
HUNGARY 2003

1. Overview of the system

Unemployment insurance is compulsory for everyone in employment, except self-employed persons and employed pensioners; unemployment benefit is paid for a maximum of 9 months. Social assistance is the ultimate financial aid available. Non means tested family benefit is available for one or two adults raising a dependent child. Three further specific means tested child raising benefit types may be claimed by those raising a minor aged child. The tax unit is the individual. The AW value for 2003 was HUF 1 556 892.

2. Unemployment insurance

2.1 *Conditions for receipt*

Unemployment benefit may only be granted to unemployed persons. Those entitled to old age pension do not qualify as unemployed.

For age limits of old age pension for women and men see section 2.5.2.

2.1.1 *Employment conditions*

Unemployment benefits are due to an unemployed person who meets the following criteria:

- At least 200 days of insured employment during the last four years prior to becoming unemployed.
- Not entitled to old-age, disability or accident related disability pension, nor receiving sickness benefits.
- Who are willing to work but the Labor Center is unable to offer them a suitable job.
- Registered and co-operating with the labour centre in seeking employment.

2.1.2 *Contribution conditions*

The contribution paid by the employee is 1.5 per cent of his/her gross earnings. Employer's contribution equals 3 per cent of the gross wages, remuneration or earnings paid.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The benefit equals 65 per cent of the gross average earnings in the four calendar quarters prior to becoming unemployed. Its bottom limit equals 90 per cent of the minimum old-age pension and its upper limit equals two times the bottom limit (in 2003 these were HUF 19 620/month and HUF 39 240 respectively).

2.2.2 Income and earnings disregards

Those claiming unemployment benefit may not pursue any gainful activity.

The only two exceptions are short term employment for up to 90 days, and employment with the occasional employment booklet. During the time of short term employment the benefit ceases to be payable (must be suspended). If the unemployed person has performed work with the occasional employment booklet, then the unemployment benefit must be reduced by the daily amounts of the unemployment benefit for the number of days spent in employment.

2.3 Tax treatment of benefit

The unemployment benefit is subject to tax in accordance with general rules. The pension insurance contribution is 8.5 per cent, and the years on benefit count as qualifying period for pension calculation purposes. The benefit is not subject to 3 per cent health contribution (and the claimant will not receive sick pay for disease during the benefit period, but will only receive the unemployment benefit until the expiration of the entitlement).

2.4 Benefit duration

The shortest period of unemployment benefit disbursement is 40 days, and the longest 270 days. Five days in employment corresponds to one on benefit. For those commencing the training supported by the labour centre during the benefit period, within 180 days from the first day of benefit disbursement, and the benefit period expires during the training course, the unemployment benefit must be paid for the remaining part of the training but for no longer than 365 days from the commencement of the training.

2.5 Treatment of particular groups

2.5.1 Young persons

There are no specific rules, the general rules of unemployment benefit entitlement conditions apply.

2.5.2 Older workers

Elderly unemployed persons, or persons close to pension may be granted pre-pension unemployment allowance by way of unemployment assistance.

The unemployed person is entitled to pre-pension unemployment allowance if:

- a) At the time of submitting the claim she/he is a maximum of 5 years away from the retirement age applicable to them.

- b) She/he has been receiving unemployment benefit for at least 140 days, and is no longer entitled to it.
- c) Completed his/her age as in a) above within three years following the end of the benefit entitlement period.
- d) He/she has the qualifying period required for old age pension.
- e) There is no realistic chance of ensuring him/her a suitable job.

The pension age indicated in a) above is a function of the year of birth, and equals, in the case of women:

- 55 years if born prior to 1 January 1940.
- 56 years if born in 1940.
- 57 years if born in 1941.
- 57 years if born in 1942.
- 58 years if born in 1943.
- 59 years if born in 1944.
- 60 years if born in 1945.
- 61 complete years if born in 1946.
- 62 complete years shall be applicable to those born after 1 January 1947.

The old age pension age limit for men shall be:

- 60 years of age if born prior to 1 January 1938,
- 61 complete years if born in 1938.
- 62 complete years shall be applicable to those born after 1 January 1947.

The sum of the pre-pension unemployment allowance equals 80 per cent of the minimum old age pension of the time, amounting to HUF 17 440 in 2003 (the minimum old age pension is HUF 21 800).

No gainful activity may be pursued while claiming pre-pension unemployment allowance. Disbursement of the pre-pension unemployment allowance ceases to be payable (must be suspended) for the period of pursuing a gainful activity.

If the person claiming pre-pension unemployment allowance pursues employment that qualifies as occasional employment, then the monthly sum of the allowance must be reduced by the daily amounts of the allowance for the number of days spent in employment.

The pre-pension unemployment allowance is paid until the unemployed person becomes entitled to old age, disability, or accident related disability pension.

3. Unemployment assistance

Mainly long-term unemployed persons whose unemployment benefit entitlement expired and who satisfied certain specific criteria were eligible to so-called *income subsidy* in accordance with Act III of 1993 on Social Administration and social benefits (this type of support was terminated on 1 May 2000, but those who acquired entitlement may receive the assistance for several years).

4. Social assistance

Regular social support:

Those entitled to regular social support are those who have completed their 18th year of age, and:

- a) Have lost at least 67 per cent of their working ability, or are in receipt of blind persons' benefit or of disability support.
- b) **Are unemployed**, and are no longer entitled to income supplement for the **unemployed**.and have no alternative source of living.

Regular social support is paid by the local governments.

4.1 Conditions for receipt

An income related criterion: per capita monthly income in the family does not exceed 80 per cent of the minimum level of the old age pension of the time (the old age pension was HUF 21 800 in 2003), and a person's own monthly income does not exceed:

- In the case of a) 80 per cent of the minimum old age pension applicable at the time (HUF 17 440 per month in 2003).
- In the case of b) 70 per cent of the minimum old age pension applicable at the time (HUF 15 260 per month in 2003).

The active age unemployed claimant must co-operate with the local government or with any social institution appointed by it.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

- In the case of a) 80 per cent of the minimum old age pension applicable at the time (HUF 17 440 per month in 2003).
- In the case of b) 70 per cent of the minimum old age pension applicable at the time (HUF 15 260 per month in 2003).

4.2.2 Income and earnings disregards

Various benefits and allowances for persons who suffered serious health damage, such as allowance for blind people, travel discount for disabled persons etc. do not count as income. Benefit/support recipients are allowed to perform temporary work. No benefit/support is payable for any day worked.

4.3 Tax treatment of benefit

Not subject to taxation

4.4 Benefit duration

Regular social support has no limitation in time; it is payable until the disbursement criteria apply.

4.5 Particular groups

4.5.1 Young persons

No details known.

4.5.2 Older employees

No details known.

5. Housing benefits

This assistance type (means tested) *flat maintenance support* is available to help maintain the dwelling place, and is meant to contribute to the costs of using the flat (rent, mortgage to a lending institution, heating bill, public utilities, etc.). The *flat maintenance support* is specified and disbursed by the local government.

5.1 Conditions for receipt – the conditions are set in the local governments' regulations, however the minimum eligibility criteria are established by law, which are the following:

- *Income related criterion:* per capita monthly income in the family does not exceed 150 per cent the minimum level of the old age pension of the time (old age pension was HUF 21 800 in 2003) and 200 per cent in case of persons living alone. The income test is based on gross income, including social assistance.
- *Apartment size:* size is the input to the means test in the function of the number of persons living in it.
- *Amount of dwelling maintenance expenses:* the justified total monthly costs of maintaining the flat reach or exceed 35 per cent of the monthly total income of the household, and the monthly total costs of heating the flat reach or exceed 20 per cent of the monthly total costs of the household.

5.2 Calculation of benefit amount

5.2.1 Calculating of gross benefit

The sum of the benefit to maintain the dwelling is specified by the local government, and it may not be less than HUF 1000 per month.

5.2.2 Income and earning disregards

There are no earning disregards.

5.3 Taxation of housing benefit

Not subject to taxation.

5.4 Treatment of particular groups

No details known.

6. Family benefits

The family allowance is a set monthly flat sum. It is payable to families that raise in their own household a child younger than 16 years of age, or one aged 16 to 20 (21 years of age as from 2003, 22 as from September 2003, 23 as from September 2004) who studies in a primary or secondary public education institution. The allowance is payable regardless of age, even in adulthood for a permanently ill or seriously disabled person.

From 1 July 2001 onward adult persons (above 18 years of age) receive the raised sum of the family allowance in their own right.

From 1 October 1999 onward school age children receive the family allowance with the same conditions under the title of *schooling benefit*. As from 1 September 2003, family allowance has been substituted for schooling benefit.

6.1 Conditions for receipt

No insurance legal relationship needs to be certified, there is general eligibility for every parent raising a child to family allowance. On 1 January 1999 even the income criterion was eliminated.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

Sum of the family allowance per month and per child (in HUF)

Family situation	In 2003	From 1 September 2002 (error in the previous update)
Families with one child	4 600	4 600
Single parent raising a child	5 400	5 400
Two child family	5 600	5 600
Single parent raising two children	6 500	6 500
Family with three or more children	7 100	7 100
Single parent raising three or more children	7 600	7 600
Permanently ill and seriously disabled children	12 600	12 600
Child living in a children's home or placed with a foster parent	6 500	6 500

A so called 13th month' family allowance was introduced as from 2002, which was first disbursed in August 2002.

6.2.2 Income and earnings disregards

There is general eligibility for family allowance to every parent raising a child, therefore the income or the earnings do not need to be examined.

6.3 Tax treatment of family benefits

Not subject to tax.

6.4 Treatment of particular groups

Single parents are entitled to a higher amount of benefit.

7. Childcare benefits

Support of persons raising children: there were three types of benefit to make up for the lost earnings of parents who decided to raise their children themselves in their own household. Pregnancy and confinement benefit.

1. Child care allowance
2. Child raising support.
3. Child care benefit.

7.1 Conditions for receipt

1. Pregnancy and confinement benefit is an insurance type benefit, based on 180 days of qualifying period during the two years prior to confinement, and is available for 24 weeks.
2. Child care allowance is available until the child reaches three years of age, or ten years of age if the child is permanently ill or seriously disabled. It is based on general eligibility for any parent raising a child (*i.e.* father or mother). From 1 May 2001 the child care allowance may be paid even to either grandparent if the parents so agree, and if the child is past one year of age, and if the grandparent satisfies the eligibility criteria. As from December 2002 child care allowance may be cumulated with pension benefit.

In accordance with the Labour Code, employers must grant unpaid leave to the person claiming child care allowance, however, when the child reaches 18 months of age, the parent is allowed to work part-time (no more than 4 hours a day) whilst on benefit. If such allowance is disbursed to either grandparent, the grandparent is not allowed to work extra.

3. Child raising support is available to the parent who raises at least three minor age children where the youngest is between three and eight years of age. The parent claiming child raising support is allowed to work part-time (no more than 4 hours a day) whilst on benefit.
4. Child care benefit is available after the period of pregnancy and confinement benefit until the child reaches two years of age. Entitlement to the benefit ceases in case of taking up any gainful activity or upon reception of any other regular disbursement.

7.2 Calculation of benefit amount

7.2.1 Calculation of gross benefit

5. Pregnancy and confinement benefit equals 70 per cent of the previous average wage.
6. Child care allowance is equal to the minimum amount of the old age pension (HUF 21 800 in 2003).
7. Child raising support is equal to the minimum amount of the old age pension (HUF 21 800 in 2003).
8. Child care benefit equals 70 per cent of the previous average wage, but HUF 83 000 at most.

7.2.2 *Income and earning disregards*

9. In the case of pregnancy and confinement benefit, when calculating the average earnings serving as the basis of the benefit, every earnings must be taken into account after which contribution is to be paid.
10. In the case of child care allowance no investigation of earnings or income is necessary, in spite of the fact that limited employment is allowed while receiving the allowance.
11. In the case of the child raising support no investigation of earnings or income is necessary, in spite of the fact that limited employment is allowed while receiving the support.
12. In the case of child care benefit, when calculating the average earnings serving as the basis of the benefit, every earnings must be taken into account after which contribution is to be paid.

7.3 *Tax treatment of benefits*

13. The pregnancy and confinement benefit is disbursed on an insurance basis, and is proportionate to earnings, and therefore counts as taxable income.
14. Child care allowance is not taxable income as long as no extra wage earning activity is performed besides, however, as soon as this happens, the earnings thus generated will be taxable together with the allowance. Pension contribution must be paid afterwards as the disbursement period is a qualifying period for pension.
15. Child raising support is not taxable income as long as no extra gainful activity is performed besides, however, as soon as this happens, the earnings thus generated will be taxable together with the allowance. Pension contribution must be paid afterwards as the disbursement period is a qualifying period for pension.
16. Child care benefit is disbursed on an insurance basis, and is proportionate to earnings, and therefore counts as a taxable income.

7.4 *Treatment of particular groups*

7.4.1 *Young persons*

None.

7.4.2 *Older employees*

None.

8. Employment-conditional benefits

None.

9. Lone-parent benefits

Single parents have no specific support. However, the child raising assistance types (family allowance, schooling benefit) are higher for those who raise their children on their own.

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

10.1.1.1 Tax allowances

None.

10.1.1.2 Tax credits

Employment tax credit: this must be calculated as 18 per cent of wage income earned in the tax year (with the monthly maximum of HUF 9 000) This tax credit is applicable to workers whose annual income does not exceed HUF 1 950 000. In the case of employees having annual income between HUF 1 350 000 and HUF 1 950 000 a reduced amount of tax credit has been applicable.

Tax credits for children: the tax can be reduced by the family allowance, which is for one dependent HUF 3 000 per month; for two dependants HUF 4 000 per month/each dependant; for three or more dependants HUF 10 000 per month/each dependant. The tax credits may be claimed by one or split between the spouses.

Employees' social security contribution: 25 per cent of pension contributions (8.5 per cent) can be deducted from the tax payable.

10.1.2 The definition of taxable income

Gross (wage and unemployment) earnings.

10.1.3 The tax schedule

Taxable income (HUF)	Tax rate (%)
0 – 650 000	20
650 001 – 1 350 000	30
1 350 001 +	40

10.2 Treatment of family income

The tax unit is the individual. Spouses are taxed separately.

10.3 Social security contribution schedule

10.3.1 Pensions

A new pension system became effective on 1 January 1998. The pension system has now three pillars and consists of a public scheme, a mandatory private scheme and a voluntary private scheme. In 2002, participation in the public scheme and the mandatory private scheme was optional for all employees under the age of 42 who first join the social security system after 30 June 1998. (However, as from 2003

the mandatory nature of second pillar private scheme membership has been restored for career-starters.) Other private persons had the right to join a mandatory private pension fund until 1 September 1999. Employees remaining in the public scheme continue to pay 8 per cent contributions to the state pension fund (the public scheme). For the purpose of this report, a pension contribution of 8 per cent has been taken into account. As from 2003, pension contribution payable by the employee has been increased to 8.5 per cent (of which 7 per cent went to the second pillar fund in the case of mandatory private pension fund members).

10.3.2 *Sickness*

The rate of the health contribution amounts to 3 per cent of gross earnings.

10.3.3 *Unemployment*

The worker must pay, as employees' contribution, 1 per cent of gross earnings.

Contributions	Percentage of gross earnings
Unemployment	1.0
Social security (other)	11.5

Note: Only earned income is liable to unemployment insurance and sickness contributions. That is, workers pay 12.5 per cent and unemployed pay 8.5 per cent. The maximum level of income subject to pensions and health contributions is HUF 3 905 500.

11. **Part-time work**

11.1 *Special benefit rules for part-time work*

The promotion of part-time employment is governed by the Employment Act. This scheme is designed to resolve, through part-time work, the problems faced by certain employee groups threatened by unemployment. Assistance for the purpose of job preservation is designed to promote the part-time employment of specific groups of workers and individuals. Accordingly assistance may be granted under the following circumstances:

- Persons employed between 50 and 75 per cent of a full-time employee.
- Persons raising a child under the age of ten while working part time.
- Persons employed reaching retirement age within five years.
- Persons having lost at least 40 per cent of their working ability.

11.2 *Special tax and social security contribution rules for part-time work*

Part-time workers pay the same social security contributions as full-time workers, a contribution calculated as a per cent of earnings. In 2003 the lump-sum contribution for health care was HUF 3450 per person per month. This is paid by the employer for each employee, irrespective of the wage and duration of each employee. Employers paying less than average wages (*i.e.* part-time wages) may request central subsidies to offset this cost.

12. Policy developments

12.1 Policy changes introduced in the last year

As from 2003, career-starters are again obliged to join a second pillar pension fund. The possibility of voluntary affiliation with second pillar funds was reopened for one year (2003) for those under 30 years of age. Contribution to the second pension pillar has been increased to 7 per cent. Total pension contribution of employees was increased from 8 per cent to 8.5 per cent, while the rate of employee contribution to the Labour Market Fund sank to 1 per cent. Lump-sum health care contribution was reduced from HUF 4500/month/employee to HUF 3450. Some types of income (eg. redundancy payment, jubilee payment) became exempted from the 3 per cent employee health insurance contribution. As from 2003, tax credit for children can be divided not only between married parents, but also between parents living in partnership relationship.

12.2 Policy changes announced

As from 2004, contribution to the second pension pillar has been increased to 8 per cent. Employee health insurance contribution increases from 3 to 4 per cent. Employers will be exempted from their obligation to pay lump sum health care contribution on behalf of those receiving child care allowance and long term unemployed over 50 years of age. As from May 2004, all citizens of EEA member states become mandatorily insured in the social security system. Mandatory pension contribution is no longer deductible from the tax payable.