

CLIENT ALERT

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Hungary's New Wealth Tax Bill

The Hungarian government has recently tabled a bill introducing an annual tax on net wealth.

To whom does it apply and which assets are to be taken into account?

The tax applies to individuals and “wealth-management entities” (i.e., trusts, private foundations and similar structures established under foreign law) irrespective of their tax residency status. However, the assets to be taken into account when calculating the tax base vary depending on the type of taxpayer concerned.

Hungarian tax resident individuals and “wealth-management entities” are taxed on their worldwide wealth, while non-Hungarian tax resident individuals and “wealth-management entities” are taxed on their:

- (i) real estate located in Hungary,
- (ii) rights of financial value over real estate located in Hungary,
- (iii) shareholdings in Hungarian companies, and
- (iv) shareholdings in foreign companies whose real estate assets in Hungary account for more than 75% of the book value their total assets.

The bill also sets out rules as to the valuation of the different assets.

Tax base, rates and deductions

Up to the value of HUF 1 billion, no tax is imposed. The portion of net wealth exceeding HUF 1 billion but not exceeding HUF 100 billion is taxed at 1%. A 1.5% tax rate applies to the portion above HUF 100 billion.

Ordinary household and residential movable property is excluded from the tax base, as are vehicles not exceeding a value of HUF 10 million. Debts that genuinely exist, are duly evidenced and stem from loan agreements are deductible from the tax base.

Each spouse individually benefits from the one-billion threshold. In general, a minor child's wealth is attributed to the parent exercising parental authority and split equally in case of joint custody. The taxpayer may further deduct from the tax due 50% of the invoiced and paid fees of expert, valuation or business valuation services made mandatory by the law, capped at 2 million forints per year.

Timeline

The assets held by the taxpayer on 31 December of a given year shall be taken into account. Taxpayers have to assess, declare and pay the tax themselves by 31 August of the following year. On request, in cases of demonstrated cash-flow difficulty, payment in instalments or deferral may be granted by the tax authority for 12 months or exceptionally for 24 months.

The law enters into force on 15 December 2026. The first tax base will be assessed as of 31 December 2026, with declaration and payment due by 31 August 2027.

Anti-avoidance rules

The bill underlines the general principle according to which rights must be exercised in accordance with their intended purpose. Furthermore, any valuation, legal transaction or other conduct which is intended to circumvent the Act's rules on valuation or the determination of the tax base, is contrary to the purpose of the Act. The tax authority shall examine the proper exercise of rights for the period commencing from the time the introduction of the property tax became public knowledge. The exact date is not set out in the bill but the explanatory notes state that it is 14 May 2026, when the government decision on the start of the preparation of the wealth tax was published in the Official Journal. Consequently, asset transfers affecting one's tax base and made on or after 14 May 2026 may be scrutinised.

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