



## FINACONT TAX NEWSLETTER

### Changes in Personal Income Tax 2017-2018 (Part II)



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#### **Further amendments with effective date of 1 January 2018**

#### Changes in itemized flat-rate tax of entities performing catering activities

Payable **itemized tax is HUF 38,400 per room per year.** The individual is not required to pay any other liability (e.g. health care contribution) on this income. A favourable change from 1 January 2018 is that this taxation **can be chosen for three flats or resorts at most.**

#### Defining an own vehicle

Under the amendment an own vehicle means **also a vehicle owned (or closed-end leased) by a close relative other than the spouse.**

#### Verifying the ownership of own vehicle

As of 1 January 2018 the document verifying the payment of vehicle liability insurance will be replaced with **vehicle registration card issued by National Transport Authority** (or a certificate issued by the authority if registration card is withdrawn) in the cost accounting of vehicles.

#### Re-defining school-type education

**School-type education will also include foreign education** which is a full-time education organized by a state-approved institution and provides primary, secondary education or a graduation or an education organized by a state-approved university and provides higher education.

#### Abolishing employer's tax assessment

Under transitional provision employers **do not already prepare employer's tax assessment** for 2017 either.

### More people are eligible for having their tax return drafts prepared

For 2017 tax return draft is prepared for **agricultural licensed small-scale producers and also for individuals required to pay value added tax.**

### Amendments in relation to the reduction of social contribution tax and 22-percentage health care contribution

Under the Act CLVI of 2017 on the reduction of social contribution tax and amendments of related regulations **as of 1 January 2018 social contribution tax will reduce from current 22 percent to 19.5 percent instead of earlier accepted 20 percent.** In line with this decrease from 2018 **health care contribution** will also be reduced from 22 percent to 19.5 percentage.

### Further decrease in other specified benefits

In 2018 **other specified benefits will change from 43.66 of year 2017 to 40.71 percent. Fringe benefits will remain 34.22 percent** in 2018.

### Increasing family allowance

As of 1 January 2018 individuals having **two children** in their family are eligible for tax reduction of HUF 17,500 per month per child. Individuals may reduce their income in the consolidated tax base with following amounts:

- HUF 66,670 if one child is in the family,
- **HUF 116 670 if the family has two children,**

- HUF 220,000 if there are three or more children in the family.

### Amendments in relation to insurances

After 31 December 2017 the regular fee of WL insurances, and that of all other capital accumulation mixed insurances, is subject to taxation.

The fee of WL-insurances **paid by the company** and concluded after 31 December 2017 **is taxable as other specified benefit** if the fee is paid **as a contracting party**. If the contracting party is a foreigner or the fee is paid as non-contracting party, the fee is taxable **as a consolidated income**.

Tax-free services provided on the basis of WL-insurance are the following:

- payment for death even, and
- insurance service provided for an insurance event on the basis of additional insurances qualifying as a risk insurance (life, accident and health insurance).

As (both regular and extra) fee of company WL-insurances concluded after 2017 is taxable on the date of payment, **this insurance generates only interest** income (except for tax-free insurance services e.g. payment for death event). This means that company WL-insurances concluded after 2017 will not generate other income.

### Changes with regard to student loan

Under the regulation the following amounts are tax-free:

- the amount that the government releases **from the debt of student loan** of women raising children or intending to have children as a non-refundable subsidy **from 1 January 2018**
- the amount of benefit paid by the employer to the employee during employment for repaying student loan up to the required repayment instalment but

not more than the 20 percent of minimum salary per month

Please contact our colleagues if you wish to have a detailed interpretation of this legislation as this newsletter offers general understanding.

Should you have any questions, please do not hesitate to contact us.

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