

**DUTY ON QUID PRO QUO TRANSFER OF PROPERTY
2016**

I. General Rules

1. Subject Matter, Territorial Scope of and Persons Covered by the Obligation to Pay Duty on Quid Pro Quo Transfer of Property.....	3
2. Chargeability of Duties	5
3. Base of the Duty on Quid Pro Quo Transfer of Property Rights	6
3.1. <i>Base of the duty on quid pro quo transfer of the rights of beneficial ownership and use</i>	
3.2. <i>Establishment of the Value of Property Rights</i>	
4. Definitions used in the Duties Act in relation to the Transfer of Property for Consideration.....	7

II. Detailed Rules

1. Base and General Rate of the Duty on Quid Pro Quo Transfer of Property	10
2. Duty on the Transfer of Residential Property and Associated Rights for Consideration	11
2.1. <i>Exchange of Residential Property</i>	
2.2. <i>Rules of Purchase to Offset an Exchange</i>	
2.3. <i>Acquisition of a Property Right Associated with a Residential Property</i>	
2.4. <i>Transfer of a Residential Property in Exchange for the Tenement Right in a Unit Owned by the Local Government</i>	
3. Acquisition of a Capital Share in a Company with Holdings in Real Properties Located in Hungary.....	13
4. Duty on the Transfer for Consideration of a Motor Vehicle and a Trailer.....	14
5. Duty on Quid Pro Quo Transfer of Real Property for Commercial Purposes.....	14
6. Duty on Quid Pro Quo Transfer of Real Property to a Credit Institution.....	15
7. Duty Payable in the Case of Termination of Joint Ownership of a Real Property.....	16
8. Duty Exemptions and Duty Allowances.....	16
8.1. <i>Duty exemption of transactions resulting in a negative duty base for purchase to offset an exchange and for an exchange</i>	
8.2. <i>Exemption from the Duty on Quid Pro Quo Transfer of Property between Next of Kin Relatives</i>	
8.3. <i>Exemption from the Duty on Quid Pro Quo Transfer of Property between Marital Partners</i>	
8.4. <i>Exemption from the Duty on the Termination of Marital Community Property</i>	
8.5. <i>Acquisition of a Landed Property Suitable for Construction of a Residential Building if Construction Takes Place within 4 Years</i>	
8.6. <i>Acquisition of the ownership title to a new residential suite built by an Entrepreneur</i>	

- 8.7. *Duty Allowance on the Acquisition of the First Residential Property*
- 8.8. *Exemptions Pertaining to the Acquisition of Arable Land*
- 8.9. *Acquisition of the management right of residential property*
- 8.10. *Acquisition of the management rights, the right of operation or custody rights of water facilities and its components*
- 8.11. *Acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State*
- 8.12. *Acquisition of the right to manage state property*
- 8.13. *Acquisition within the framework of preferential transformation and swap of participations pursuant to the Act on Corporate Tax and Dividend Tax*
- 8.14. *Transformation of a sole proprietorship into a single-member private limited-liability company*
- 8.15. *Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage*
- 8.16. *Acquisition of a real property from the sales proceeds of a real property acquired through expropriation*
- 8.17. *Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State*
- 8.18. *Purchase of residential property in place of one that was destroyed or damaged in a natural disaster*
- 8.19. *Legal succession among law offices*
- 8.20. *8.20. Historical monuments*
- 8.21. *Preferential transfer of assets*
- 8.22. *Transfer of real property or shares between affiliated companies*
- 8.23. *Purchase of residential property by a private individual by means of exercising the repurchase option afforded under the Act on the Housing of Natural Persons*
- 8.24. *Exemptions for Sports Sponsorship*
- 8.25. *Acquisition of the right to pursue a private medical practice*
- 8.26. *Temporary exemption of lease back instruments*

III. Procedural Rules

1. Notification of the Accession of Wealth for Consideration	28
1.1. <i>Notification of acquisitions requiring real estate registration proceedings</i>	
1.2. <i>Notification of acquisitions not requiring real estate registration proceedings</i>	
1.3. <i>Statutory limitation period of imposing duty</i>	
2. Notification and Establishment of the Value Constituting the Duty Base	29
3. Payment of the Duty.....	30
3.1. <i>Payment order</i>	
3.2. <i>Default Interest</i>	
3.3. <i>Default penalty, Tax penalty</i>	
3.4. <i>Cancellation and Refund of Duty</i>	

I. General Rules

1. Subject Matter, Territorial Scope of and Persons Covered by the Obligation to Pay Duty on Quid Pro Quo Transfer of Property¹

Pursuant to Act XCIII of 1990 on duties (hereinafter Duties Act) the acquisition of real properties, immovable tangible property and property rights for consideration, and in any other manner, not subject to duty on inheritance or gifts, falls within the scope of duty on quid pro quo transfer of property. The same rule needs to be applied to financial lease agreements for real properties, motor vehicles (trailers) where the ownership right is transferred at the end of the tenor, as well as to any accession of wealth based on a contract of inheritance, provided that the chargeable event with regard to the contract of inheritance arises on the date of the testator's death

The obligation to pay duty applies to the following rights and movable tangible property:

- a) acquisition of a right associated with a real property and any accession of wealth following the termination of such right;
- b) transfer of the exercise of the beneficial ownership of the real property;
- c) acquisition of a movable tangible property in an auction, organised by an authority;
- d) acquisition of the ownership right of a motor vehicle or a trailer and rights associated with them;
- e) acquisition of the ownership right to a structure, other than a real property, situated on a public area, and the rights associated with it;
- f) acquisition of the right to pursue a private medical practice;
- g) acquisition of securities through a contract of inheritance;
- h) acquisition of a capital share (stocks, business shares, cooperative shares, investor share certificates, converted investor shares) in a company with holdings in real estate properties located in Hungary.

No duty on quid pro quo transfer of property is payable on the accession of wealth by the owner of a real property if that accession of wealth occurs as a result of termination of the right of beneficial ownership charged to the real property or, in the case of widower's rights - through a new marriage or when a condition of the right of beneficial ownership, or use for a definite period occurs, or is terminated after the expiry of the definite period.

The provisions governing duty on quid pro quo transfer of property shall apply to moveable property, intangible assets, real property situated in Hungary, as well as and any share in the capital of a company with holdings in real properties located in Hungary unless otherwise provided for by an international agreement. Regarding the acquisition of ownership rights or intangible assets of motor vehicles and trailers, the provisions governing duty on quid pro quo transfer of property shall apply if the vehicle or trailer had been or is registered in Hungary unless otherwise provided for by an international agreement.

These provisions shall apply to the acquisition of a movable tangible property and rights pertaining thereto if the transfer of the movable tangible property and the acquisition of the right took place in Hungary.

¹ Article 2 (2)-(3), Articles 4-5., Article 6. (1), Article 18 (1)-(3) and Article 27 of the Duties Act.

The provisions of the Duties Act shall apply the acquisition of and any share in the capital of a company with holdings in real properties located in Hungary irrespective of the place of the transfer.

The duty on the acquisition of property shall be paid by the acquiring party.

Even if any acquisition of a property falls within the scope of duty on quid pro quo transfer of property, it does not necessarily mean that duty is also payable on it. Duty exemptions must also be taken into account.

There are two types of duty exemptions:

- *subject-oriented duty exemption*: when exemption applies to the subject matter of a duty, no duty shall be paid.
- *personal duty exemption*: in respect of the exemption of a person otherwise liable to pay duty, no duty may be charged to the exempted party.

The following shall be granted full exemption from duties:

1. the Hungarian State,
2. municipal governments and their associations,
3. publicly financed bodies, Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian National Asset Management Zrt.), and Tartalékgazdálkodási Kht. (Reserve Management Kht.), or the non-profit business association functioning as such; 4. associations, public bodies,
5. religious organizations,
6. foundations, also including public foundations,
7. water management companies,
8. the health insurance administration agency and the pension insurance agency empowered to manage the National Pension Insurance Fund,
9. Magyar Nemzeti Bank (National Bank of Hungary);
10. Magyar Rádió Nonprofit Zrt., Magyar Televízió Nonprofit Zrt., Duna Televízió Nonprofit Zrt., Magyar Távirati Iroda Nonprofit Zrt., and the Médiaszolgáltatás-támogató és Vagyonkezelő Alap (Media Service Support and Asset Management Fund);
11. the North Atlantic Treaty Organization, the armed forces of the Parties to the North Atlantic Treaty and other nations participating in the Partnership for Peace, which are stationed in Hungary, and the military command posts set up within the framework of the North Atlantic Treaty Organization, including their staff and military and civilian personnel with citizenship other than Hungarian who are employed by such armed forces and command posts, in respect of duties which are related to the service obligations of such personnel;
12. the development councils governed under Act XXI of 1996 on Regional Development and Land Use Planning;
13. non-profit business associations registered as public-benefit and priority public-benefit organizations, public-benefit social cooperatives,
14. the European Communities, their institutions and bodies, agencies and separate funds,
15. the Nemzeti Eszközkezelő Zrt. (National Asset Management Company).
16. the institutional council in accordance with the Act on national public education.
17. the National Deposit Insurance Fund

18. the Resolution Fund defined in Act XXXVII of 2014 on the Further Development of the System of Institutions Reinforcing the Security of Particular Players of Financial Relay Systems² and the resolution trustee created by the Hungarian State or the Resolution Fund in the exclusive ownership of the founder, founders³

The organizations referred to in points 3-7 and 13 shall be entitled to duty exemption only if they have no corporate tax payment liability incurred for revenues from business operations pursued in the tax year preceding the time of accession of wealth or, in respect of publicly financed bodies, have incurred no payment obligation towards the central budget for their profits.

Upon the acquisition of a motor vehicle or trailer, organizations (foundations) shall provide a statement concerning the fulfilment of the conditions for duty exemption at the time of the acquisition and when they initiate public administrative or court proceedings.

If the statement was filed within one hundred and fifty days following the last day of the fiscal year, the organisation (foundation) shall declare in that statement that they do not anticipate to incur any tax liability. If the commitments contained in the statement are not realized, the organisation (foundation) shall have until the one hundred and eightieth day following the last day of the fiscal year to notify the competent authority thereof and pay the duty subsequently without any tax penalty. In the case of other accession of wealth (e.g., purchase of a real property), the state tax authority checks the fulfilment of the condition in an ex officio procedure.

The duty exemption of international organizations, their officers and their family, foreign states, the diplomatic missions, consular posts and other representations of foreign states in Hungary, their members and their family shall be governed by international agreements, or in the absence thereof by reciprocity. The duty exemption based on reciprocity is only applicable in duty cases related to service obligations in case of natural persons.

2. Chargeability of Duties⁴

The obligation to pay duty on quid pro quo transfer of property arises

- a) on the day of conclusion of the underlying contract (including also financial lease agreements for real properties, motor vehicles/trailers with the transfer of the ownership right at the end of the tenor),
- b) on the day of the auction, in the case of purchase by auction
- c) on the day on which the decision becomes definitive in connection with the acquisition of real property, movable property and rights by virtue of a court or regulatory decision;
- d) upon acquisition of the property, in the cases other than what is contained in subparagraphs a)-c).

In connection with transactions related to the acquisition of property subject to the approval of an authority (permit, consent, acknowledgement), the duty shall become chargeable on the

² Established by Section 153 of the Act XXXVII of 2014 on the Further Development of the System of Institutions Reinforcing the Security of Particular Players of Financial Relay Systems. Effective as of 16 September 2014.

³ Point r) of Paragraph (1) of Section 5 of the Duties Act was amended by Section 42 of Act CLXXXVII of 2015 on the amendment of Act XCII of 2003 on the Rules of Taxation and certain tax laws. Effective as of 1 January 2015.

⁴ Article 3 (3)-(7) of the Duties Act

day when such approval is granted or, if more than one such approval is required, on the day when the last approval is granted. This is applicable also when the consent of a third person is required for the effectiveness of a contract.

In respect of a contract that is contingent upon a suspension or dissolution condition, or upon a specific day of initiation, the property acquisition duty shall become chargeable on the day when the contract becomes operative.

3. Definitions used in the Duties Act in relation to the Transfer of Property for Consideration⁵

For the purposes of the Duties Act

real property: shall mean any parcel of land and all other constituent parts of the land

movable tangible property shall mean payment instruments, securities, capital contribution held in an economic operator, and all things other than real property;

property right: shall mean dominant tenement, right of beneficial ownership or right of use - including the divided rights of use of a holiday resort and accommodation, - as well as asset management, right to pursue a private medical practice, right of operation, and claims in connection with gratuitous rights;

market value: shall mean the value expressed in monetary terms which can generally be achieved by the sale of an asset as the price thereof, with regard to its condition at the date when the duty becomes chargeable, without taking into consideration any liabilities in connection with the asset and, in respect of real estate properties, without a lease right being terminated at the time of sale on behalf of the party acquiring the property.

In the case of a company with holdings in real properties located in Hungary, the market value of the company's real estate properties shall comprise the market value of the real estate properties the company owns, plus the market value of real estate properties of economic operators in which the company has a 75 per cent interest, directly or indirectly, in the same proportion the company's direct or indirect share in the economic operator's total capital represents;

residential property: shall mean a real property built as a residential suite and registered, or in the progress of being registered in the real estate register as a detached house or a residential suite, together with the parcel of land on which it stands. A building structure under construction shown as a detached house in the building permit if the walls and the roof structure are completed shall also qualify as a residential suite. If there is a residential building on a piece of land registered in the real estate register as a homestead, such building shall be regarded as residential property together with the developed parcel on which it stands. Any structure built on the land of a residential building, which is not essential for the residential suite shall not qualify as residential property even if adjoining the residential building (garage, workshop, shop, farm building, etc.), furthermore, any buildings entered in the real estate register as detached houses (residential suites), which have been employed for other purposes for at least five years prior to the time when the duty became chargeable;

⁵ Article 102 (1) and (3) of the Duties Act

motor vehicle shall mean any means of road transport and tractors - other than agricultural tractors, self-propelled or towed heavy construction machinery, slow vehicles or mopeds - which are powered by built-in engines, and the registration of which is prescribed by law;

trailer: shall mean vehicles designed to be towed by a motor vehicle, freight and canopied trailers, semi-trailers and caravans, which are required by law to be registered by the authorities in order for such to participate in traffic;

sports-specific property shall mean any property or section of a property shown in the real estate register as a sports ground, sports field, swimming pool, stadium, sports arena, ice rink, ice arena, gymnasium, exercise room, playing ground, water sports facility - or if registration proceedings are pending as verified on the title deed, provided that the said real estate registration proceedings are in fact concluded with registration -, except for any property section installed on the landed property, that is not immediately required for the sports activities in question or for the maintenance of facilities serving such purpose (hotel, office building, shopping centre and the related parking spaces installed according to building standard, etc.), also if built adjoining the sports-specific property, or if not listed in the real estate register as an independent property;

landed property suitable for the construction of a residential building shall mean an undeveloped plot of land that is zoned for residential building in accordance with building regulations and the general zoning plan, on which a structure has been erected for residential purposes although its walls and roof have not yet been completed as defined in the Duties Act in relation to a residential property;

arable land means a parcel of land which is situated outside the limits of a settlement (unincorporated) and is registered in the real estate register as cropland, vineyard, orchard, garden, permanent pasture and meadow (grassland), reed bank or forest or woodland or as a fish pond, which is registered in the National Forest Database of the Real Estate Register with a forest status⁶ and used for either of the purposes listed, excluding any building erected on the land for any reason;

net sales revenue: shall mean the net sales revenue, defined in act C of 1990 on Accounting;

company with holdings in real estate properties located in Hungary shall mean an economic operator (acquired economic operator), where within the total value according to the balance sheet of the assets recorded on the balance sheet (other than cash, receivables and accrued income and deferred charges) the balance sheet value of real properties located in Hungary is more than 75 per cent, or which has at least 75 per cent direct or indirect participation in an economic operator (an economic operator with holdings in real estate properties) within the total according to the balance sheet of the assets recorded in the balance sheet (other than cash, receivables and accrued income and deferred charges the balance sheet value of the real property(ies) located in Hungary is more than 75 per cent, whereby

a) the balance sheet refers to the balance sheet approved in the last report available prior to the accession of wealth or, if no such balance sheet is available, then the opening balance sheet.

b) The ratio of an indirect interest in an economic operator with real estate holdings shall be determined by multiplying the ownership share in an economic operator that is owned by the acquired economic operator (intermediary company) by the ownership share held by such intermediary company in the economic operator with real estate holdings.

⁶Modified by Article 133 point 19. of the Amending Act Effective from 1 January 2014.

c) If there are more than one intermediary companies involved, the ratio of indirect interest determined for each shall be added up.

d) If, rather than an intermediary company, there is a chain of ownership comprising several economic operators between the acquired economic operator and the economic operator with real estate holdings (intermediary chain of ownership), the multiple of ownership shares existing between these bodies - or if there is more than one chain involved, the total of multiples determined for each chain - shall be recognized as the ratio of indirect ownership.

e) For the purpose of determining the ratio of interest, direct and indirect shares shall apply collectively;

residential building' shall mean a building that contains primarily or exclusively residential units.

With regard to the articles of property mentioned above the status prevailing at the time of the chargeable event (point 2 in the booklet) shall prevail.

II. Detailed Rules

1. Base and General Rate of the Duty on Quid Pro Quo Transfer of Property⁷

The basis of the duty is the market value of the property acquired. In connection with the transfer of title to real properties by way of exchange (with the exception of residential property and the rights related thereto), the duty base shall be the market value of the real property acquired thereby.

The duty base for the transfer of the right for the pursuit of a private medical practice shall be the value of the practice right, without any deduction of encumbrances, and the rate of the payable duty is 4% of the duty base.

In the case of the acquisition of property based on a contract for support, life annuity or inheritance, the basis of the duty shall be the market value of the property acquired.

The average rate of the duty on quid pro quo transfer of property is applicable to the acquisition of other real properties, not classified as a residential suite (e.g., garage, shed, holiday resort, etc.) and a movable tangible property subject to duty on quid pro quo transfer of property.

Unless otherwise provided for in the Act, the general rate of duty on the quid pro quo transfer of property shall be 4 per cent, for the acquisition of real property or the capital contribution in a company with holdings in real estate properties located in Hungary, it shall be 4 per cent of the market value of each real property acquired up to 1 billion forints, without any deduction of encumbrances, plus 2 per cent of the portion of the market value above 1 billion forints, not to exceed 200 million forints per property.

In respect of the acquisition of partial ownership in a real property the 4 per cent rate shall be applied for the fraction of the 1 billion forints in proportion of the ownership percentage acquired, or up to 200 million forints per property shall be applied in proportion of the ownership percentage. In connection with the acquisition of any right related to a real property, the 4 per cent duty rate shall apply to that fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion which the right represents in the market value of the real property in question.

In relation to the acquisition of any real property in connection with which any right has been registered - including the rights registered at the time the title is transferred - the 4 per cent duty rate shall apply to the same fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion as the value of ownership represents in the property's market value with the value of the right deducted.

2. Duty on the Transfer of Residential Property and Associated Rights for Consideration⁸

In relation to the acquisition of a residential property, the basis of the duty is the market value of the property acquired, not reduced by the encumbrances.

⁷ Article 19 of the Duties Act

⁸ Article 19 (1) of the Duties Act

In respect of the acquisition of ownership in a residential property, the 4 per cent rate shall be applied up to 1 billion forints and 2% for any fraction above that, or up to 200 million forints per property. In relation to the acquisition of any residential property in connection with which any right has been registered - including the rights registered at the time the title is transferred - the 4 per cent duty rate shall apply to the same fraction of the 1 billion forint limit, or the 200 million forint limit shall be applied to that proportion as the value of acquired ownership represents in the property's market value.

If the buyer of a residential property has been granted a home building allowance at the time of purchase, the amount of such allowance shall be deducted from the property's market value.

*2.1. Exchange of Residential Property*⁹

For the purposes of this Subsection, any form of tenancy or beneficial interest on the property shall not be treated as an encumbrance. The right of beneficial ownership and use related to a residential property may be deducted from the market value.

If the private individual transfers more than one residential property by way of exchange, when establishing the value differential on which the duty is based, only the exchange produces a more favourable duty base for the person who is subject to payment obligation and that takes place immediately before or after the acquisition may be applied in terms of each and every exchange of residential property. If the private individual is unable to verify the exchange of other residential property(ies), in compliance with the aforementioned conditions, the duty obligation on such exchanges of residential properties shall be levied according to the general regulations.

When residential properties are exchanged between private individuals and when the residential property exchanged is encumbered with beneficial interest or right of use, and upon the acquisition of ownership the owner establishes a right identical to the previous one for the same beneficiary, the party acquiring said right shall pay a duty on transfer of property for consideration for the value of the right calculated on the basis of the difference of the market values, while the owner shall pay the duty for the value difference reduced by the calculated value of this right.

The purchaser shall be required to certify the exchange of his other residential property mentioned therein by producing a copy of the exchange contract suitable for the transfer of title in the real estate register, or in another appropriate way, and shall simultaneously declare that the conditions set out in Article 21 (2) Duties Act of the have been satisfied.

*2.2. Rules of Purchase to Offset an Exchange*¹⁰

In the case of the purchase of a residential property, when the private individual buyer has sold his other residential property within a period of one year preceding or following the time of purchase, the duty base shall comprise the difference between the market values of the properties purchased and sold, without any deduction of encumbrances.

In such a sale and purchase transaction the buyer shall be required to certify the sale of his other residential property mentioned therein by producing a copy of the sale contract suitable for the transfer of title in the real estate register, or in another appropriate way, and shall

⁹ Article 21 (2)-(5)

¹⁰ Article 21 (2)-(6) of the Duties Act

simultaneously declare that the conditions set out in Article 21 (2) Duties Act of the have been satisfied. If the private individual purchases or sells more than one residential property within one year, when establishing the value differential on which the duty is based, only the sale that produces a more favourable duty base for the person who is subject to payment obligation and that takes place immediately before or after the acquisition may be applied in terms of each and every sale of residential property. If the private individual is unable to verify the sale of other residential property(ies), in compliance with the aforementioned conditions, to offset his additional transfers by way of purchases of residential properties, the duty obligation on such exchanges or acquisitions of residential properties shall be levied according to the general regulations (for the purposes of this rule, the right of beneficial ownership or use, associated with the residential property, does not constitute an encumbrance).

If a private individual makes a statement until the report of the purchase of residential property for the imposition of duties at the latest that

- within a year they would sell another residential property they own and
- and they request that the state tax authority establish the duty due on the basis of the difference between the market value of the purchased and sold residential property

the state tax authority determines the market value of the purchased residential property and suspends the duty imposition procedure without announcing this decision. If the private individual – by means of presenting the purchase and sales contract – or otherwise certifies that he has sold another residential property of theirs within a year of the purchase of their homes, the tax authority continues the suspended procedure without adopting a separate decision and determines the amount of duty on the basis of the difference between the values of the purchased and sold homes.

If the private individual – by means of presenting the purchase and sales contract – or otherwise does not certify that he has sold another residential property of theirs within a year of the purchase of their homes, the tax authority imposes the duty on the basis of the market value of the purchased home; and simultaneously, imposes additional duty with the calculation of the double of the primary rate of the Central Bank of Hungary from the day of submitting the statement. The additional duty is calculated in the same method as the default penalty given in the Act on the Rules of Taxation¹¹.

When residential properties are purchased to offset an exchange and when the residential property sold is encumbered with beneficial interest or right of use, and upon the acquisition of ownership the owner establishes a right identical to the previous one for the same beneficiary, the party acquiring said right shall pay a duty on transfer of property for consideration for the value of the right calculated on the basis of the difference of the market values, while the owner shall pay the duty for the value difference reduced by the calculated value of this right.

2.3. Acquisition of a Property Right Associated with a Residential Property

Duty is payable for the acquisition of a right associated with a residential property based on its market value, calculated pursuant to point II/3.2. at the rate specified in point II/1. In connection with the acquisition of any right related to a residential property, the 1 billion

¹¹ Sections 165-167 of Act XCII of 2003 on the Rules of Taxation

forint limit, and the 200 million forint limit shall be applied in proportion to the total market value of the real property in question.

*2.4. Transfer of a Residential Property in Exchange for the Tenement Right in a Unit Owned by the Local Government*¹²

In respect of the transfer of a residential property in exchange for the tenement right of a rental unit owned by the State or a municipal government, the duty base on quid pro quo transfer of the property shall be 50 per cent of the market value of the residential property.

3. Base of the Duty on Quid Pro Quo Transfer of Property Rights

*3.1. Base of the duty on quid pro quo transfer of the rights of beneficial ownership and use*¹³

Where beneficial interest or the right of use is granted simultaneously with the quid pro quo transfer of property, the buyer shall be liable to pay duty on quid pro quo transfer of property on the market value calculated in accordance with point II/3.2., reduced by the value of beneficial interest or right of use, while the beneficiary or the user shall pay a duty on the acquisition of property corresponding to the calculated value of beneficial interest or right of use pursuant to point II/3.2.

No duty on transfer of property for consideration shall be charged on the retention of beneficial interest or the acquisition of right of use, if a real property is sold as encumbered with some beneficial interest or right of use already existing, and registered in the real estate register, prior to transfer, or if sold with the transferor retaining beneficial interest or the right of use. In this case, the buyer shall pay a duty on transfer of property for consideration according to the market value, reduced as described in point II/3.2. This provision shall also apply when ownership title to the real property is acquired by the holder of beneficial interest or the right of use.

The duty on the basis of the duty base calculated this way shall be paid at general rate pertaining to duty on quid pro quo transfer of property.

*3.2. Establishment of the Value of Property Rights*¹⁴

One-twentieth of the market value of assets, without any deduction of encumbrances, shall be construed the annual value of rights of the assets encumbered with such rights.

The value of rights defined for a specific period of time shall be established by multiplying the annual value by the number of years specified. However, the value of such rights calculated this way may not be more than twenty-times of the annual value, (or the annual value, multiplied in accordance with the age defined in sub-paragraph a) with regard to any beneficial interest or right of use of a natural person.

In respect of rights for an indefinite period, the value of such rights, with the exception set out in the subsequent paragraph, shall be five times the annual value.

If any right applies for the lifetime or the time of marriage or widowhood of a person, the value thereof shall be established in terms of the age of the person in question as per the following:

¹² Article 22 of the Duties Act

¹³ Article 20 of the Duties Act

¹⁴ Article 72 (1)-(6) of the Duties Act

- a) if the holder of the right:
 is below 25 years of age: 10 times of the annual value,
 is between 25 and 50 years of age: 8 times of the annual value,
 is between 51 and 65 years of age: 6 times of the annual value,
 is over than 65 years of age: 4 times of the annual value;
- b) if the term of a right is conditional upon the lifetime, period of marriage or widowhood of both the beneficiary and the obligee, the age of the older of the two persons shall be applied in respect of the multiplication rates defined in sub-paragraph a);
- c) if the term of a right is conditional upon the lifetime of more than one persons having simultaneous entitlement, where such entitlement terminates upon the death of the person who dies first, the age of the oldest person shall apply for calculation;
 however, if entitlement remains in effect until the death of the last person, the age of the youngest person shall apply for calculation. The resulting value, serving as the duty base, shall be divided among the beneficiaries in the percentage the value of the right of any one beneficiary - as calculated by their age - represents in the whole;
- d) if the term of a right covers the period of marriage, the age of the older spouse shall be applied for calculation.

Value of the temporary use of a holiday resort and accommodation shall be calculated by dividing the annual value of such right by three hundred and sixty-five for each day stipulated in the contract.

By way of derogation from the provisions of the above paragraph, the value of the right to pursue a private medical practice shall be construed as the value indicated in the relevant contract of sale. If this value does not reflect the true value of the commodity, the state tax authority shall estimate the value.

4. Acquisition of a Capital Share in a Company with Holdings in Real Properties Located in Hungary¹⁵

The obligation to pay duty on quid pro quo transfer of property extends to the acquisition of a capital share (stocks, business shares, cooperative shares, investor share certificates, converted investor shares) in a company with holdings in real estate properties located in Hungary.

Duty on the acquisition shall be payable if the holdings:

- a) controlled by the beneficiary, or - if a private individual - by his spouse, registered partner, child, parent;
- b) controlled by an economic operator under the majority ownership of the persons referred to in Paragraph a), individually or on the aggregate,
- c) controlled by an economic operator that is affiliated to the persons referred to in sub-paragraphs a) and b) according to the Act on Corporate Tax and Dividend Tax¹⁶ reach or exceed - individually or on the aggregate - 75 per cent of the company's total capital.

The acquisition of such property shall be notified only by the person whose acquisition leads to having reached the said limit (the ratio of capital share held by the buyers, individually or an aggregate basis, reaches or exceeds 75% of the total capital). At the time of notification for

¹⁵ Article 18 (2) and (4); Article 19 (1) and (5); Article 27 (2), Article 91 (4) of the Duties Act

¹⁶ Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter: Corporate Tax Act)

dutiable purposes, the notifier shall disclose the particulars (name, tax identification code or tax number) of the persons mentioned under Article 18 (4) a)-c) with additional holdings in the company in which the notifier has acquired the holdings in question.

Upon the acquisition of a capital share in a company with holdings in real estate properties located in Hungary, the duty base shall comprise the market value of the real estate properties held by the company in the percentage the holdings controlled by the party liable for the duty payable represent at nominal value at the time of occurrence of the criteria (the holdings controlled by the buyer reach or exceed - individually or on the aggregate 75 per cent of the company's total capital) in all of the company's capital holdings at nominal value.

That may be reduced by the market value of the holdings controlled by the party liable for the duty payable that was acquired by the party liable for the duty payable:

- a) more than 5 years previously, or before 1 January 2010;
- b) inside a period of five years before the time of occurrence of the criteria described in 18 (4), but after 1 January 2010, subject to a duty on quid pro quo transfer of property, or duty free under Article 26,
- c) by way of inheritance or as a gift.

5. Duty on the Transfer for Consideration of a Motor Vehicle and a Trailer¹⁷

The special rules of duty pertaining to the acquisition of motor vehicles and trailers and the exemption of car dealers from the duty on quid pro quo transfer of property are described in a separate Booklet.

6. Duty on Quid Pro Quo Transfer of Real Estate Property for Commercial Purposes¹⁸

Upon acquisition of ownership rights in a real property the rate of duty shall be 2 per cent of the market value of the real property without any deduction of encumbrances, if the buyer:

- a) is licensed to engage in the selling of real estate properties (hereinafter referred to as "marketing of real estate properties"), and whose net sales revenue for the previous tax year originate from such activities up to at least 50 per cent or more, or
- b) is authorised to provide financial leasing services

and he provides a statement before the order concerning payment of the duty becomes operative agreeing to sell the property within two years of the time of lodging the notification for dutiable purposes, or to transfer the real property by way of conveyance of title under lease contract at the end of the term. The entrepreneur does not comply with the condition of the duty allowance if he makes a transfer a real property to their related undertaking pursuant to the Tao Act.

Real estate funds operating by authorization shall be liable to pay the duty defined above for their purchases of real estate properties.

The buyer shall disclose the distribution of net sales revenue before the order concerning payment of the duty becomes operative.

¹⁷ Article 24 of the Duties Act

¹⁸ Article 23/B. of the Duties Act

If the duty obligation arises before the first day of the sixth month of the tax year, the buyer shall provide a statement declaring that the net sales revenue is expected to be distributed as described above. If the commitments made in the statement are not satisfied, the entrepreneur shall have until the fifteenth day of the sixth month of the tax year when the duty becomes chargeable to notify the state tax authority thereof, upon which the state tax authority shall subsequently charge the duty payable for such acquisition of property less the duty allowance, plus fifty per cent. If the audit conducted by the state tax authority finds that the statement made by the buyer was false, the state tax authority shall subsequently charge to the buyer the difference between duty payable for such acquisition of property according to the general rules less the duty allowance, multiplied by two.

Any entrepreneur who has commenced operations in the buying and selling of real estate properties during the tax year when the dutiable event occurs, the preferential rate of duty may be applied if providing a statement before the order for payment concerning the duty becomes operative in which to assume that at least 50 per cent of his net sales revenues for the tax year will originate from the buying and selling of real estate properties. If the commitment relating to the distribution of net sales revenue is not satisfied, the state tax authority shall subsequently charge the duty payable for such acquisition of property according to the general rules to the buyer in the amount of the difference between the otherwise payable duty and the preferential duty stated above, plus 50 per cent. The entrepreneur shall have until the 15th day of the sixth month of the year following the tax year to notify his failure to comply with the said commitment. If the audit conducted by the state tax authority finds that the entrepreneur's commitment relating to the distribution of net sales revenue is not satisfied, the state tax authority shall subsequently charge to the buyer the difference between duty payable for such acquisition of property according to the general rules less the duty allowance, multiplied by two.

The state tax authority shall contact the competent real estate authority, or shall consult its own records to verify the transfer of a real property acquired for the purpose of resale or conveyance of title under lease contract at the end of the term, past the two-year time limit following the time of notification of the acquisition of property for dutiable purposes. If the sale or financial leasing of the property in question did not materialize i.e., there is no evidence in the real estate register as to the change of ownership or financial leasing with sale option at the end of the term, the state tax authority shall subsequently charge the duty payable for such acquisition of property, less the amount of the preferential duty, multiplied by two. Resale of the property or financial leasing arrangement shall be considered documented also in the case where the opening of real estate registration proceedings are verified on the title deed, provided that the real estate registration proceedings are concluded by the registration of ownership or the financial leasing arrangement with sale option at the end of the term. If the buyer divides the property into several separate properties, the excess duty may be charged, as commensurate, only on the property that the entrepreneur did not sell or convey under a financial leasing arrangement with purchase option at the end of the term within two years from the date on which the property was notified for dutiable purposes.

If the buyer is terminated by succession inside the time limit prescribed for resale, the successor acquiring title to the real property shall be exempted from having to pay the difference between the amount of duty paid by the predecessor and the amount otherwise payable only if he sells the real property within the two-year time limit provided to the

predecessor, or if he transfers the property under financial leasing arrangement with purchase option at the end of the term. If those items are missing, the state tax authority shall charge to the legal successor acquiring the real property the difference between duty payable for such acquisition of property according to the general rules less the duty allowance, multiplied by two.

7. Duty on Quid Pro Quo Transfer of Real Estate Property to a Credit Institution¹⁹

If the credit institution affected provides a statement at the latest by the operative date of the order for payment of having a real property acquired in a loan for real estate trade-off, for a maximum period of three years in order to mitigate or eliminate its financial loss, or through a liquidation or enforcement proceeding against its debtor, the duty shall be 2 per cent of the market value of the real property without any deduction of encumbrances.

Following the three-year period, the state tax authority shall consult its own records, or shall contact the competent real estate authority to verify that the property had in fact been transferred. If after three years the sale of the property in question did not materialize, the state tax authority shall subsequently charge the duty payable for such acquisition of property according to the general rules to the credit institution, less the amount of preferential duty, multiplied by two.

8. Duty Payable in the Case of Termination of Joint Ownership of a Real Property²⁰

In the case of the termination of joint ownership of a real property, duty on the acquisition of property shall be payable if one of the co-owners obtains a value higher than the value corresponding to his former share of ownership as a result of division. The duty on the acquisition of property shall be imposed on the value differential.

9. Duty Exemptions and Duty Allowances²¹

9.1. Duty exemption of transactions resulting in a negative duty base for purchase to offset an exchange and for an exchange²²

The transfer of a residential property and property rights²³ related thereto by way of exchange or the purchase of a residential property by a private individual is exempt from the duty on quid pro quo transfer of property, if the private individual sells his other residential property within a period of one year preceding or following the time of purchase, and the market value of the acquired property is below the market value of the property exchanged or sold.

¹⁹ Article 23/B. of the Duties Act

²⁰ Article 25 of the Duties Act

²¹ Article 26 of the Duties Act

²² Article 26 (1) y) of the Duties Act

When duty exemption is being applied and if the private individual exchanges, purchases or sales more than one residential property within a year, instead of taking every single exchange or purchased into consideration, only one sale – immediately preceding or following the contract with the identical legal title – can be considered. When this duty exemption is being applied. When duty suspension is being applied, the beneficial ownership or the right of use does not count as a burden. When property rights of individuals are acquired related to residential properties, the provision on duty exemption in accordance with II/2 is to be applied.

9.2. Exemption from the Duty on Quid Pro Quo Transfer of Property between Next of Kin Relatives²⁴

The transfer of assets among next of kin (including where their relationship is based on adoption), the acquisition of assets by a relative in the direct line (including where their relationship is based on adoption) shall be exempt from the duty on quid pro quo transfers of property.

9.3. Exemption from the Duty on Quid Pro Quo Transfer of Property between Spouses²⁵

The accession of wealth is exempt from the duty on quid pro quo transfer of property if it stems from the transfer of property between spouses. The duty exemption of spouses applies only to individuals living in marriage, registered partners are not eligible for it.

9.4. Exemption from the Duty on the Termination of Marital Community Property²⁶

The accession of wealth within the framework of the termination of marital community property is exempt from the acquisition duty. The exemption applicable to spouses cannot be applied to the distribution of property between registered partners.

9.5. Acquisition of a Landed Property Suitable for Construction of a Residential Building if Construction Takes Place within 4 Years²⁷

Acquisition of ownership (ownership share) of a landed property suitable for the construction of a residential building, and rights in such real property is exempt from duty, if the party acquiring the property builds a residential building on such real property within four years of the date of submission of the contract for dutiable purposes, and the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the general zoning plan. The party acquiring the property shall have until the order for payment concerning the duty becomes definitive to notify the state tax authority regarding his intention to build a residential building.

As regards the duty exemption under the state tax authority shall suspend the property acquisition duty in respect of the payment.

²⁴ Article 26 (1) za) of the Duties Act

²⁵ Article 26 (1) zb) of the Duties Act

²⁶ Article 26 (1) zc) of the Duties Act

²⁷ Article 26 (1) a) and Article 26 (2a)-(2e) of the Duties Act Article 26 (2a)-(2e) of the Duties Act was revised by Article 47 (12) of Act XXXVII of 2013 on Certain Rules of International Co-operation in Administration Concerning Tax and other Public Dues. Article 26 (2e) of the Duties Act was established by Article 124 (2) of the Amending Act. Effective from 1 January 2014.

Upon the expiry of the four-year time limit prescribed for the construction of a residential building, the state tax authority shall contact the competent building authority within fifteen days for verification of the completion of the residential building in question. The state tax authority shall cancel the suspended duty if:

- a) the competent building authority sends notice, upon receipt of the state tax authority's request submitted within fifteen days following the expiry of the time limit, that it has issued an occupancy permit made out to the name of the property owner, or acknowledged occupancy; or
- b) the property owner verifies completion of the residential building by the final and binding occupancy permit made out to the property owner's name by the competent building authority before expiry of the time limit, or by the building authority's certificate of acknowledgement of occupancy.

If the competent building authority has issued an occupancy permit made out to the name of the property owner before the expiry of the time limit, however, the permit has not yet become final inside the time limit, the state tax authority shall cancel the suspended duty if the occupancy permit subsequently becomes binding without any changes, except for the sections requiring corrections, and the building authority notifies the state tax authority concerning the final and binding conclusion of the proceedings for the issue of the occupancy permit. The building authority's said notification shall be accompanied by a statement declaring that the final occupancy permit is identical to the one issued before the expiry of the time limit, except for the sections requiring corrections.

If the owner of the property has purchased more than one landed properties, and agreed to build a residential building on all of them, then proceeded to merge the lands, the state tax authority shall cancel the duty if the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the land use framework plan. In all other cases the duty shall be payable on all such landed properties with default interest. If the owner of the property proceeds to subdivide the landed property acquired, of the suspended duty the state tax authority shall cancel the part that applies to the subdivided land on which the residential building was constructed, provided that the net floor space of the residential suite(s) contained in the building is at least 10 per cent of the permissible building space fixed in the land use framework plan. The duty remaining shall be payable with default interest.

If the size of the permissible building space applicable at the time the duty becomes payable and at the time the occupancy permit is issued, or at the time of acknowledgement of occupancy, is different, the one that is deemed more favourable for the person liable for the duty payable shall be applied.

If inside the time limit made available for the construction of the residential building the beneficiary economic operator is undergoing transformation, merger or split or the beneficiary private individual dies, the successor in title or the heir shall be held liable to finish the residential building. In this case, completion of the residential building can be verified by an occupancy permit made out to the name of the successor or heir, or by the building authority's certificate of acknowledgement of occupancy.

The state tax authority cancels the suspended duty of the owner of a residential property, constructed within the time limit available for construction, and the beneficiary of any right pertaining to the residential property even if the effective occupancy permit or the regulatory certificate certifying the recognition of occupancy indicates that the ownership title and in the case of the acquisition of any right the right is registered in the name of one of the parties, simultaneously acquiring them.²⁸

If the party acquiring the property is a natural person and he initiated an out-of-court or in-court debt management procedure according to the provisions of the act on the debt management of natural persons and if the plot property eligible for the construction of a house has been sold within the period of the procedures mentioned above, then Paragraph (2) of Section 87 is no longer applicable, and the late fee counted from the original due date does not have to be paid, but the suspended obligation to pay duties still exists unless the purchaser of the plot property makes a statement to the effect that he wishes to use the 4 years of conditioned exemption after the acquired plot or if the acquirer has a right of first refusal for the plot. In this case the private individual rendered under the above mentioned procedures does not have to pay the duty suspended in accordance with Paragraph (2a).²⁹

If the buyer who is otherwise eligible for reduced duty rate under Section 23/A files a statement pertaining to his acquisition of a real property, all subsequent duty obligations shall be subject to the provisions only as related to such statement. In this case, the preferential duty for the acquisition of a real property for resale shall not apply to the acquisition of such properties.³⁰

9.6. Acquisition of the ownership title to a new residential suite built by an Entrepreneur³¹

when a new residential property or a share in such property - with a market value of 15 million forints or less - is purchased, if it has been built or developed by a company for the purpose of resale, including if developed by the conversion of a building that was not registered in the real estate register, or by expansion (e.g. addition of a mansard), and was not used as a residential building or residential suite, the transaction is exempt from the duty on quid pro quo transfers of property. If the market value of the new residential suite is less than 30 million forints and the buyer is unable to provide proof of the sale of another property, of the duty established the sum that would be due if the market value of the residential suite was 15 million forints need not be paid. In the case of obtaining a share in such residential suite the buyer shall be able to claim the allowance based on the 15 million forints in proportion of the share he has obtained in the residential suite; The conditions for exemption or allowance shall

²⁸ However, the provisions of the Amending Act, establishing Article 26 (2e) of the Duties Act must also be applied to acquisition cases, in which the state tax authority did not issue an effective resolution on the payment of the suspended duty plus default penalty by 1 January 2014.

If, pursuant to Article 26 (2e) of the Duties Act the suspended duty may be cancelled, but the time limit for the construction of a residential property has not expired by 1 January 2014 and the buyer has already paid the duty, then he may apply to the state tax authority for the refund of that duty from 1 January 2014.

²⁹ Paragraph (2f) of Section 26 of the Duties Act was established by Paragraph (3) of Section 107 of Act CV of 2015 on the Debt Management of Natural Persons. Effective as of 1 September 2015,

³⁰ Article 26 (11) of the Duties Act

³¹ Point f) of Paragraph (1) of Section 26, Paragraph (13) of Section 26, Paragraphs (4)-(5) of Section 102 of the Duties Act.

be verified - if it is not immediately apparent from the sales contract - to the state tax authority by the buyer, by presenting the contractor's statement concerning compliance with these conditions, before the operative date of the order for payment.

A new residential suite shall mean a residential property for which an occupancy permit or acknowledgement of occupancy is issued in respect of the first transfer of title, or the second transfer of title if purchased by a real estate agent specified in Article 23/A (1) and (4) from a developer after the time the occupancy permit is issued.

For the purposes of the application of that provision, an economic organisation and other organisations authorised to pursue business activities are also considered entrepreneurs.

*9.7. Duty Allowance on the Acquisition of the First Residential Property*³²

Duty Allowance of Young People Buying their First Home

In respect of the first acquisition of a residential property (ownership share), at the time when the duty becomes chargeable, young adults under the age of 35 shall be entitled to an allowance of 50 per cent of the duty otherwise payable, if the market value of the whole residential property does not exceed 15,000,000 forints. In respect of the acquisition of an ownership share in a residential property of such value, the person acquiring the property shall be entitled to an allowance in the percentage of the ownership share acquired.

Instalment Payment of the Duty on the Acquisition of the First Home

In respect of the first acquisition of a residential property (ownership share) by a young adult under the age of 35 at the time when the duty on the quid pro quo transfer of property becomes chargeable, the state tax authority shall authorize - upon request - payment by equal monthly instalments - within the framework of free payment facilities - for the duration requested, which may not exceed twelve months from the due date. In the event of the young adult's default in payment of any instalment, the payment facilities shall be withdrawn, and the debt shall become due and payable in full. In this case the tax authority shall charge default interest on the amount of debt remaining effective as of the original due date.

Particular Rules Pertaining to the Duty Allowances on the Acquisition of the First Residential Property

A person who does not own and has never owned a residential property, does not hold and has never held up to a 50 per cent ownership share in a residential property, or does not have and has never had any rights in a residential property registered in the real estate register shall be deemed a first-time residential property buyer. In respect of establishing entitlement for such allowance, residential property encumbered with widow's beneficial interest and, for persons of legal age, residential property that has been sold before reaching such legal age shall not be taken into consideration. The person who has already used the allowance prior to the time at which the duty obligation originates shall not qualify as a first-time buyer of residential property. The person acquiring the property shall file a statement concerning use of the allowance and fulfilment of the eligibility conditions before the operative date on the duty payment warrant.

*9.8. Exemptions Pertaining to the Acquisition of Arable Land*³³

³² Article 26 (6), (9) and (15) of the Duties Act Article 26 (15) of the Duties Act was revised by Article 124 (3) of the Amending Act, effective from 1 January 2014.

³³ Article 26 (1) n), p) and s) and Article 26 (18-18a).

Voluntary land exchange for the purpose of land consolidation

The acquisition of ownership of arable land property and the established of the right of beneficial ownership and use associated with it, in the framework of an agreement for the arrangement of voluntary land exchange for the purpose of consolidation of lands is exempt from the duty on quid pro quo transfer of property if the right of beneficial ownership and use was registered for the same beneficiary on the exchanged parcel of land.

Acquisition of arable land by a private individual engaged in agricultural activities

The acquisition for consideration of arable land by a small-scale agricultural producer, private agricultural entrepreneur or family estate farmer holding a registration (register) number issued by the body in charge of agricultural and regional development aid is exempt from the duty on quid pro quo transfer of property, on condition that the private individual agrees not to alienate this arable land for a maximum period of five years from the time of conveyance - not including expropriation, disposal for a public purpose that may serve as the basis of expropriation and the voluntary exchange of land for the purpose of consolidation -, nor to register any right on the land, and to use the arable land for agricultural purposes as a private entrepreneur, small-scale agricultural producer or family estate farmer.

The buyer shall file a statement to declare his commitment to these requirements to the state tax authority before the operative date of the order for payment. In the event the buyer alienates the arable land inside the five-year time limit originally agreed upon - not including expropriation or disposal for a public purpose that may serve as the basis of expropriation, and not including the voluntary exchange of land for the purpose of consolidation -, or registers any right on it, or can be identified as using it for purposes other than agricultural, the duty otherwise due shall be charged and collected as doubled, except in the case of the buyer's death. If the buyer satisfied the conditions agreed upon with respect to a specific portion of the arable land only, the duty otherwise due shall be charged and collected as doubled only in relation to the part for which the said conditions have not been met.

Acquisition of ownership title of arable land (as well as moveable tangible property) under agreement with the close relative for support for homestead conveyancing

The acquisition of ownership title of arable land, farmstead, or any area removed from cultivation and rezoned for agricultural production, building structure (barns, stables etc.) as well as moveable tangible property - including also a motor vehicle and a trailer - under agreement with a close relative defined as such by the Civil Code³⁴ as a precondition for eligibility for support to agricultural producers for homestead conveyancing under, furthermore, the acquisition of a right, is exempt from the duty on quid pro quo transfer of property.

*9.9. Acquisition of the management right of residential property is exempt from the duty on quid pro quo transfer of property.*³⁵

³⁴Pursuant to Point 1) of Paragraph (1) of Section 8:1 of Act V of 2013 on the Civil Code: 'close relative' means spouses, next of kin, adopted children, stepchildren, foster children, adoptive parents, stepparents, foster parents, and siblings.

³⁵ Article 26 (1) b) of the Duties Act

9.10. *With respect to water facilities and its components serving public purposes the acquisition of management rights, the right of operation, custody rights is exempt from the duty on quid pro quo transfer of property.*³⁶

9.11. *Acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State is exempt from the duty on quid pro quo transfer of property.*³⁷

9.12. *Acquisition of the right to manage state property is exempt from the duty on quid pro quo transfer of property.*³⁸

9.13. *Acquisition of property by way of preferential transformation under Act on Corporate Income Tax; acquisition of property by way of preferential exchange of shares under the Corporate Income Tax Act is exempt from the duty on quid pro quo transfer of property.*³⁹

Both exemptions may be claimed if the buyer provides a declaration, stating that his registered seat or resident status, based on his business management, is not in a foreign state.

a) where the tax equivalent to the corporate tax payable by the buyer for the fiscal year divided by the tax base (for a group of taxable persons, the tax paid (payable) by the group less tax refund and the tax base), expressed as a per cent is lower than 10% or

b) according to the legislation of which the rate of tax, equivalent to the corporate tax, applicable to zero or negative profit or, if there are more than one tax rate, the lowest tax rate is less than 10%, or

c) according to the legislation of which tax, equivalent to the corporate tax, is not imposed on the income from the sale of any holding or share at the rate of at least 10%.⁴⁰

9.14 *Acquisition of property upon the transformation of a sole proprietorship into a single-member private limited-liability company is exempt from the duty on quid pro quo transfer of property.*⁴¹

9.15 *Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage*⁴²

Acquisition of real property received in exchange for an expropriated property or for a property affected by mine damage, or, up to the amount of indemnification due to the party, purchase of real property by the person so indemnified, also including the acquisition of identical rights from the amount of indemnification received for the termination of rights due to another person in respect of such real property, is exempt from the duty on quid pro quo transfer of property. If the real property received in exchange has a higher value than the

³⁶ Article 26 (1) c) of the Duties Act

³⁷ Article 26 (1) d) of the Duties Act

³⁸ Article 26 (1) e) of the Duties Act

³⁹ Article 26 (1) g) and h) of the Duties Act

⁴⁰ The exemption specified in Article 26 (1) g), h), q) and t) of the Duties Act may be claimed pursuant to Article 26 (20) of the Duties Act, provided that the conditions defined in Article 17 (4) of the Duties Act prevail. Article 26 (20) of the Duties Act was revised by Article 124 (4) of the Amending Act, effective from 1 January 2014.

⁴¹ Article 26 (1) v) of the Duties Act

⁴² Article 26 (1) j) and (3) of the Duties Act

expropriated property, or if the market value of the real property acquired exceeds the amount of indemnification or proportionate part thereof due to the purchaser, exemption from duty shall not apply to such excess value.

*9.16 Acquisition of a real property from the sales proceeds of a real property acquired through expropriation*⁴³

Acquisition of a real property from the sales proceeds of a real property acquired through expropriation, including also the acquisition of the same right from the proceeds of the sale for the termination of a right of another person pertaining to such a real property is exempt from the duty on quid pro quo transfer of property. The purchaser shall obtain a statement from the agency competent to conduct the expropriation proceedings to verify that the expropriation would have been justified for the purpose, for which the real property was purchased from him.

*9.17 Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State*⁴⁴

Acquisition of the right of ownership or beneficial interest in residential suites owned by a local government or by the State by a person having, furthermore, by a person having the right of first refusal⁴⁵ pursuant to Act LXXVIII of 1993⁴⁵ on the Rules Applicable to the Tenement and Alienation of Residential Suites and other Premises, is exempt from the duty on quid pro quo transfer of property.

*9.18 Purchase of residential property in place of one that was destroyed or damaged in a natural disaster*⁴⁶

The purchase of residential property (and any rights associated thereto) in place of one that was destroyed or damaged beyond repair due to a natural disaster shall be exempt from the duty on quid pro quo property transfers, if:

- a) the private individual - whether under the title of full or partial ownership, beneficial interest or tenancy - lived in the residential property that was destroyed by some natural disaster as his principal and only place of residence; and if he does not own another property, does not have a share of 50 per cent or more and does not hold beneficial interest or tenancy in a residential property, and
- b) purchases a residential property with a market value of 10 million forints or less, in full or in part, to replace the destroyed property or acquires beneficial interest or tenancy in a residential property for a valuable consideration, and if such procurement is notified for dutiable purposes by 31 March of the year following the year in which the other property was destroyed.

When purchasing a share in a real property as defined in sub-paragraph b), no duty shall be levied if the percentage of this share does not exceed the percentage held by the purchaser in the destroyed residential property.

⁴³ Article 26 (1) k) and Article 26 (4) of the Duties Act

⁴⁴ Article 26 (1) m) of the Duties Act

⁴⁵ Pursuant to Article 49 (1)-(2) of Act LXXVIII of 2013

⁴⁶ Article 26/A. of the Duties Act

The purchaser shall - at the latest by the operative date of the order for payment - verify the conditions laid down in sub-paragraph a) by a certificate issued without charge by the notary of the municipal government responsible for the place where the destroyed property had been located.⁴⁷

9.19. Legal succession among law offices⁴⁸

Any acquisition of wealth by a law office through transformation (merger, demerger), when the subsequent office (offices) is (are) construed as the successor(s) of the former one is exempt from the duty on quid pro quo transfer of property.

9.20. Historical monuments⁴⁹

In connection with the acquisition of beneficial rights in any non-marketable historical monument or any property of the like (group of properties) owned by the State or a municipal government in exchange for the rehabilitation, development and subsequent preservation, no duty on quid pro quo transfer of property shall apply.

9.21. Preferential transfer of assets⁵⁰

Transfer of a real property, or the holdings within the framework of preferential transfer of assets in accordance with the Corporate Income Tax Act subject to compliance with all of the following requirements is exempt from the duty on quid pro quo transfer of property provided that all the conditions stated below are met:

- a) the transferring company did not claim during the year when the transfer took place and during the preceding two calendar years the reduced duty rate under Article 23/A and has no duty suspended under Article 26 (1) a) of the Duties Act ,
- b) the value of the real estate properties and the holdings referred to in Article 18 (2) h) represent in all transferred assets, exclusive of liquid assets and monetary claims, is not higher than 50 per cent at the time of transfer and on the last day of the last tax year closed at least six months before the time of transfer,
- c) the transferring company has at least two divisions that functioned during the previous two full tax years - comprising twelve months - as independent divisions,
- d) the receiving company agrees to refrain from claiming the reduced duty rate under Article 23/A by the end of the second calendar year following the year when the transfer took place.

The buyer may submit a statement to the tax authority on these conditions before the order concerning payment of the duty becomes operative. If the buyer files a false declaration concerning the conditions in points b)-d) referred to above, or fails to perform his commitment, the tax authority shall subsequently charge twice the duty, otherwise payable under the general rules to the buyer.

The exemption may be claimed if the buyer provides a declaration, stating that his registered seat or resident status, based on his business management, is not in a foreign state

⁴⁷ Paragraph (3) of Section 26/A of the Duties Act was amended by Section 6 of Act CLXXXVI of 2015 on the Law Amendments related to the Reduction of Administrative Bureaucracy

⁴⁸ Article 26 (1) o) of the Duties Act

⁴⁹ Article 26 (14) of the Duties Act

⁵⁰ Article 26 (1) q) and Article 26 (5) of the Duties Act

- a) where the tax equivalent to the corporate tax payable by the buyer for the fiscal year divided by the tax base (for a group of taxable persons, the tax paid (payable) by the group less tax refund and the tax base), expressed as a per cent is lower than 10% or
- b) according to the legislation of which the rate of tax, equivalent to the corporate tax, applicable to zero or negative profit or, if there are more than one tax rate, the lowest tax rate is less than 10%, or
- c) according to the legislation of which tax, equivalent to the corporate tax, is not imposed on the income from the sale of any holding or share at the rate of at least 10%.⁵¹

9.22. *Transfer of real property or shares between affiliated companies*⁵²

Transfer of real property or shares in the capital of a company with holdings in real estate properties located in Hungary between companies which are recognized as affiliated under a)-e) of Point 23 of Section 4 of the Corporate Income Tax Act is exempt from the duty on quid pro quo transfer of property. In connection with the transfer of real property, duty exemption may be claimed if the buyer's principal activity at the time the dutiable event occurs was the renting and operating of own or leased real estate properties or the sale or purchase of own real estate properties.

The exemption may be claimed if the buyer provides a declaration, stating that his registered seat or resident status, based on his business management, is not in a foreign state

- a) where the tax equivalent to the corporate tax payable by the buyer for the fiscal year divided by the tax base (for a group of taxable persons, the tax paid (payable) by the group less tax refund and the tax base), expressed as a per cent is lower than 10% or
- b) according to the legislation of which the rate of tax, equivalent to the corporate tax, applicable to zero or negative profit or, if there are more than one tax rate, the lowest tax rate is less than 10%, or
- c) according to the legislation of which tax, equivalent to the corporate tax, is not imposed on the income from the sale of any holding or share at the rate of at least 10%.⁵³

*9.23 Purchase of residential property by a private individual is exempt from the duty on quid pro quo transfer of property, if executed by means of exercising the repurchase option afforded under the Act on the Housing of Natural Persons.*⁵⁴

*9.24 Exemptions for Sports Sponsorship*⁵⁵

Acquisition of sport specific properties to be used for sports purposes for 15 years

Acquisition of ownership title to or any rights in sports-specific properties, if the buyer agrees not to alienate the property for a period of fifteen years from the time of acquisition and to use or utilize it for sports purposes is exempt from the duty on quid pro quo transfer of property.

⁵¹ The exemption specified in Article 26 (1) g), h), q) and t) of the Duties Act may be claimed pursuant to Article 26 (20) of the Duties Act, provided that the conditions defined in Article 17 (4) of the Duties Act prevail. Article 26 (20) of the Duties Act was revised by Article 124 (4) of the Amending Act, effective from 1 January 2014.

⁵² Article 26 (1) t) of the Duties Act

⁵³ The exemption specified in Article 26 (1) g), h), q) and t) of the Duties Act may be claimed pursuant to Article 26 (20) of the Duties Act, provided that the conditions defined in Article 17 (4) of the Duties Act prevail. Article 26 (20) of the Duties Act was revised by Article 124 (4) of the Amending Act, effective from 1 January 2014.

⁵⁴ Article 26 (1) u) of the Duties Act

⁵⁵ Article 26 (1) i) and r), Article 26 (7)-(8), Article 26 (16)-(17) and Article 87 (4)-(5) of the Duties Act

The buyer shall file a statement to declare his commitment to these requirements to the state tax authority before the operative date of the order for payment. Duty exemption shall not apply to any section of the property - not recognized as a sports facility - that is built attached to or registered together with the sports-specific property.

If the party acquiring the property alienates the property before the expiry of 15 years or certifiably uses it for purposes other than sports, the duty will have to be paid in an amount made larger by the addition of the default penalty calculated from the original due date.

Acquisition of a plot of land suitable for a sports facility for construction within four years

Acquisition of ownership of or any right in an undeveloped plot of land that is zoned for sports-specific property in accordance with building regulations and the general zoning plan by a sports organization, sports academy, foundation or sports association for talent research and development engaged in sports activities and in the organization of such activities, and in the arrangement of the necessary conditions for sports activities is exempt from the duty on quid pro quo transfer of property, if the buyer develops the land and creates a sports-specific property within four years of the date of submission of the contract for dutiable purposes and agrees not to alienate the property for a period of 15 years from the date of placing the sports-specific property into service and to use or utilize it for sports purposes. The acquirer of the property must make a statement to the tax authority on the acceptance of the conditions above before the order for the duty becomes definitive. If the buyer notifies before the order for the payment of duty becomes definitive his intention to install on the acquired landed property any building or structure in addition to the sports-specific property, the tax authority shall only suspend from the duty chargeable payment of the duty levied on the landed property intended to be developed for the sports-specific property. In order to verify completion of the construction of the sports-specific property the state tax authority shall contact the competent building authority within fifteen days following the expiry of the four-year time limit specified therein. The state tax authority shall cancel the duty assessed, but suspended in respect of payment if:

- a) the building authority provides a certificate in proof of the occupancy permit issued for a sports-specific property to the name of the property owner, or acknowledged the property owner's occupancy, and
- b) the property owner did not alienate the property for a period of fifteen years, did not transfer the exercise of his right to others, and did not waive the exercise of his right, and
- c) the property owner used or utilized the sports-specific property for sports purposes.

If the buyer of the property proceeds to subdivide the landed property acquired, or - if exemption was requested not for the entire landed property - proceeds to install on that part of the landed property for which the exemption was granted any building or structure in addition to the sports-specific property, of the suspended duty the state tax authority shall cancel the part that applies to the part of the property that is recognized as a sports-specific property or to the subdivided land on which the sports-specific property was constructed. The duty remaining shall be payable with default interest. If inside the time limit made available for the construction of the sports-specific property the beneficiary economic operator is undergoing transformation, the successor in title shall be held liable to finish the sports facility.

If any of the conditions described in the law is not fulfilled, or if the beneficiary economic operator - or his successor in title held liable to finish the residential building - has requested to have the suspension of duty lifted within the time limit made available for the construction of the residential building, the duty established but not paid shall be paid with default interest calculated from the due date added.

Common Rules Pertaining to Exemptions for Sports Sponsorship

If, in the cases defined in Article 26 (1) i) and r) of the Duties Act, the sports-specific property - with the exceptions set out in Article 22/C (6) b) and 22/C (7) of the Corporate Income Tax Act - is used by a professional sports organization that does not pursue either of the popular team sports⁵⁶ defined in the Corporate Tax Act, the duty exemption shall be treated, at the taxpayer's choice:

a) as de minimis aid, or

b) as regional investment aid according to Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in the application of Articles 87 and 88 of the Treaty (General block exemption Regulation OJ L 214/3, 09.08.2008).

In the application of this provisions, 'professional sports organization' means an organization that participates (has the right to compete) in a championship organized by a national professional association or national sports association of a team sport other than a popular team sport - including sports academies and foundations for talent research and development - provided that such sports organization employs professional athletes.

If the buyer referred to in Article 26 (1) i) and r) of the Duties Act, or the successor in title of the buyer referred to in Article 26 (1) r) of the Duties Act, who is held liable under this Act to finish the sports-specific property, fails to satisfy the requirements for de minimis aid or for regional investment aid under Article 26 (16) of the Duties Act, Article 87 (4)-(5) of the Duties Act shall apply for the payment of duty chargeable without exemption, and/or for the payment of duty established but not paid.

For the purposes of Article 26 (1) i) and r) of the Duties Act, use or utilization for sports purposes means when the buyer uses the property for staging competition-type games, matches, or training or practice sessions organized by sports organizations, sports academies, foundations or sports associations for talent research and development, or for staging leisure sports events, for events organized by student, college or university sports associations or for other events of the like.

*9.25. Acquisition of the right to pursue a private medical practice*⁵⁷

No duty shall be levied on the grounds of a quid pro quo property transfer of the right to pursue a private medical practice, if the previous licensee has been authorized to pursue the medical practice by virtue of the Medical Practice Act following its entry into force. Eligibility for duty exemption shall be verified to the state tax authority by the private individual to whom the right to pursue the private medical practice was transferred.

*9.26. Temporary exemption of lease back instruments*⁵⁸

⁵⁶ On the basis of Article 4 41. of the Corporate Tax Act: football, handball, basketball, water polo, ice hockey

⁵⁷ Article 26 (12) of the Duties Act

⁵⁸ Article 26 (1) x) of the Duties Act

The acquisition of a real property at the end of the lease agreement when legal title is transferred as stipulated, if the property in question was owned by the lessee up to the time of conclusion of the lease agreement, and ownership title was transferred to the lessor to facilitate the conclusion of the lease agreement is exempt from the duty on quid pro quo transfer of property.

9.27. Duty exemption of the acquisition of a residence previously owned by the current lodger or its repurchase by the lodger⁵⁹

The purchase of a residence property by a natural person lodger or their heir if the residence had been the property of the natural person lodger until the conclusion of the tenancy agreement and if the right of ownership had been transferred for the purpose of the conclusion of a tenancy agreement is exempt from the quid pro quo transfer of property duty.

Also exempt is the acquisition of the residence property if the acquirer leases it out to the former owner for a definite term of at least 5 years given in the leasing contract in exchange for a rent the annual amount of which does not exceed 7 percent of the purchase price. The condition of the exemption is that the tenant or their natural person heir establishes a repurchase right that can be practiced in 5 years from the date when the residence lease contract becomes effective for a purchase price that is at most 105 percent of the purchase price originally paid by the lessor.

In the case of applying the latter duty exemption, the state tax authority suspends the duty established after the acquisition of property in terms of payment. The state tax authority cancels the suspended duty if the lodger or their natural person heir repurchases of the holding corresponding to the ownership holding immediately before the signature of the contract within 5 years from the date when the contract becomes effective.

9.28 Duty exemption of construction on a foreign plot⁶⁰

If a building had certifiably (certifiably from the agreement with the owner of the plot or other documentation certifying costs and circumstances of the construction) been constructed by the acquirer of the plot, the part covering the market value of the building from the market value of the entire real estate is exempt from quid pro quo transfer of property duty.

III. Procedural Rules

1. Notification of the Accession of Wealth for Consideration

1.1. Notification of acquisitions requiring real estate registration proceedings⁶¹

Acquisition (termination) of ownership of real property, or a right related to such real property shall be reported to the real estate supervisory authority for dutiable purposes by submission

⁵⁹ Points b)-c) of Paragraph (1a) of Section 26 of the Duties Act were established by Paragraphs (2) and (3) of Section 44 of the Amending Act. Effective as of 1 January 2016.

⁶⁰ Points d) of Paragraph (1a) of Section 26 of the Duties Act was established by Paragraphs (2) of Section 44 of the Amending Act. On the basis of Section 99/J of the Duties Act, this provision is also applicable by the state tax authority in duty cases not judged in a legally binding way by 1 January 2016.

⁶¹ Article 91 (1), Article 92 of the Duties Act

of the contract (document) thereof. Notification for dutiable purposes shall be effected by filling out the appropriate form for registration in the real estate register. If the party liable for payment of duty submits the application later than the thirty-day period defined in specific other legislation, or fails to meet his obligation of notification, or complies insufficiently, such party may be ordered to pay the default penalty mentioned in Article 82 of the Duties Act.

The real estate authority shall file the contract (document) submitted for the purpose of registration in the real estate register and forward an attested copy thereof, together with any other available documents necessary for the calculation of the duty to the state tax authority. The documents required for levying the duty are also attached to the resolution.

Pursuant to the Taxation Act,⁶² simultaneously with the notification of any acquisition of property subject to duty to the real estate authority, the buyer may also use a form designated by the state tax authority to provide information on the data of the duty exemption for which he is eligible. The form designated by the state tax authority is the B400 form,⁶³ which, in the case of the acquisition of a real property, may be used for the notification of the data, duty exemption and allowances of the buyer, in the case of any transfer of property for consideration, the data of the seller and the data of the party obtaining revenues from the waiver of any right associated with the real property, or the foundation or transfer (assignment), termination for consideration of such rights. The fact that accession of wealth is exempt from duty pursuant to the legislation does not affect the notification obligation.

1.2. Notification of acquisitions not requiring real estate registration proceedings⁶⁴

The transaction subject to duty on acquisition of property, which is not subject to any real estate registration proceedings shall be reported by the contracting parties. Such notification shall be effected by having the original and a duplicate of the document establishing the acquisition of property submitted within thirty days of the time when the duty becomes chargeable. Such duplicate shall be attested by the state tax authority free of charge.

A transaction which is subject to payment of duty in spite of not being documented may also be reported verbally. Such verbal notification shall be recorded in writing and the state tax authority shall issue a receipt thereof to the client.

The fact that accession of wealth is exempt from duty pursuant to the legislation does not affect the notification obligation.

The buyer can use the VBBA form⁶⁵ for the notification of any acquisition of a capital share in a company with holdings in real properties located in Hungary as described in II.

The buyer may use the VVBA form⁶⁶ for the notification of the acquisition, through the transfer of property for consideration of a right associated with a movable property and a movable tangible property.

⁶² Article 21 of the Taxation Act

⁶³ http://nav.gov.hu/nav/letoltesek/nyomtatvanykitolto_programok/nyomtatvanykitolto_programok_nav/bevallasok/B400.html

⁶⁴ Article 91 (2)-(3) of the Duties Act

⁶⁵

http://nav.gov.hu/nav/letoltesek/nyomtatvanykitolto_programok/nyomtatvanykitolto_programok_nav/adatbejelentonok_adatmodositok/vbba.html

⁶⁶

http://nav.gov.hu/nav/letoltesek/nyomtatvanykitolto_programok/nyomtatvanykitolto_programok_nav/adatbejelentonok_adatmodositok/vvba.html

*1.3. Statutory limitation period of imposing duty*⁶⁷

The right of assessment of duties, other than financial transaction duties, shall lapse five years after the last day of the calendar year in which the accession of wealth was reported to the state tax authority for dutiable purposes or in which the state tax authority gained knowledge of the omission of payment of duty or reporting for the imposition of duty.

Where the Duties Act provides for the use of the acquired real property or right for a specific purpose or for a specific duration as a precondition for duty exemption or duty allowance, the right of duty assessment shall lapse after five years from the last day of the calendar year during which the time period of use prescribed as a condition for exemption or allowance has run out.⁶⁸

2. Notification and Establishment of the Value Constituting the Duty Base⁶⁹

The market value serving as the basis of the duty shall be declared by the party liable for the payment of duty at the time of reporting the transaction or the estate, if such obligation is in fact lies with this party. In other cases, the market value shall be declared by the deadline specified upon the state tax authority's request.

If the market value was not indicated or declared by the parties, or the indicated or declared amount is construed by state tax authority to differ from the market value, the market value shall be established by the state tax authority. If the value was established in a judgement, such value may not be overruled by the state tax authority.

The state tax authority shall establish the market value relying on an on-site inspection and by applying comparative value, taking also into consideration the declaration of the party liable for payment of the duty, and if necessary, with the involvement of an independent expert.

The basis of duty shall be established in Hungarian forints. Any value indicated in a foreign currency shall be translated into forints by the official exchange rate quoted by the National Bank of Hungary, effective for the day when the duty becomes chargeable.

Unless otherwise provided for by the Duties Act, in respect of round figures for the calculation of the duty base given in percentage, any fraction of less than 50 forints shall be disregarded, while any fraction above 50 forints shall be rounded up to 100 forints.

The duties on acquisition, including also duty advance, and any overdue duty, is payable as levied.

3. Payment of the Duty

*3.1. Payment order*⁷⁰

An *order for payment* (resolution) shall be issued with regard to a duty payable on the basis of imposition, including default penalties as well. Such order for payment shall contain the data and information, and the legal regulations applied, based on which the amount of duty was

⁶⁷ Article 164 (4) of the Taxation Act

⁶⁸ Article 86 (2) of the Duties Act

⁶⁹ Articles 69-71 of the Duties Act

⁷⁰ Article 78 of the Duties Act

established. The state tax authority does not issue any payment order only if it applies duty exemption pursuant to Article 16 (1) i) or Article 16 (1) p) and Article 26 (1) z) of the Duties Act (inheritance, donation and transfer of property for consideration among next of kin relatives and spouses, termination of marital community property subject to duty on quid pro quo transfer of property).

Where the basis of the duty cannot be clearly established at the time the duty is charged relying on the data and information available, the state tax authority shall notify the client in the order for payment that the resolution may be amended.

The duty to be paid based upon a payment order (resolution) shall be due on the *15th day after the resolution* thereof becomes definitive, i.e. the levied duty may be paid free of any default interest by the 30th day following the communication of the resolution.

If the taxable person submits an application for duty allowance or duty exemption specified in the Duties Act after the delivery of the resolution on the duty, but before it becomes enforceable, the resolution shall not enter into force with respect to any application submitted for the first time and shall not be treated as an instrument permitting enforcement. As to whether duty allowance or duty exemption applies shall be determined by the state tax authority in the duty procedure, by supplementing the existing resolution of the first instance. The supplemented resolution of the first instance shall be effective on the operative date of the supplementing resolution.⁷¹

3.2. *Default Interest*⁷²

Default interest shall be paid in accordance with the provisions of the Taxation Act on duties not paid by the deadline set out in the order for payment (resolution) issued by the state tax authority based upon a court decision and as issued in the order for payment concerning a duty balance. An exception from the above rule is any case when the duty has been cancelled under Article 21 (2) and (4) and Article 80 (1) b), c) and g) of the Duties Act upon the termination of the transaction, or if abandoned with intent to restore the original status quo, or in the absence of acquisition of any property. According to the general rule, default interest is payable for late payment between the due date of the payment.

The default interest shall be calculated at a rate of 1/365 of double the prevailing central bank base rate for each calendar day. No default interest shall be charged on default interest.

No default interest shall be imposed for any period of delay that is justified by the taxpayer. Justification shall be accepted only if the delay was caused by unavoidable external reasons beyond the taxpayer's control. The state tax and customs authority does not stipulate a default interest the amount of which amounts to less than 2,000 HUF.

If the condition of the construction within 4 years on the acquired plot of land, suitable for the construction of a residential property is not fulfilled, or if the buyer - or his successor in title held liable to finish the residential building under the Duties Act - has requested to have the suspension of duty lifted inside the time limit made available for the construction of the residential building, the duty established but not paid shall be paid with default interest calculated from the due date (the day when the resolution becomes definitive) added.

If the allowance for the purchase to offset an exchange was deducted without proper entitlement, the party affected shall be subsequently ordered to pay three-times the amount of

⁷¹ Article 127/A of the Taxation Act

⁷² Article 87 of the Duties Act and Articles 165-167 of the Taxation Act

the difference between the duty established as per the reduced duty base described in Article 21 (2) and (4) and the duty chargeable according to the general provisions applicable for the property acquisition in question. If a young person who has not reached 35 years of age yet and unlawfully claimed allowance for the acquisition of the first home, then three times the claimed allowance will be charged to such buyers subsequently.

3.3. Default penalty, Tax penalty⁷³

In the event of failure, in part or in full or in default of notification in connection with the acquisition of property, or filing such notice in default of the deadline or if filed insufficiently, the party subject to duty payment obligation shall be liable to pay a default penalty, in addition to the duty, in the amount prescribed by the Taxation Act. The default penalty amount may not exceed HUF 200,000 in the case of natural person taxable persons and HUF 500,000 in the case of other taxable persons.

Unless the Duties Act provides otherwise, tax penalty is payable for any unlawfully claimed exemption or allowance regulated in the Duties Act at the rate specified in the Taxation Act.

3.4. Cancellation and Refund of Duty⁷⁴

Apart from the purchase to offset an exchange and acquisition of a plot of land suitable for the construction of residential property, cancellation of an unpaid duty and/or any refund of duty that has been paid may only take place in the cases defined in Article 80 (1).

The limitation rules in the Taxation Act shall apply to the deadlines for the submission of applications for the cancellation of unpaid duties and for the refund of duties paid, or to the time limits for the ex officio cancellation of unpaid duties and for the refund of duties paid ex officio.

If the court terminates or restricts property acquisition with retroactive effect to the date of acquisition, the applicable duty may be cancelled or refunded past the time limit referred to in the Taxation Act, but no later than within six months of the operative date of the court ruling.

Any refund of duty shall be governed by the relevant provisions of the Taxation Act on tax refund.

Apart from the cases when the duty shall be cancelled or refunded pursuant to the Duties Act, the cancellation of a duty imposed, but not paid, and the refund of a duty paid shall be implemented ex officio or upon request of the party liable for the duty payable or his successor in the following cases:

- if the underlying transaction is amended, dismissed or dissolved by the court, or if the court declares it invalid and, consequently, less or no duty applies for the said transaction;
- if the parties terminate or abandon the transaction upon mutual consent, or if the contract is terminated due to the withdrawal or rescission by either of the parties, and - in connection with real property - the original status in the real estate register is restored and, in other cases, if the applicant is able to produce documentary evidence to verify the termination of the transaction;

⁷³ Article 82 of the Duties Act; Articles 170-172/By Article 133 point 16 of the Amending Act, effective from 1 January 2014.

⁷⁴ Articles 79-80 of the Duties Act, Articles 37-38

- if a right applies for the lifetime or the time of marriage or widowhood of a person, however, the entitlement terminates within a period shorter than one half of the amount of years presumed as calculated by the applicable multiplication rates (here the amount in excess of the portion of the duty applicable for the actual period of the right shall be cancelled and refunded);
- if the subject matter of a transaction is a right stipulated for a fixed period, and duty was imposed on the value calculated, yet the entitlement terminates before the lapse of one half of the years applicable (the amount in excess of the portion of the duty applicable for the actual period of the right shall be cancelled and refunded);
- if a party liable for payment of duty overpaid the duty in consequence of a calculation error or an error in the interpretation of the relevant legislation;
- if the duty or the duty base was erroneously calculated, or the duty was charged to a person other than the one liable for payment of duty, and also if it was charged more than once;
- on occurrence of a condition subsequent in transactions.

Upon request by the taxpayer the duty on quid pro quo transfer of property must be repaid to the taxpayer if the authority for the protection of historical buildings certifies that the party acquiring the property has started the reconstruction of the building qualified to be protected as a historic building (or a building under local protection by a municipal regulation) within 1 year from the reporting of the acquisition for the imposition of duty and finished it within 5 years of that time. Reconstruction means general repair on the entire building or on its front or on several of its main structures which completely re-establishes the aesthetic condition of the building or at least its original technical conditions.