

Real Estate Tax Services News

Keeping you informed

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Changes in the Hungarian real estate transfer tax rules

In brief

On 9 June, the spring tax package adopted by the Hungarian Parliament was published, containing amendments to the definition of Hungarian real estate rich companies, effective from 10 July 2021.

In detail

Under the current regulations, the acquisition of shares in real estate rich companies is subject to real estate transfer tax. Generally, a company qualifies real estate rich if, according to its latest balance sheet (or, in the absence of a closing balance sheet, its opening balance sheet):

- at least 75% of its assets (modified for certain items) are domestic real estate; or
- it owns – directly or indirectly – at least 75% of the shares of a real estate rich company.

In practice, this meant that where a newly established company acquired real estate in the year of its establishment, the company could escape qualifying as real estate rich during its first financial year. This loophole has often been exploited in share deals.

Under the approved legislation, when determining the real estate rich classification of a company, it will not be sufficient to take into consideration the asset values included in the balance sheet of the most recent closed financial year or the opening balance sheet. Instead, the asset values will need to be adjusted by the book value of those assets acquired and disposed of in the period between the latest balance sheet date (or the opening balance sheet date) and the date of triggering the real estate transfer tax liability (i.e. effectively the date of signing the underlying contract). The adjustments would need to be made only if they impact the real estate rich classification of the company.

Accordingly, the company's favourable treatment in the year of establishment will no longer be available from a real estate transfer tax perspective.

The amendment will take effect on 10 July 2021; therefore, it will impact the real estate transfer tax liability of transactions performed in the second half of 2021.

Your contacts

Global and regional contacts

Uwe Stoschek

Global Real Estate Tax Leader
Tax Partner, PwC Germany
Tel.: +49 30 2636-5286
uwe.stoschek@pwc.com

Jeroen Elink Schuurman

EMEA Real Estate Tax Leader
Tax Partner, PwC Netherlands
Tel.: +31 6 53 98 48 10
jeroen.elink.schuurman@pwc.com

Contacts – PwC Hungary

Gergely Juhasz

Real Estate Tax Leader
Tel.: +36 1 1 461 9359
gergely.juhasz@pwc.com

Mihály Gerhat

Real Estate Tax Senior Manager
Tel.: +36 30 334-3860
mihaly.gerhat@pwc.com

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