

TRUSTS IN HUNGARY



JALSOVSZKY
PRIVATE



Introduced into Hungarian law barely a decade ago, trusts have enjoyed a meteoric rise to become the primary tool for family wealth planning.

With the addition of tax benefits, and highly flexible domestic rules, Hungarian trusts are an internationally competitive tool for wealth planning. In addition, trusts can be set up on an ad hoc basis by anyone, making them easily and cheaply accessible to all.



REASONS TO CHOOSE HUNGARY

The trustee does not need to be an independent service provider, it is possible to keep full control of the trust.

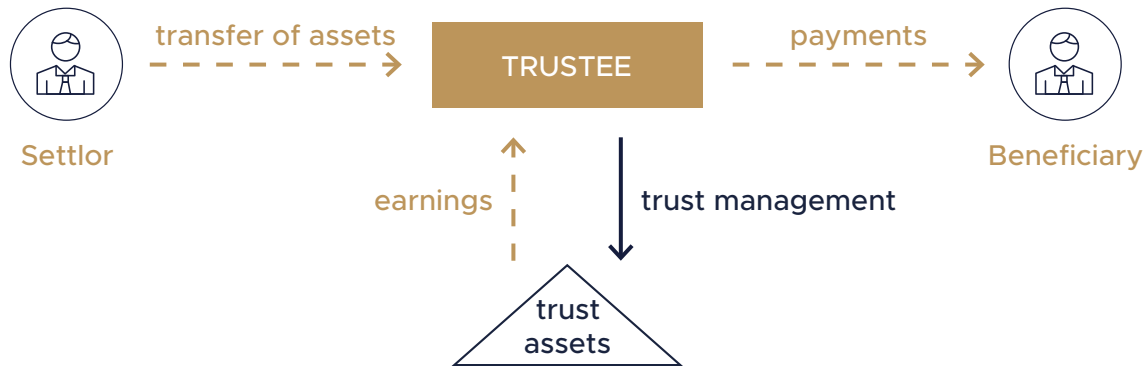
The trust may be fully exempt of corporate income tax with the possibility of revaluation of the assets upon transfer.

Low maintenance costs.

Tool for complex succession planning. The domestic regulations are flexible, revocation of the trust is possible.



STRUCTURE OF THE TRUST



KEY FEATURES AND CRITERIA FOR ESTABLISHMENT

It is possible to transfer the settlor's assets in their entirety or in part to the trust. Any asset (e.g. shares, investments, cash) may be transferred to the trust.

A trustee may only manage one trust, otherwise the trustee's operation is subject to authorization.

The trustee shall administer the assets for the benefit of the beneficiaries in accordance with the terms of the contract concluded between the settlor and the trustee.

In the event of the death of the trustee, the settlor may appoint a substitute trustee who can immediately take over the management of the assets.

If the conditions of the contract are met, the trustee shall release the assets or their proceeds to the beneficiaries. The choice of beneficiaries, the amount and timing of the payments to be made to them is at the discretion of the settlor.

TAXATION OF TRUST

From a Hungarian perspective, the transfer of the assets from the settlor to the trustee is tax-free. Upon transfer, the assets can be revalued tax-free and therefore their subsequent sale on that amount is tax-free in Hungary.

If the trust only realises financial income (e.g. interest income, dividends or capital gains), it is not subject to corporate income tax.

The trust may open a permanent investment account (“tartós befektetési számla”) on which investments can be made to publicly available financial products (securities, bonds, etc.).

The distribution of the profits of the assets is taxable, but the distribution of the capital (the value originally invested) is not taxable after 5 years.

In the case of non-Hungarian tax resident(s) and/or beneficial owner(s), the foreign tax implications must be examined in advance.



WHAT GOALS CAN BE ACHIEVED

Tax-free sale of company participations and assets

Both the transfer of assets to the trust and the release of assets to the beneficiaries are exempt from income tax in Hungary.

Keeping company assets intact

Avoiding fragmentation of family wealth in the event of the death of the owner. Long term asset management and family office goals can be achieved.

Asset protection in cases of personal liability

The assets placed in the trust are separate from the assets of the settlor, the trustee and the beneficiaries. The assets cannot be made subject of enforcement procedures in Hungary based on the settlor's, the trustee's and the beneficiaries' liability.

OTHER ASPECTS TO CONSIDER WHEN PLANNING

A trust can be set up for a maximum of 50 years.

If the settlor and the trustee are the same person, the trust can only be created by notarial deed, which increases the costs.

The trust provides limited anonymity: the information of the parties is recorded in the UBO register – not available for the public. However, it can be reviewed by public authorities under certain legal conditions.

The accounts and financial statements of the trust are not public and do not have to be published.

Once a period of 10 years has passed since the settlement, the settlor's heirs cannot challenge the establishment of the trust under Hungarian law.

FLEXIBILITY

The settlor and the trustee may be one and the same person, so the assets remain in the settlor's control.

The trust deed can be amended at any time, either by appointing new beneficiaries or by changing the clauses on the distribution of the assets between the beneficiaries.

New assets may be transferred to the trust at any time.

The costs of the trust's maintenance are low.

The establishment of the trust is relatively quick and straightforward.



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