



## FINACONT TAX NEWSLETTER

### Rules of personal allowances



Gábor Kis

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Tax allowance of severely disabled persons have existed in the system of personal income tax for decades. The point is that the person may reduce the calculated tax on his consolidated tax base with the amount of personal allowance. For this allowance the person should hold a statement.

Under the Act CXVII of 1995 on Personal Income Tax (PIT Act) in respect of severely handicapped private individuals, on the basis of **a statement, resolution** verifying such condition, **an amount equal to 5 per cent of the prevailing monthly minimum wage** in effect on the first day of the tax year (personal allowance) may be deducted each month from the tax on the consolidated tax base, as of the first day of and for the duration of the disability. In 2018 **the monthly amount of tax allowance is HUF 6,900.**

For the purposes of itemized deductions from the tax on the consolidated tax base **severely disabled person** shall mean a person suffering from a **disease contained in the Government decree on diseases** recognized as severe disabilities, or who receives **disability benefits** or **disability allowance.**

Rules on **rating** a disability and issuing a **statement** are specified in Decree 49/2009 (XII.29.) of Ministry of Health. It says that a statement entitling to receive tax allowance should be issued by the relevant outpatient clinic or the specialist of a hospital department or – if the disability status is final – by the chosen GP of the patient **The statement** entitling for using tax allowance **should include** following data:

- Personal data, address and tax number of severely disabled person
- The issuing date of the specialist's documents confirming the fact that the statement should be issued
- Verifying the final or temporary status of severe disability
- The effective date of temporary statement
- The issuing date of statement
- Signature of specialist/GP issuing the statement

**The medical statement should not be attached to the tax return,** but the private individual is required to keep and store it until the end of limitation period as the person can confirm his eligibility

for the allowance with this document if a tax inspection requires it.

The tax allowance can be also used if someone has a **resolution on the disability allowance**. The district office of the capital and county government office **issues an official card together with resolution** for assessing the tax allowance.

If the eligibility for the allowance is determined later, from the starting date specified on the statement **within 5 years of limitation period** tax allowance may be reclaimed retrospectively **with filing self-revisions of yearly tax return(s)**.

The individual may deduct tax allowance during the year **when tax advance is assessed**.

For this purpose, on the basis of the declaration of individual the employer (payer) **may reduce deductible tax advance with a month amount of HUF 6,900**.

It is also possible for the individual to correct **his tax return draft of the tax year** for having the allowance or **to include the personal allowance in his tax return prepared without the cooperation of the tax authority**.

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](mailto:gabor.kis@finacont.com)  
Web: [www.finacont.com](http://www.finacont.com)