

R&D tax saving opportunities

Research and development (R&D) activities are carried out in almost all sectors of the economy by the companies. The tax environment for R&D activities in Hungary is favourable, the costs associated with such activities can be claimed and deducted in respect of several tax types by the taxpayers concerned.



The background of the slide features a misty mountain range with layers of hills receding into the distance under a soft, hazy sky. The colors transition from a pale blue at the top to a teal-green at the bottom, creating a serene and atmospheric setting.

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In order to benefit from tax advantages, the identification of the R&D activities carried out by the taxpayers is strongly recommended (by the availability of R&D supporting documentation).

According to international figures, the following percentages based on the total turnover may typically be considered as the recognised costs related to R&D activities:

- High-tech manufacturing: approx. 15%;
- IT services: approx. 20%;
- Telecommunications: approx. 10%;
- Pharmaceuticals: approx. 10%.
- Chemical industry: approx. 5%;
- Automotive: approx. 6-7%.

In addition to the above, it is important to underline that R&D activity may be identified in sectors such as the media, food, agriculture, or even construction.

Tax saving opportunities

The Hungarian Corporate Income Tax Act contains a number of tax reliefs for R&D activities (e.g. the direct costs related to R&D and the income resulted from the royalties received may be deducted from the tax base, accelerated depreciation, the possibility of a development tax incentive for R&D investments with at least a present value of HUF 100 million), additionally the local business tax base (and thus the innovation contribution base) may be reduced by the direct cost of the R&D activity.

To illustrate with an example, for **the R&D costs of HUF 100 million, an annual HUF 11.3 million of immediate tax benefit may be achieved** (HUF 9 million regarding corporate income tax, HUF 2 million regarding local business tax and HUF 0.3 million regarding innovation contribution).

An additional opportunity for employing researchers with at least a PhD degree is that employers may be exempt from paying social contribution tax (13%) up to a monthly maximum twice of the minimum wages of Hungary.

As introduced from 1 January 2024, new R&D tax credits can be applied. The new R&D tax relief can be utilized against the corporate tax payable. The new R&D tax credit is applicable in the given tax year and the following 3 years after the year when the R&D expenditures are accounted. It is important to note that tax refund is available if the tax credit is not utilized within the above period.

Qualification of R&D activities

For R&D activities, the National Research Development and Innovation Office can be requested to issue an expert opinion for the R&D qualification of a project. The classification has a minimum procedural cost and typically a decision time of around 30 days.

Why to choose Niveus?

The experts at Niveus have specific expertise in the exploitation regarding this type of tax-related benefits, they have assisted a number of clients in claiming substantial tax relief in the recent years and are familiar with the audit practices of the relevant authorities.

Should you have any questions, remarks regarding the above, please do not hesitate to contact us:



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