



FINACONT TAX NEWSLETTER

More social contribution tax benefits



Kis Gábor

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Career Bridge Program

Tax benefit aiming at implementing Career Bridge Program **will be available from 1 August 2016.**

Taxpayer who is not qualified as a budgetary authority and employs a natural person **holding an official certificate** in an employment relationship generating tax liability may have tax benefit from the social contribution tax to be paid by the employer. The requirement of having tax benefit is that the natural person must hold **an official certificate issued by the state employment agency** latest on the day before the day of the beginning of employment and must hand over the original certificate to the taxpayer.

The state employment agency issues the **official certificate** for the participation in the Career Bridge Program based on a request form submitted by the natural person until 31 August 2017.

Persons engaged in public service, government service, public servant service, Hungarian Defense Forces, law enforcement agencies, The Parliamentary Guard, civilian national security services, National Tax and Customs Office, having contractual relationship with Hungarian Defense Forces, being judicial staff or employed at budgetary authority immediately before their relief (termination) **may take part in the Career Bridge Program.**

Taxpayer determines the amount of the tax benefit on a monthly basis which will be the sum of part benefits calculated separately after each employment relationship generating tax liability. Tax benefit will be equal to **the 13.5 percent of the employee's gross salary but not more than 13.5 percent of twice the minimum wage.**

Tax benefit on research and development activity

Taxpayer who **has tax deduction with regard to its direct expenses** of research and development activities conducted within its own business activity in line with Act on Corporate Income Tax **may have tax benefit on social contribution tax paid after employment relationship.**

Taxpayer may have tax benefit only if all the following requirements are met:

- **the 40 percent of the total revenue** of the taxpayer under the Act on Corporate Tax **has been earned from research and development activity** in the tax year when the loss before taxation incurred (the beneficiary tax year);
- the taxpayer engaged students with higher education legal relationship **as trainees** – small and medium sized enterprises at least one person, large companies at least five people - for at least three consecutive months in the beneficiary tax year;
- **the average statistical headcount of researchers and developers employed** by the taxpayer **decreased with a maximum 10 percent** in the tax year compared to the preceding tax year.

The Hungarian Tax Authority examines whether these requirements of having tax benefit are

properly met at least once until the end of the third calendar year following the year when taxpayer received tax benefit.

Tax benefit that can be received from social contribution tax is equal to the **amount calculated with 19 percent tax of the 50 percent of negative tax base** created by the tax deduction applied under the Act on Corporate Tax. The tax benefit can be applied once in a month and only in respect of natural persons who are employed and whose employment costs are booked as direct costs of research and development activities.

The tax benefit can be applied from June 2016 (therefore, in tax returns submitted in July for the first time) and it will be available for 12 months from the first month when the benefit was received.

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.

Gábor Kis



FINACONT Szolgáltató és Tanácsadó Kft.
H - 1062 Budapest, Aradi utca 16, II. em. 2.
T. +36 1 345 0092
F. +36 1 345 0093
M. +36 20 945 5040
E-mail: gabor.kis@finacont.com
Web: www.finacont.com

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