



Tax News+

September

Below you will find the tasks and potential issues arising from key tax law changes of the past month and recent weeks. We would be ready and glad to discuss with you any of your company specific issues.

Social Security Agreement between Hungary and the US

The Social Security Agreement between Hungary and the US ("Agreement") **entered into force on 1 September 2016**. As a result, employees seconded from the US to Hungary or from Hungary to the US are exempted from the social security obligations of the host country **for five years**. In order for the exemption to be applicable, **the employee must have social security in his/her home country for the period of secondment**. This must be certified by the competent authorities (OEP in Hungary). Exemption is also applicable if the employee was employed by his/her employer in a third country directly before being sent abroad, provided that the employee was insured in the home country during this period. **Furthermore, the Agreement allows competent authorities to stipulate additional exemptions at the joint request of the employee and his/her employer** (e.g. the extension of the 5-year period).

Prior to the Agreement, situations occurred where the employer and/or its employee were subject to social security obligations in both the home country and the host country (meaning that they were required to settle their social security liabilities in both countries). **Based on the new Agreement social security obligations are only payable in one country**. This should significantly reduce the administrative burden of employers and employees as well as the costs incurred in connection with working abroad.

In addition, the Agreement allows the insurance period spent abroad to be taken into account when determining social security benefits.

Tax exempt housing allowance provided by employers

As of 1 August 2016, the regulation applicable to 'equitable housing' for PIT purposes has been amended. **The amendment sets forth the definition and requirements relating to 'equitable housing', in addition to persons moving in or living together**. For instance, siblings cannot be taken into account when determining family members moving in together. Based on the information on the Hungarian Tax Authority's website, **if the employer reviewed compliance with the definition of equitable housing prior to the amendment, an additional review is not required.**

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New grant opportunity for supplier integrator companies and their suppliers

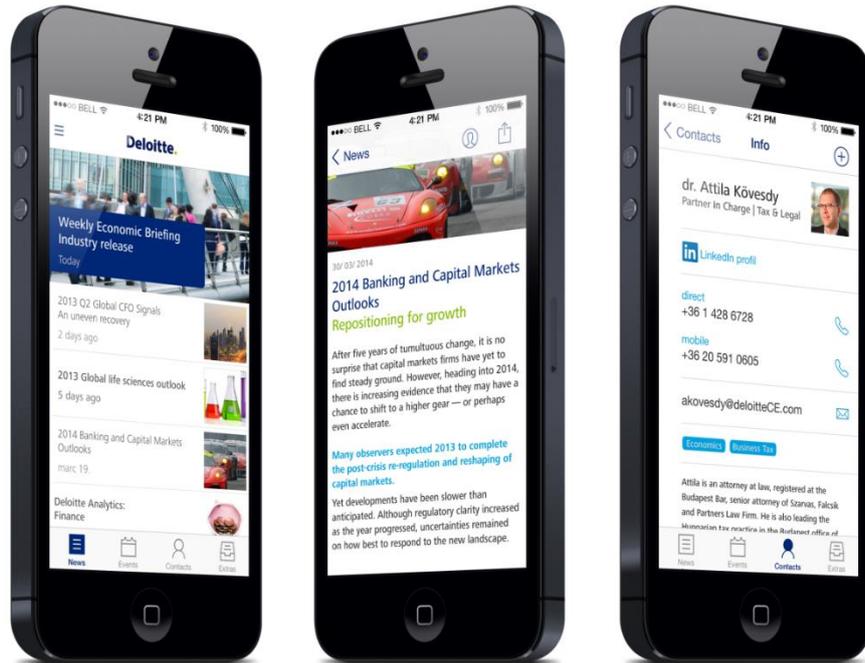
On 31 August 2016, a new call (GINOP-1.3.3-16) was announced within the framework of the Economic Development and Innovation Operation Programme. This **non-refundable** grant is available to large enterprises as well. Its aim is to provide financial support to supplier integrator companies and supplier micro, small and medium-sized enterprises (SMEs), in order to improve the supplier capacity of SMEs and to increase the number of suppliers. The total budget for the grant is HUF 20 billion.

The grant is only available to consortia comprised of a supplier integrator company, one of its SME suppliers, and at least one other SME. This SME must become a supplier of one of the members of the consortium by the end of the project, or be listed in the integrator's bid list.

The amount of the grant is **HUF 25-250 million per member** and **HUF 300-1000 million per consortium.** The aid intensity for the whole project cannot exceed **50%.**

A large enterprise may only apply for the grant as a supplier integrator. Within the framework of the project, the integrator aims to improve the supplier capacity of the members of the consortium by means of training-consulting and organizational development activities. In addition, the integrator reviews the results of these activities. Furthermore, it creates a supplier coordinator position if it did not have such position prior to the project. Other eligible activities include purchase of assets, investments in infrastructure, IT development and project management.

The grant is available nation-wide with the exception of the Central Hungary region. Applications can be submitted from **4 October 2016 to 4 October 2018** electronically. The project proposals received will be evaluated in several stages, with the deadline for submission for the first decision being **1 December 2016.**



Tax and Legal 4Me

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