

VAT reduction on the sale of newly built apartments in Hungary

The value added tax (VAT) on selling newly built properties will be reduced from 27% to 5% from 1 January 2021. The demand in the real estate market accelerated so much that not only the prices of newly built homes, but also the prices of existing homes have risen. For months, construction industry players and home buyers have been waiting for the Hungarian Government's decision to reduce the VAT to be paid on the construction of new homes. According to the bill, VAT on a new real estate is 5% if it does not exceed 150 square meters in the case of a multi-apartment residential property and 300 square meters in the case of single-family houses. Those who buy real estate participating in the Family Housing Subsidy Program (hereinafter referred to as: CSOK) can even have the 5 % VAT refunded, and new or used properties purchased with CSOK will be free of transfer tax as well, if the parties entered into the sales contract after 1 January 2021.

The 5% tax rate includes properties for which a building permit has been issued by the end of 2019, as well as those whose technical handover takes place after 1 January 2021. The latter is subject to 5% VAT even if the sales contract is concluded in 2020, so it matters when the real estate is handed over and when the payment is made.