



## FINACONT TAX NEWSLETTER

### Schooling allowance 2017



Gábor Kis

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Pursuant to point e) of Subsection (1) of Section 71 of the Personal Income Tax Act being in force until December 31 2016, an amount of not more than 30 per cent of the minimum wage granted by the employer to the employee as a schooling allowance per child or per student was considered to be a fringe benefit. **Under the amendment to the Personal Income Tax Act being in force from 1 January 2017, reduced taxes on schooling allowance has been ceased** so that schooling allowance may be granted in the year 2017 as an ‘other specified benefit’. It is also important to note that from 2017 there is no upper limit for schooling allowance as ‘other specified benefit’.

Schooling allowance is an allowance which is provided by the employer in electronic or paper-formed voucher after every child/student who is educated in public education or any other adequate education in any other EEA state **from the 60<sup>th</sup> day before the first day of the academic year until the last day of the issuing year** and can be spent on textbook, school accessories and clothing.

Another requirement of having allowance is that the recipient individual should be an employee of the allowance provider who is the parent or guardian of the child or student entitled for family allowances or similar benefits under the Family Aid Act or any similar law of any EEA state (not including the child protection officer) or a spouse of aforementioned parent or guardian living in a common household, and **the individual prepares a declaration to the employer on meeting the requirements of eligibility.**



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SIMPLIFYING ADMINISTRATION

Under the Family Support Act, a partner – among others - who is living with the parent of the child, student is entitled to family allowance if he / she lives together with the child or student concerned with the allowance and his/her relationship with the parent is recorded in Cohabitation Declaration Records for at least one year or can certify his/her relationship with the parent with a valid certification issued at least one year before the application for the allowance. A partner who

is not considered to be a blood parent can be also entitled to schooling allowance if he/she is regarded as a parent entitled to receive family allowance under Family Support Act and meets all the requirements specified in the Act on personal Income Tax.

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**



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There can be diverse practices, methods and taxation manners as a result of various interpretations with regard to the tax regulations and the connected law sources. The above listed changes are only for information, can be used only at one's own tax risk in specified cases. In certain cases a further proposal of tax authorities or other polities can reduce the tax risks.