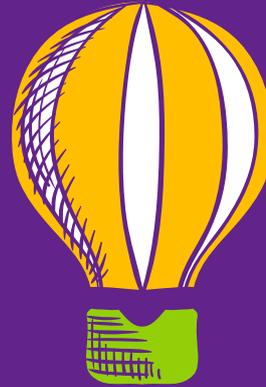


GLOBAL
EMPLOYER
GUIDE

HUNGARY





Basic Country Facts

Full Name

- Republic of Hungary

Capital

- Budapest

Main Languages

- Hungarian (98%)
- German
- Croatian
- Romani
- Slovak
- Romanian
- Serbian
- Slovene

Population

- 9.773 million

Monetary Unit

- Hungarian forint

Internet Domain

- .hu

International Dialing Code

- +36

Currency

- Hungarian forint



STATUTORY LABOR REQUIREMENTS

Probation Period

- In the Hungarian employment contract the parties may stipulate a probationary period of not more than three months from the date of commencement of the employment relationship.

Annual Leave

- The basic annual leave entitlement is 20 working days.
- The annual leave entitlement of employees is increased with additional days depending on the age (not the seniority) of the employee with up to 10 additional working days.
 - Up to the Age of 25: 20 business days
 - From the Age of 25: 21 business days
 - Up to the Age of 31: an additional business day every 3 years
 - Up to the Age of 45: an additional business day every 2 years
 - From the Age of 45: 30 business days

Public Holidays

- New Year's Day (1st January)
- Revolution Day (15th March)
- Good Friday (10th April)
- Easter Monday (13th April)
- Labor Day (1st May)
- Whit Monday (1st June)
- Saint Stephen's Day (20th August)
- Saint Stephen's Day Holiday (21st August)
- Republic Day (23rd October)
- All Saints' Day (1st November)
- Christmas Holiday (24th December)
- Christmas Day (25th December)
- 2nd Day of Christmas (26th December)



Maternity Leave

- Pregnant employees are entitled to 24 weeks of maternity leave.
- The leave must start 4 weeks prior to the scheduled delivery date.
- The employee is entitled to 70% of her average salary.
- During the first 6 months of nursing, the employee is entitled to two hours of work time allowance daily and one hour after that until the child reaches 9 months.

Paternity Leave

- The father is entitled to 5 days off for paternity leave which the employer must allocate within two months following the date of birth. The father is also entitled to take unpaid leave until the child reaches 3 years of age.

Sick Leave

- An employee is entitled to 15 sick days annually while enrolled in the national social security system.
- Employees generally receive 70% of their salary which is paid by the employer.
- After 15 days, the amount paid varies from 50% – 60% depending on the term of service. One third is paid by the employer and the remaining amount is paid by the state.

Work Hours

- The standard work week in Hungary consists of up to 8 hours a day, 5 days a week.
- The standard number of working hours in Hungary is 40 hours per week in full time employment

Overtime

- Employees can work no more than 250 hours in overtime per year and must be paid 50% on top of gross salary for overtime hours worked.
- On 1 January 2019, amendments to provisions of the Hungarian Labor Code dealing with overtime hours came into force that increase maximum overtime hours from 250 to 400

Notice Period

- When terminating employment, either party must provide a notice period of at least 30 days but no more than one year.
- The 30-day notice period must be extended by the following amounts:
 - 5 days after 3 years of employment
 - 15 days after 5 years of employment
 - 20 days after 8 years of employment
 - 25 days after 10 years of employment
 - 30 days after 15 years of employment
 - 40 days after 18 year of employment
 - 60 days after 20 years of employment





Severance

- The employee is entitled to severance pay if the employer terminates the employment by ordinary termination (as a result of the employee's ability, behavior in relation to the employment relationship or the employer's operations or economic reasons).
- The following payments apply:
 - 1 month for up to 3 years of employment
 - 2 months for up to 5 years of employment
 - 3 months for up to 10 years of employment
 - 4 months for up to 15 years of employment
 - 5 months for up to 20 years of employment
 - 6 months for up to 25 years of employment
 - The amount of severance pay is increased by 3 months if the employee is terminated within 5 years of his/her eligibility for old age pension or old age pension with age allowance.

13th Month

- The 13th month bonus is not mandatory in Hungary, however, performance based bonuses are common.



Income Tax

- Residents are subject to income tax on worldwide income, regardless of whether the funds are transferred into Hungary.
- Nonresidents are taxed on income from Hungarian sources only.
- However, tax treaty provisions may override the domestic rule.
- The taxation of various types of income is described below.
- Employment income.
 - Gross employment income includes all compensation items that relate to the employment relationship of the individual.
 - Most benefits in kind are taxed at the company level.
- Rent and other housing allowances provided to an expatriate can be exempt from Hungarian taxes, under certain circumstances.
- Education of the employee and in-kind health care benefits from the Hungarian state system, as well as ordinary and necessary employee business expenses borne by the employer, are not considered income for income tax purposes.
- Both the personal income tax and social tax are borne by the Hungarian employer.
- In general, benefits provided in the context of an employment relationship are tax-exempt.
- Hungarian personal income tax (PIT) is assessed on the following.
 - Domestic-source income.
 - Foreign-source income, provided the individual is resident in Hungary.
- Income derived from employment activity performed in Hungary can qualify as domestic-source income, even if it is paid from abroad.
- In the case of income paid from abroad, income tax can be due whether or not the income has been transferred (e.g. electronically, by bank-to-bank transfer) or brought into the country in cash.
- Personal Income Tax Rate is 15% of taxable gross income

Personal Income Tax Rate

Flat rate of 15% of taxable gross income



Social Security

- In Hungary, social security contributions cover health, pension and unemployment insurance. Participation in the Hungarian social security system is mandatory for all individuals who work in Hungary under an employment contract, regardless of their nationality.
- A third-country national (non-Hungarian, non-EEA and non-totalization agreement country national) seconded to Hungary, by a foreign employer not registered in Hungary, is not required to participate in the social security system.
- Individuals holding a valid A1 certificate of coverage are not required to contribute to the Hungarian social security system.
- If income is paid by a non-Hungarian company to persons insured in Hungary for their work performed outside Hungary or if the employee is employed by a non-Hungarian company in Hungary, in general, the non-Hungarian company must meet its social security contribution obligations through a representative (Hungarian branch or financial representative).
- In the absence of such a representative, the non-Hungarian company must register as an employer in Hungary. If it does not do so, the individual must eventually meet the statutory obligations.



Contributions

- Contributions. Employers must contribute at a rate of 19% (17.5% social tax and 1.5% training fund contribution) of gross salary.
- In general, the social tax and training fund contribution base equals taxable income. No ceiling applies to the amount of income subject to these dues.
- Each employee is subject to an 18.5% social security contribution (10% pension contribution and 8.5% health care and labor force contribution) on wages from his or her employment. No employee pension contribution cap applies.
- In addition to the above contributions, a 17.5% social tax is payable on capital gains, income from securities borrowing and dividends, until the total amount of these types of income plus employment income reaches 24 times the amount of the minimum wage (HUF149,000 in 2019) in the current year.

Social Security Contributions Rates	
Employer	Employee
19% of gross salary. <ul style="list-style-type: none"> • 17.5% social tax • 1.5% training fund contribution 	18.5% social security contribution on wages from his or her employment <ul style="list-style-type: none"> • 10% pension contribution • 8.5% health care and labor force contribution

Note: - In addition to the above contributions, a 17.5% social tax is payable on capital gains, income from securities borrowing and dividends, until the total amount of these types of income plus employment income reaches 24 times the amount of the minimum wage (HUF149,000 in 2019) in the current year.

Deductible Expenses

What are the general deductions from income allowed in Hungary?

- Disabled person's allowance remains in force.
- In addition, the long term investments are supported by a tax allowance such as payments to voluntary mutual pension funds and investments on pension accounts.
- Family tax base allowance is applicable.
 - In the case of 1 child HUF66,670/child/month can be deducted from the tax base.
 - In the case of 2 children HUF133,330/child/month, in the case of 3 or more children HUF220,000/child/month can be deducted from the tax base.
 - The allowance is also applicable for foreign individuals if certain conditions are met.
- Tax base allowance is applicable for newly married individuals as well. HUF33,335/married couples can be deducted from the tax base for a maximum period of 24 months. It is only applicable if it is the first marriage of (at least) one of the married couple concerned.
- Business deductions.
 - An individual may deduct a 10% standard deduction, or the actual and documented deductible expenses recognized by the income tax law, from income from independent activities

Deductible Expenses	
Disabled allowance	
Tax allowance for payments to voluntary mutual pension funds and investments on pension accounts	
Life insurance premiums	<ul style="list-style-type: none"> • 1 child HUF66,670/child/month can be deducted from the tax base • 2 children HUF133,330/child/month • 3 or more children HUF220,000/child/month can be deducted from the tax base
Newly married individuals	<ul style="list-style-type: none"> • HUF33,335/married couples can be deducted from the tax base for a maximum period of 24 months
Business Deductions	<ul style="list-style-type: none"> • An individual may deduct a 10% standard deduction, or the actual and documented deductible expenses recognized by the income tax law, from income from independent activities



Immigration

- Under the current law, a work permit is not required for EEA and Swiss citizens to work in Hungary. For such citizens, the local sponsoring company must notify the Hungarian Labor Office by the date on which the EEA citizen begins working.
- Citizens of EEA-member countries may be self-employed in Hungary.
- Posted workers performing working activities within the framework of cross-border services are not required to obtain a work permit.

Short-term work permit

- Individuals who are not nationals of EEA countries or Switzerland and who are assigned to Hungary for less than 90 days need to have a valid short-term work permit before beginning working in Hungary even if they are not employed by the local sponsoring company.
- The sponsoring company is responsible for filing a workforce demand and a separate work permit application at the regional metropolitan labor bureau.
- The labor bureau grants a work permit to a foreign citizen if the following conditions are satisfied:
 - A Hungarian or EEA citizen with appropriate skills and credentials cannot be found to fill the position.
 - The foreign citizen's qualifications are appropriate for the requirements of the position.
 - The type of work does not fall under the exceptions set out by the Ministry of Labor.
 - In general, a short-term work permit is issued within approximately 21 calendar days and is valid for a maximum of 90 days.
 - If the work period exceeds 90 days, a combined residence and work permit application must be submitted.

Single Combined Work Permit and Residence Permit

- As of 1 January 2014, Hungary implemented a single combined work permit and residence permit system for non-EEA citizen workers.
- Visa-liable non-EEA citizens intending to stay and work more than 90 days within a 180-day period in Hungary must apply for a combined work and residence permit at the Hungarian embassy or consulate in the country of their permanent or usual residence.
- The combined permit application process may begin as soon as the Labor Office issues the certificate regarding the workforce demand filed by the Hungarian sponsoring company.
- The single-entry visa is valid up to 30 days after entering Hungary. Visa-exempt non-EEA citizens have the right to stay in the Schengen member states, including Hungary, for up to 90 days in a 6-month period without permission.
- If they intend to stay and work longer in Hungary, they can apply for the combined permit either from abroad, as described above, or after they enter Hungary
- The residence permit for purpose of employment may be granted for a maximum of two years and may be extended for up to two years.

- The applicant must be a local hire in Hungary. Labor market evaluation is necessary for the residence permit for purpose of employment.
- During the residence permit for purpose of employment application process, applicants must prove the following:
 - They have valid passports.
 - They have the necessary qualification to work in Hungary.
 - Their Hungarian employer filed a workforce demand with the Labor Office.
 - They receive sufficient income to live in Hungary.
 - They have comprehensive health insurance or sufficient funds to use medical services.
 - They have a property rental agreement or proof of ownership of property in Hungary.

Intra-Corporate Transfer (ICT) Residence Permit

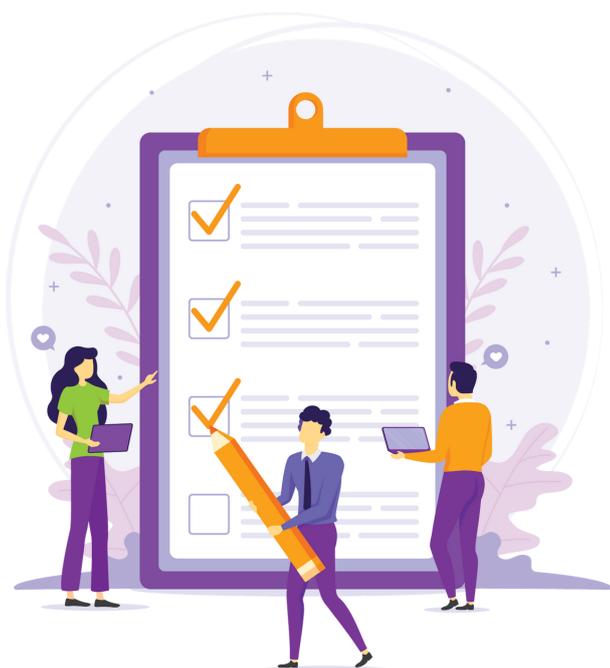
- The intra-corporate transfer (ICT) residence permit applies to non-EEA citizens posted in Hungary from a company established outside the EEA or Switzerland. The home and host companies must be the members of the same company group. The permit can be obtained if the posted employee has been working at the home company for at least three consecutive months.
- The maximum validity period is three years in the case of executive employees and specialists and one year in the case of interns.
- Labor market evaluation is not necessary for an ICT residence permit. The ICT residence permits cannot be extended.

- Applying for an ICT residence permit is mandatory if the background of the Hungarian working activity is in line with the ICT residence permit requirements. The combined work and residence permit applies only if the ICT requirements are not met. Non-EEA or Swiss citizens posted to the branch office of the home company may apply for a residence permit for purpose of employment.
- In the ICT permit application process, applicants must prove the following:
 - They have valid passports.
 - They have the necessary qualifications to work in Hungary.
 - The conditions of the assignment are shown in the ICT agreement between the host and the home company.
 - The host and the home company belong to the same company group.
 - They receive sufficient income to live in Hungary.
 - They have comprehensive health insurance or sufficient funds to use medical services.
 - They have a property rental agreement or proof of ownership of property in Hungary



EU Blue Card

- To work as a highly-qualified worker, you have to apply for an EU Blue Card. You should obtain your Blue Card before entering Hungary, as this will include permission to enter and reside in Hungary. Alternatively, you can apply for the EU Blue Card in Hungary while staying in Hungary on another permit.
- An EU Blue Card shall be made out for a period of at least one year. If the contract of employment covers a period less than this period, the EU Blue Card shall be issued or renewed for the duration of the contract of employment plus three months.
- The EU Blue Card is a permit to work in a job that requires advanced skills. This means that the job must attract a certain minimum salary, which is set according to a method of calculation established by the government.
- For 2016, Hungary set the minimum salary threshold at: 158 000 HUF (13 716 EUR).



Type of Visa/ Permits	Documentation	Validity	Eligibility
Short-term work permit	<ul style="list-style-type: none"> • Passport sized photo • Return air ticket • Travel medical insurance policy • Passport valid for at least 3 months from the date of departure • Cover letter explaining the purpose of visit • Profile of the applicant's company/organization • Memorandum and Article of Association in original certified copy • Current bank statements • Employer letter specifying the purpose of the business travel and the business itinerary • Coverage of applicant's expenses during the stay • Hotel reservation document 	90 days	<ul style="list-style-type: none"> • Work in Hungary for less than 90 days • A Hungarian or EEA citizen with appropriate skills and credentials cannot be found to fill the position. • The foreign citizen's qualifications are appropriate for the requirements of the position. • The type of work does not fall under the exceptions set out by the Ministry of Labor.
Single Combined Work Permit and Residence Permit	<ul style="list-style-type: none"> • Valid passport • Photo and fingerprints (biometric information) • Temporary work booklet • Business plan for business activity • Individual business card/registration number • Agency/business/user contract signed by a private individual • A deed for a business association, co-operative • Foreign applicant's stay in Hungary is indispensable for the business association and it's based on the attached business plan • A bank certificate issued by a Hungarian or foreign bank • A certificate of income issued by the employer • A certificate issued by the employer and/or the tax authority with respect to regular income from abroad • A rental agreement • Must provide evidence of full health coverage 	2 years	<ul style="list-style-type: none"> • Visa-liable non-EEA citizens intending to stay and work more than 90 days within a 180-day period • They have the necessary qualification to work in Hungary. • Their Hungarian employer filed a workforce demand with the Labor Office. • They receive sufficient income to live in Hungary.

Type of Visa/ Permits	Documentation	Validity	Eligibility
ICT Residence Permit	<ul style="list-style-type: none"> Valid passport Qualification documents Sufficient income to live in Hungary Health Insurance Rental Agreement 	3 years	<ul style="list-style-type: none"> The intra-corporate transfer (ICT) residence permit applies to non-EEA citizens posted in Hungary from a company established outside the EEA or Switzerland. The home and host companies must be the members of the same company group
EU Blue Card	<ul style="list-style-type: none"> Bachelor or Master's Degree Valid Passport Application Form Proof of Health Insurance Proof of accommodation 	1 year	<ul style="list-style-type: none"> Highly qualified employees Job must attract minimum salary e.g. For 2016, Hungary set the minimum salary threshold at: 158 000 HUF (13 716 EUR).



Value Added Tax (VAT)

- Hungarian VAT law is administered through the Ministry for National Economy and the National Tax and customs authority.
- Companies with a Hungarian VAT number must submit periodic returns detailing all taxable supplies (sales) and inputs (costs).
- VAT returns filed by non-resident traders in Hungary are generally submitted monthly by the 20th of the month following the reporting month-end.
- The standard VAT rate in Hungary is 27%.
- There is a reduced rate of 5% and 18%.

VAT Rates	
General Rate	27%
Reduced Rate	18% 5%

Withholding Tax

Dividends

- No withholding tax is paid to a nonresident legal entity
- Dividend paid to an individual may be subject to personal income tax at a rate of 15%, unless the rate is reduced under a tax treaty

Interest

- There is no withholding tax on interest paid to a legal entity
- Interest paid to an individual is subject to personal income tax rate of 15%, unless the rate is reduced under a tax treaty

Royalties

- There is no withholding tax on royalties paid to a legal entity
- Royalties paid to an individual is subject to personal income tax rate of 15%, unless the rate is reduced under a tax treaty

WHT	
Dividends	15%
Interest	15%
Royalties	15%



Termination

- An employment relationship in Hungary may be terminated in three ways: by mutual consent, by notice, by dismissal without notice.
- An employment relationship may be terminated by the employee and the employer by notice.
- The employer shall be permitted to terminate a fixed-term employment relationship by notice:
 - if undergoing liquidation or bankruptcy proceedings; or
 - for reasons related to the employee's ability; or
 - if maintaining the employment relationship is no longer possible due to unavoidable external reasons.
- The termination by mutual consent is not regulated by expressed Hungarian Labor Code provisions. Termination by mutual consent allows to the employer and employee to agree freely but in agreement with each other on the conditions of termination.
- Employer or employee may terminate an employment relationship without notice if the other party:
 - willfully or by gross negligence commits a grave violation of any substantive obligations arising from the employment relationship; or
 - otherwise engages in conduct that would render the employment relationship impossible.
- The right of termination without notice may be exercised within a period of fifteen days of gaining knowledge of the grounds.
- Therefore, in any case within not more than one year of the occurrence of such grounds, or in the event of a criminal offense up to the statute of limitation.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include annual leave, public holidays, maternity leave, paternity leave, sick leave, probationary period, notice period, severance pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Public Holidays

Annual Leave

Sick Leave

Maternity Leave

Paternity Leave

Notice Period

Severance Pay

Social Security Benefits: - Health, Pension and Unemployment Insurance



Payments and Invoicing

- In the case of employees of a Hungarian company, tax advances are deducted at source each month by the resident employer and paid over to the tax authorities by the 12th day of the following month.
- Personal income tax returns should be filed with the local tax authority by 20 May following the end of the tax year.
- Filing extensions are allowed until 20 November.
- The tax is payable by 20 May following the end of the tax year.
- Various penalties and interest charges are levied in respect of non-compliance.
- Every individual should file a separate tax return, there is no possibility to file joint tax returns.
- In case of non-residents, their income may be taxable if it is a Hungarian-sourced income (paid out locally or the income is taxable in Hungary due to local or tax treaty rules).

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Hungary ranked 52nd in the World in 2019 in terms of ease of doing business.



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