tax Act defines who is eligible for the family allowance as follows:

- a) an individual who is **entitled to child benefit**¹⁵ for a child according to the Family Act¹⁶, and his/her spouse who **is not entitled to child benefit** (for example, the spouse of a foster parent) **living in the same household as the eligible person**;

(According to the Cst., a **partner** living with the parent is eligible for the family allowance if he/she lives with the child concerned and has been registered as a partner with the parent in the Register of Declarations of Partners for at least one year, or if he/she proves his/her partnership with the parent by means of a public deed issued at least one year before the application for the allowance¹⁷. In practice, this means that if the partner living with the child's biological parent **is entitled to the child benefit, he/she is also entitled to the family allowance** and can claim it during the year.)

- b) from the 91st day of pregnancy, the **mother and her spouse living in the same household** (i.e. not the partner);
- c) the child (person) **entitled to child benefit in his/her own right** or, at their discretion, **one of his/her relatives living in the same household** (including the child's parents);
- d) the individual **receiving the disability pension** or, at their discretion, **one of his/her relatives living in the same household** (including the child's parents).

In order to determine who is eligible under point (a), it is necessary to know the provisions of the Cst. on the child benefit.

¹³ Sections 29/A to 29/B of the Personal Income Tax Act.

¹⁴ Section 29/A(3) of the Personal Income Tax Act.

¹⁵ Individuals listed in points (aa) to (ac) of Section 29/A(3) of the Personal Income Tax Act are exceptions, since these people are eligible for the child benefit because of their employment.

¹⁶ Act LXXXIV of 1998 on Family Support (hereinafter referred to as Cst.).

¹⁷ Section 7(1)(a) of the Cst.

The family allowance **is not conditional on the payment of the child benefit**, so individuals who are entitled to this benefit in respect of their child but do not request or have not requested the payment of the child benefit can also claim the allowance. If the individual has not requested the payment of the child benefit and is not sure if he/she is eligible for the child benefit, he/she can get information about this from the government office in the capital or county where he/she lives.

In the case of points (c) to (d), not only is the relative living in the same household eligible for the family allowance but **also the relative of the child's parents**. For example, an orphaned child who is eligible for the child benefit in his/her own right is often taken into the family or household by the brother or sister of the deceased parent. In this case, the aunt or uncle cannot be considered as the relative of the child pursuant to the Civil Code¹⁸, but due to the rule, the brother or sister of the parent can also be eligible as they are considered as relatives in respect of the parent.

7.2 Beneficiary dependent and dependent¹⁹

The amount of the family allowance **is determined by the number of dependents and beneficiary dependents**. The Personal Income Tax Act defines the concept of dependents and beneficiary dependents as follows.

Beneficiary dependent:

- the person for whom the individual is entitled to child benefit under the Cst.,
- the fetus during pregnancy (from the 91st day of conception until birth),
- the person who is eligible for the child benefit in his/her own right,
- the individual who receives disability pension.

Dependent:

- the beneficiary dependent,
- a person who is or would be taken into account for the purpose of determining the amount of the child benefit under the Cst., even if no child benefit is granted for the beneficiary dependent, no child benefit is granted or the amount of the child benefit is not affected by the number of children.

According to the Cst., **a person may be taken into account for the calculation of the child benefit if**

¹⁸ Points 1 to 2 of Section 8:1(1) of Act V of 2013 on the Civil Code.

¹⁹ Section 29/A(4) to (5) of the Personal Income Tax Act.

- he/she is a student at a public education institution, or
- he/she is a student enrolled in a higher education institution, a higher vocational education and training, the first bachelor's degree, the first master's degree or the first single, integrated course,
- he/she has regular income.

These people **are considered as dependents in terms of family allowance.**

A child studying in a public education institution or a higher education institution **qualifies as a dependent** even if after the beneficiary dependent

- they do not grant child benefit because he/she receives disability pension;
- they do not grant child benefit, for example, for the fetus;
- the amount of the child benefit is not influenced by the number of children, for example, in the case of a permanently ill child and who is entitled to a higher amount of child benefit.

A child who receives temporary care under the Gyvt.²⁰ with the consent or at the request of the parent shall also be considered a child brought up in his/her own household. A child who receives temporary care as described can be taken into account in terms of family allowance.

7.3 Month of eligibility²¹

The family allowance can be claimed for those months in which the eligibility exists for at least one day. A month can be considered to be a month of eligibility,

- in which the eligibility for child benefit exists,
- in which the disability pension is paid,
- in which the pregnancy - according to the medical certificate - reaches day 91, except for the month when the eligibility for the child benefit starts after the born child.

The eligible person can claim the family allowance for the months which are considered to be months of eligibility. If the individual also uses the allowance for months that are no longer considered to be a month of eligibility, this will be considered as an unauthorized use of the allowance.

For example, if the child leaves secondary school and starts working, no further child benefit is paid, so the eligibility for family allowance ceases. If the parent

²⁰ Act XXXI of 1997 on the Protection of Children and the Administration of Guardianship.

²¹ Section 29/A(6) of the Personal Income Tax Act.

continues to claim the family allowance for the child despite this, it is considered an unauthorized claim.

7.4 Available family allowance

The **monthly amount of family allowance** that can be claimed for the beneficiary dependents:

- in case of 1 dependent HUF 66,670;
- in case of 2 dependents HUF 133,330;
- in case of 3 (and any additional) dependents HUF 220,000.

In practice, this means that the **amount of family allowance that can be claimed per month of eligibility** (limits of family allowance) depends on the number of dependents and beneficiary dependents as follows:

dependent(s)	beneficiary dependent(s)	amount of allowance	amount of allowance converted into tax
1	1	HUF 66,670	HUF 10,000
2	1	HUF 133,330	HUF 20,000
2	2	HUF 266,660	HUF 40,000
3	1	HUF 220,000	HUF 33,000
3	2	HUF 440,000	HUF 66,000
3	3	HUF 660,000	HUF 99,000

A favourable change from 1 January 2023 is that the monthly amount of the allowance is increased by HUF 66,670 per month of eligibility for beneficiary dependent children who are permanently ill or severely disabled²².

A person is permanently ill or severely disabled²³ if:

- he/she is under the age of eighteen and needs permanent or increased supervision or care because of an illness or disability as defined by special legislation,
- he/she is over the age of eighteen and has lost at least 67% of his/her capacity for work before reaching the age of eighteen, has suffered at least 50% impairment, or whose state of health, according to the rehabilitation

²² Section 29/A(2a) of the Personal Income Tax Act.

²³ Point (f) of Section 4 of the Cst.

authority, does not exceed 50% before reaching the age of eighteen and has been so for at least one year or is expected to continue for at least one year.

For example, a mother raises two minor children and one of them is severely disabled. The monthly amount of the family allowance is HUF 333,330 because she can claim HUF 133,330 family allowance per month per child and she can claim an additional of HUF 66,670 for the sick child.

7.5 Alternately cared-for child²⁴

There is a **special rule** for divorced parents who, on the basis of a final court decision, settlement or joint application, take care of their children alternately. If they submit a joint application to the family support body to share the child benefit, the child benefit will be paid to them at a 50/50 rate, based on the family support body's decision.

A child who is cared for alternately **is considered a beneficiary dependent in the case of both parents**, but the parents can claim 50% of the family allowance. **Both parents and the parent's new spouse can claim** the family allowance for a child who is cared for alternately. Parents are not entitled **to jointly claim or share** the family allowance for children who are cared for alternately.

For example, the divorced parents care for their child jointly, and they receive the child benefit at a 50/50 rate.

The father's new wife brought two minor children into the new marriage. Another child was born to the mother's new marriage.

In the father's family, the number of dependents is 3, so he can claim family allowance amounting to HUF 550,000 = $(2 \times 220,000) + (220,000/2)$ per month of eligibility jointly with his spouse.

In the mother's family, the number of dependents is 2, so she claims allowance amounting to HUF 199,995 = $(133,330 + (133,330/2))$ per month jointly with her husband.

If the alternately cared-for child is a permanently ill or severely disabled child, parents can also claim 50-50 percent of the additional allowance (HUF 66,670) introduced from 1 January 2023.

It is important to note that both parents can only claim the allowance if they both receive the child benefit allowance as alternating parents, at a 50/50 rate. For example, if the child is cared for alternately, **but the mother receives 100% of**

²⁴ Section 29/B(1e) of the Personal Income Tax Act.

the child benefit, the father cannot claim the family allowance, but the mother can claim the full amount.

8. Family contribution allowance²⁵

If the amount of the family allowance to which the person is entitled is more than the amount of his/her income included in the consolidated tax base, **he/she may claim 15% of the excess of the tax base as a family contribution allowance**, as follows.

The family contribution allowance is available to individuals who

- are entitled to family allowance as per the Personal Income Tax Act, and
- is insured pursuant to the Tbj.

Therefore, two conditions must be taken into account: firstly, the allowance is available to an individual who can claim it under the Personal Income Tax Act, and secondly, only an insured individual - for example, an individual in employment - is entitled to claim the allowance. A family contribution allowance is not available for tax-free income that is subject to contributions.

For example, a university student cannot be considered insured because of his/her status as a student. If you receive extra child benefit in respect of your child, you cannot claim a family contribution allowance on the 10% pension contribution deducted if you are not insured.

The family contribution allowance **reduces the amount of the 18.5 percent social security contribution or 10 percent pension contribution payable by the insured person.**

No family contribution allowance is available for the difference between the minimum contribution threshold and the actual paid income subject to contributions.²⁶

It is important that the use of the family contribution allowance does not affect either the eligibility of the insured person for the social security allowances or the amount of the allowances.

²⁵ Sections 34 to 36 and 79 to 81 of Act CXXII of 2019 on the Entitlements to Social Security Benefits and on Funding These Services (hereinafter referred to as Tbj.).

²⁶ Pursuant to Section 104(7) of the Tbj., the rules on social security contributions payable on the difference between the minimum contribution threshold and the income actually paid out and forming the basis for the contribution do not apply for the months of July and August 2020, and therefore the above rule will apply for the first time from 1 September 2020.

9. The use of family allowance²⁷

The family allowance can be claimed once for the same beneficiary dependent.

For example, if the parents raise their child jointly, both of them qualify. However, the monthly family allowance of HUF 66,670 per child cannot be claimed by the two of them separately, only jointly. Together, the two of them can therefore use a family allowance of HUF 66,670 per month, according to their choice.

The family allowance can be claimed for the month of eligibility. However, if the statutory conditions are met, **it is possible to jointly claim and share the allowance.**

9.1 Joint claiming

If there are several eligible persons, they **can claim** the family allowance for a given month of eligibility **jointly**, either during the year, when the advance tax is calculated, or at the end of the year, when they submit their tax return.

For example, when a married couple has two children, or partners have a child together, or a mother and her husband can claim the family allowance jointly.

9.2 Sharing

If an individual is entitled to the family allowance for a given month of eligibility, he/she **may share** the family allowance with his/her spouse or partner living in the same household as him or her, who is not an eligible person, including if the eligible person is unable to claim the family allowance at all.

The eligible person **must not share** the amount of family allowance for those months of eligibility,

- for which he/she claims child benefit for the child as a single person, except where the eligible person qualifies as a single person pursuant to Section 12(3) of the Cst.,²⁸
- in which he/she claims the family allowance jointly with another eligible person.

The major rules for joint claiming and sharing are included in the following table:

²⁷ Section 29/B of the Personal Income Tax Act.

²⁸ Section 5 of Act LXXXII of 2018 amending certain tax acts related to EU obligations and certain acts on tax administration amended Section 29/B(1b) of the Personal Income Tax Act. The amendment is effective as of 1 January 2019.

	Joint claiming	Sharing
When?	During the year upon the determination of the advance tax, at the end of the year, in the tax return	Only at the end of the year, in the tax return
With whom?	The eligible person with another eligible person	The eligible person with a spouse or partner living in the same household not qualifying as an eligible person

The joint claiming and sharing of the family allowance in the tax return does not depend on the eligible person who was taken into account in the assessment of the advance tax.

From 1 August 2023, it will also be possible to change the identity of the eligible person in the case of a child entitled to child benefit in his/her own right, and in the case of an individual receiving a disability pension. In other words, it is possible for the parties concerned to change their mid-year decision on eligibility at the end of the year in the personal income tax return, and for a different eligible person to claim the family allowance than the one who did so during the year on the basis of an advance tax return.²⁹

The amount of family contribution allowance legally claimed during the year is final and cannot be adjusted in the return at the end of the year.

For example, if the mother claims the family allowance for the three children during the year, but the parents decide at the end of the year that the father wants to claim it for two children, they can do so on condition that the amount of family allowance claimed during the year is no longer transferable to the other parent.

10. The determination of the advance tax throughout the year

The NÉTAK, the allowance for young people, the allowance for mothers under the age of 30, the personal allowance, the newlywed allowance and the family allowance (hereinafter collectively referred to as allowances) can be claimed during the year, upon determining the advance tax.

The procedure for claiming allowances is as follows:

- The first step is to reduce the individual's tax base by the NÉTAK.
- If the person under the age of 25 is not eligible for the NÉTAK, his/her tax base can be reduced by the allowance for young people. If the person is eligible for the NÉTAK, then he/she cannot claim the allowance for young

²⁹ Section 29/B(1c) of the Personal Income Tax Act.

people since the same income forms the basis of both allowances and the NÉTAK has no limit amount.

- If the mother under the age of 30 is not eligible for the NÉTAK or the allowance for young people under the age of 25, her advance tax base can be reduced by the allowance for mothers under the age 30.
- If the individual has income on which the NÉTAK, the allowance for the young people or the allowance for mothers under the age of 30 cannot be claimed, the personal allowance must be deducted from the tax base, then
- the newlywed allowance,
- then the remaining part - up to its amount - is reduced by the family allowance. If the advance tax base is exhausted but there is still unused family allowance, 15 percent of it can be used as a family contribution allowance, up to the maximum amount of the contribution that can be taken into account for the family contribution allowance.

The individual can claim the NÉTAK from the payer who provides him/her with the income on which the allowance is based by filing an advance tax return.

From 2022, if the NÉTAK mother indicates to her employer or regular income payer that she is definitively entitled to the allowance, she will not have to make a new declaration in the following years, and the employer or payer will take it into account without any further declaration.

Eligibility for the allowance becomes definitive if the eligible person has been entitled to child benefit for at least 12 years for four of the children entitled to the benefit, including where eligibility for child benefit ceases due to the death of the child.

The young person does not have to apply for the **allowance for young people**. The employer or payer reduces the young person's tax base per month of eligibility, unless the young person has made a declaration requesting that the young person not claim all or part of the allowance for young people under the age of 25. This means that the young person does not have to make a declaration when he/she wants to claim the allowance, but when he/she wants to opt out of the allowance in whole or in part.

For example, the young person has two employers at the same time.

In one place he earns 300 thousand forints a month, in the other he earns 200 thousand forints a month. The sum of his/her individual income does not exceed the tax-free threshold, but together they do ($500,000 > 499,952$). The young person must make an advance tax declaration to both employers to ensure that the total amount of the allowance claimed does not exceed the maximum amount of

the allowance, but it is up to the young person to decide which of his/her income is used to claim the benefit.

For example, he/she can ask for the allowance to be taken into account as follows:

	Case I	Case II	Case III
first employer	300,000	299,952	349,952
second employer	199,952	200,000	150,000

Both employers must provide a declaration because if he/she receives additional income, such as a bonus, in addition to his/her wages, the employer will claim the allowance in the absence of a declaration.

For example, in case II, if the second employer pays the young person a bonus of HUF 100,000 and has not received a declaration not to take the allowance into account for amounts above HUF 200,000, it will also take the bonus into account, which means an unauthorized claim.

If the young person declares to his/her employer II that he/she wants the allowance to be waived in full, employer I no longer needs to make a declaration, as it will only apply the allowance up to the amount of the allowance.

The **allowance for mothers under the age of 30** can be claimed during the year by submitting an advance tax return to the employer or payer.

To claim the personal allowance, the newlywed allowance and the family allowance, an individual may submit an advance tax return to the employer who has made the advance tax assessment and to the payer of the regular income included in the consolidated tax base.

If the eligible person **does not want to claim the family contribution allowance**, he/she can declare this in the advance tax declaration. If the eligible person does not make such a declaration, the employer/payer obliged to deduct the advance tax has to take into account both the family allowance and the family contribution allowance when the conditions are met.

For example, an individual lets a real estate to a company. In such cases, the payer (tenant) must assess an advance tax on the regular rent, taking into account the individual's declaration of advance tax for family allowance.

Individual's declaration of advance tax regarding NÉTAK

The declaration of advance tax regarding NÉTAK must include the following data:

- the name and tax identification number of the individual,
- the name (designation) and tax number of the payer/employer,
- the name and tax identification number of the children entitled to the allowance - or if the National Tax Administration has not established a tax identification number, the natural person identification data.

Declaration of advance tax regarding the allowance for mothers under the age of 30

The declaration of advance tax regarding the allowance for mothers under the age of 30 must include:

- the name and tax identification number of the individual,
- the name (designation) and tax number of the payer/employer,
- legal title of eligibility:
 - the name and tax identification number of the biological child born after 31 December 2022 entitling to the family allowance,
 - in the case of pregnancy, that she will become entitled to family allowances in 2023 in respect of a fetus, or that her eligibility for family allowances after a fetus started in 2022 and her child will be born in 2023. The year and month of the 91st day of pregnancy must also be indicated.
 - the name and tax identification number of the adopted child born after 31 December 2022 entitling to the family allowance,
- the fact that she requests the allowance in full or in a fixed amount.

Declaration of advance tax regarding the personal allowance

The declaration of advance tax regarding the personal allowance must include the following data:

- the name and tax identification number of the individual making the declaration;

- the start and end dates of the disability, or the finality of the disability, based on the certificate of severe disability.

Declaration of advance tax regarding the newlywed allowance

The declaration of advance tax regarding the newlywed allowance must include the following data:

- the name and tax identification number of the individual(s) making the declaration;
- the spouse's name, tax identification number, the name (designation) and tax number of the employer or payer establishing the advance tax, and their declaration of joint entitlement to the benefit.

Declaration of advance tax regarding the family allowance

The declaration of advance tax regarding the family allowance must include the following data:

- the name and tax identification number of the individual making the declaration;
- the name, tax identification number of each dependent, beneficiary dependent and the declaration of pregnancy in the case of a fetus (twin);
- the name (designation) and tax number of the employer of the individual making the advance tax declaration and of the payer of the regular income;
- if the allowance is claimed jointly, the name and tax identification number of the spouse or partner, the name (designation) and tax number of the employer or payer of the regular income who made the advance tax payment, and the amount of the family allowance divided by beneficiary dependents.

Since the employer or payer must provide more information on the use of the family allowance in the monthly tax and contribution return (return no. 2308), **the following information must also be included** in the declaration:

- the fact of joint claiming of the allowance, the proportion of the allowance; joint claiming also applies if the parents entitled to the family allowance decide that one of them does not claim the allowance and the other one takes the full amount;
- whether these persons, including the unborn child, are considered to be dependent, a beneficiary dependent or an alternately cared-for child during the reference month;

- the legal title of the use of family allowance.³⁰

Employers and payers must declare the allowances claimed in their monthly tax and contribution returns with the data content specified in Art³¹.

An individual can file an advance tax return **on a case-by-case basis or for the whole tax year** until it is withdrawn.

If there are **changes in the individual's circumstances that affect their eligibility for allowances**, they must amend their advance tax return.

No new declaration is required at the birth of the child if the individual has already claimed the family allowance after the fetus.

However, when claiming the allowance for mothers under the age of 30, a new advance tax declaration is required after the birth of the child, stating that the child is no longer pregnant but that the child is the legitimate child.

The advance tax return needs to be amended and a new declaration made, for example, if the individual has declared that he/she is entitled to the allowance and subsequently

- got divorced
- his/her child leaves secondary school and no further child benefit is paid,
- his/her child finishes their studies and upon determining the family allowance to be paid for the younger sibling this child cannot be taken into account as a dependent,
- she does not qualify as a NÉTAK mother.

For example, it is also advisable for the husband to submit a new declaration if he has claimed a monthly allowance of HUF 266,660 (2x133,330=) for two children, but his wife has reached the 91st day of conception, which increases the amount of family allowance she can claim to HUF 660,000 (3x220,000=) per month.

The easiest way for individuals with a client gateway registration, telephone identification or an e-personal ID card to file their advance tax returns **electronically is through the Online Form Filling Application (Hungarian abbreviation: ONYA), which has the advantage that the National Tax Administration forwards the return to the employer or payer indicated in the return.**

³⁰ Section 29/A(3) of the Personal Income Tax Act.

³¹ Act CL of 2017 on Taxation (hereinafter referred to as Art.).

The web forms can be accessed by clicking on the **Online Form Filling Application** (ONYA) on the left-hand side of the NAV website or by going to <https://onya.nav.gov.hu/#!/login>. After logging in, you will find the "Advance Tax Returns" under the "New Form/Report" tile.

The advance tax declarations are also available on the website of the National Tax Administration (nav.gov.hu) in the "Tax/Advance tax declarations" menu, or on the Social Insurance subpage (<https://nav.gov.hu/szja>) in the "Declarations" section.

It is important that the individual makes the advance tax declaration in a lawful manner, as he/she will be **liable to pay an additional amount** for the false declaration and 12% of the tax liability as a **differential penalty**. This amount must be indicated and paid in the tax return as a separate liability. However, the differential penalty does not need to be paid if the payment obligation does not exceed HUF 10,000.

For example, the mother raises three children, two of whom studies at a higher education institution, the youngest one is a senior secondary-school student. The mother can claim a family allowance of HUF 220,000 per month for the secondary school child, taking into account the two university students. The youngest child will leave secondary school in June, child benefit will not be paid for them from July. The mother makes a declaration to her employer only in September that she does no longer claim the family allowance. In this case, she claimed family allowance amounting to HUF 440,000 without a legal ground.

If the individual has to determine the advance tax, he/she can claim the family allowance upon determining the advance tax.

For example, an English teacher tutors children as an individual with a tax number (she has no other income). They raise two children with her husband and they claim the allowance at an equal rate. The teacher earned HUF 140,000 each month between January and March.

In the first quarter she earned HUF 420,000, which she can reduce with the family allowance amounting to HUF 399,990 (3x133,330). Thus, after the first three months, she has income of (420,000-399,990 =) HUF 20,010 and (20,010x0.15 =) 3,002 HUF in advance tax.

However, the teacher does not have to pay the advance tax until the amount of the advance tax reaches HUF 10,000 in the tax year.³²

³² Section 47(9) of the Personal Income Tax Act.

11. Claiming and return of allowances at the end of the year

Individuals can also claim the allowances in their personal income tax return for the year in question, and any family contribution allowance claimed during the year must also be included here. If the taxpayer is able to do so, he/she can also claim a contribution reduction on the return.

It is important that the family allowance can be claimed after the NÉTAK, after the consolidated tax base reduced by the newlywed allowance.

The individual claiming the NÉTAK must include in the return

- the name and tax identification number of the children entitled to the allowance (if the National Tax Administration has not established a tax identification number, the natural person identification data), and
- the date of the opening or closing of the eligibility period, if the eligibility for the allowance did not exist for the whole tax year, and
- the amount of income included in the consolidated tax base based on which the allowance is based.

The allowance for young people under the age of 25 must be included in the return, whether the individual claims it during the year or at the end of the year. It is important to note that the National Tax Administration will indicate the amount of the allowance in the individual's draft tax return based on the data available to it (the individual's age and the monthly tax and contribution returns of the employer or payer).

The amount of the allowance for mothers under the age of 30 must be included in the return.

Upon claiming the personal allowance, the amount of the allowance must be included in the return based on the months of eligibility.

Upon claiming the newlywed allowance, the return must include:

- the name, tax identification number of the spouse, and
- their decision on sharing the amount of the allowance.

If two individuals are entitled to the **family allowance**, they **can claim it jointly**, and the **eligible person may share the allowance** with his/her spouse or partner, including if the eligible person is unable to claim the family allowance at all. **In**

order to jointly claim and share the allowance, **the individuals concerned must make a joint declaration in their tax return**, including each other's tax identification number. This includes their decision to jointly claim or share the amount of the benefit by dividing the amount or the number of beneficiary dependents.

In order to claim the family allowance, the individual must make a written declaration to the tax return

- about the entitlement to the allowance, and
- about this fact when sharing the family allowance.

The declaration must indicate the tax identification number of all dependents (beneficiary dependents), except for the fetus, and the months of the tax year in which they were considered dependents, including the fetus. When the family allowance is shared and claimed jointly, the tax identification number of the other party must also be indicated.

If the fetus (twin) is identified after the tax assessment for the tax year, the individual can claim **the amount of the family allowance due for the year covered by the return by means of a self-assessment within the limitation period.**

It is important that the medical certificate of pregnancy must be kept until the limitation period expires, as the National Tax Administration may ask for it in case of an audit. The 2023 medical certificate of pregnancy must be kept with the return until 31 December 2029.

If the individual who is entitled to the family allowance or another individual who is also entitled to the allowance has legitimately claimed the monthly or quarterly amount of the family contribution allowance, the amount of the family allowance that can be claimed jointly by the beneficiary(ies) or by the spouses or partners who share the allowance in the income tax return is reduced by the portion of the amount of the family contribution allowance that they have jointly claimed divided by the amount of the tax rate provision (667%).

In practice, this means that **the individual must determine the tax-year limit for the family allowance in the return.** This has to be reduced by 667% of the amount of the family contribution allowance rightfully claimed by the individual or other eligible party in the tax year. The remaining part can be claimed, or jointly claimed and shared in the return.

For example, there are five people in the Kedves family. Mother (Orsi), father (Oszkár) and the children: Csenge (19), Csilla (16) and Csaba (12). The children

attend school, but Csenge graduated in June and will continue her studies as a full-time university student from September.

In this case, the number of dependents is 3 for the whole year, but the number of beneficiary dependents is 3 in the first six months and 2 in the second half of the year. The annual limit for the family allowance: $(3 \times 6 \times 220,000 + 2 \times 6 \times 220,000 =)$ HUF 6,600,000.

According to the employer's certificate, Orsi earned HUF 2,400,000. No tax was deducted and she received HUF 135,000 contribution allowance.

Oscar claimed a contribution allowance of HUF 50,000.

The limit must be reduced in the return by 667% of the contribution allowance claimed by Orsi and Oszkár: $135,000 \times 6.67 = 900,450$, $50,000 \times 6.67 = 333,500$, $6,600,000 - 900,450 - 333,500 = 5,366,050$.

The married couple can claim this amount jointly in their return, for example, Orsi can claim HUF 2,399,550 and Oscar HUF 2,966,500.

12. The eligibility of foreign individuals for the family allowance ³³

Under the principle of equal treatment, a foreign individual may not be subject to a higher amount of tax than that payable by a resident individual under the same legislation. Foreign individuals can claim tax allowances, **including the family allowance, if at least 75% of their total income is taxable in Hungary** and they do not claim the same or similar allowances for the same period in another country.

In this case, the **total income**:

- the income from non-self-employment and
- the income from self-employment (including particularly the entrepreneurial income and the entrepreneurial dividend base or the flat-rate tax base), and
- the pension and other similar income earned with respect to the earlier employment.

If the foreign individual complies with the foregoing, the **rules on family allowances apply mutatis mutandis** to any individual (eligible person, dependent) entitled to a family allowance, disability pension or other similar allowance under the legislation of a foreign country, provided that

³³ Section 1/A and Section 29/B(5) of the Personal Income Tax Act.

- the individual (child) who, with the correct application of the Cst., could be taken into account as a beneficiary dependent for the purpose of establishing eligibility for child benefit of the individual claiming the allowance;
- the individual (child) who, with the correct application of the Cst., could be taken into account as a dependent for the purpose of determining the child benefit for another individual (child).

If a foreign individual earns taxable income in Hungary only during part of the tax year, he/she cannot claim the allowances for the whole tax year, only for the months when he/she earns taxable income included in the consolidated tax base for which the allowance is available.

13. Family allowance for persons in receipt of an early retirement or service pension

Benefits previously classified as early retirement pensions and service pensions will be paid as early retirement benefits and service pensions from 1 January 2012. As a rule, the payer deducts the tax corresponding to the social security contributions.³⁴ The said allowances can be considered to be pensions based on the Personal Income Tax Act³⁵, so they are not part of the consolidated tax base. Consequently, **the rules of the Personal Income Tax Act do not apply to the claiming of the NÉTAK, the personal allowance, the newlywed allowance and family allowance by individuals receiving these benefits.**

An individual receiving an early retirement benefit or a service pension may claim the family allowance to which he/she is entitled **against the amount deducted from the early retirement benefit or service pension** (up to the amount of the personal income tax) **in the year following the tax year.** Consequently, the individual in receipt of early retirement benefit or a service pension - in absence of other income included in the consolidated tax base - cannot claim family allowance during the year.

Individuals receiving benefits may submit **their application** for the payment of the amount corresponding to the family allowance to the pension payment body **after 30 June of the year following the tax year**³⁶ using the data form or

³⁴ Pursuant to Section 5(1) to (2) of Act CLXVII of 2011 on the termination of old-age pensions before the age limit, on early retirement benefits and on service pension.

³⁵ Point 23 of Section 3 of the Personal Income Tax Act.

³⁶ As per Section 9 of the Government Decree No. 333/2011. (XII. 29.) on the procedural rules of early retirement benefit, service pension, ballet art annuity and temporary miner's allowance, and amending certain related government decrees (hereinafter referred to as Government Decree).

Booklet no. 73.

electronic form published on the website of the Hungarian State Treasury and on the government portal.

On the basis of the application, the pension payment body determines the amount to which the individual is entitled on the basis of the procedure laid down in the Government Decree, which is paid within thirteen days of the decision becoming final.

NATIONAL TAX AND CUSTOMS ADMINISTRATION