

Hungary

1. Government requirements

Registration requirements

Name of registration requirement

- Tax registration
- Government gateway registration
- Registration at the National Health Insurance Fund of Hungary if the number of employees is less than 100
- Registration at the Hungarian Central Statistical Office

Governing authority

- Hungarian National Tax and Customs Office (hereafter “Hungarian Tax Authority”)
- National Health Insurance Fund
- Hungarian Central Statistical Office

Governing legislature or law

Act CL of 2017 on the Rules of Taxation

Registration procedures

New companies in Hungary have to register themselves to receive a tax number.

It is mandatory for the companies in Hungary to communicate electronically with the state authorities as well as to arrange the pertaining submission and reception of documents (e.g., monthly payroll return) via official platforms for the fulfilment of this obligation, the state provides the economic organizations with the “Company Gate” (in Hungarian: “Cégkapu”) service.

The companies may be represented by an authorized person in the course of performing the administration before the Hungarian Tax Authority. To confirm the right of representation, a specific form should be completed with the data of the company and the representatives and submitted to the Hungarian Tax Authority with a permanent authorization attached.

From payroll perspective, the company as an employer must register the new joiners and the leavers at the Hungarian Tax Authority. The form should include the employer’s data, employee’s data and information about the employment relationship (e.g., working hours).

All forms are available in Hungarian only.

Related registration fee

There are no related authority fees.

Ongoing compliance requirements

Name of compliance and filing requirement

Monthly payroll return containing all employees’ income, benefit-in-kind payments and the related liabilities

Governing authority

Hungarian National Tax and Customs Office.

Governing legislature or law

Personal Income Tax, Social Contribution Tax, Vocational Training Contributions and Support for the Development of Training Programs and Social security benefits Acts and rules about the compulsory health insurance benefits

Filing obligations

The employer must prepare and file the monthly payroll return by the 12th day of the following month through the Government Portal.

Frequencies of lodgement and payment arrangement

The employer must withhold the taxes and social security contributions from the employees' gross salaries and transfer these payroll taxes to the designated bank accounts of the Hungarian Tax Authority by the 12th day of the following month.

Details of requirement

The company as employer has to determine and withhold the liabilities.

Tax rates applicable

The following taxes and contributions are deducted from the employees' total income:

- Personal income tax: 15%
- Social security contribution: 18.5%

The employer is required to pay the following taxes and contributions based on the employees' gross salaries:

- Social contribution tax: 15.5%
- Training fund contribution: 1.5%

Observations

In certain cases, the income can be exempted from Hungarian taxation or social security based on the tax treaties and social security agreements. In this case, the tax base and social security base would differ from the local employee's tax and social security base as it would be prorated.

2. Pension requirements

There is no separate registration requirement for pension purposes in Hungary. The monthly payroll return includes pension contributions which will be forwarded to the National Pension Fund by the Hungarian Tax Authority.

3. Employment obligations

Employment obligations under the Hungarian Labour Law and related ordinances are governed by the National Work Safety and Labour (Issues) Inspectorate.

In accordance with the law, a valid employment should be in place between the employer and the employee.

Details of obligations

Payment

The gross monthly base salary or gross hourly salary has to be fixed in the employment contract.

Payment of the monthly salary must be completed until the 10th of the month following the month to which it pertains.

If payday falls on a weekly rest day (weekly rest period) or a public holiday, the wages shall be paid at the latest on the last preceding working day.

Upon termination of the employment relationship by notice, the employee must receive the work wages in any case till the fifth working day after the termination of the employment relationship.

Sick leave

Employees are entitled to 15 days of sick leave per calendar year. In respect of employment relationship commencing during the actual calendar year, employees are entitled to sick leave as of the starting date for the days prorated.

Additional and special sick pay shall be applied in connection with long term sickness, any duration of being unfit for work due to accidents at work and occupational diseases as specified by social insurance provisions, and in connection to pregnancy.

Maternity leave

Mothers shall be entitled to 24 weeks of maternity leave. In the absence of an agreement to the contrary, maternity leave shall be allocated to commence four weeks prior to the expected time of birth. The duration of maternity leave, except where entitlement is specifically connected to work, shall be recognized as time spent at work.

Holiday

Workers are entitled to paid annual leave based on the time spent at work, comprising vested vacation time and extra vacation time. The amount of vested vacation time is 20 days, to which extra vacation time is added, depending on the age of the employee. Maximum available vacation time is 30 days.

Vacation time must be allocated by the employer in the year in which it is due.

Employees with children under 16 years of age are entitled to extra vacation time as follows:

- Two working days for one child
- Four working days for two children
- Seven working days for three children

In case the child is with disabilities, extra vacation days must be increased by two working days.

This extra vacation time may be requested by both parents.

Upon the birth of his child, a father shall be entitled to five extra vacation days, or seven days in the case of twins, until the end of the second month from the date of birth, which shall be allocated on the days requested by the father.

Minimum salary

The amount and scope of the mandatory minimum wage and the guaranteed wage minimum shall be determined by the Government each year.

As of February 2021, the minimum wage for unskilled labor is gross HUF167,400 and gross HUF219,000 for skilled labor. Minimum wages may also be affected through collective bargaining agreements.

Overtime

Any employee that works more than 8 hours a day or 40 hours per week is eligible for mandatory overtime pay. Overtime pay is 50% of the base salary on top of the base for every hour worked.

The employee is entitled to 50% wage supplement if required to work on Sundays in regular working time. Employees required to work on public holidays in regular working time shall be entitled to 100% wage supplement.

Observations

Part-time employees should be treated like full-time employees, irrespective of the hours worked. In the case of part-time work, annual leave shall be reduced proportionately. The benefits will be prorated for part-time permanent contracts.

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4. Payroll requirements

Name of payroll requirement

- Payroll calculation
- Payslip
- Net salary
- Payment instruction
- Tax and contribution list
- Payroll tax return
- General Ledger (GL) file if applicable
- Social security allowance calculation
- T1041 form

Governing authority

Tax Authority, National Health Insurance Fund National Work Safety and Labour (Issues) Inspectorate

Governing legislature/law

Hungarian Labour Law, Personal income tax, see above under point payroll requirements

Details of payroll requirement

- Registering and de-registering insured employees
- Calculating monthly payroll
- Calculating taxes and contributions payable monthly, providing the company with the exact amounts
- Preparing monthly payroll return
- Issuing of income certificate
- Preparing reports and GL postings for the accounting of the company as an employer
- Providing financial services (bank transfers): transferring net salaries or social charges (optional), performing payroll consulting on request (payroll planning and calculations)
- Requesting tax certificates (special order)
- Paying the income tax advances and the related payroll and social security contribution the employer has deducted by the 12th day of the following month
- Preparing statistical reports
- Performing administrative tasks related to benefits-in-kind
- Conducting administration of health insurance benefits and allowances (sickness benefit, infant care allowance, childcare allowance, etc.)

Observations

In case of payments from the parent entity, separate agreement is necessary, and the relevant liabilities can be settled through the Hungarian payroll. The payments or policies should be reviewed case by case.

5. Banking requirements related to payroll

In accordance with Act I of 2012 on the Labour Code under the Hungarian Labour Authority, salaries must be paid no later than the 10th of each month. The exact date of payment must be set out in the employment contract, and payment should be in local currency.

Payments can be paid in cash or via wire transfer to the employee's bank account. In case of cash payments, the employer and the employee must sign a record confirming that the payment has been paid. The tax and contribution obligations must be paid by the 12th of the following month.

On payday, the employees must be provided a payslip (in an electronic form or hard copy) which contains the employee's gross and net salary with all the taxes and contributions deducted in that month.