



Purchasing a Real Estate in Hungary



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1. Overview

The EU's founding principle of free movement of capital led to the opening of the member states' real estate markets' borders. As a result, EU nationals are entitled to purchase real estate under the same terms as residents of member states. Regarding the rise in EU citizens purchasing real estate in Hungary, please find below a summary of the procedures and expenses involved in purchasing a property from that standpoint.

2. Hungary's real estate transaction process

Selecting a property that satisfies all requirements and needs is the first step in the purchasing process. Our Legal Partnership's Real Estate Agency partners can offer you a variety of choices in the real estate market.

Following the selection of the property, extensive due diligence ought to be carried out. Our Legal Partnerships examines the information about the real estate listed in the Land Registry during this time. We look at the ownership structure, the usage framework, and the financial and legal obligations associated with the property. We can advise our client on the transaction and make the required preparations based on the findings of the due diligence.

Real estate in Hungary is legally acquired by registering the ownership of the property with the Land Registry; consequently, upon registration, the buyer is able to utilize their newly acquired rights. A sale and purchase agreement that has been countersigned by a Hungarian attorney-at-law and signed by the buyer and seller serves as the foundation for the registration. The registration process ought to start as soon as the sale and purchase agreement is signed. Hungary's paper-based land registration process will transition to an electronic one on January 15, 2025, which should reduce the time required for registration. Each real estate is subject to a registration procedure fee of HUF 10,600.00 (about EUR 25).

3. The tax consequences of purchasing and acquiring a real estate in Hungary

3.1. Public fees associated with purchasing a real estate

A wealth acquisition fee, which is essentially an acquisition tax, is payable following the purchase of the real estate. If the value of each real estate property is less than HUF 1 billion (approximately EUR 2,500,000.00), the due fee is 4% per real estate property. The amount owed is 4% of the value over HUF 1 billion. The maximum amount owed, or approximately EUR 500,000.00, is HUF 200,000,000.00. Building sites are free from the duty as long as the owner constructs one or more homes on the property within four years of purchasing it. If the newly constructed apartment is built by a construction company and the property value does not exceed HUF 15 million, the acquisition of the apartment is exempt from duty. Only the portion of the dwelling's value that exceeds HUF 15 million is subject to duty if its total value is less than or equal to HUF 30 million. The entire value of the residence is subject to the levy if its value is greater than HUF 30 million.

3.2. Public fees that are due while a real estate is owned

There is no central wealth tax on real estate in Hungary. Nonetheless, real estate is subject to taxation by municipalities. The municipality where the real estate is located determines the kinds and amounts of taxes that apply. Since the district municipalities in Budapest have the authority to impose taxes, the tax obligations in various districts may differ. Every year, the real estate taxes for the municipality are due. For instance, although there are several advantages and exemptions, the building tax rate in the Inner City of Budapest (District 5) is HUF 1,981.00 (roughly EUR 5) / square meter / year.

3.3. Public fees that become due following the real estate property's sale

The difference between the original purchase price and the sale price of a real estate property is the income realized by the previous owner after it is sold. The personal income tax obligation is applicable to this income. Hungary has a single, flat personal income tax rate of 15%. On the other hand, taxable income may be subtracted according to the period of real estate ownership. For instance, only 60% of the proceeds from the sale of real estate that was owned for three years is subject to taxes. Most importantly, if the real estate was owned for five years, no personal income tax is owed following the sale.

