

## Shooting in Hungary

### Hungarian Film Incentive

The Hungarian Film Incentive in the amount of **30%** is applicable to

- ▷ Hungarian local spend (HL) – all **local Hungarian goods and services** paid by the HU PSC
- ▷ Hungarian foreign spend (HF) – **non-Hungarian goods and services** paid by the HU PSC, up to a maximum of 25% of HL

The Hungarian Film Incentive in the amount of **15%** is applicable to

- ▷ non-resident cast and crew (C Qual) – the salary (to exclude fringes), per diem, kit rental & any contingent compensation of **non-Hungarian Cast and Crew** who pay 15% Hungarian personal income tax (HU PIT).

<b>Example</b>	
4,000	<i>Hungarian local spend (HL)</i>
1,000	<i>Hungarian foreign spend (HF, up to the 25% of HL)</i>
<b>5,000</b>	<b>aggregate applicable to HU film incentive</b>
2,000	<i>non-resident Cast and Crew (C Qual) spend</i>
<b>1,000</b>	<b>applicable to HU film incentive</b>
<b>6,000</b>	<b>Total applicable to the Hungarian Film Incentive</b>
<b>1,800</b>	<b>30% Hungarian Film Incentive yield</b>

### Qualifying foreign Cast & Crew compensation for the Hungarian film incentive

The project can qualify most non-Hungarian cast and crew for the purposes of the incentive. The exclusions are:

- ▷ UK loan-out – crew only
- ▷ UK schedule D – crew engaged to work in Hungary under 183 days

There will be a few other exclusions based on the cast or crew members tax and social security (SS) residency status combined with the type of engagement.

The 30% incentive is applicable on 50% of the cast member's compensation to include salary (to exclude fringes), per diem, kit rental & any contingent compensation. *NOTE: The first HUF 3,000,000 (appr. USD 9,350/ EUR 7,900) of compensation attracts 100% of the Hungarian film incentive.*

- ▷ The Producer's foreign entities are the employer of record.
- ▷ The individual is taxable from day 1 of their engagement in Hungary.
- ▷ 15% income tax is payable on compensation to the National Tax and Customs Administration in Hungary (NTCA, in Hungarian: NAV).
- ▷ Double tax treaties or Hungarian tax law (in the absence of a treaty, i.e. USA) allows for the tax paid in Hungary to be credited against the income tax liability in the country where the individual is tax resident.
- ▷ Hungarian tax compliance is triggered by:
  - (a) The cast/crew member completing a data sheet which is sent to local tax council (Andersen Hungary) who will review and advise on the individual's tax and social security (SS) status in Hungary.
  - (b) The cast/crew member will execute a suite of documents and will be registered as a HU taxpayer.

### Important notes:

The tax payments are the responsibility of the individual and not the production. The production is facilitating the individual's obligation to take advantage of the incentive.

The producer should have a US entity to engage all US cast and crew. Each US cast and crew will pay tax in Hungary from day 1 and the taxable compensation will qualify for the incentive.

The producer should have a non-US entity (UK is usual) to engage non-US/non-resident cast and crew that will work in Hungary. This non-US entity will execute a **Cooperation and Cost Recharge agreement** with the HU PSC. This recharge agreement will

- ▶ include any UK PAYE and any non-US/non-resident crew engaged to work in Hungary for less than 183 days;
- ▶ will make the HU PSC the economic employer of those individuals for the purpose of taxation and make them taxable from day 1.

The recharge will be implemented in arrears after all taxation related to all cast and crew has been paid.

### Social Security related to non-resident cast & crew

The vast majority of taxpayers are responsible for applying for an A1 (EU) or Certificate of Coverage (US, Canada, Australia) to cover their period of engagement in Hungary evidencing their social security status at home is current. In the case of

- ▶ **UK PAYE tax payers:** the UK company that engages them will be responsible for applying for their A1. The UK company must apply for an Exhibit E from HMRC (link: <https://www.gov.uk/hmrc-internal-manuals/payee-manual/payee82001>). In the case a UK PAYE is not engaged by a UK company, then they will not be able to receive an A1.
- ▶ **Most individuals from Mediterranean countries** will only be able to obtain an A1 if they are engaged by a company resident in their country (to include their own loan-out).
- ▶ Some countries outside of the EU have no social security treaty with Hungary and in some cases a one-time exemption from social security can be sought for up to 2 years in a 3-year period.

Most of the cast or crew member who cannot evidence an A1 (or CoC) can be administrated under the Hungarian Simplified Tax regime.

- ▶ In addition to the 15% HU PIT there will also be a one-time social security payment with a cap of HUF 1,007,136 (2026 cap; approx. USD 3,150 / EUR 2,650) is remitted which fully satisfies all HU SS obligations.
- ▶ *NOTE: This min. HU social security payment is not creditable by the individual in the home country.*

### Qualifying for the Hungarian Film Incentive

**STEP 1** – The Hungarian production service company (HU PSC) registers with the Hungarian National Film Office (NFO) as a production company;

**STEP 2** – The HU PSC announces the project's spend with the NFO. All spend qualifies from this date.

**STEP 3** – The project is registered with the Hungarian National Film Office (NFO). Part of the registration documentation is the Cultural Test which is the only subjective part of the registration.

The Cultural Test questionnaire is attached to this document. The minimum requirement to pass is 16 out of 32 points to include a minimum of 2 cultural criteria.

- ▶ It is possible to submit the Cultural Test early to guarantee qualification for the HU film incentive.
- ▶ It is a requirement to file the script in English and Hungarian language.

The HU PSC is required to start the project registration 30 days before the start of Principal Photography (PP) in Hungary which requires:

- ▶ Filing an online project information sheet;

- ▶ Paying the **registration fee of 0.2% of the total Hungarian budget** to include Hungarian local and foreign spends plus 50% non-resident cast and crew paying tax in Hungary. *The NFO registration fee is applicable to the Hungarian film incentive.*

### Film incentive application cycle

The HU PSC applies for film incentive certificates **by the calendar quarter**.

- ▶ Each National Film Office audit application includes the payment of an **audit fee equal to 0.2% of the spend** during the period covered. *NOTE: The NFO audit fee is applicable to the Hungarian film incentive.*
- ▶ The cycle commences after the NFO confirms the project registration.

**An example of the cycle is as follows and repeats every quarter:**

- Q1 closes: March 31
- Q1 film incentive application and supporting spend ledgers submitted to the NFO: in mid-May
- The NFO audits the Q1 film incentive application: 30-60 days
- The Q1 film incentive certificate application is approved and issued: by mid-July

### Film incentive monetization cycle

The incentive certificates are monetized by the Hungarian National Film Institute (NFI) collection account.

- ▶ In 2026 the Film Institute has a government state guarantee of HUF 70 billion to monetize incentive certificates.
- ▶ The NFI charges **2.5% of the incentive amount + VAT for processing the film incentive certificate monetization**. *NOTE: NFI fee is applicable to the Hungarian film incentive and the VAT is reclaimable.*

**Following on from the Q1 incentive certificate example above:**

- The Q1 film incentive certificate is issued and filed with the National Film Institute: in mid-July
- The Q1 film incentive certificate should be monetized in 12 months (or sooner).

### Hungarian Value Added Tax (VAT) rate

- ▶ 27% on the majority of all goods and services
- ▶ 5% on hotels both short and long stay
- ▶ private apartments are rated at 27% or 0% depending on the tax status of the owner
- ▶ 5% on books, magazines and some food stuffs
- ▶ 0% on air travel

### Hungarian non-reclaimable VAT

- ▶ 60% of catering
- ▶ 30% of all phone charges
- ▶ some fuel expenses
- ▶ some vehicle maintenance expenses

### Hungarian VAT reclaim cycle

HU PSC reclaims VAT by the calendar quarter.

**An example of the cycle is as follows and repeats every quarter:**

- Q1 closes on March 31
- VAT reclaim is filed with the Hungarian Tax Authority on April 20th
- Hungarian Tax Authority audits the quarter (Q1) during the months of May & June
- If there are no audit issues then the VAT reclaim is refunded by mid-July

### Production costs that **SHOULD NOT** be paid by the Hungarian Production Service Company

The following costs should not be paid by the HU PSC. These would attract taxation in excess of 40% and require a significant amount of paperwork. The costs include but are not limited to:

- ▶ food and beverages (not to include cast and crew catering during the shooting period)

- ▶ entertainment
- ▶ medical and pharmaceutical goods and services
- ▶ non-resident cast and crew per diem
- ▶ any cost for which a valid VAT invoice has not been received by the HU PSC

Language has been added to the Production Service Agreement (PSA) to allow the HU PSC to advance funds to the producing partner. *NOTE: VAT is not reclaimable and film incentive is not applicable to these costs.*

### Currency of spend as it applies to VAT and film incentive

The Hungarian Production Company will generally spend in 4 currencies: USD, EUR, GBP and HUF (+ any other convertible currency as appropriate).

The Hungarian VAT reclaim ledgers and the Hungarian film incentive applications/ledgers are derived from the HU PSC's federal tax books. The production accounting software (i.e. PSL, Vista, Smart, etc.) is not relevant for these calculations.

- ▶ All non-HUF spend (USD, EUR, GBP, etc.) by the HU PSC is converted to HUF using the exchange rate set by the Hungarian National Bank on the date of each transaction.
- ▶ VAT reclaims are filed and monetized in HUF.
- ▶ Film incentive applications are filed and monetized in HUF.

FX variances may arise due to differences between the locked budget exchange rate and the Hungarian National Bank exchange rate applicable on the date of each transaction.

### Structures

#### PSA – Production Service Agreement (aka WORK-FOR-HIRE)

- ▶ The producer's foreign entity is the 'Producer' and the HU production service company (HU PSC) is the 'Contractor'.
- ▶ The Producer holds all rights and copyrights.
- ▶ Any copyright created in the Hungarian production entity (HU PSC) is immediately transferred.
- ▶ By law 2.0% Hungarian Business Tax and 0.3% Innovations Tax is applicable on top of all net costs paid by the Contractor to include Local & Foreign Spend. Mid Atlantic has strategies to lower the aggregate tax to approximately 1.0%.

#### Co-production (treaty or non-treaty)

There are no longer any direct advantages to co-production in Hungary for international films. This model would only make sense if there was soft money avail to the co-production (i.e. Eurimages). Under the co-production model the conditions are the same as under PSA above.

### General information – Hungarian SPV, legal & tax council

#### Hungarian Production Service Company

Mid Atlantic recycles a dormant or establishes a new HU PSC to produce / service each new project.

#### Banking

We have a long-standing relationship with UniCredit Bank in Hungary to include very favorable rates for services. More than 99% of all payments are wire transfers through the Spectra online banking program.

The Studio's team initiates all wire transactions through the online platform. Generally, the signatories are split into 2 groups:

**Group A** - the foreign Executive Producer, Production Manager (Supervisor) and Studio Executive are each granted joint signatory status

**Group B** - the foreign Finance Controller, Location Accountant (if applicable) and a member of Producer's finance are each granted joint signatory status

It takes 2 (one from Group A and one from Group B) to initiate any wire transaction or cash withdrawal.

As owners of the HU PSC Howard Ellis and Adam Goodman also have joint signatory status. This is only used in the case of a specific request from the Studio, the foreign Executive Producer or the foreign Finance Controller.

### **Legal**

We work with Hungarian legal counsel Dr. Monika Horvath and her team at DLA Piper Hungary. She has been representing the studios' interest on all our projects since 2005. She is the author of all of our template documents to include our suite of production agreements for local cast, crew, locations, equipment, extras, etc.

### **Tax**

We work with local tax counsel Karoly Radnai MD and his team at Andersen Hungary. They have been representing the studios' interests of all our projects since 2005. Team Andersen is directly involved in administrating the taxation of foreign cast or crew in Hungary along with subcontractor Process Solutions (PS) which is the largest payroll company in the CEE region.

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### Annexes:

- ▶ Cultural Test
- ▶ Structure chart

MINISTRY OF CULTURE AND INNOVATION  
NATIONAL FILM OFFICE

**CULTURAL TEST**

Name of Client: [ ]

Title of Motion Picture: [ ]

**This is a translation of the Hungarian original Cultural Test. In case of doubt the Hungarian version must be applied.**

Decree Mktv. § 12/A. and § 12/B as well as decree 12/2008. (III.29) OKM-PM 4/A. § (6) to be applied in regards to the criteria and circumstances of filling out the test.  
(The client fills out the fields titled „Given points“ and „Reason“)

	CULTURAL CRITERIA	Possible points	Given points	Reason
a)	The storyline/underlying material of the motion picture is based on an event, which is part of the Hungarian or the European culture/history/mythology/religions.	1		
b)	The motion picture is based on a character/personality belonging to the Hungarian/European culture/history/society/religions.	1		
c)	The motion picture is centred on Hungarian/European traditions/customs.	1		
d)	The story of the motion picture is set in European scene/landmark/location/architectural or cultural environment.	1		
e)	The storyline or underlying material is based on a literary work or on an adaptation of other art work (products of fine or applied arts, music, etc.) with cultural value.	1		
f)	The storyline or underlying material of the motion picture is centred on a current actual cultural, sociological, or political issue for Hungarian or European society.	1		
g)	The motion picture reflects an important Hungarian or European value such as cultural diversity/solidarity/equality/protection of minorities or human rights/tolerance/environmental protection/respect for traditions of culture or family.	1		
h)	The motion picture reflects the Hungarian and European culture and identity.	1		

**Hungarian National Film Office (NFO) - Cultural Test**

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INDUSTRIAL CRITERIA		Possible points	Given points	Reason
i)	The film product is a motion picture that creates value as a result of its genre;	4	4	Motion picture / Television
j)	ja) The creators of the motion picture include Hungarian citizens or citizens of another EEA country, or those non-EEA citizens who have received an international film festival award:			1 point for fulfilling every two categories. Maximum of 6 points.
	ja) Director			
	jb) Producer			
	jc) Director of Photography			
	jd) Script Writer			
	je) Leading/Secondary Actor/Actress			
	jf) Composer			
	jg) Art Director/Production Designer			
	jh) Costume Designer			
	ji) Editor			
	jj) Make-up Designer			
	jk) Line Producer/Production Manager			
	jl) Post Production Supervisor (Audio/VFX/Digital)			
k)	Final version of the film in any official EEA language.	4	4	ENGLISH
l)	At least 51% of the contributors to the motion picture – not falling under the scope of point j) – are the citizens of an EEA country, or the motion picture is a co-production that does not qualify as an European co-production.	4		
m)	The location of the shooting is in Hungary.	3		
n)	Use of Hungary's cultural resources (i.e. or post-production in Hungary).	3		
<b>TOTAL:</b>		<b>32</b>		

Budapest, 2026. 🇮🇪 🇮🇪

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Signature  
🇮🇪 (HU PSC)

Structure Chart (sample)

