

# Hungary

## Transfer Pricing Country Profile

February 2022

		SUMMARY	REFERENCE
<b>The Arm's Length Principle</b>			
1	<b>Does your domestic legislation or regulation make reference to the Arm's Length Principle?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 18 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
2	<b>What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?</b>	<p>The OECD TP Guidelines are not legally binding in Hungary, however the Hungarian TP regulations are based on the OECD Transfer Pricing Guidelines.</p> <p>Section 31, paragraph 2, subparagraph b of the Act LXXXI of 1996 on Corporate Tax and Dividend Tax contains reference to the OECD TPG.</p>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
3	<b>Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation.</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>  Non-official English translation of Section 4 point 23 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax is the following:  <i>23. affiliated company shall mean:</i>  <i>a) the taxpayer and the person in which the taxpayer has a majority control - whether directly or indirectly - according to the provisions of the Civil Code;</i>  <i>b) the taxpayer and the person that has majority control in the taxpayer - whether directly or indirectly - according to the provisions of the Civil Code;</i>  <i>c) the taxpayer and another person if a third party has majority control in both the taxpayer and such other person - whether directly or indirectly - according to the provisions of the Civil Code, where any close relative holding a majority control in the taxpayer and the other person shall be recognized as third parties;</i>  <i>d) a nonresident entrepreneur and its domestic place of business and the business establishments of the nonresident entrepreneur, furthermore, the domestic place</i>	Section 4 point 23 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.

*of business of a nonresident entrepreneur and the person who maintains the relationship defined under Paragraphs a)-c) with the nonresident entrepreneur;*

*e) the taxpayer and its foreign branch, and the taxpayers foreign branch and the person who maintains the relationship defined under Paragraphs a)-c) with the taxpayer;*

*f) the taxpayer and other person if between them dominating influence is exercised relating to business and financial policy having regard to the equivalence of management;*

*g) Paragraphs a)-c) notwithstanding, affiliation shall be considered to exist*

*ga) for the purposes of Point 11, Point 53, Paragraph f) of Subsection (1) of Section 8 and Section 16/A even if the taxpayer holds directly or indirectly a participation in terms of voting rights or capital ownership of 25 percent or more or is entitled to receive 25 percent or more of the profits in an entity, with the proviso that for the purposes of these provisions compliance with Paragraph f) shall not be taken into account,*

*gb) for the purposes of Section 16/B even if the taxpayer holds directly or indirectly a participation in terms of voting rights or capital ownership of 50 percent or more or is entitled to receive 50 percent or more of the profits in an entity, with the proviso that having regard to participation in terms of voting rights or capital ownership the influence of persons acting in concert shall count together and in the case of taxpayers within a consolidated group of companies for financial accounting purposes Paragraph f) shall be taken into account.*

### Transfer Pricing Methods

4 **Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?**

- Yes**  
 **No**

If affirmative, please check those provided for in your legislation:

CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Other methods should be used if the fair market price cannot be determined by none of CUP, resale price, cost plus, TNMM, profit split.

Section 18 paragraph 2 of the [Act LXXXI](#) of 1996 on Corporate Tax and Dividend Tax.

		Hungarian regulations follow the TPG regarding the use of other methods. Taxpayers may therefore use any other transfer pricing methods that can determine the arm's length price in a reliable manner.	
5	<b>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</b>	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
		The most appropriate method should be interpreted as in the TPG.	
6	<b>If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.</b>	<p><input checked="" type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
<b>Comparability Analysis</b>			
7	<b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
		Hungarian regulations follows the guidance in Chapter III of the TPG.	
8	<b>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</b>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	
		Local companies are preferred in comparability analyses. The geographic selection criteria is as follows: Hungary, Visegrád countries and if necessary, the scope can be extended further.	
9	<b>Does your tax administration use secret comparables for transfer pricing assessment purposes?</b>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
10		<input checked="" type="checkbox"/> Yes	

	<b>Does your legislation allow or require the use of an arm's length range and/or statistical measure for determining arm's length remuneration?</b>	<input type="checkbox"/> <b>No</b> Non-official English translation of section 18 paragraph 9 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax is the following: <i>(9) If considered justified in the application of the methods provided for in Subsection (2) (having regard in particular to functionality analysis, sample composition or extreme values), the taxpayer shall apply additional filters relying on the median range covering half of the sample components (interquartile range), taking into consideration the ministerial decree laying down provisions for the obligation to keep records relating to the determination of fair market value adopted under authorization by this Act.</i>	Section 18 paragraph 9 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax. Section 8 of the <a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.
11	<b>Are comparability adjustments required under your domestic legislation or regulations?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b> There is the possibility to use comparability adjustments, but it is not mandatory as asked in this question. The taxpayer may apply adjustments that are contained (or not) in the TPG in order to improve comparability. Adjustments should be properly documented.	Paragraph 7 of the <a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.
<b>Intangible Property</b>			
12	<b>Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b> The TPG are followed.	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
13	<b>Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard to value intangibles (HTVI)?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b> The TPG are followed.	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
14	<b>Are there any other rules outside transfer pricing rules that are relevant</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	

	<b>for the tax treatment of transactions involving intangibles?</b>	There are a number of various direct, indirect, municipal tax legislation that include rules for the tax treatment of controlled or uncontrolled transactions involving intangibles. For example there is a nexus based corporate income tax base deduction for royalties on the basis of BEPS 5 and accepted by the FHTP. These are not transfer pricing rules therefore these should be kept out of the scope of the transfer pricing country profile.	
<b>Intra-group Services</b>			
15	<b>Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 1, paragraph 2, subsection c of the <a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.
		<p>Intermediated services between 3 or more group companies should be charged based on the arm's length principle.</p> <p>The TPG are followed.</p>	
16	<b>Do you have any simplified approach for low value-adding intra-group services?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Section 5 of the <a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.
		Legislation is based on OECD TPG and the guidelines on low value-adding intra-group services of the EU Transfer Pricing Forum.	
17	<b>Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		There are a number of various direct, indirect, municipal tax legislation that include rules for the tax treatment of controlled or uncontrolled transactions involving services. These are not transfer pricing rules therefore these should be kept out of the scope of the transfer pricing country profile.	
<b>Financial transactions</b>			
18	<b>[NEW] Does your domestic legislation or regulations provide guidance specific to financial transactions?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
		The TPG are followed.	

19	<b>[NEW]</b> Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of financial transactions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Interest deduction limitation in corporate income tax is harmonised to EU directives 1164/2016 and 952/2017, which are issued by the EU on the basis of BEPS 4.</p>	
<b>Cost Contribution Agreements</b>			
20	Does your jurisdiction have legislation or regulations on cost contribution agreements?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>The TPG are followed.</p>	Section 31, paragraph 2, subparagraph b of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
<b>Transfer Pricing Documentation</b>			
21	Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p><i>If affirmative, please check all that apply:</i></p> <input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG <input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input type="checkbox"/> Other (specify):	<p>Section 18, paragraph 5 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.</p> <p><a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on detailed regulations governing the system of records required in connection with fair market prices.</p> <p>Section V/D. of the <a href="#">Act XXXVII</a> of 2013 on the rules of international administrative cooperation related to taxes and other duties.</p> <p><a href="#">Act XCI</a> of 2017 on the multilateral exchange of information of CbCR between competent authorities.</p>
22	Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)	<p>The preparation deadline of the master file and local file is the filing deadline of the corporate income tax return. The language of the transfer pricing documentation is any language chosen by the taxpayer. Upon request, the taxpayer shall be obliged to hand over the Hungarian technical translation of the documents in foreign languages, with the exception of the English, German and French languages that are required for the clarification of facts to the tax authority.</p> <p>All domestic constituent entities of MNEs under the scope of CbC Reporting are required to file a notification before the end of the reporting fiscal year, in which they indicate their filing status. Both the notification and the CbC Report need to</p>	<p><a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.</p> <p>Annex 3 of the <a href="#">Act XXXVII</a> of 2013 on the rules of international administrative cooperation related to taxes and other duties.</p>

		be filed electronically, using the Hungarian domestic schema. CbCR shall be submitted within 12 months after the last day of the financial year reported.	
23	<b>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>  Master File and Local File: Penalty related to incomplete or inaccurate information, non-filing or late filing of the master file and local files up to HUF 2 million. In a repeated case, the penalty is up to HUF 4 million. CbCR: In case the CbC report is incomplete or contains inaccurate information, or it is submitted after deadline, the penalty is up to HUF 20 million.  The aforementioned fines can be charged partly or fully.	Section 230 of the <a href="#">Act CL</a> of 2017 on the Rules of Taxation.  Section 43/S. of the <a href="#">Act XXXVII</a> of 2013 on the rules of international administrative co-operation related to taxes and other duties.
24	<b>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</b>	<b>Local file and Master file:</b> In the case of the master file and local file, there are a number of exemptions from documentation, for example small companies and taxpayers having an APA are exempt.  <b>CbCR:</b> Multinational enterprises are not required to prepare CbCR if their consolidated revenue is under EUR 750 million in the financial year preceding the financial year reported.	Section 18, paragraphs 3 and 5 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.  Section 1, paragraph 2 of the <a href="#">Decree of the Ministry for National Economy</a> No 32/2017. (X.18) on transfer pricing documentation for establishing the arm's length price.  Section 4, paragraph 7 of the <a href="#">Act XXXVII</a> of 2013 on the rules of international administrative co-operation related to taxes and other duties.
<b>Administrative Approaches to Avoiding and Resolving Disputes</b>			
25	<b>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</b>	Please check those that apply: <input type="checkbox"/> Rulings <input type="checkbox"/> Enhanced engagement programs <input checked="" type="checkbox"/> Advance Pricing Agreements (APA) <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Unilateral APAs</li> <li><input checked="" type="checkbox"/> Bilateral APAs</li> <li><input checked="" type="checkbox"/> Multilateral APAs</li> </ul> <input checked="" type="checkbox"/> Mutual Agreement Procedures	Section 174-183 of the <a href="#">Act CL</a> of 2017 on the Rules of Taxation.  Sections 111 – 116 of the <a href="#">Decree</a> No. 465/2017. <a href="#">Act XXXVI</a> of 2006.  Double Tax Treaties.  Section 42 of the <a href="#">Act XXXVII</a> of 2013 on the rules of international administrative cooperation related to taxes and other duties.  <a href="#">Hungary's MAP Profile</a>

		<input type="checkbox"/> Other (please specify):	
<b>Safe Harbours and Other Simplification Measures</b>			
26	Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		Please refer to questions 16 and 24.	
27	Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Other Legislative Aspects or Administrative Procedures</b>			
28	Does your jurisdiction allow/require taxpayers to make year-end adjustments?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Section 18, paragraph 1 of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
		<p>Non-official English translation of section 18 paragraph 1 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax is the following:</p> <p><i>(1) If in the agreements and contracts between affiliated companies a higher or lower consideration is applied (calculated exclusive of value added tax) than the consideration enforced or that would be enforced vis--vis independent parties under fair competition and comparable circumstances (hereinafter referred to as fair market price), the taxpayer - irrespective of any other items that are to be added to or deducted from the pre-tax profit as prescribed in this Act - takes the difference between the fair market price and the consideration applied and shall</i></p> <p><i>a) deduct it from the pre-tax profit, provided that:</i></p> <p><i>aa) the consideration applied renders the pre-tax profit greater than it would have been had the fair market price been applied,</i></p> <p><i>ab) the affiliated company contracted is a resident taxpayer or a foreign person (other than a controlled nonresident company) who is subject to any tax that may be substituted for corporate tax according to the national law of the country where it is established,</i></p> <p><i>ac) it holds a document signed by both parties that contains the amount of the difference, and</i></p> <p><i>ad) it possesses the other party's statement declaring that that other party applies (applied) the amount of the difference (the sum determined under</i></p>	

		<p><i>the principle of fair market price provided for in the national law of the other party) in determining the amount of corporate tax or any taxable amount that is considered equivalent;</i></p> <p><i>b) add it to the pre-tax profit if the consideration applied renders the pre-tax profit lower than it would have been had the fair market price been applied (with the exception of contracts concluded with private individuals, other than private entrepreneurs).</i></p>	
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29	Does your jurisdiction make secondary adjustments?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
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**Attribution of Profits to Permanent Establishments**

30	<b>[NEW] Does your jurisdiction follow the Authorised OECD Approaches for the attribution of profits to PEs (AOA)?</b>	<input checked="" type="checkbox"/> Yes <p>In the vast majority of the double tax treaties of Hungary concluded after 2010 the new version of Article 7 is included. Some of our treaties concluded after 2010 and our older treaties however contain the previous (“old”) version of Article 7.</p> <p>Hungary as a member of the OECD follows the latest standards as a general rule in relation to treaty interpretation. The Corporate Income Tax Act lays down as a basic principle that international agreements promulgated (double tax treaties) shall override the provisions of the Act.</p>	
		<input type="checkbox"/> No <p><i>In how many tax treaties?</i></p>	

31	<b>[NEW] Does your jurisdiction follow also another approach?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Only in the case of non-treaty facts and circumstances.</p> <p>Non-official English translation of Section 14, paragraph 1, subparagraph c of Act LXXXI of 1996 on Corporate Tax and Dividend Tax is the following:</p> <p><i>(2) In addition to what is contained in Subsection (1), the pre-tax profit of the nonresident company determined for its domestic business establishment:</i></p> <p><i>c) shall be increased by 5 percent of the revenues and income that was earned through but not recorded for the business establishment.</i></p>	Section 14, paragraph 1, subparagraph c of the <a href="#">Act LXXXI</a> of 1996 on Corporate Tax and Dividend Tax.
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**Other Relevant Information**

32	<b>Other legislative aspects or administrative procedures regarding transfer pricing</b>	N/A	
33	<b>Other relevant information</b> (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i> )	N/A	

For more information, please visit: <https://oe.cd/transfer-pricing-country-profiles>