

Small Business Tax - KATA

The following business entities - whose predicted income will be less than 12 million forint through the business year - can choose to pay taxes based on Small Business Tax (KATA) scheme:

- Solo private entrepreneur
- Solo private company
- Limited partnership (without legal person founder)
- General partnership (without legal person founder)
- Law office

Exclusion criteria

- Renting and operating of own or leased real estate (TEÁOR 68.20)
 - The entrepreneur can do this as a private person
- The tax number of the entrepreneur was deleted or suspended in the last two years by the National Tax and Customs Administration.

Tax exemption

The taxpayer, who chose to pay Small Business Tax (KATA) is exempt from the following taxes based on this status regarding all of the income he/she received as business:

- Entrepreneur Income Tax
- Corporate Tax
- Personal Income Tax and related personal contributions
- Social Contribution
- Health Contribution
- Vocational Training Levy

By paying the Small Business Tax (KATA) the taxpayer have to pay the taxes and contributions related to employment as well.

Tax exemption is not valid for the following taxes

- Company Car Tax
- Employment related taxes and contributions
- Value Added Tax
- Local Business Tax

Tax rate

As full time entrepreneur	50 000 Ft monthly
As part time entrepreneur	25 000 Ft monthly

The taxpayer have to pay the Small Business Tax (KATA) until 12th of the next month to the National Tax and Customs Administration (account number: 10032000-01076349) Please keep in mind to indicate the taxnumber in the comment field.

There is no need to pay the tax in the following cases for the full month:

- has sickness benefit, accident related benefit, parental aid, child benefit, child aid, child raising support or care allowance
- is at volunteer military service,
- is in custody or jail,
- is inactive as entrepreneur,

expect if he/she does business related activity.

If there is no need to pay the tax, the taxpayer have to report the situation along with the supporting documents to the National Tax and Customs Administration.

Keep in mind that if the full time entrepreneur was not able to work, he/she could report this situation in every month to the Administration. If for some reason the entrepreneur is inactive, he/she has to pay the mandatory health contribution to the Hungarian Social Security Administration.

Definition of the part time entrepreneur

The taxpayer, who belongs to one of the following categories in the whole month is considered as part time entrepreneur:

- He/She is employed least 36 hours weekly
- belongs to the part time employed category based on Act LXXX of 1997.
- has social insurance according to European Union laws
- has social insurance according to other international agreement
- has hungarian pension or invalidity insurance according to Act CXCI from 2011.
- is in a member in other company or has in any tax scheme unlimited liability
- homestead parent according to Act XXXI from 1997
- is a high school, college or a university student in European Union or in Switzerland

Above the limit special tax

If the yearly income of the taxpayer is above 12 million forint (1 million forint per month) , he/she have to pay 40% tax based on the part above this limit. For example if the taxpayer was active only for 6 months, he/she have to pay this 40% tax based on the income amount above 6 million forint. The above the limit special tax is due until 25th of February in the following year.

Income calculation

Everything is considered as income, what the taxpayer received regarding entrepreneurial business transaction except the following:

Not considered as income

- Value Added Tax as input
- temporary received goods, assets and cash
- payed back assets
- all compensations received based on law or other state approved judgement including insurance
- state given supports for cost coverage or innovation

All income in foreign currency should be calculated to Hungarian Forint with exchange rate provided by the Hungarian National Bank for that given day.

Reporting duty about relevant customers

Whenever a taxpayer receives cash more than 1 million forint in summary from one customer in a year, he/she and the customer have to report it to National Tax and Customs Administration in the yearly report package.

Why should they report the relevant customers?

With Small Business Tax the tax amount is less than if somebody earns it as salary. So the state authorities wants to separate these two income sources. If the vendor receives more than 1 million forint the National Tax and Customs Administration consider this as employment. The vendor's responsibility is to prove that this business isn't illegal employment. It can be done if two of the following statements are true:

- the taxpayer couldn't do the business activity just personally, so he/she had a business partner
- the taxpayer received less than 50 % of the yearly income from entities with the above mentioned reporting duty
- the entity with the reporting duty couldn't give orders regarding how to do the business activity
- the taxpayer is the owner of the place where he/she did the business activity

- the necessary items what are needed to do the business activity are not in the ownership of the entity with reporting duty
- the taxpayer can decide when will he/she do the business activity
- the taxpayer is considered part time entrepreneur in the whole year

Invoicing

If a business entity pays taxes based on Small Business Tax, it has to write the following text to all of the invoices made by them: "*Kisadózó*". There is a penalty issued by National Tax and Customs Administration, if he/she miss this obligation.

The taxpayer have to report their invoicing software of choose to the National Tax and Customs Administration on a standardized digital form in 30 days.

End of business

The Small Business Tax payer status is terminated in the following cases:

- Whoever is not issue invoice, cash receipt or sells products with unidentifiable origins, or employs anybody illegally
- If the tax number of the taxpayer is deleted or suspended by the National Tax and Customs Administration
- If the unpaid tax or customs duty of the taxpayer is more than 100 000 forint at the last day of the year. With the payment of the whole amount after the warning received from the authority the taxpayer is allowed to stop the business closure process.
- By the decision of the taxpayer at the first day of the following month after official report is sent to the National Tax and Customs Administration

The taxpayer is not allowed to choose paying taxes based on Small Business Tax in 2 years if he/she chose or forced to stop paying based on this scheme.