

This is the most advantageous form of benefit from employers on the basis of the current tax legislation. Neither personal income tax nor social security contributions need to be paid on the amount paid as support. As such, it is a construction that is very much preferred by companies. Those who receive this benefit have to pay tax and other contributions, but they get a large part of this back in the form of tax allowances in the following way.

Act XCVI of 1993 on voluntary mutual insurance funds (hereinafter: Insurance Fund Act) designates donations as support. The employer does not give the support directly to the member or employee; instead it pays it into the Fund on the basis of the associated support contract.

Handing over money in this way counts as an expense incurred in the interests of the activities of the enterprise; it is not classified as salary or personnel costs and therefore it is not burdened by personal income tax or social insurance, nor is it an item that modifies the corporation tax base, either. It may be accounted for as an expense and so it is not burdened by corporate income tax.

How can a donation be made to employees via the fund?

According to the Insurance Fund Act, anyone may make a donation or pay support to the fund if an associated contract has been concluded. The donation/support contract may stipulate the purpose for which the sponsor gives the donation. If the purpose is not specified, the Fund is then obliged to place the amount in the liquidity fund and therefore it is preferable to state the purpose.

The rules relating to support are significantly more relaxed than those relating to contributions made by employers; as such, the amount paid as support may also be paid into the fund's operational fund, but it can also be given to specific persons who are members. The donation may also be made regularly or even occasionally; as a bonus or premium, for example.

According to the Insurance Fund Act, donations may be given to the entire membership or to groups of persons as specified in the Statutes. In compliance with the demands of the companies, our Statutes have specified a good number of groups; in addition, several aspects may be applied simultaneously according to the decision of the company.

There is no prescription relating to the provision of the donations: they may also be given in a non-mandatory and non-standard way. Amounts that are different for each person may also be paid.

Taxation of amounts paid into the Fund from 1 January 2017

The tax is not paid by the company, but by the member inste

ad, and its amount is significantly lower than it would be as an employer contribution. The amount of the donation credited to the member's individual account forms a part of the private individual's consolidated personal income tax base, as other income. The donation has to be declared by the member at the end of the year as other income and then the tax and health contribution paid on the basis of the certification issued by the Fund. There is no obligation to give advance or other payments during the year.

How to calculate the tax and health contribution

Personal income tax – the amount of support received $\times 0.82 \times 0.15$ = the amount of support received $\times 12.3\%$ **(from 2018 $0.84 \times 0.15 = 12.6\%$)**

Health contribution – the amount of support received $\times 0.82 \times 0.22$ = the amount of support received $\times 18.04\%$ **(from 2018 $0.84 \times 0.195 = 16.38\%$)**

In other words, the employee deductions amount to **30.34% (28.98% from 2018)**

The amount of the donation is also the tax allowance base of the fund payments. On the basis of the Act on Personal Income Tax, members may reclaim 20% of the amount paid as donations. HUF 150,000 in tax on a maximum of HUF 750,000 per year may be reclaimed to the fund account.

In other words, after deducting the tax allowance from the taxes, **the final taxation on employer support is 10.34% (8.98% from 2018!).**

Those who may receive support

- fund members employed by the same employer,
- fund members selecting the mutual fund form out of the available benefits in kind,
- fund members with certified membership of an interest representation body (trade union), social organisation, association or works council, or with some kind of board membership,
- members of the same age,
- fund members working for the same employer in the same position or performing the same job,
- fund members employed by the same employer with that period of service at the given employer specified by the sponsor,
- fund members employed by the same employer making their own payments greater than an amount specified by the sponsor,
- fund members employed by the same incorporated or unincorporated business organisation,
- fund members with a permanent place of residence within specific public administration borders,
- members receiving benefit specified by the sponsor in the sponsor's collective contract or equivalent regulations provided within the framework of the welfare and social security system, of selectable benefits in kind or the cafeteria system,
- all premium-paying Fund Members,
- Fund Members with the same period of service,
- members with the same vocational qualifications,
- members with the same type of employment contract,
- new members,
- fund members in the same personnel group at the same employer,
- disabled employee members, such as pensioner fund members receiving disability or accident-disability pensions,
- fund members employed by an employer or in a membership relationship with the sponsor, or a group of these specified by the sponsor (such as occupational, job, etc. group),
- fund members in another employment legal relationship (on commission basis, or as entrepreneur) with the same employer,
- fund members using the same fund service,
- members taking the same medicine or using the same medical aid,
- members reaching pensionable age within a period of time specified by the sponsor,

- fund members of a profession, sector or organisation,
- fund members paying a membership premium greater than a specified amount in a given calendar year,
- section members, or a group determined by the sponsor,
- fund members not classified as close relatives of the sponsor according to the Civil Code,
- fund members who are in an on-going legal relationship with the sponsor for the performance of services specified by the sponsor and belonging to its scope of business or with whom an ad hoc agreement has been concluded (even by implication),
- members affected by termination of employment by the same employer, or a group of them specified by the sponsor,
- section members, or a group or groups of them specified by the sponsor,
- a group of persons in the same social or family situation (such as a group of people specified on the basis of number of children, people with large families, those on maternity leave, receiving maternity benefit (gyes), childcare benefit (gyed), those with earnings under a specified level, etc.).

Fund costs

The support represents a greater administrative burden than the employer's contribution to the Fund; therefore, the Fund, as a value added service, operates at a higher cost. In the case of employer support, 92.5% is credited to the member's account.

References



R-Estate Kft.
Létesítménygazdálkodás



**Azúr Vegyszer
Kereskedelmi Kft.**

Contracts

Support contracts are always concluded with the content that complies with the wishes and objectives of the given company. As a great many different contracts are possible, only the most frequently used draft contract can be downloaded. If you require a customised contract, please contact the IZYS Customer Services Department, tel.: +36 1 769 0061, where you will be directed to a member of staff familiar with corporate affairs.

[Support contract for the cafeteria system](#)

Resolutions

NATIONAL TAX AND CUSTOMS ADMINISTRATION ON THE TAXATION OF PRIVATE INDIVIDUALS

NATIONAL TAX AND CUSTOMS ADMINISTRATION ON THE TAXATION OF EMPLOYERS (SPONSORS)

Legislation

- Section 28(1)(f) of Act CXVII of 1995 –support is classified as other income
- Section 29 of Act CXVII of 1995 – 78% of the tax base (82% from 2017, 84% from 2018), if the support is burdened by a 27% (22% from 2017, 19.5% from 2018) health contribution
- Section 11(11)(d) of Act LXVI of 1998 – the Fund is not a payer with respect to sponsor donations
- Section 44/A(1)(a) of Act CXVII of 1995 – 20% tax allowance on the support
- Section 46(2)(d) of Act CXVII of 1995 – the support is not burdened by a personal income tax advance payment obligation
- Section 5(1)(b) and (e) of Act LXVI of 1998 – on the contribution exemption of fund services (amount withdrawn from the fund)
- Section 8(1)(d) of Act LXXXI of 1996, supplemented by chapter A, point 13 of Annex 3 – support may be accounted for as a business expense if the sponsor is in possession of a beneficiary declaration