From 1 January 2019, Hungarian related parties can elect to form a corporate income tax (CIT) group that provides certain tax benefits, as summarized below.

Benefits of a tax group

- Current year losses offset up to 50% of the current year profit of other group members. The losses not utilized can be carried forward and utilized on a group level.
- Transfer pricing rules are generally not applicable (only a few exceptions apply). Specifically, there is no transfer pricing risk on intra-group transactions. Also, cost savings are available by the elimination of transfer pricing documentation requirements.
- The tax group can be dissolved retroactively to the first day of the financial year. This dissolution is allowed at any time, including the first year, i.e., resulting in minimal risk during the first year.

Key considerations

- To be eligible for forming a CIT group, one entity should have at least 75% voting rights in the others, or there should be a common shareholder directly or indirectly holding 75% of the voting rights in the entities.
• The entities should use the same functional currency and accounting standards.

• The CIT group application should be filed between the 1st and the 20th day of the month before the last month of the financial year.

• Individual members may leave the CIT group by filing a request with the tax authority.

• The group representative prepares the CIT return and pays the tax in the name of the group, other group members retain certain reporting obligations.

• Interest limitation rules should be also considered before implementing a CIT group.

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