



### OTP Bank Group

Market: Hungary

Date: 2<sup>nd</sup> October 2023

Category: Taxation issues

### No tax relief on US-issued securities from January 1, 2024

The Double Taxation Treaty between the United States of America (hereinafter: USA) and Hungary (hereinafter: DTT) was terminated on January 8, 2023, but its provisions regarding the determination of withholding tax are still applicable until December 31, 2023. There is no change in the tax treatment of income generated until the end of 2023. In the case of withholding tax income (e.g. dividend, interest), the provisions of the DTT shall expire for amounts paid or credited on or after January 1, 2024, while for other taxes, the provisions of the DTT shall expire on or after January 1, 2024.

As of January 1, 2024, income from transactions between the US and the Hungarian party, including corporate actions related to US-issued securities, must be treated as income from a country with which Hungary does not have a double taxation treaty in force. Thus, the USA can deduct withholding tax according to its own internal rules from US payments.

Pursuant to the DTT in force until January 8, 2023, the tax relief rates for income payments of Hungarian private or legal entities - provided that they are properly documented-, are 15% instead of 30% for dividend income, 0% instead of 30% for their interest income and 37% instead of 39.6% for income from certain securities (in the case of US Limited Partnership type instruments). These tax relief rates are valid until December 31, 2023, and are no longer available after January 1, 2024.

**Impact:** For information only

**Required actions:** No action required from clients

**Source:** KELER Ltd.

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# Global Securities Services

## NewsFlash



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