



FINACONT TAX NEWSLETTER

Changes in cafeteria system - 2017



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The Parliament adopted a tax law package together with the amendment proposed by the Ministry of National Economy, which also modify – among others – the tax requirements of fringe and other specified benefits from 2017.

The most important part of changes is that from 1 January 2017 **money not exceeding an amount of HUF 100 thousand per year is considered to be fringe benefit**, which shall be **charged with 15 percent personal income tax and 14 percent healthcare contribution (34.51 % payroll taxes) that should be paid by the employer** and not by the individual **after 1.19 times the amount of fringe benefit**.

The law shall apply to “money amounts”, i.e. benefits paid either in cash or by bank transfer, which also means that this provision **should not be applied to benefits given in vouchers**.

Furthermore, from 1 January 2017 benefits transferred to **the sub-accounts of Széchenyi Recreation Card (SZÉP Card)** within limits specified by law shall be regarded as **fringe benefits** subject to reduced taxation, these are the following:

- benefit in amount of **maximum HUF 225 thousand** (altogether if received from several employers) which is transferred to the

accommodation sub-account and can be used for accommodation services specified in the government decree;

- benefit in amount of **maximum HUF 150 thousand** (altogether if received from several employers) which is transferred to the **catering sub-account** and can be used for catering services, specified by government decree, in hot food catering restaurants (including workplace canteen as well);
- benefit in amount of **maximum HUF 70 thousand** (altogether if received from several employers) which is transferred to the **recreation sub-account** and can be used for free time activities, recreation, health care services specified by government decree.

An amount of HUF 450 thousand can be transferred to the sub-accounts of the SZÉP Card altogether which shall be subject to reduced taxation. However, the legislation restricted the possibility of reduced taxation: it can be a maximum of HUF 200 thousand per year (together with benefit given in money) if the employer is a budgetary organization, **for other employers the maximum amount is HUF 450 thousand per year (annual recreational total allocation)**.

As per a special provision if the amount of benefit given in money **in the tax year exceeds HUF 100 thousand** or the amount prorated to the number of days spent in employment that is the basis of the benefit in the tax year, **tax liability should be assessed on the surplus amount** - for the month of payment - on the basis of the legal relationship entitling for benefit.

The benefit amount exceeding the recreational total allocation is regarded as other specified benefit, the 1.19 times of which shall be charged with 15 percent personal income tax and 27 percent healthcare contribution (49.98 % payroll taxes) to be paid by the employer.

From 1 January 2017 **all the earlier benefits** –for example: benefits for holiday services, workplace canteen and schooling, local travel passes, voluntary mutual insurance fund contributions – **shall be charged with higher tax rates.**

Under Section 71 of the Act on Personal Income Tax these benefits **are considered to be fringe benefits** till 31 December 2016. However, **from 1 January 2017** the above-mentioned contributions shall be removed from elements subject to reduced taxation and can be provided by employers only as **other specified benefits** subject to 27 percent healthcare contribution (49.98% payroll taxes) instead of current 14 percent.

Healthcare services which are specified by Minister of Health Care and provided by the employer for free of charge or for reduced fee to all the employees (including also an employee seconded to the employer under Hungarian Labour Code) under the same conditions or under an internal policy available for all employees can be included into cafeteria package **as a new tax-free element**, except for benefits provided as vouchers.

Expected payroll taxes of cafeteria elements provided most often

Cafeteria element	Payroll tax
Workplace canteen (*)	49,98% without any limit
Erzsébet voucher (*)	49,98% without any limit
Local travel pass (*)	49,98% without any limit
Schooling allowance (*)	49,98% without any limit
Voluntary pension fund contribution	49,98%, up to the 50% of minimum salary per month
Health insurance fund, self-aiding fund contribution	49,98%, up to the 30% of minimum salary per month
Cash payment in cafeteria (**)	34.51% per year, up to HUF 100.000
SZEP Card – catering sub-account (**)	34.51% per year, up to HUF 150.000
SZEP Card – accommodation sub-account (**)	34.51% per year, up to HUF 225.000
SZEP Card – recreation sub-account (**)	34.51% per year, up to HUF 75.000
Sport events ticket	tax free without any limit
Cultural events ticket	tax-free up to HUF 50.000 per year
Kindergarten, nursery	tax free up to the amount of costs
Housing allowance for mobility purposes (*)	tax free up to 40-25-15% of minimum salary per month
Housing support (*)	30% (max. HUF 5 million) in 5 years is tax free

Risk insurance (e.g. health) (*)	tax free up to 30% of minimum salary per month
Healthcare services (*)	tax free without any limit

(*) If payment requirements are met.

(**) The combined value of these benefits should be also examined.

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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