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# A Guide to Doing Business in Hungary



2025

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## Welcome to Hungary!

At MGI-BPO, we understand the opportunities and challenges that international businesses face when entering a new market. Hungary, located in the heart of Europe, offers a stable business environment, EU membership, a highly skilled workforce, and one of the most attractive corporate tax rates in the European Union.

Whether you're looking to establish a local entity, expand your operations, or explore investment opportunities, our expert team is here to guide you every step of the way. This guide was created to give you a practical overview of the Hungarian business and regulatory environment.

It includes essential information on company formation, taxation, employment, accounting and compliance – all tailored to meet the needs of foreign investors.

We've been supporting international companies in Hungary for over two decades. As a proud member of MGI Worldwide – a top 20 international network of independent accounting, audit, tax and consulting firms – we combine global reach with deep local knowledge.

We look forward to helping your business succeed in Hungary.

### The MGI-BPO Team



## Hungary in a Nutshell

Hungary is a landlocked Central European country and a member of the European Union since 2004. With a population of around 9.6 million and a strategic location at the crossroads of

Western and Eastern Europe, it offers a competitive business environment, a highly educated workforce, and access to the EU single market.

### Key Facts

- Capital: Budapest
- Official Language: Hungarian
- Currency: Hungarian Forint (HUF)
- Time Zone: Central European Time (CET, GMT+1)
- Government: Parliamentary republic
- EU Membership: Since 2004
- Schengen Area: Yes
- OECD Member: Yes



### Geography & Infrastructure

Hungary has well-developed road, rail, and air transport infrastructure. It shares borders with Austria, Slovakia, Ukraine, Romania, Serbia, Croatia, and Slovenia. Budapest, the capital, is a key hub for business, logistics, and innovation in the region.

- GDP (2023): USD 212.4 billion
- GDP per capita (2024 est.): Approx. USD 22,100
- Main Sectors: Automotive, pharmaceuticals, IT, agriculture, logistics, shared service centers
- Labour force: ~4.7 million
- Unemployment (2024): 4.4–4.5%

### Why Hungary?

- Corporate income tax rate of 9% – the lowest in the EU
- Central location with excellent infrastructure
- Skilled workforce with strong technical and language skills
- Access to EU funding and investment incentives
- Favourable R&D and innovation ecosystem.

MGI-BPO supports foreign investors with audit, tax, accounting, payroll and business advisory services tailored to the Hungarian market.

We help businesses enter and grow sustainably in the region.

## Starting a Business in Hungary

Hungary offers a clear and investor-friendly legal framework for setting up a business. Foreign investors have the same rights and obligations as local entrepreneurs, and company formation can be completed quickly, often within just a few business days.

### Popular Company Types

- **Limited Liability Company (Kft.):** The most common form for SMEs. Requires a minimum share capital of HUF 3 million.
  - **Private Company Limited by Shares (Zrt.):** Suitable for larger operations. Minimum capital: HUF 5 million.
  - **Public Company Limited by Shares (Nyrt.):** For publicly listed companies. Minimum capital: HUF 20 million.
  - **Branch Office:** No legal personality but can operate like a regular business in Hungary.
  - **Representative Office:** Limited to liaison and market research, cannot engage in commercial activity.
- Timeframe:** Express electronic company registration: 2–5 business days

### Bank Account Requirements:

Opening a corporate bank account is mandatory. Some banks require in-person presence of managing director

### Minimum Capital Requirements:

**Kft.:** HUF 3,000,000

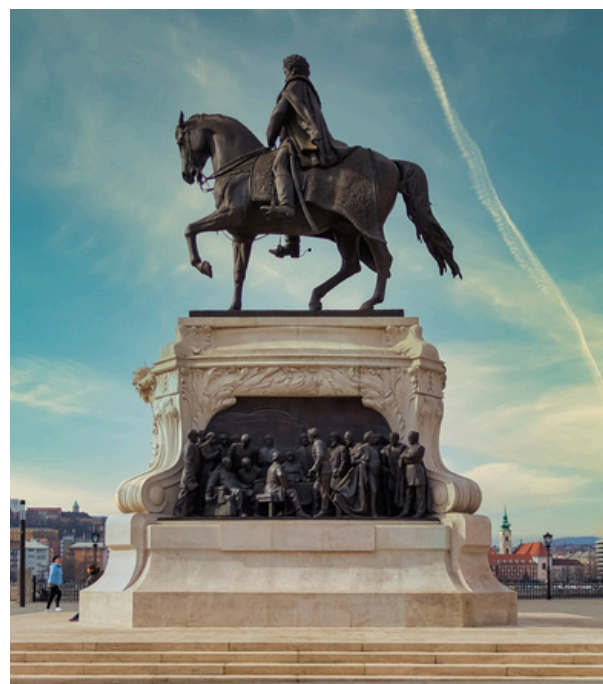
**Zrt.:** HUF 5,000,000

**Nyrt.:** HUF 20,000,000

### Other Notes

- Foreign entities can own 100% of a Hungarian company
- The company may start operations as a “pre-company” once the application is submitted
- Hungarian translation is required for all official documents

**MGI-BPO** can fully support you throughout the company setup process, including legal coordination, tax registration, and opening of bank accounts.





## Taxation Overview

Hungary offers a predictable and competitive tax environment, especially attractive for international investors. The country maintains one of the lowest corporate income tax rates in the European Union and offers a variety of tax incentives for innovation, investment, and employment.

### Key Business Taxes

- **Corporate Income Tax (CIT):** Flat 9% rate on profits
- **Local Business Tax:** Up to 2% on adjusted trading profit (may vary by municipality)
- **Innovation Contribution:** 0.3% (exemption available for SMEs)
- **VAT (Value Added Tax):** Standard rate 27%, with reduced rates (5% or 18%) on certain goods and services



### Alternative Tax Regime for Small Businesses – KIVA

Small businesses may opt for a simplified tax regime called KIVA (Small Business Tax) if they meet specific criteria. Instead of paying corporate income tax, social contribution tax, and vocational training contribution separately, a flat 10% KIVA rate is applied to a modified tax base.



## Tax Incentives

- Development tax allowances for major investments
- Tax deductions for R&D activities
- Preferential treatment for SME investments and start-ups
- Special tax credits for sports, film production, and energy efficiency improvements

## Withholding Taxes

Hungary does not levy withholding tax on dividends, interest, or royalties paid to corporate entities in most treaty countries or within the EU.

## Transfer Pricing

Hungarian legislation follows international guidelines. Transfer pricing documentation is mandatory for related-party transactions above a certain threshold. Advance pricing agreements (APAs) are available.

## Double Tax Treaties

Hungary has a broad network of double taxation treaties, providing relief from double taxation and encouraging cross-border business.

## Personal Income Tax

Hungary applies a flat 15% personal income tax rate on most types of income, including employment income, business income, and capital gains. Certain benefits in kind and allowances may be tax-exempt or taxed at a preferential rate. Residents are taxed on their worldwide income, while non-residents are only taxed on their Hungarian-sourced income.

**MGI-BPO** provides full tax compliance and advisory support, including corporate tax planning, VAT registration and filings, transfer pricing documentation, and local tax optimization.



## Accounting & Audit Requirements

Hungary has a well-developed and transparent financial reporting system based on the Hungarian Accounting Act, which is harmonized with EU directives. Companies must maintain proper double-entry bookkeeping and prepare annual financial statements in accordance with local rules.

### Accounting Standards

- Hungarian accounting standards (HAS) apply to most entities
- IFRS may be used voluntarily by certain companies, especially if they are listed, part of a financial group, or apply for it with the tax authority

### Statutory Financial Statements Include:

- Balance sheet
- Profit and loss statement
- Notes to the financial statements
- Business report (for medium and large entities)

**Financial Year** Generally aligns with the calendar year, but a different financial year may be chosen.

### Filing and Publication Requirements

- Annual accounts must be filed electronically with the Ministry of Justice
- Deadline: May 31st of the year following the financial year-end (if the financial year matches the calendar year)

### Audit Requirements

- Audit is mandatory if both of the following criteria are exceeded in two consecutive years:
  - Net revenue: HUF 600 million
  - Average number of employees: 50
- Public interest entities and certain regulated sectors are always subject to audit

### Other Notes

- Financial statements must be prepared in Hungarian for official filing
- The functional currency may be foreign (e.g. EUR), but filing is still required in HUF or translated format
- Supporting documentation and accounting records must be retained for 8 years

**MGI-BPO** provides end-to-end support from day-to-day bookkeeping to year-end closings, financial statement preparation, and statutory or voluntary audits through our licensed audit company.



## Employment & Payroll

Hungarian labor law is regulated by the Labour Code and offers flexibility while ensuring protection for both employers and employees. Foreign companies must comply with local employment regulations when hiring staff in Hungary.

### Employment Contracts

- Must be in writing
- Can be fixed-term or open-ended
- Must include job title, salary, place of work, and starting date

### Minimum Wage (2025)

- Monthly gross minimum wage: HUF 290,800
- Monthly gross guaranteed wage minimum (for skilled positions): HUF 348,800

### Social Security Contributions (2025)

- Employer's side: 13% social contribution tax
- Employee's side:
  - 18.5% social security contributions (pension, health, unemployment)
  - 15% personal income tax (PIT)

### Paid Leave

- 20 working days of basic annual leave (can increase with age and children)
- Public holidays (typically 11 days/year)

### Working Time

- Standard working hours: 8 hours/day, 40 hours/week
- Overtime allowed with limitations and extra pay



### Termination

- Must be justified if initiated by employer
- Notice periods depend on seniority and contract terms
- Severance pay may apply

### Other Notes

Employers must register employees with the tax authority and social security system

Foreign nationals from the EU/EEA can work freely; others may require work permits

**MGI-BPO** offers full payroll and HR administration services, ensuring compliance with Hungarian labor law, accurate payroll processing, and timely reporting to the authorities.



## Banking, Investment & Incentives

Hungary has a stable financial sector and a growing ecosystem for foreign direct investment (FDI). The banking system is well-developed, with a wide range of domestic and international banks offering corporate services. The Hungarian government actively encourages foreign investment, particularly in high-value sectors.

### Banking System

- All businesses must open a Hungarian bank account for financial operations
- Online banking and multi-currency accounts are widely available
- KYC and anti-money laundering regulations apply

### Foreign Exchange Regulations

- No restrictions on foreign currency operations
- Funds can be freely repatriated, including dividends and capital gains
- Hungary is not part of the Eurozone, but EUR accounts are common

### Investment Incentives

- Cash subsidies and tax allowances for large-scale investments
- R&D support through tax deductions and grants
- EU-funded programs for digitalisation, green energy, and innovation
- Special incentives for investments in priority sectors (e.g. automotive, electronics, biotech)

### Investment Zones and Industrial Parks

- Designated zones with ready-to-use infrastructure and simplified administration
- Governmental support with location scouting and project coordination

### Public Funding

- National and EU co-financed tenders regularly available
- Focus areas include innovation, regional development, export capacity, and training

### Strategic Partnership Agreements

Hungary has signed numerous agreements with multinational companies, offering tailor-made support for long-term investors.

**MGI-BPO** supports investors in accessing available incentives and structuring investments in a tax-efficient and compliant manner. We help identify suitable funding opportunities and assist with application processes and reporting obligations.

## Real Estate and Sectoral Notes

Hungary has an active real estate market with opportunities in commercial, industrial, and residential segments. The legal environment is transparent, and foreign investors can acquire property directly or through a Hungarian company.

### Property Ownership

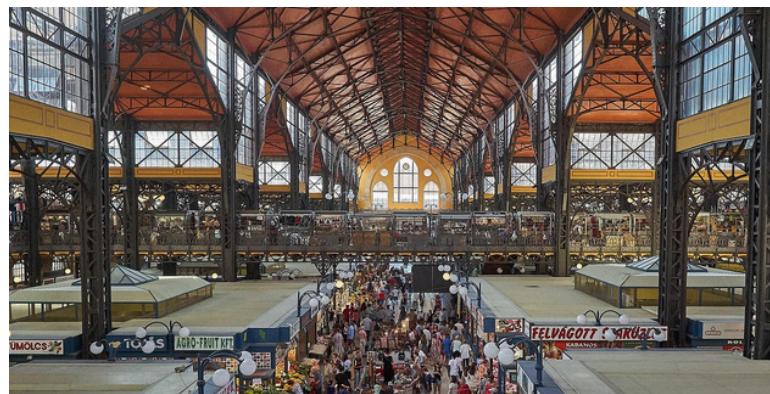
- Foreign individuals and entities can acquire real estate in Hungary
- Agricultural land is subject to special regulations
- Most foreign investors use a Hungarian company to purchase and hold property

### Real Estate Taxes

- No real estate transfer tax for asset deals, but 4% transfer tax applies to property acquisitions (up to HUF 1 billion; 2% above that cap)
- Local municipalities may levy building and land taxes

### Transaction Process

- Purchase contracts must be countersigned by a Hungarian attorney
- Title transfer is registered with the Land Registry
- Due diligence is recommended (title, encumbrances, zoning)



### Key Sectors with Specific Regulations or Incentives

- Automotive: Strategic priority, infrastructure support, training subsidies
- Pharmaceuticals & Life Sciences: R&D incentives, strong export potential
- IT & Shared Services: Talent pool, digital infrastructure, innovation funding
- Logistics: Central location, EU corridor development, industrial park support
- Tourism & Hospitality: VAT benefits for services, regional grant programs

**MGI-BPO** supports clients in structuring real estate investments, understanding sector-specific incentives, and managing tax and compliance obligations effectively.





## About MGI-BPO

**MGI-BPO** is a leading Hungarian professional services firm providing audit, accounting, payroll and tax advisory solutions. We are proud to serve clients from over 30 countries, ranging from SMEs to large international groups across various industries.

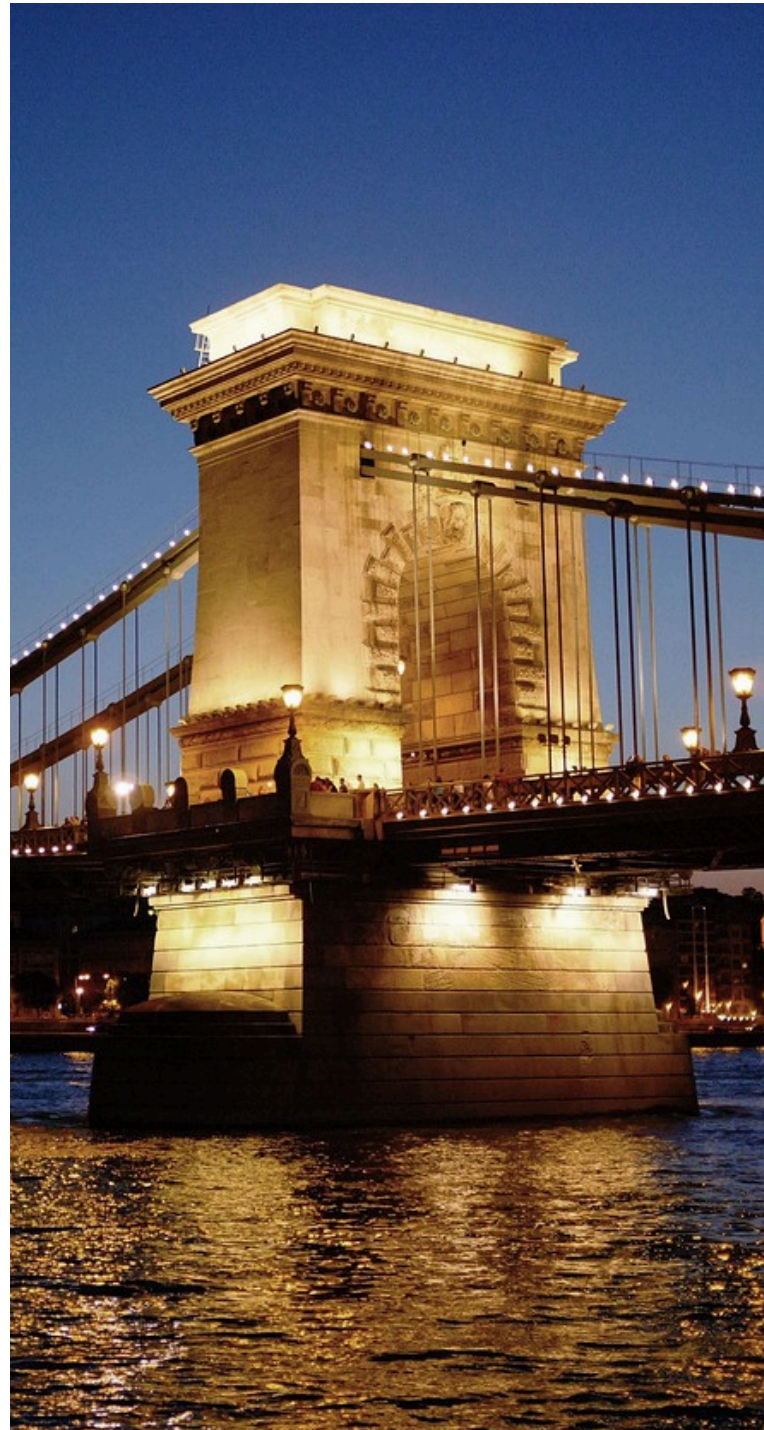
### Our Services

- Statutory and voluntary audit
- Accounting and financial reporting (HAS & IFRS)
- Tax compliance and consulting
- Payroll and HR administration
- Company formation and advisory for foreign investors

### Why Clients Choose MGI-BPO

- 20+ years of experience in supporting international business
- English-speaking experts with sector-specific knowledge
- Member of MGI Worldwide, a global network of independent audit, tax and accounting firms
- Client-focused, flexible and personal approach

**MGI-BPO** would be happy to support your entry into the Hungarian market and be your trusted local partner.



**Legal notice:** Audit services are provided by BPO-AUDIT Kft., while tax and accounting services are delivered by BPO-TAX Kft., together referred to as MGI-BPO.



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## International reach - makes a difference!

**Our global accounting network, your local contact in the world**

**MGI-BPO** is a member of MGI Worldwide, a Top 20 international accounting network and association of independent audit, tax and accounting firms, which brings together the expertise of almost 8,800 professionals in some 440 locations around the world. Our membership enables us to keep abreast of important new developments, while providing a seamless international service to any of our clients looking for support abroad.

Through MGI Worldwide, our firm benefits from connections with people we get to know and trust in all corners of the globe. We can help you and your operations with a quick phone call to one of our colleagues or a complete service offering – whatever you need to make your international business a success.

MGI Worldwide is a quality-controlled network, and, like all member firms, we are subject to review of our quality assurance systems and procedures against international standards.

**For more information on MGI Worldwide visit [www.mgiworld.com](http://www.mgiworld.com)**

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### About MGI Worldwide

MGI Worldwide is a leading top-20 international network and association of over 8,800 audit, accounting, tax and consulting professionals in some 440 locations around the world.

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