

Information regarding the obligation to pay duties related to the purchase of immovable property

When shall one pay duties?

In the event that the **ownership of a real property** (whether land or housing / residential property) is acquired in return for a purchase price, the party acquiring the real property (i.e. the purchaser) shall – as a general rule – pay duty on the onerous transfer of property.

Duty on the onerous transfer of property shall be paid on the acquisition of **certain rights of pecuniary value related to real property**, acquisition of property through the termination of such rights and the transfer of the exercise of usufruct enjoyed in respect of real property. In this context, right of pecuniary value means leasehold, usufruct or right of use – including the right of use of a holiday facility and of a time share accommodation – besides asset management.

Duty base, rate of duty

The general rate of the duty on onerous transfer of property is 4% of the market value of the property acquired, including encumbrances.

In the case of **exchanging the ownership of real properties**, except residential property and related rights, the basis of the duty is the market value of the real property acquired thereby.

In case the exchange of residential property, the base of the duty is the difference between the market values of the residential properties – without the additional liabilities.

In case the private individual owner **sells or exchanges his /her residential property within a period of three years preceding or one year after the time of purchase of his / her residence**, the base of the duty is the difference between the market values of the purchased and the sold or exchanged residential properties – without the additional liabilities (It follows from the above that if a private individual sell their land property and intend to purchase a residential property from the proceeds therefrom, the above rule cannot be applied: this rule can exclusively be applied to the sale and purchase of residential properties).

If the private individual transfers more than one residential property by way of exchange, or purchases or sells more than one residential property within a period of three years preceding or one year after the purchase, when establishing the value differential on which the duty is based, only the exchange or 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 exchange or purchase of residential property. If the private individual is unable to certify another exchange or sale of residential property conforming to the above conditions, the duty liabilities after the exchange and acquisition of residential property are established along the lines of the general rules.

It is important to note that in case **a private individual exchanges or purchases a residential property** and sells another property of theirs within the period of three years preceding or one year after the purchase and if the market value of the acquired residential property is smaller than that of the exchanged or sold one, no duty payment is required.

If the private individual **declares** at the latest imposition of duty notification **of buying a residential property within one year after the residential property purchase sells and calls for the state tax authority to ascertain the duty on acquisition of residential property according to the rules of purchase replacing change**, then the state tax authority

determines the market value of purchased residential property, but suspends the process without disclosing the decision.

When the private individual demonstrates that within a year of buying a residential property sold another residential property, the state tax authority conducts the suspended procedure and establishes the amount of duty payable under the difference between the market value of the purchased and sold residential property. If the private individual does not justify the sale of his other residential property until the last day of 13th month following the purchase of the new home, then the state tax authority imposes additional duty besides the duty imposed on the purchased residential property.

The additional duty shall be calculated by the state tax authority on the original amount from the date of submission of the private individual's statement at a rate double the prevailing central bank base rate.

In the event that **the acquisition of property is based on a contract for support, life annuity or inheritance**, the base of the duty is the market value of the property acquired.

In the case of **usufruct or use established concurrently with an onerous transfer of property**, the party acquiring ownership pays a duty on onerous transfer of property as per the market value, reduced by the value of usufruct or use calculated in accordance with certain rules, while the usufructuary or user pays a duty corresponding to the calculated value of usufruct or use.

Duty exemptions and allowances applicable to the purchases of real property

Acquisition of the ownership (ownership share) of land property suitable for the construction of a residential building and the right of pecuniary value established on such real property is exempt from duty on onerous transfer of property if the party acquiring the property builds a residential building on such real property within 4 years of the date of submission of the contract for dutiable purposes, and if the net floor space of the residential suite(s) in the building is minimally 10% of the permissible building space fixed in the applicable general zoning plan. The party acquiring the property must notify the Tax Authority regarding his intention to build a residential building, until the date when the order concerning payment of the duty becomes definitive.

The purchase of a **new residential property** with a market value of HUF 15 million or less, **built or developed by a business entity for the purpose of resale**, and the purchase of a share in such property are exempt from duty on onerous transfer of property. If the market value of the new residential property is over HUF 15 million but the market value decreased by state subsidies for housing purposes in the form of non-repayable assistance is below HUF 30 million, and if the buyer does not provide proof of the sale of another property, the applicable duty must be established as follows: First, the amount of the duty that would otherwise be paid on the total value of the housing unit must be established (4% of the market value), then the amount of the duty payable on HUF 15 million, calculated in accordance with the above method (i.e. HUF 600,000), must be subtracted from this amount. The sum that thus remains is the duty payable.

Payment relief: deferred payment and instalment payment with reference to the payment of duties

Deferred payment and payment instalment (hereinafter collectively referred to as "payment relief") may be granted if the person obliged to pay duty cannot pay it in one lump sum until the fixed date.

Thus, payment reliefs can be granted if the payment difficulty

a) cannot be attributed to the applicant or if he has taken reasonable measures to prevent payment difficulty in a manner that can be expected in the given situation and, furthermore, b) is of a temporary nature, that is, payment of the tax at a later time is likely.

In respect of private individuals, payment reliefs may be granted despite point a) if the applicant foresees or is able to provide some form of evidence demonstrating that payment of the tax at that very time or in a lump sum would constitute unreasonable hardship on his family, given his income and his financial and social circumstances.

There is no statutory regulation prescribing the number of instalments for which an application can be lodged.

The submission of an application is free of duties for natural persons – including private entrepreneurs here – but economic operators are obliged to pay a procedural duty of 10,000 HUF. According to the Act on the Rules of Taxation the procedure for automatic payment in instalments initiated by the trusted taxpayer at the state tax authority is exempted from duty. The form required for the submission of such an application can be downloaded from our website (**www.nav.gov.hu** at the link “Letöltések-egyéb” / “Adatlapok, igazolások, meghatalmazásminták” /Adatlapok fizetési könnyítésre és/vagy mérséklésre irányuló kérelmek elbírálásához”) and, alternatively, the same form is available at any Customer Service Offices of the Hungarian Tax and Customs Administration (NTCA).

Upon the request of a private individual, the tax authority may reduce or cancel payable duty debts, penalties and surcharges of the individual if payment of such duties would seriously endanger the livelihood of the person obliged to pay such duties and that of his close relatives living in the same household. The tax administration may make any reduction contingent upon the payment of part (or all) of the unpaid debt.

Notification of the acquisition of property

Acquisition (termination) of ownership of real estate property, or a right related to such real estate property shall be reported to the real estate supervisory authority for dutiable purposes by submission of the relevant contract (document), accompanied by a form prescribed by the state tax authority for this particular purpose - containing the tax identification number of the parties, or a statement showing the absence thereof - together with an application for registration in the real estate register, within thirty days of the time when the duty becomes chargeable. In the event of failure to fulfil the reporting obligation in connection with the property acquisition, by providing such report in default of the 30-day deadline, or by providing an incomplete report, the subject of duty payment obligation is liable to pay a default penalty. The tax authority shall impose a penalty of fifty thousand forints on natural persons, and one hundred thousand forints on taxpayers other than natural persons, and, apart from warning the taxpayer on the legal consequences of the default, shall set a time limit of fifteen days for lawful fulfilment.

Tax authority sends an English language informative letter together with the resolution establishing duty payment obligation to the party acquiring the property.