HUNGARY

RETURN TO CONTENTS PAGE

Overview

LeitnerLeitner Tax | Audit | Advisory, Taxand (Hungary)

Our tax consulting company located in Budapest, Hungary, provides our clients with complex, personalized, high quality transfer pricing professional support and security. The transfer pricing expertise, combined with the full-service coverage in all tax areas, accounting and legal topics is a guarantee for our clients to achieve tailor-made best assistance. Our full services in the field of transfer pricing covers the following:

- transfer pricing consultancy services
- transfer pricing expert activity: planning of intercompany transfer pricing structures, preparation and introduction of policies
- preparing, reviewing, updating transfer pricing documentation (Local Files and Master Files)
- preparing, reviewing database search, benchmark analysis
- preparation of the requests, representation in advanced pricing arrangement (APA) procedures
- representation in mutual agreement procedures (MAP)
- country by country reporting (CbCR) advisory services
- representation in transfer pricing audits and remedy procedures

General: Transfer Pricing Framework

The Hungarian legislation applies the Arm's Length Principle as an essence of transfer pricing; and the Hungarian Corporate Income Tax Act refers to the OECD Transfer Pricing Guidelines (TP Guidelines). Though the TP Guidelines are not legally binding in Hungary, the Hungarian transfer pricing regulations are based on the TP Guidelines. The main rules of the Hungarian transfer pricing are provided in the Corporate Income Tax Act, in the Decree of the Ministry of Finance on the transfer pricing documentation and in the Act on the International Administrative Cooperation in the field of taxes and other duties. In general, the transfer pricing requirements also apply not only to cross-border relations but equally to domestic transactions. In Hungary, the transfer pricing documentation is mandatory.

Accepted Transfer Pricing Methodologies

In accordance with the TP Guidelines, the domestic law defines the methods that can be used when determining the arm's length price (CUP, RSP, CPM, TNMM, PSM - methods designated by law). Based on the domestic legislation, the arm's length price shall be determined applying one of the methods listed by the law, or by an "other method" -this latter however requires specific and explicit explanation and reasoning for the elimination of the traditional methods. The Hungarian legislation; otherwise, does not determine the hierarchy of the methods, only the "other method" may be used only if the arm's length price cannot be determined by none of methods designated by law.

Transfer Pricing Documentation Requirements for 2026

From the 2026 tax year, Hungarian transfer pricing documentation is governed by the new Decree No. 45/2025 (XII. 23.) NGM on transfer pricing documentation and transfer pricing data reporting. The Hungarian documentation package continues to follow the OECD three-tier approach and consists of a Master file, Local file(s) prepared on a transactional basis, and, where applicable, Country-by-Country Reporting. The new decree more closely integrates documentation and tax return data reporting and introduces stricter content, benchmarking, segmentation and benefit-test requirements.

As a general rule, if a Hungarian taxpayer is required to prepare a Local file for at least one related-party transaction, transfer pricing documentation must be prepared unless a specific exemption applies. Exemptions continue to be available, for example, for small companies, certain non-profit organisations, state-controlled entities and transactions covered by a valid APA. However, exemption from formal documentation does not mean exemption from the arm's length principle, and taxpayers should still be able to substantiate their pricing in case of an audit.

For 2026, the general Local file and transfer pricing data reporting threshold increases to HUF 150 million (appr. EUR 420 thousand) per related-party transaction, determined on an annual net basis and taking into account the aggregation rules for similar transactions.

A new Master file exemption is also introduced: the Master file is not required if the taxpayer's total related-party transactions do not exceed HUF 500 million (appr. EUR 1,400 thousand) in the tax year. Certain cost recharges and simplified transactions may be subject to separate rules, but the arm's length principle remains applicable in all cases.

The CbCR threshold remains EUR 750 million consolidated group revenue in the financial year preceding the reporting year. Hungarian constituent entities of groups exceeding this threshold may have CbCR filing or notification obligations, depending on their role within the group and the availability of exchange-of-information arrangements.

The Local file must be prepared by the filing deadline of the annual corporate income tax return, i.e. generally within 150 days following the end of the tax year. The transfer pricing documentation is not submitted automatically with the corporate income tax return; however, detailed related-party transaction data must be disclosed in the return. The Local file, supporting calculations and benchmark materials should therefore be finalised before filing to ensure consistency with the reported data.

Upon request by the Hungarian Tax Authority, the transfer pricing documentation must be made available within three working days. As the corporate income tax return now contains detailed transaction-level transfer pricing disclosure, inconsistencies between the Local file, benchmark study, financial statements and tax return data can be identified more easily and may trigger further questions or an audit.

The Master file should be available by the deadline for preparing the Master file for the ultimate parent company of the group, but not later than the end of the year following the tax year. For 2026, taxpayers should also verify whether the Master file reflects the Hungarian requirements and whether the new HUF 500 million exemption is available. Where the Master file is required, it should be consistent with the Local file, the group structure, value chain, intangible ownership and intercompany financial arrangements disclosed locally.

The CbCR, if applicable, must be submitted within 12 months following the end of the reporting period. Hungarian entities belonging to a group above the CbCR threshold also have a notification obligation, the deadline for which is the last day of the financial year of the multinational enterprise group. Transfer pricing documentation may be prepared in Hungarian, English or German, and taxpayers should retain the documentation and supporting evidence in a form that allows prompt submission and full traceability during an audit.

Local Jurisdiction Benchmarks

The Hungarian rules follow the guidance in Chapter III of the OECD Transfer Pricing Guidelines regarding benchmark studies.

Internal CUPs are acceptable in Hungary. Moreover, if there is internal comparable data available, it precedes data from an external source, as internal comparable data provides the highest level of comparison. In the absence of internal comparable data, a benchmark study is required in order to determine the arm’s length price of the controlled transaction.

The arm’s length price is usually determined using the TNMM and with the use of a business database containing company-level data, but - if the available data allows - the CUP (with the application of internal comparables or with the use of a database containing comparables, mainly for financial transactions and license fees) and the CPM are used.

Database regarding comparable products or services, furthermore database regarding comparable enterprises can be applied.

Companies are required to use databases that are publicly available or accessible or can be verified by the Hungarian Tax Authority. Strict documentary requirements apply to the database search support (e.g. saving search information, webpage screen-shots).

A database search of companies selected as comparable should be prepared every 3rd year. The result of the benchmark study must be updated annually i.e. the 2 years in between.

From 2026, the new Hungarian Transfer Pricing Decree sets out a mandatory geographic hierarchy for database benchmarking. If the tested party is a Hungarian entity, the search should first focus on Hungarian comparable companies. If the Hungarian sample is insufficient, the search may be extended to the other Visegrád countries, i.e. the Czech Republic, Poland and Slovakia. If this still does not provide a sufficiently reliable sample, the scope may be extended to selected Central and Eastern European countries, namely Bulgaria, Estonia, Croatia, Latvia, Lithuania, Romania and Slovenia, and subsequently to the Member States of the European Union. Wider regional searches should be used only if the previous geographic levels do not result in an adequate set of comparables.

The latest available version of the database should be applied. The basis of calculations shall be the data of the latest financial years that are available, typically of the latest three years (multiannual analysis), pooled method is preferred.

In case of the company group-level benchmark, we suggest supporting and supplementing it with a local database search to be accepted by the Hungarian Tax Authority as this is safer for the Hungarian entity and is more personalized from its point of view.

Focus on Financial Transactions

Hungarian tax audits increasingly focus on related-party financial transactions, particularly intercompany loans, cash-pool arrangements and financial guarantees.

In the absence of detailed domestic rules, the OECD Transfer Pricing Guidelines serve as the primary reference for assessing arm’s length conditions.

Tax authorities place growing emphasis on the alignment of contractual terms with the actual conduct of the parties, especially regarding treasury functions, risk allocation and cash-pool structures.

Robust transfer pricing documentation remains essential to mitigate potential tax risks.

Advance Pricing Agreement “APA”/Bilateral Advance Pricing Agreement “BAPA” Overview

In Hungary, unilateral and bilateral / multilateral APAs are also available. The Ministry of Finance approves the procedure for establishing the arm’s length price (practical application of the transfer pricing method), the facts and circumstances based on which it is determined, and, if possible, the arm’s length price or price range.

The request shall be submitted before the conclusion of the contract (or other transaction). Or a request for an APA may be submitted after the date of conclusion of the contract if the contract is performed in a continuous manner. This means that the contract is concluded for a minimum term of six months, and a) under which at least one performance takes place every other month, or b) under which one of the parties maintain specific credit facilities in favour of the other party during the contract, or c) that contains the requirement of continuous availability for either of the parties.

The application for establishing the arm's length price shall be submitted by way of electronic means using the electronic form designed for this purpose.

The binding power of the resolution establishing the arm's length price shall be determined for a fixed period of at least three, but no longer than five years. The starting date of the effect of the resolution shall be established based on applications, but it shall not be earlier than the first day of the tax year when the application was submitted, nor later than the first day of the tax year following the date when the resolution becomes final. If requested by the taxpayer, in bilateral or multilateral proceedings, in case the competent authorities so agree, the binding force of the resolution may cover the tax years before the submission year provided that these tax years a) are not closed by a tax authority audit, b) have not been expired; and c) are not affected by an audit in progress, which results in a period closed by an audit, at the time when competent authorities conclude their agreement.

For unilateral APA, the procedural fee payable amounts to HUF 10 million (approx. 28,000 EUR). For bilateral or multilateral APA, the fee is HUF 14 million (approx. 40,000 EUR). The fees for modification or extension of the APA resolution are half of the original fee.

The APA process should officially be finished within 120 days, but it can be extended 2 times for 90 days. In case of bilateral or multilateral APAs, and the MAP with the foreign competent tax authority shall be closed within 2 years, but it can be extended by one year.

Transfer Pricing Audits in 2026

Transfer pricing remains a priority audit area for the Hungarian Tax Authority in 2026. Audit selection is now increasingly data-driven and based on the combined analysis of transfer pricing data reporting in the corporate income tax return, online invoice data, financial statements, CbCR information and international exchange of information. By 2026, the tax authority has several years of structured transfer pricing data available, allowing it to identify changes in profitability, unusual transaction classifications, inconsistencies between the Local File and the tax return disclosure, and other risk indicators before requesting the transfer pricing documentation.

In 2026, the focus of transfer pricing audits goes beyond the mere existence of documentation. The tax authority is expected to examine whether the reported transaction values, selected transfer pricing methods, tested parties, profitability indicators and benchmark results are consistent across all available data sources. Particular attention should be paid to routine manufacturers, distributors and service providers that are loss-making or achieve very low margins, as well as to cases where profitability declines compared with earlier years.

Key audit triggers include inconsistencies between the transfer pricing data reporting and the Local File, insufficiently segmented profit and loss statements, pricing close to or outside the interquartile range, weak functional analyses, missing or generic benefit tests for intra-group services, significant management fees, financial transactions, cash-pooling, guarantees, loans and transactions involving intangibles.

The mandatory median adjustment rule also increases audit exposure, as pricing outside the arm's length range may result in adjustment to the median rather than to the nearest point of the range.

For 2026, audit readiness should therefore be addressed before the corporate income tax return is filed. Companies should reconcile the transfer pricing data reporting with the Local File, update benchmark studies and financial analyses, prepare transaction-level segmentation, document the actual benefit of services with concrete evidence, and ensure that contracts, invoices, accounting records and functional analyses are aligned. Priority sectors and structures expected to receive increased attention include automotive, construction, chemical industry, IT/software development, cross-border structures, transactions involving intangibles and intra-group financing arrangements.

The Burden of Proof in Transfer Pricing: Theory versus Practice

Beyond the formal approach, in terms of content, the legal requirement of preparing transfer pricing documentation is a rule that imposes a burden of proof. The fundamental and essential starting point is that in case of undertakings subject to transfer pricing documentation obligation, the burden of proving compliance with the arm's length principle lies with the undertaking. Thus, the preparation of transfer pricing documentation is a necessary, but not sufficient, requirement for businesses.

Transfer pricing documentation is an administrative obligation, but it is by no means an end in itself. The role of transfer pricing documentation is crucial. If properly prepared, it is a protective shield for the business.

HUNGARY

Businesses should strive to have transfer pricing documentation of adequate quality. Good transfer pricing documentation is: accurate, relevant explains and documents the facts in sufficient depth, reproducible, quality over quantity and follows the principle of uniqueness. In all cases, the principle of individual evaluation must be followed. Transfer pricing documentations and benchmark studies prepared on an assembly line are dangerous. Moreover, transfer pricing documentations prepared at group level without localization generate significant transfer pricing risks for the Hungarian company. The transfer pricing documentations and benchmark studies prepared specifically for the Hungarian market are the ones that can guarantee the appropriate security for the domestic entities.

Transfer pricing documentations are the starting point for tax audits; its appropriate quality can help the business provide evidence and thus protect from legal consequences. Not only can a default penalty be imposed for the lack of transfer pricing documentations, but those affected can also be fined tens to hundreds of millions of Hungarian forints for incorrectly or poorly prepared documents. Moreover, deficiencies in the documentations may give authorities the opportunity to question pricing, which could even have unpredictable financial consequences.

We are already at the era of AI, thus specific and standardized data about transfer pricing, enables the tax authorities for improved risk assessment and focusing on deficient transfer pricing practices. This also brings businesses into action, whose essential purpose is to be prepared for such the increasing tax authority attention and use the burden of proof as a tool.

Transfer Pricing Penalties

In case of non-compliance with the transfer pricing documentation, a penalty of up to HUF 5 million (approx. EUR 14,000) may be levied per transaction per year. In recurring cases, a penalty of up to HUF 10 million (approx. EUR 28,000) may be imposed also per transaction per year. If the CbC report is incomplete or contains inaccurate information or it is submitted after the expiration of the statutory deadline, a penalty of up to HUF 20 million (approx. EUR 56,000) may be imposed. The same CbCR penalty is also applicable fo the lack or incomplete notification as well.

In case of any discrepancies identified in transfer prices by the tax authorities resulting in the correction of the corporate income tax base, the adjustment may be subject to a corporate income tax of 9% over the profit and the local business tax of 2% over an adjusted turnover. In addition, a penalty of up to 50% of the tax deficiency amount and late payment interest calculated at the Central Bank base rate and increased by 5% may be imposed.

Local Hot Topics and Recent Updates 2026

Since the introduction of the stricter Hungarian transfer pricing rules from the 2022 tax year, transfer pricing compliance has become a key audit and risk area in Hungary. The detailed transactional reporting in the annual corporate income tax return, the mandatory median adjustment rule, the increased documentation penalties and the tax authority's expanding data analytics capabilities all require companies to apply a more disciplined, well-documented and locally substantiated transfer pricing approach in 2026.

Transfer pricing reporting in the annual corporate income tax return

The transfer pricing data reporting obligation introduced for the 2022 tax year remains one of the most important compliance developments. Taxpayers must disclose detailed transfer pricing and related-party transaction data in the annual corporate income tax return in connection with the determination of arm's length prices. This transaction-level reporting effectively links the corporate income tax return with the transfer pricing documentation and makes timely, accurate and internally consistent documentation essential.

The reported data provides the Hungarian Tax Authority with additional information for risk analysis, allowing it to identify unusual margins, inconsistent classifications, missing documentation, related-party transactions with loss-making or low-profit entities, and other potential transfer pricing risk indicators more efficiently.

By 2026, the structured data collected through these transfer pricing reports has created a substantial database for the Hungarian Tax Authority. This enables more targeted audit selection and supports the continuous improvement of risk assessment methods. As a result, multinational and domestic groups should expect more focused tax authority questions and should ensure that their transfer pricing positions, benchmark studies, contractual background and financial data are fully aligned.

In this environment, careful preparation of transfer pricing documentation and benchmarking is no longer only a formal requirement, but a key risk management tool. This is especially relevant in Hungary, where penalties remain high and the compliance expectations are stricter than in many comparable jurisdictions.

Preparation for the new Transfer Pricing Decree

The new Hungarian Transfer Pricing Decree applicable from the 2026 tax year represents a major change in the local compliance framework. It brings several tax authority expectations into binding legislation and requires taxpayers to review not only the formal content of their transfer pricing documentation, but also the underlying data, segmentation logic, benchmark approach and transaction-level analysis.

Companies should prepare for the new decree by reviewing whether their Hungarian Local Files are sufficiently localised and whether the benchmark studies follow the Hungarian comparability expectations. Particular attention should be paid to the geographic hierarchy of comparable companies, the exclusion of loss-making comparables where required, the use of corporate-level financial data, and the full traceability of profitability indicators to the statutory accounts.

The new rules also increase the importance of segmented profit and loss statements, financial reconciliation and transaction-level testing. Intra-group services will require a more robust benefit test, while transactions involving intangibles should be supported by a detailed DEMPE analysis. Groups relying on centrally prepared documentation should therefore assess whether the group-level materials can be adapted to meet Hungarian requirements or whether additional local analyses are needed.

Tax audit trends

Transfer pricing remains a priority audit area for the Hungarian Tax Authority in 2026. Audit selection is increasingly data-driven and is based on the combined analysis of transfer pricing data reporting, online invoice data, financial statements, CbCR information and international information exchange. As the tax authority now has several years of structured transfer pricing data available, it can identify year-on-year changes, unusual margins and inconsistencies before requesting the Local File.

In practice, the most important audit triggers include inconsistencies between the corporate income tax return reporting and the Local File, loss-making or very low-margin routine manufacturers, distributors and service providers, significant management fees, weak benefit tests, insufficiently segmented results, financial transactions and transactions involving intangibles. Pricing close to the edge of the interquartile range may also create risk, given the strict median adjustment rule.

For 2026, taxpayers should therefore focus on audit readiness before filing the corporate income tax return. This includes reconciling the reported transfer pricing data with the Local File, updating benchmarks and financial analyses, documenting the business rationale and actual benefit of services, and ensuring that contracts, invoices, accounting data and functional analyses tell the same story. A proactive review before the filing deadline can significantly reduce the risk of questions, adjustments and penalties during a later audit.

HUNGARY

RETURN TO CONTENTS PAGE

Documentation threshold

Master file	2026: Master file exemption if total related-party transactions do not exceed HUF 500 million (appr. EUR 1,400 thousand).
Local file	2026: HUF 150 million (appr. EUR 420 thousand) for Local file and data reporting.
CbCR	2026: EUR 750 million consolidated group revenue threshold; for Hungarian public CbCR purposes, HUF 275 billion may apply where relevant.

Submission deadline

Master file	Submission: within 3 business days upon request of the competent tax authority Preparation deadline: until the deadline for preparing the MF for the ultimate parent company of the group, but not later than the end of the year following the tax year
Local file	Submission: within 3 business days upon request of the competent tax authority Preparation deadline: by the submission of the yearly corporate income tax return, which deadline is 150 days following the tax year
CbCR	Submission and preparation: within 12 months following the end the reporting period

Penalty Provisions

Documentation – late filing provision	up to HUF 5 million (~ EUR 14,000), in recurring cases up to HUF 10 million (~ EUR 28,000) / per transaction per year
Tax return disclosure – late/incomplete/no filing	up to HUF 1 million (~ EUR 2,800) per return
CbCR – late/incomplete/no filing	up to HUF 20 million (approx. EUR 56,000) – also in the event of a violation of the notification obligation

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