

# Hungary

## Transfer Pricing Country Profile

Updated February 2018

		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"/> Yes <input type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Section 18 <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>
2	<b>What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?</b>	Hungarian legislation is based on TPG. Legislation contains an explicit reference to the TPG.	Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2 <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>
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"/> Yes <input type="checkbox"/> No  Related parties: 1) the enterprise has a majority control directly or indirectly in the other enterprise, 2) where the same person has a majority control directly or indirectly in both, enterprises 3) a non-resident entrepreneur and its domestic permanent establishment, the domestic permanent establishment and the related parties of the non-resident entrepreneur, 4) the domestic enterprise and its foreign branch, the foreign branch and the related parties of the domestic enterprise, 5) the enterprises where the same management has dominating influence relating to business and financial policy.	Act LXXXI of 1996 on Corporate Tax and Dividend Tax – Section 4, point 23. <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>

## Transfer Pricing Methods

4	<p><b>Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">CUP</th> <th style="text-align: center;">Resale Price</th> <th style="text-align: center;">Cost Plus</th> <th style="text-align: center;">TNMM</th> <th style="text-align: center;">Profit Split</th> <th style="text-align: center;">Other (If so, please describe)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">☒</td> <td style="text-align: center;">☒</td> <td style="text-align: center;">☒</td> <td style="text-align: center;">☒</td> <td style="text-align: center;">☒</td> <td style="text-align: center;">☒</td> </tr> </tbody> </table> <p>Other method: if the arm's length price can be determined by neither of the five methods.</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	☒	☒	☒	☒	☒	☒	<p>Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 18, paragraph 2  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a></p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
☒	☒	☒	☒	☒	☒										
5	<p><b>Which criterion is used in your jurisdiction for the application of transfer pricing methods?</b></p>	<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 (if so, please explain)</p> <p>The "Most Appropriate Method" shall be interpreted as in TPG.</p>	<p>Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2</p>												
6	<p><b>If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.</b></p>	<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 (if so, please explain)</p> <p><input type="checkbox"/> Other (if so, please explain)</p>													

## Comparability Analysis

7	<p><b>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p>Comparability analysis is not defined in the Hungarian regulation in detail. TPG is followed.</p>	<p>Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2</p>
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8	Is there a preference in your jurisdiction for domestic comparables over foreign comparables?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		Only in case when foreign comparables are not suitable.	
9	Does your tax administration use secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	Does your legislation allow or require the use of an arm's length range and/or statistical measure for determining arm's length remuneration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 18, paragraph 9 <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>
		If considered justified (having regard in particular to functionality analysis, sample composition or extreme values), the taxpayer shall apply additional filters relying on the interquartile range.	
11	Are comparability adjustments required under your domestic legislation or regulations?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The Decree 32/2017 of the Ministry of National Economy on transfer pricing documentation requirements Section 7 laying down provisions <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM</a>
		Comparability adjustments are optional. Taxpayer may apply adjustments contained (or not) in TPG in order to improve comparability. Adjustments shall be properly documented.	
<b>Intangible Property</b>			
12	Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2
		Guidance contained in the TPG relating to the pricing of controlled transactions involving intangibles will be applicable. See reference above at question 2 to relevant guidance materials.	
13	Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard to value intangibles (HTVI)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2
		Guidance contained in the TPG relating to hard to value intangibles would be relevant. See reference above at question 2 to relevant guidance materials.	

14	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax Section 4, point 20 <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>
<b>Intra-group Services</b>			
15	Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		Guidance contained in the TPG relating intra-group services would be relevant. See reference above at question 2 to relevant guidance materials.	
16	Do you have any simplified approach for low value-adding intra-group services?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	The Decree 32/2017 of the Ministry of National Economy on transfer pricing documentation requirements Section 5 <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM</a>
		Reduced amount of information is expected. The applied arm's length range shall be between 3-7 percent.	
17	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>Cost Contribution Agreements</b>			
18	Does your jurisdiction have legislation or regulations on cost contribution agreements?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 31, paragraph 2
		Guidance contained in the TPG relating to cost contribution agreements would be relevant. See reference above at question 2 to relevant guidance materials.	

## Transfer Pricing Documentation

19	<p><b>Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p><i>If affirmative, please check all that apply:</i></p> <p><input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input type="checkbox"/> Other (specify):</p>	<p><b>Master file, local file:</b></p> <p>Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 18, paragraph 5</p> <p>Decree 32/2017 of the Ministry of National Economy on transfer pricing documentation requirements  <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM</a></p> <p><b>CbCR:</b></p> <p>Act XXXVII of 2013 on the rules of international administrative co-operation related to taxes and other payroll – Section V/D.</p> <p>Act XCI of 2017 on the multilateral exchange of information of CbCR between competent authorities  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700091.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700091.TV</a></p>
20	<p><b>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</b></p>	<p>Documentation does not have to be submitted to the tax authority, it should be provided upon request. The deadline for the preparation of local file is the filing date of the corporate tax return (May 31st). Deadline for the preparation of master file is adjusted to the ultimate parent company, but 12 months at the latest after the last day of the tax year.</p> <p>Transfer pricing documentation and supporting documentation may be compiled in languages other than Hungarian, but the taxpayer is liable to present a Hungarian translation of documentation prepared in languages other than English, French and German at the request of the tax authority.</p> <p>CbCR: all domestic constituent entities of MNEs under the scope of CbC Reporting are required to file a notification until the end of the reporting fiscal year, in which they indicate their filing status. This can be used to cross-check with filed CbC Reports for completeness. Both the notification and the CbC Report are to be filed electronically, using our domestic schema. CbCR shall be submitted within 12 months after the last day of the financial year reported.</p>	<p><b>Master file, local file:</b></p> <p>the Decree 32/2017 of the Ministry of National Economy on transfer pricing documentation requirements  <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM</a></p> <p><b>CbCR:</b></p> <p>Act XXXVII of 2013 on the rules of international administrative co-operation related to taxes and other payroll (Annex 3 of the Act)  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV</a></p>

21	<p><b>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</b></p>	<p><input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> <b>No</b></p> <p>Local file, Master file: Up to HUF 2 million, in case of repeated violation up to HUF 4 million.</p> <p>CbCR: up to HUF 20 million</p>	<p>Act CL of 2017 on the Rules of Taxation - Section 230  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV</a></p> <p><b>CbCR:</b></p> <p>Act XXXVII of 2013 on the rules of international administrative co-operation related to taxes and other payroll – Section 43/S.  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV</a></p>
22	<p><b>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</b></p>	<p>There are some cases when the taxpayer has no liability for preparing Master file/Local file:</p> <ul style="list-style-type: none"> <li>– the transaction was made based on agreement with an individual,</li> <li>– the enterprise is considered small-sized,</li> <li>– medium-sized companies for certain transactions,</li> <li>– transfers to the State specified by law,</li> <li>– the arm’s length price was determined by the tax authority in an Advance Pricing Agreement,</li> <li>– recharge of consideration for the sale of product or service in the same amount to related party(ies), if the seller or party bearing the cost is not related enterprise,</li> <li>– free cash transfer,</li> <li>– the value of the transaction does not reach HUF 50 million within the tax year.</li> <li>– transactions on stock exchange or fixed price specified by law</li> </ul> <p>CbCR: multinational enterprise is not required to prepare CbCR, if consolidated revenue is under EUR 750 million in the financial year preceding the financial year reported.</p>	<p>Act LXXXI of 1996 on Corporate Tax and Dividend Tax - Section 18, paragraph 3 and 5, and</p> <p>Decree 32/2017 of the Ministry of National Economy on transfer pricing documentation requirements – Section 1, paragraph 2  <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700032.NGM</a></p> <p><b>CbCR:</b></p> <p>Act XXXVII of 2013 on the rules of international administrative co-operation related to taxes and other payroll – Section 4, paragraph 7  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV</a></p>

## Administrative Approaches to Avoiding and Resolving Disputes

23	<p><b>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</b></p>	<p>Please check those that apply:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Rulings</li> <li><input type="checkbox"/> Enhanced engagement programs</li> <li><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> </li> <li><input checked="" type="checkbox"/> Mutual Agreement Procedures</li> <li><input checked="" type="checkbox"/> Other (<i>please specify</i>): Dispute resolution under the Arbitration Convention</li> </ul>	<p><b>Rulings:</b></p> <p>Act CL of 2017 on the Rules of Taxation - Section 164-173  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV</a></p> <p><b>APAs:</b></p> <p>Act CL of 2017 on the Rules of Taxation, Section 174-183</p> <p>Details on the submission of APA requests – Decree No. 465/2017 on Advance Pricing Agreements.  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV</a>  <a href="https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A1700465.KOR">https://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A1700465.KOR</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=A0300092.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A0600038.PM">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A0600038.PM</a></p> <p><b>Rules and administrative arrangements on MAP:</b></p> <ul style="list-style-type: none"> <li>- EU Arbitration Convention (Act XXXVI of 2006)</li> <li>- Double Tax Treaties</li> <li>- Act CL of 2017 on the Rules of Taxation</li> <li>- Act XXXVII of 2013 on the rules of international administrative co-operation related to taxes and other payroll, Section 42</li> </ul> <p><a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A0600036.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A0600036.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1700150.TV</a>  <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1300037.TV</a></p>
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### Safe Harbours and Other Simplification Measures

24	<b>Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		For types of taxpayers (SME) see the answer in point 22. For types of transactions (low value adding intra-group services) see the answer in point 16.	
25	<b>Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.</b>	No	

### Other Legislative Aspects or Administrative Procedures

26	<b>Does your jurisdiction allow/require taxpayers to make year-end adjustments?</b>	<input checked="" type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Section 18 <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?dbnum=1&amp;docid=99600081.TV</a>
		If the applied price differs from the arm's length price, the tax base shall be adjusted.	
27	<b>Does your jurisdiction make secondary adjustments?</b>	<input type="checkbox"/> <b>Yes</b> <input checked="" type="checkbox"/> <b>No</b>	

### Other Relevant Information

28	<b>Other legislative aspects or administrative procedures regarding transfer pricing</b>		
29	<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> )		