



FINACONT TAX NEWSLETTER

Personal income tax relief for mothers with four or more children



Kis Gábor

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Pursuant to Act CXVII of 1995 on Personal Income Tax (PIT Act), an individual claiming the **relief of mothers of four or more children** may, **before using applying other allowance, reduce her consolidated tax base** by the benefit of mothers of four or more children.

The **amount of the relief** may be the amount of the following elements of the consolidated tax base acquired by the beneficiary during the eligibility period (or the income received from employment during the eligibility period):

- a) the amount of income **deemed as salary** in the PIT Act;
- b) the amount of her income from non-independent activities, not including the amount of severance pay received in respect of termination of employment, other than that specified in (a);
- c) **of the income from self-employment:**
 - entrepreneur income if she applies entrepreneur income taxation, or her flat-rate income if she applies flat-rate taxation;
 - income from primary farmer activity;
 - income of a Member of the European Parliament;
 - income of municipal representatives;
 - income from selected auditor activity;



- income from other non-self-employed activities of the private person such as service fees.

A mother who has four or more children is a **woman who**, as a blood or adoptive parent, is

- a) entitled to a family allowance or
- b) is no longer entitled to family allowance but has been eligible for at least 12 years,

and the number of children reaches four, with the child under point (b) is considered same as the child after whom entitlement to the family allowance ceased due to the death of the child.

Entitlement to the relief shall commence on the first day of **the month in which the individual is deemed a mother of four or more children** and shall cease on the last day of the month in which she is no longer regarded as such.

To qualify for the tax relief of mothers with four or more children, the mother must **add a statement to her tax return**, which must include the names of the eligible children, tax identification number (if the tax authority has

not identified the tax identification number, personal ID) and, if the entitlement to the relief did not exist in the full tax year, the date the entitlement was opened or expired and the portion of the annual income that is no longer eligible for the relief.

The relief **grants** the mother a **lifetime tax exemption**, as the conditions are not linked to the current entitlement to family allowances, but are also present if the mother **was entitled** to the family allowance after the four children **for at least 12 years** per child.

As the mother cannot use any additional tax base benefits, the **father can benefit from the other known family allowances**. The law does not prohibit the use of the two benefits, so the mother can use the four-child relief regardless of the amount of her income, while the father can also benefit from the family allowance after the number of children.

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