EUROPEAN
COMMISSION

Brussels, 24.11.2026
SWD(2026) 1213 final

COMMISSION STAFF WORKING DOCUMENT

Mind the Gap 2026: Country fiche – Hungary

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

{COM(2026) 630 final} - {SWD(2026) 1201 final} - {SWD(2026) 1202 final} - {SWD(2026) 1203 final} - {SWD(2026) 1204 final} - {SWD(2026) 1205 final} - {SWD(2026) 1206 final} - {SWD(2026) 1207 final} - {SWD(2026) 1208 final} - {SWD(2026) 1209 final} - {SWD(2026) 1210 final} - {SWD(2026) 1211 final} - {SWD(2026) 1212 final} - {SWD(2026) 1214 final} - {SWD(2026) 1215 final} - {SWD(2026) 1216 final} - {SWD(2026) 1217 final} - {SWD(2026) 1218 final} - {SWD(2026) 1219 final} - {SWD(2026) 1220 final} - {SWD(2026) 1221 final} - {SWD(2026) 1222 final} - {SWD(2026) 1223 final} - {SWD(2026) 1224 final} - {SWD(2026) 1225 final} - {SWD(2026) 1226 final} - {SWD(2026) 1227 final} - {SWD(2026) 1228 final}

Country fiche: Hungary

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Hungary relies on a highly digitalised and data integrated tax system** with pre-filled personal income tax (PIT) and value-added tax (VAT) returns. Pre-filling of VAT returns is supported by transaction-level data from online invoicing and cash registers. AI-powered risk analytics facilitate improved compliance monitoring. The country's arrears stock stands at 14.7% of total revenue well below the EU average of 30.7%.

Areas for Improvement

- **Currently, Hungary does not provide any national estimates of personal income or corporate income compliance tax gaps.** Although estimates vary substantially across methodologies, some model-based estimates point to a relatively large shadow economy in Hungary (25.4% in 2022). Hungary could consider introducing initiatives to monitor personal and corporate compliance tax gaps. This could help as a diagnostic tool (i) to see where compliance issues arise per tax type and (ii) to understand the underlying drivers of such collection issues.
- **Tax expenditure reporting lacks transparency in Hungary, and there are no systematic impact assessments of related provisions**. Hungary's public tax expenditure report does not include information on policy objectives, the number of provisions that cannot be quantified, or the taxpayers affected. While estimated budgetary impacts are provided for some individual measures or packages, no systematic process is in place to assess the cost-effectiveness of existing tax expenditures. Regular reviews and evaluations of existing tax expenditures could improve their cost-effectiveness and support fiscal sustainability, particularly given the ongoing Excessive Deficit Procedure.

1. Introduction and policy context

1.1. Snapshot of the tax system

Tax revenue in Hungary is significantly below the EU average amid a strong reliance on consumption taxes. Tax revenue (including social contributions) ticked up in 2024 to 35.3% of GDP (from 35.0% in 2023), though it remains 4.1 percentage points (pps) below the EU average and far from pre-pandemic levels ([1]). The decline in the tax-to-GDP ratio since the peak of 2016 (39%) is the result of successive cuts in labour and capital taxes. In fact, the share of labour taxes in Hungary's tax mix is 43.8% of total tax revenue, 7.7 pps below the EU average. Likewise, capital taxes represent 17.7% of total tax revenue, also well below the EU average (21.6%). Whitin the tax base, the use of recurrent taxes on immovable property remains very limited. In contrast, revenues from consumption taxes represent 38.6% of total tax revenue, 11.8 pps above the EU average. As Hungary has the highest standard VAT rate in the EU (27%), VAT revenue is comparatively high: 9.2% of GDP in 2024, against an EU average of 7.1%.

Tax burden for lower-income earners is relatively high due to flat rate PIT system and high level of consumption taxes. Hungary's flat 15% personal income tax (PIT) rate is one of the lowest top income tax rates in the EU. As a result, the tax wedge ([2]) remains at the same level for all levels of income (41.2%). While this tax wedge is relatively low at high earnings levels in an EU comparison, it is relatively high at low earnings levels. In particular, it is 9.6 pps above the EU average for a single person earning 50% of average wage. This combined with the high standard VAT rate, imposes a higher taxation burden on low-income earners, who tend to consume more of their income than higher earners. To ease this burden, Hungary provides several PIT allowances for certain vulnerable groups, such as young people under 25, families and mothers, as well as reduced VAT rates for a wide range of goods (see section 3.4). Income inequality, measured by the income quintile share ratio (S80/S20), is roughly in line with the EU average (4.68 vs 4.62 in 2025 -income reference year 2024) ([3]). The at-risk-of-poverty and social exclusion -AROPE rate ([4]) also remains below the EU average (19.3% vs 21.0). Nevertheless, the ability of the taxation and benefit system (apart from pensions) to reduce inequality and poverty is one of the lowest in an EU comparison ([5]).

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 35.4% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[3] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[4] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

[5] Bornukova, K., et al. (2024): "EUROMOD baseline report", European Commission, JRC138393, see especially sections 2 and 3.

In 2026, Hungary has received the following country-specific recommendations (CSRs) in the area of taxation ([6]):

- *Stimulate the development of capital markets by increasing tax and regulatory incentives. Strengthen the innovation framework for the public sector and businesses by improving the predictability of public R&D spending and better targeting existing measures towards SMEs, also taking into account regional competitive advantages and needs. Simplify the tax system including by phasing out distortive taxes imposed on specific sectors and increasing its fairness.*

Hungary is under Excessive Deficit Procedure (EDP) since July 2024, with a Council recommendation to put end to it by 2026 ([7]). Hungary had a government deficit of 4.7% of GDP in 2025 (down from 5.1% in 2024) and a government debt of 74.6% (up from 73.5%), both above the reference values of 3% and 60%, respectively.

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Available evidence points to a mixed picture of tax complexity in Hungary, with complexity varying across different dimensions and groups of taxpayers. Survey-based evidence from the Tax Complexity Index (TCI) places Hungary broadly in the middle of the EU distribution, ranking 9th among Member States, indicating that its corporate tax system, as perceived by tax professionals advising MNEs, is not among the most complex in structural terms ([8]). The underlying components of the TCI suggest that complexity arises more from the design of the tax rules than from administrative procedures. However, survey evidence from citizens points towards more complexity and a higher compliance burden for individual taxpayers compared to the EU average ([9]): only 35% of respondents in Hungary report that completing their tax return is easy, compared with 49% in the EU on average, with a higher share relying on professional assistance (13% vs. 9%).

Legislative activity appears moderate in recent years. Hungary recorded 13 tax changes as entering into force or announced in 2025 ([10]). In previous years Hungary recorded 18 tax changes in 2024, 11 in 2023 and 18 in 2022, (broadly in line with the corresponding EU average in each year). While the number of reforms recorded in 2025 is not unusually high, many of the changes concern targeted measures and special tax regimes, requiring specific groups of taxpayers to adapt to new rules. For example, several reforms extend or introduce personal income tax exemptions for particular groups, including mothers with two or more children and recipients of child-related

[6] 11129/26 COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Hungary.
[7] https://data.consilium.europa.eu/doc/document/ST-5896-2025-INIT/en/pdf
[8] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).
[9] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.
[10] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

benefits, while others increase the VAT exemption threshold for small businesses. Although many of these measures pursue objectives related to employment, family policy or business support, the layering of targeted provisions and special regimes may increase compliance costs in the short term and may make the tax system more difficult to navigate, particularly during the transition phase.

Demand-side indicators provide further supporting evidence. The accounting, bookkeeping and tax consultancy sector accounts for a slightly larger share of gross operating surplus than the EU average (1.0% compared with 0.9%) ([11]). While this indicator is influenced by several factors, it is consistent with a relatively high demand for specialised expertise in navigating the tax system ([12]). Taken together, the evidence suggests that although Hungary's tax system is not exceptionally complex in structural terms, there are some compliance and adjustment costs, likely driven by the extensive use of targeted tax provisions and special tax regimes.

1.2.2. National simplification efforts

In January 2026, Hungary introduced an 11-point small-business tax-reduction programme, which has the stated purpose of expanding simplified regimes and easing reporting obligations (see also Section 3.3). This package consists of 8 tax cuts and 3 administrative simplifications, with estimated annual revenue loss of HUF 80–90 billion (around 219 to 247 million EUR). The entry criteria for the Small Business Tax (KIVA) framework have been expanded, doubling the maximum revenue threshold to HUF 6 billion (around EUR 16 434 million), and increasing the headcount limit to 100 employees. This allows a large share of medium-sized entities (evaluated at around 3 000-5 000 firms by the government) to use so-called simplified "cash-flow" tax regime, replacing standard corporate and social security taxes with a single 10% levy. In the realm of Value Added Tax (VAT) and corporate reporting, Hungary has implemented a phased increase in exemption thresholds. The VAT registration threshold was increased to HUF 20 million (around EUR 55 000) in 2026. The registration threshold will be further increased to HUF 22 million (around EUR 60 500) in 2027 and HUF 24 million (around EUR 66 000) in 2028. Furthermore, with an aim to ease the administrative burden, Hungary raised thresholds for simplified accounting and financial reporting for micro-entities and reduced the frequency and complexity of CIT advance payments for smaller firms. It also bundled several administrative-burden reductions for individual entrepreneurs' registration, filing and payment obligations.

Individual taxpayers and self-employed have benefited from a more transparent tax base. For individuals, the annual filing process has been simplified through the use of pre-filled and automated tax returns. For self-employed individuals, the 112.5% multiplier for social contribution taxes has been abolished, ensuring that the liabilities are now based on a clear 100% of their actual income. Moreover, the increase of the standard expense ratio to 45% in 2026 (40% until 2025) has reduced the effective tax rate without requiring taxpayers to manually track their

[11] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[12] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

business costs ([13]). The tax administration and institutions have also undergone an increased level of digitalisation to become data-driven service providers, which further enables simplification (see Section 4) ([14]). One of the horizontal initiatives for simplification of the tax reporting obligations for employers have been prepared with technical support under the European Commission's Technical Support Instrument (TSI) ([15]).

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities which estimates all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([16]). The shadow economy is an analogous but narrower concept— used in economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities that are deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data compiled from official national accounts sources ([17]) indicate that adjustments related to the non-observed economy (NOE) in Hungary amounted to 9% of GDP in 2022. The NOE comprises the statistical deficiencies (4%), informal economy (2.9%) and underground economy (1.7%), while illegal economy represents 0.4% of GDP. Hungary thus records a NOE slightly above the EU average (7.4% of GDP) ([18]). The largest part of non-observed economy is concentrated in 'Construction' (2% of total GVA), 'Agriculture' (1.8%), and 'Wholesale and retail trade' (1.1%). At industry level, the highest shares of NOE are observed in 'Agriculture' (45% of its GVA), 'Other service activities' (41%), 'Construction' (33%), and 'Accommodation and food service activities' (24%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Hungary are higher than the non-observed economy figure discussed above, although the two are not directly comparable due to differences in concepts and methodology. In 2022, the shadow economy in Hungary represented 25.4% of GDP, according to

[13] Year-End Tax Package 2025 (Act LXXXIII and Act LXXXIV of 2025), Published in the Hungarian Gazette on 19 November 2025.
[14] Hungary indicated to Commission services that an eVAT system using transaction-level data is operational (see Section 4), pre-filled payroll and social contribution returns are in development, and a compliance-cost tracking methodology using administrative data is being developed.
[15] TSI 2021 project "Simplification of tax reporting obligations for employers in Hungary"
[16] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.
[17] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[18] The (unweighted) EU average does not include Luxembourg.

estimates by Schneider and Asllani for the European Parliament ([19]). This ratio is 7.8 pps above the EU average and was higher than in 2014 (21.6% of GDP). The report also identifies indirect taxes, unemployment and self-employment among the factors associated with the shadow economy in Hungary. Estimates in the literature vary considerably depending on the methodology used ([20]). However, using a currency demand approach (CDA), a recent study by EY ([21]) reports a substantially lower estimate for the Hungarian shadow economy at 9.2% of GDP in 2023 (EU average 7.9%), down from 12.8% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Hungary is taking action to address issues related to current tax gap estimations, in particular for VAT. A Hungarian tax gap team was created in 2020. While it relies on third party support, the outcome of this work has not yet been made publicly available ([22]). To date Hungary has been conducting VAT gap estimations (including participation in the EU VAT gap exercise), focusing on the compliance gap and its underlying components, the assessment gap, the collection gap, and distinct categories of policy gaps ([23]). Hungary reported using both top-down and bottom-up approaches, with both random and risk-based audits used for the latter. Hungary also relies on projections to balance timeliness with the quality of its estimations ([24]).

Hungary has contributed to the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. Hungary participated in the first cycle of the project, which was completed in 2025 ([25]). The second cycle was launched in 2026.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([26]) in Hungary was estimated at around 7% of the VAT Total Tax Liability (VTTL) ([27]), 2.5 pps below the EU average. After falling from around 10% in 2019 to 2.5% in 2022, the 2023 estimate points to a marked increase, one that is among the largest rises in the EU. Overall, the gap was still 3 pps lower in 2023 than in 2019. Despite the increase, Hungary's VAT compliance gap remained below the EU average of 9.5% ([28]). This rise was

[19] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.
[20] See Fernandes op. cit. (2025) for an overview of various studies.
[21] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf.
[22] Nor is it legally required to publish it; see Annex Table 11.A.1 in the OECD Tax Administration 2024 at https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf.
[23] Based on Annex Table 11.A.2 in the OECD Tax Administration 2024 and clarifications by the Ministry for National Economy.
[24] See Annex Table 11.A.3 in the OECD Tax Administration 2024.
[25] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[26] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[27] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[28] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

linked to strong nominal growth in consumption in hard-to-tax service categories (notably recreation, restaurants and accommodation) and a sharp increase in bankruptcy declarations.

Over the last year, some progress can be noted in the implementation of the VAT in the Digital Age (ViDA) package at national level, promoting VAT compliance. Currently, Hungary is receiving support under the Commission's TSI for implementing the ViDA Directive, with a focus on digital reporting requirements ([29]). In 2026, the Ministry for National Economy, together with the National Tax and Customs Administration, published information on the implementation of ViDA in Hungary ([30]). The main plans include (i) mandatory electronic invoicing for domestic B2B transactions, intra-Community B2B transactions, and B2G transactions, (ii) electronic submission of invoice data to the tax authority, and (iii) the use of structured, machine-readable formats to enable automation. The electronic invoicing systems are set to be opened for testing in 2028, including a period of voluntary use before full roll-out of the system.

2.3 Compliance tax gaps in corporate and personal income tax

At the time of writing, the European Commission is not aware of any CIT or PIT compliance gap estimation activities in Hungary ([31]). Estimating CIT and PIT compliance gaps could help policy makers understand the nature and magnitude of the problems related to CIT and PIT tax collection and can support tax administrations in assessing the effectiveness of their tax enforcement actions. Accordingly, Hungary is considering developing its CIT gap analysis and has participated in the above-mentioned TADEUS/FISCALIS project with this aim.

European Commission estimates suggest a slightly higher than average CIT compliance gap in Hungary. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Hungary was at approximately 12.3% of collected CIT revenues in 2017 ([32]). Based on the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States ([33]). Applying the same methodology to more recent data yields an updated estimate of about 11.8% based on 2022 data, indicating a broadly stable level over time above the EU average.

[29] Reference number 24HU10, to be found in the TSI database at the Technical Support Instrument (TSI) | EU Funding & Tenders Portal (europa.eu)

[30] Deloitte, 2026. E-Invoicing Becomes Mandatory in Hungary!

[31] According to the 2023 OECD/FTA survey on tax gaps estimations, captured in the previously referred OECD Tax Administration 2024.

[32] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[33] Regulatory and tax structure changes in Hungary since 2017 – including the substantial reduction and unification of the corporate income tax rate, the widespread adoption of the cash-flow-based *Kisvállalati Adó* (Small Business Tax), and the implementation of measures against international tax avoidance – as well as the introduction of anti-shadow-economy measures (e.g. mandatory online invoice reporting) could result in a recent estimate differing from earlier ones.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

While Hungary does not currently estimate excise tax gaps, it devotes resources to strengthening EU cooperation on excise matters through its participation in the Fiscalis project group on Excise Gap and Risk.

There is currently no public information suggesting that Hungary estimates other compliance tax gaps. No official estimates or regular monitoring exercises appear to exist for compliance gaps related to other taxes.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Hungary provides information on revenues forgone from tax expenditures in an annex to the budget ([34]). The tax expenditure report in Hungary consists of a list of provisions with revenue forgone estimates, summarised in a one-page table. No information on policy objectives, the number of provisions that cannot be quantified, nor on affected taxpayers is provided. The Hungarian authorities regularly communicate about tax reliefs and provide estimated annual budget impacts for individual measures or packages. These are, however, not integrated into a formal, comprehensive tax-expenditure report nor are they labelled under a dedicated framework on public websites.

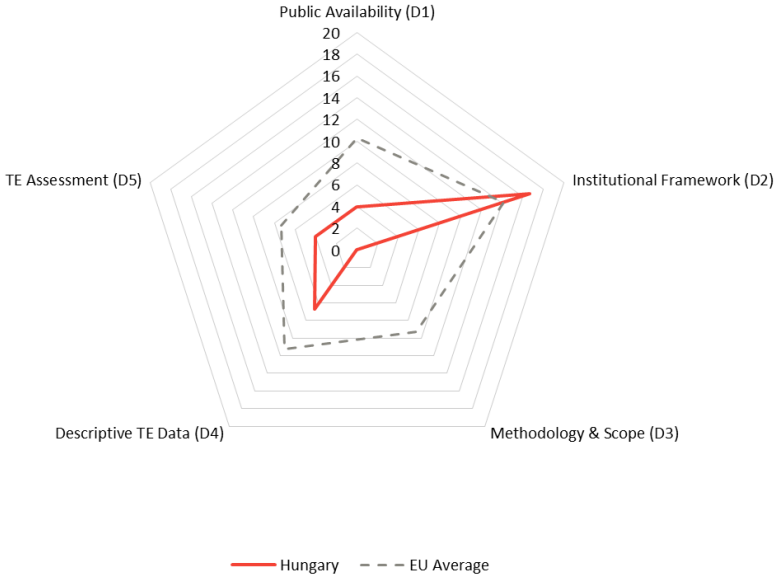
Reported tax expenditures for 2025 are limited in number and cost about 2% of GDP. A total of 60 tax expenditure provisions is reported, resulting in revenue forgone of HUF 1 644-1 815 billion (EUR 4.5-5 billion), or about 2% of GDP. Eleven provisions related to PIT contribute to the majority of revenue forgone from tax expenditures (45-48%). Thirteen CIT related tax expenditures cause about 17.5% of revenue forgone. Four tax expenditures related to social contributions give rise to about 14.5% to overall revenue forgone. There is no information available about the comprehensiveness of the list of tax expenditures provided.

Compared to other Member States, transparency and comprehensiveness of tax expenditure reporting in Hungary is lacking (ranked 25th in the EU according to the GTETI score). According to the GTETI analysis, transparency in TE reporting in Hungary is below the EU average in most dimensions. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages. The maximum value for each dimension is 20 ([35]). While the institutional framework for TE reporting is on par with the EU average, all other dimensions are underdeveloped. The dimension capturing methodology and scope, is especially deficient.

[34] All available tax expenditure information can be found in the dedicated table on page 50 of New Economic Policy Action Plan (Annexes to the explanatory memorandum).

[35] See the GTETI companion paper (2025) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details.

Figure 1: Hungary vs EU average — GTETI dimension scores (max 20 per dimension)



Source: GTETI v.2.1.

While there is no formal process in place for regularly reviewing tax expenditures, the national audit office has repeatedly evaluated some provisions. The national audit office (State Audit Office of Hungary, Állami Számvevőszék or ÁSZ) has undertaken some evaluations of tax expenditures. Its mandate includes auditing the use of public funds, including tax allowances granted from the central budget. Performance, compliance, and combined audit methodologies are all employed. Evaluations are discretionary and topic driven and the audit office is not legally mandated to conduct annual ex-post evaluations of tax expenditures.

Past evaluations recommend a structured evaluation process and more transparency on benefit recipients. Past evaluation efforts have focused on investment-related CIT credits and the TAO sport scheme (a CIT benefit program allowing deductions for donations to certain sport clubs). The national audit office and supplementary evaluators consistently identified the absence of systematic monitoring and impact evaluation as the central structural failure. Tax authorities held no mandate to share CIT credit data with line ministries, no annual register of revenue forgone existed, and no post-investment follow-up verified whether promised jobs were actually created or sustained. Recommendations converged on establishing a structured CIT credit database with mandatory data sharing, publishing annual claimant and amount data publicly, and introducing quantified ex-ante targets against which ex-post outcomes could be measured.

3.2 Policy tax gaps in VAT

The VAT policy gaps in Hungary (the national policy-driven VAT exemption gap and the VAT rate gap) are roughly in line with the EU average in 2023. Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached over HUF 3 trillion (EUR 8 billion) in 2023**.** The national policy-driven VAT exemption gap ([36]) was estimated at around

[36] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions

HUF 2 trillion (EUR 5 billion) in 2023, or 13% of the notional ideal revenue ([37]), while the EU average was 11%. The VAT rate gap ([38]) was estimated at around HUF 1 trillion (EUR 3 billion) in 2023, or 9% of the notional ideal revenue, lower than the EU average of 12%.

Since 2023, several changes to VAT rates have been introduced. These include a new 0% VAT rate on journals and newspapers published at least four times a week and a reduced VAT rate from 27% to 18% on certain dessert-type cheese preparations falling under customs headings 1806 and 2106 in 2024, a reduced 5% VAT rate on meat, offal, and slaughter by-products of domesticated cattle fit for human consumption in 2026.The reduced 5% VAT rate on new homes was extended until end of 2026 ([39]).

In 2025, food and beverages accounted for a large part of forgone revenue from reduced VAT rates in Hungary, followed by restaurants and accommodation ([40]). Specifically, according to microsimulations, 'Food and beverages' accounts for the largest share of forgone revenues at 38.1%, close to the EU mean share of 39.8%. 'Restaurants and accommodation' comes second at 26.2%, well above the EU mean share of 20.4%. 'Health' ranks third at 22.6%, more than double the EU mean share of 10.4%. These three categories account for 87.0% of Hungary's total forgone revenue.

Reduced VAT rates on food and beverage are also the main driver for inequality reduction linked to VAT. Hungary's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.39 pps, below the EU average reductions of 0.50 pps. 'Food and beverages' contribute 0.29 pps (73.7% of the total), below the EU mean contribution of 0.32 pps. 'Health' contributes 0.12 pps (30.2% of the total), above the EU mean contribution of 0.05 pps ([41]).

3.3 Policy tax gaps in corporate income tax

Most forgone revenues from CIT related tax expenditures result from reductions in payable tax (tax credits etc.). CIT related tax expenditures reducing the payable tax are estimated to impact revenues by about twice as much as those items reducing the taxbase. Hungary reports the main 11 CIT related tax expenditure measures that cause revenue forgone of HUF 291-324 billion (EUR 797-887 million), or around 0.3% of GDP. About 2/3 come from tax

applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[37] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[38] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[39] See: Grant Thornton, 2023. Year-end tax changes in 2024. Accessed at: https://grantthornton.hu/en/news/year-end-tax-changes-in-2024-part-3; PwC, 2025. Worldwide Tax Summaries: Value-added tax (VAT). Accessed at: https://taxsummaries.pwc.com/hungary/corporate/other-taxes; CEE Legal Matters, 2024. Hungarian government extends reduced VAT rate for new homes. Accessed at: https://ceelegalmatters.com/kcg-partners/26786-hungarian-government-extends-reduced-vat-rate-for-new-homes.

[40] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[41] The different consumption categories do not add up in their effect, as each category has a different weight.

benefits claimed (HUF 197-220 billion) and 1/3 to measures reducing the taxable amount, i.e. the taxbase (HUF 94-103 billion). The largest two items is a sport aid related tax relief (HUF 123-133 billion) and a development tax relief (HUF 49-59 billion) ([42]).

Since January 2026, Hungary has introduced an 11-point small-business tax-reduction programme. The package is estimated to benefit roughly 230 000–240 000 enterprises from 2026 onwards. From a corporate taxation perspective, the reform package broadens the eligibility to the Small Business Tax (KIVA) (see also Section 1.2.2), bringing several thousand additional medium-sized enterprises into the simplified regime and reducing their effective tax burden. The package also postpones an excise-tax indexation on fuel, and introduces or improves tax incentives for environmental remediation, "clean industry" and energy-infrastructure investments ([43]).

3.4 Policy tax gaps in personal income tax

Tax expenditures related to PIT are the biggest item in the official list provided by Hungary, responsible for about 50% of estimated revenue forgone. PIT related tax expenditures are estimated in the 2025 Budget to cause a revenue shortfall of HUF 782-825 billion (EUR 2.14-2.26 billion), about 0.9% of GDP. The largest provision is a family tax credit (HUF 380-390 billion, ca EUR 1.1 billion) followed by a benefit for young people under 25 years of age (HUF 210-220 billion, EUR 575-603 million). In its 2025 Article IV report for Hungary, the IMF recommends measures such as (i) replacing existing family tax allowances and PIT exemptions for mothers with capped tax credits per child for both parents, or (ii) increasing marginal PIT rate for high earners to enhance progressivity.

Microsimulations suggest that PIT-related tax expenditures in Hungary in 2025 have a progressive effect ([44]). PIT-related tax expenditures imply revenue forgone equivalent to 13.4% of actual PIT revenues well below the EU average of 19.1% ([45]). The largest share of revenue forgone arises from family-related TEs (13.3% of PIT revenue). It is estimated that the PIT-related tax expenditures included in the analysis reduce the Gini coefficient by 0.66 pps, more than the EU average reduction of 0.46 pps. Despite the relatively low revenue forgone, PIT tax expenditures are associated with a comparatively large reduction in income inequality.

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Hungary applies a partially integrated tax identification framework. Identifiers are reused across multiple taxes but are not fully unified. Upon registration, taxpayers receive a unique Tax Identification Number (TIN), which also serves as their VAT number ([46]). Thanks to the one-stop company registration system, a company that submits its incorporation application to the

[42] Reference to the HU TE tables in the budget annex.
[43] Website explaining the SME support programme (in Hungarian).
[44] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[45] According to the European Commission's taxation trends data, PIT revenues in Hungary amounted to approximately EUR 11.5 billion in 2024. This would imply revenue forgone of approximately EUR 1.5 billion due to PIT tax expenditures according to the microsimulation (13.4% of EUR 11.5 billion).
[46] GENERAL RULES OF TAXPAYER REGISTRATION - Nemzeti Adó- és Vámhivatal

competent Court of Registration, simultaneously fulfils its tax authority registration obligation, and therefore no separate initial registration with the tax administration is required.

Hungary has facilitated VAT compliance through digital registration (though not fully automated), online taxpayer guidance, and an improved identification database. Hungary has implemented a series of structured and technologically advanced measures relating to registration and identification of taxpayers to facilitate their tax compliance, though the system is not fully automated. Hungary maintains a centralised VAT database, conducting quarterly reviews to classify taxpayers according to risk and cross-checking registration data against tax accounts, tax registers, public debt and arrears ([47]).

Hungary caters for streamlined e-commerce oversight and data validation, coupled with targeted audits. The National Tax and Customs Administration ("Nemzeti Adó- és Vámhivatal", NAV) has a dedicated department for e-commerce and the One Stop Shop (OSS) and Import One Stop Shop (IOSS) schemes to coordinate record keeping, audit and customs related tasks for these taxpayers. This department regularly reviews and cleans the OSS system which was integrated into NAV's IT ecosystem from its inception ([48]).

In line with most Member States, Hungary employs a risk-based approach to evaluate VAT registration applications, focusing on compliance history and data accuracy. Third-party data is routinely crosschecked during the registration process, including background checks on founders and executives of new companies to screen out those with a history of violations.

Hungary's qualification of VAT identification numbers appears to be swift, while invalidation takes comparatively longer, suggesting a more extended administrative process. Invalidation may be particularly burdensome in practice, as temporary suspension is not available and suspected missing traders must be given 30 days to respond before a decision is taken, despite Eurofisc alerts underlining the need for rapid action to contain MTIC fraud risks.

4.2 Tax filing and assessment

Hungary's tax administration integrates digital reporting and transaction-level monitoring. The system relies on mandatory online invoicing, electronic cash registers, and fully digital payroll reporting (monthly electronic submissions to NAV) to provide ongoing transaction data for compliance checks. These elements support compliance-by-design principles.

Hungary's pre-filling covers PIT and expands to VAT using transaction data. PIT returns are pre-filled using employer and third-party data ([49]). The eVAT (eÁFA) platform ([50]), launched 2024 as one of the RRP commitments, now offers pre-filled VAT returns. It is supported by Hungary's extensive transaction data infrastructure, including mandatory online invoice reporting and electronic cash register systems.

Hungary's strong digital tax performance is reflected in e-filing rates in 2024 for PIT returns well above the EU average and reaching 100% for VAT and CIT returns. PIT e-filing

[47] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[48] Idem.
[49] eSZJA / Bejelentkezés.
[50] eÁFA - Nemzeti Adó- és Vámhivatal.

reached 99.6% in Hungary, which was well over the EU average. This represents a notable increase of 19.9 pps from 2018 ([51]). The e-filing rate for CIT returns at 100% is also above the EU average representing an increase of 0.5 pps from the 2018 figure ([52]). Hungary is reporting a 100% e-filing rate for VAT returns, just above the EU average ([53]).

Hungary enhances taxpayer support through digital tools and AI pilots. In 2025, Hungary introduced a nationwide e-receipt system, allowing cloud-based cash registers (including mobile software solutions) and a centralised NAV repository for real-time transaction validation. The system integrates with NAV's machine-to-machine interface, enabling automated cross-checks for VAT compliance and error detection. The NAV provides tax calculators, payment arrangements, and secure communication (video, phone, messaging), alongside file uploads, personalised portals, and a mobile app ([54]). Pilot projects are testing large language models for chat services and other channels to further improve responsiveness.

Hungary makes a thorough use of data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([55]) -namely DAC1 ([56]), DAC2 ([57]), and DAC7 ([58])- in relation to both personal and corporate income taxation, as well as VAT where relevant. In 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([59]) is 54% for main categories of DAC1 ([60]), 94% for DAC2 and 70% for DAC7, the EU-average being 84%; 92% and 86% respectively. The identification of the taxpayers concerned could therefore be improved for DAC1 and DAC7. In this respect, the TIN validation tool envisaged in the DAC recast proposal will support the matching process to approach a 100% automatic matching rate, ultimately allowing Hungary for a more efficient and targeted deployment of resources. These results have been partially achieved with technical support provided under the TSI of the European Commission ([61]).

Once the taxpayers have been identified, Hungarian tax authorities use the available data for a large range of activities i.e. awareness raising campaigns, tax risk assessment to detect possible undeclared income, notification to generate disclosure and, if relevant, tax assessments or general tax audits. The information is used not only for personal income tax purposes, but also for assessing corporate taxation and VAT, and for detecting undeclared

[51] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[52] Ibidem
[53] Ibidem.
[54] Ibidem.
[55] Sources: Yearly Assessment 2026.
[56] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[57] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[58] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[59] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[60] Income from employment, pensions, director's fees, immovable properties.
[61] TSI 2023 project "Enhancing the quality and use of internationally exchanged tax information in Finland and Hungary", 2024-2025, more information is available here: https://reforms-investments.ec.europa.eu/technical-support-instrument-0/revenue-administration-and-public-financial-management/enhancing-quality-and-use-internationally-exchanged-tax-information-finland-and-hungary_en

professional activities, as tax authorities take into account the most recent exchange of information on income from digital platforms (DAC7). Overall, the benefits stemming from the use of DAC data are sizeable, as indicated by the significant increase in the tax base and tax assessed.

Hungary is one of the EU's most active Member States in VAT administrative cooperation ([62]). In 2024, Hungary sent 1944 requests for information ([63]), representing an increase from 2023 (11.3%). Hungary received 1 224 requests, in 2024. Based on a standardised measure, taking into account the relative size of the Hungarian economy, Hungary is well above the EU weighted average on the number of requests sent and well above the EU weighted average on the number of requests received ([64]).

Hungary records mixed results in automatic exchange of VAT information. Hungary reported 508 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 1 237 cases. Based on a standardised measure, taking into account the relative size of the Hungarian economy, Hungary is below the EU weighted average on VAT identification numbers allocated to taxable persons not established in HU and above the EU average of the volume of information on new means of transport ([65]).

4.3 Compliance risk management

The Hungarian tax administration relies on a wide range of data and digital tools to power its risk assessment system. The latter flags VAT refund and tax reduction claims for audit based on standardised, nationally uniform criteria ([66]). NAV has been using AI in an ever-widening range, from data governance processes to data analytics, tax rule and management ([67]). Data sources include other Hungarian public administration databases, the e-invoicing system or the Electronic Public Road Trade System (EKAER) and EU legislative tools such as the DAC or VIES data. These all feed into the risk analysis system, enhancing a differentiated, risk-based approach to taxpayers. Also, AI and machine-learning algorithms automate routine tasks (e.g. in audit), enable risk scoring for targeted audit selection and combine nudging tools with adaptive taxpayer support. Implementation is guided by controlled pilots - including tests of large language models for

[62] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.
[63] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).
[64] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Hungary sent 9.43 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 5.94 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.
[65] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Hungary reported 2.46 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP; and new means of transport 6.00 requests per EUR 1 billion of GDP compared to an EU weighted average of 0.95 new means of transport per EUR 1 billion of GDP.
[66] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[67] ECD Inventory of Tax Technology Initiatives 2024, https://data-explorer.oecd.org/.

internal/external use - and a cross-government AI working group established in 2022 to ensure evidence-based adoption ([68]).

Hungary combines behavioural insights and digital solutions to foster proactive tax compliance: Hungary uses behavioural data and digital tools, such as real-time monitoring, automated alerts, and pre-filled forms, to nudge compliance before enforcement. While NAV has recently developed internal guidelines on behavioural insights and offers a step-by-step compliance portal, transparency gaps remain, as outcomes of risk-based activities are not regularly published to aid taxpayer understanding ([69]).

Hungary also uses reports exchanged automatically under the DAC, i.e. DAC3 ([70]), DAC4 ([71]) and DAC6 ([72]) for risk-analysis purposes in the field of corporate income taxation. The Hungarian tax authorities identified successfully 77% of the taxpayers concerned by DAC3, and 98% of the entities concerned by DAC4, but are unable to share figures on the identified taxpayers which are concerned by DAC6. DAC3, DAC4 and DAC6 reports are broadly used for risk-assessment purposes (e.g. to identify risks related to transfer pricing, base erosion and profit shifting, harmful tax practices, etc.) and possible follow-up actions as general tax audits, thereby supporting the fight against tax evasion and avoidance. In practice, the data feeds a dedicated domestic IT tool to process data on a wider scale and crossmatch DAC information with the national databases. This fairly comprehensive use of the relevant data suggests that the Hungarian authorities have made progress in integrating DAC data into an efficient process, which could be further improved by shifting to a fully automated approach to identify the taxpayers concerned, and using the DAC6 reports more extensively to identify and close legal loopholes, where relevant.

Hungary strengthens its anti-fraud arsenal by relying on CESOP data to cross-validate tax filing, e-commerce transactions and customs records. Hungary has integrated CESOP data ([73]) into its tax administration's central data warehouse and risk-assessment system. The tax administration has developed a method for comparing CESOP-OSS/IOSS-H7 ([74]) data, a key step to identify discrepancies between goods traffic and tax returns ([75]).

[68] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[69] Ibidem
[70] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.
[71] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.
[72] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements
[73] CESOP is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.
[74] In simple terms: low-value e-commerce customs declaration data.
[75] Findings based on Member States' annual reports (2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

4.4 Audits

The Hungarian tax administration performs a large variety of audits, strategically focusing on risks and using AI. Audit activities include desk audits, comprehensive or limited scope/single issue audits and tax avoidance and evasion investigations ([76]). In 2026, the Hungarian tax administration adopts a risk-based, AI-driven audit strategy, minimising random checks in favour of targeted reviews using e-invoices, online cash registers, and sector-specific data ([77]). High-risk sectors — such as construction, automotive, IT, and e-commerce — face closer scrutiny, particularly businesses with low staff but high turnover, odd invoice patterns, or persistent VAT credit carryovers. VAT compliance, invoice chains, and data cross-checks remain key focuses. The audits dedicated to e-commerce use DAC7 – digital platform operator reported data, CESOP - payment service provider reported cross-border payment data, and SURV3 – customs surveillance data. For corporate tax (CIT), audits prioritise transfer pricing, related-party arrangements, low-profit firms, and tax incentives, while large enterprises are monitored for global minimum tax (Pillar Two) compliance. Individuals with foreign income or links to low-tax jurisdictions are increasingly targeted to ensure full tax transparency.

The additional revenue generated through tax audits stands below the EU average. In Hungary, the additional revenue raised from audits was equal to 1.85% of total net revenue in 2018 and 0.61% of total net revenue in 2024, which is considerably below the EU average for both years, respectively 2.77% and 1.54% ([78]). However, the decrease from 2018 to 2024 follows a similar trend for the EU average. Given the advanced level of digitalisation in Hungary, the fact that these figures - such as those concerning tax arrears in Hungary - are below the EU average, may indicate that the steps taken for voluntary compliance have borne their fruits.

Hungary segments its audit approach by taxpayer type, with a dedicated Large Taxpayers Office (LTO) and additional risk-based strategies for other segments. Hungary is one of the 23 Member States with an office dedicated to Large Taxpayers ([79]) exercising special jurisdiction and dedicated audit functions in respect of this this taxpayer segment ([80]). When determining whether a taxpayer is a large taxpayer, the Hungarian tax administration takes into account a combination of income, taxes, assets, economic sector and associated entities. The LTO programme does not include a High-Net-Worth Individual programme in Hungary. 3.22% of full-time equivalents (FTEs) were assigned to the LTO in 2024, and 27.01% of these were allocated to the function of audit, investigation and other verification activities of taxpayers within the scope of the LTO ([81]). Revenue generated from the LTO accounts for 37.02% of total revenue, whereas audits performed by the LTO only generate 0.85% of all audit revenue, which seems unusually low ([82]). For e-commerce, Hungary's 2025–26 audits apply risk-based selection and continuous monitoring to target high-risk taxpayers. Preliminary analyses of data received through international information

[76] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[77] https://nav.gov.hu/pfile/file?path=/ugyfeliranytu/adotraffipax/2026-ellenorzesi-terv.
[78] International Survey on Revenue.
Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[79] As per 2026 ISORA data for 2024.
[80] KAVIG vezetők elérhetőségei - Nemzeti Adó- és Vámhivatal.
[81] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[82] In October 2026, Hungary noted that the low audit yield reflects high compliance among large taxpayers, with only minimal errors typically identified.

exchange mechanisms (e.g. DAC7, CESOP, SURV) confirmed significant compliance gaps, leading to audit proceedings for flagged cases of taxpayers active in cross-border e-commerce ([83]).

Hungary makes limited use of advanced instruments of cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025 Hungary has initiated 2 MLC, and has participated in 4 MLC and 1 PAOE, representing respectively 1.9%, 1.4%, and 0.8% of the total of these operations ([84]).

4.5 Payment and collection

Hungary's tax payment and collection system is highly centralised under the NAV and characterised by extensive digitalisation, with near-universal electronic filing and payment across major taxes (PIT, CIT and VAT) ([85]). PIT compliance is structurally high as it is largely collected through withholding at source (e.g. by employers) with annual settlement ([86]), whereas CIT is based on self-assessment with advance (monthly/quarterly) payments and a year-end reconciliation ([87]); by contrast, VAT operates on a transactional, periodic (monthly/quarterly) reporting and payment system with refund features ([88]), making its cash-flow and control framework more continuous and compliance-intensive thanks also to the previously mentioned e-invoicing system.

Hungary has not reported data on the level of on-time payments. Data on the level of on-time payments would be beneficial to assess whether current practices are effective in ensuring compliance with tax filing deadlines ([89]). Reminders are issued in case of late submission of VAT returns, and the tax administration seems to have a simple penalty system in place for failure to submit VAT returns and for late payment ([90]).

VAT liabilities are generally settled by electronic payment, although the Hungarian tax procedure formally permits payment by postal cash transfer order (yellow cheque) for taxpayers not obliged to maintain a domestic payment account ([91]). In 2024, 90.2% of the payments were done electronically (with the EU average standing at 94.9%). In 2018 this figure was 86.4%.

---

[83] Hungary's e-commerce audit strategy builds on data validation methods detailed in Section 4.3, including CESOP-OSS/IOSS-H7 comparisons to identify discrepancies between goods traffic and tax returns.
[84] EU AIAC Statistics -2023-2025.
[85] OECD Forum on Tax Administration, Tax Administration 2025 – Hungary Country Note, available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/tax-administration-2025-country-notes_16fbc1b7/hungary_073986ad/b7bb7fb4-en.pdf.
[86] National Tax and Customs Administration (NAV), Personal Income Tax (SZJA) portal, https://nav.gov.hu/szja
[87] National Tax and Customs Administration (NAV), Tax laws and corporate income tax legal framework, https://nav.gov.hu/en/main-tiles/tax_laws.
[88] https://eafa.nav.gov.hu/laws-en.
[89] In October 2026, Hungary noted that the absence of an indicator on the level of on-time payments stems from its accounting method for tax liabilities. While the tax authority monitors timely compliance with tax return obligations, comparable ISORA data is not available.
[90] Findings based on Member States' annual reports (2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[91] https://nav.gov.hu/pfile/file?path=/en/main-tiles/LISTACCOUNTNR/how-to-pay-to-ntca.

Hungary employs efficient VAT refund practices, using risk-based assessments to fast-track low-risk claims while monitoring processing times. Refunds are issued electronically, supported by a dedicated VAT refund unit. Processing times vary by taxpayer classification (e.g. accelerated refunds for SMEs) rather than a fixed statutory deadline. Before approval, desk-based audits verify claims against internal datasets and financial records. Once validated, refunds are processed automatically, ensuring speed and reducing fraud risks ([92]).

4.6 Debt recovery

Hungary's tax recovery system achieves below-EU-average arrears. However, timeliness in mutual assistance remains a challenge. Hungary applies the same recovery rules across VAT, income tax, excise duties and other national taxes, and the same authority is responsible for all tax claims. This uniformity contributes to legal coherence and administrative simplicity, while supporting public deterrence.

Hungary employs a robust system of publicly accessible databases to enhance tax compliance. The databases include publishing details of taxpayers, both individuals and businesses ([93]), under enforcement or with significant unpaid debts ([94]). This transparency serves as a deterrent, while the KOMA database ([95]), which lists companies free of public debts, acts as a trusted reference for assessing the financial reliability of potential business partners. Facing the prospect of public exposure, taxpayers are often motivated to negotiate payment arrangements, such as deferred payments, instalments, or even reductions in, or waiver of, their tax liabilities. Hungary's tax authorities in charge of recovery are not allowed to exchange information with the administrator of insolvency proceedings concerning assets that could be used for the recovery of unpaid claims in insolvency proceedings ([96]). Hungary uses also the information from DAC1 and DAC2 for tax recovery purposes, which is particularly relevant to reduce the tax gap, including in criminal proceedings, where allowed.

Tax arrears in Hungary have been below the EU average in recent years. The level of outstanding tax arrears was stable between 2020-2024 and far below the EU average (at 8.4% in 2024, EU average 30.7%) ([97]). This represented the closing stock of arrears at year end as percentage of the total revenue collected. However, Hungary only considered 28.5% of the closing stock of arrears to be collectible in 2024. The potentially collectible arrears' share was 28.9, 33.3, and 27.4 in 2021, 2022, 2023 respectively ([98]). As regards the write-off of tax debts, Hungary applies strict rules ensuring that debts remain monitored until enforcement is definitively no longer possible. Hungary monitors the time needed to solve tax disputes ([99]), and it can collect disputed taxes while the dispute case is open and under judicial review ([100]).

[92] Findings based on Member States' annual reports (2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[93] https://nav.gov.hu/en/taxation/arrears.
[94] Adóhiányosok, hátralékosok, végrehajtás alattiak - Nemzeti Adó- és Vámhivatal.
[95] https://nav.gov.hu/Elethelyzetek-adozasa/ugyintezeshez/A-Koztartozasmentes-Adozoi-Adatbazis-KOMA.
[96] Hungarian reply to question 35 of the 2025 survey on tax recovery.
[97] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[98] Ibidem.
[99] Hungarian replies to questions 12 and 13 of the 2025 survey on tax recovery.
[100] ISORA Data - Tax arrears collection powers and their usage - Collect any disputed tax while the dispute case is open and under judicial review.

Hungary has integrated AEOI data in its recovery strategy. Also, it uses mainly information from DAC2 (financial assets and bank accounts held abroad) for recovery purposes, which is considered as best practice.

Regarding cross-border recovery assistance within the EU, Hungary submits compliant requests to other Member States. Hungary's recovery requests to other Member States generally comply with requirements ([101]), focusing on well-established claims.

[101] Statistics on rejections of requests, reported by Hungary as applicant State, relating to recovery assistance in 2025.