

## HUNGARY

### 1. Overview of the system

Unemployment insurance is compulsory; benefits are paid for a maximum period of 12 months. A social assistance benefit exists as a last resort financial aid. Income-tested housing benefits are also available. Non means-tested family benefits are available for singles or couples with dependent children, as well as three specific means-tested child-care benefits for persons with young children. The tax unit is the individual. The 1995 APW level is HUF 377 448.

### 2. Unemployment insurance

#### 2.1 *Conditions for receipt*

To be under 60 years old for men and 55 for women, and actively searching for a job.

##### 2.1.1 *Employment conditions*

At least one year of insured work in the last 4 years, school leavers exempt from this rule.

##### 2.1.2 *Contribution conditions*

None.

#### 2.2 *Calculation of benefit amount*

##### 2.2.1 *Calculation of gross benefit*

Benefits payment has two phases; payments are calculated as a percentage of gross reference earnings. Reference earnings are the average gross earnings in the four complete calendar quarters prior to the claim.

	Monthly minimum benefit	Gross replacement rate	Monthly maximum benefit
Phase I (max. 3 months)	8 600	75%	18 000
Phase II (after Phase I)	8 600	60%	15 000

### 2.2.2 *Income and earnings disregards*

An unemployed person available for full-time work undertaking part-time work, can continue to receive his/her initial unemployment benefits on top of part-time earnings. There is no reduction in the benefit related to hours worked. If earnings exceed the minimum wage (HUF 12 200/month) the benefit is withdrawn completely. Housing and family benefits can supplement unemployment benefits.

### 2.3 *Tax treatment of benefit*

Full liability to social security and income taxes.

### 2.4 *Benefit duration*

Duration increases with the contribution period; the first phase lasts for the first quarter of unemployment. The duration varies from 90 days to 360 days, depending on employment record. Benefit is paid 7 days per week basis, without waiting period. Note that the waiting period is 180 days for voluntary quits.

Period of contribution (days)	Duration Phase I	Duration Phase II
360-479	23	67
480-599	30	90
600-719	38	112
720-839	45	135
840-959	53	157
960-1079	60	180
1080-1199	68	202
1200-1319	75	225
1320-1439	83	247
Over 1440	90	270

### 2.5 *Treatment of particular groups*

#### 2.5.1 *Young persons*

Unemployed school leavers may be eligible for unemployment benefits, if they have completed secondary education. The benefit amounts to 75 per cent of the minimum wage, and is payable after waiting period of three months. The maximum payment duration is 6 months. On the 1st of July 1995, the benefit payment rate was reduced to 80 per cent of the minimum old age pension (HUF 11 500/month).

2.5.2 *Older workers*

None.

**3. Unemployment assistance**

None.

**4. Social assistance**

**4.1 *Conditions for receipt***

To be available for suitable job offers.

**4.2 *Calculation of benefit amount***

**4.2.1 *Calculation of gross benefit***

The maximum benefit is 80 per cent of the minimum old-age pension (HUF 11 500/month).

**4.2.2 *Income and earnings disregards***

Gross income above HUF 1 000/month reduces SA on a one-to-one basis. Family and housing benefits are not included in the income test.

**4.3 *Tax treatment of benefit***

Not taxable.

**4.4 *Benefit duration***

As long as the conditions are fulfilled.

**4.5 *Treatment of particular groups***

**4.5.1 *Young persons***

None.

4.5.2 *Older workers*

None.

**5. Housing benefits**

**5.1 Conditions for receipt**

Eligibility ends if family income exceeds twice the minimum old-age pension.

**5.2 Calculation of benefit amount**

*5.2.1 Calculation of gross benefit*

The benefit amounts to all rent exceeding 35 per cent of family gross income. Gross income includes earnings from work, unemployment insurance benefits and social assistance benefits.

*5.2.2 Income and earnings disregards*

None; the benefit is not means-tested.

**5.3 Tax treatment of benefit**

Not taxable.

**5.4 Treatment of particular groups**

None.

**6. Family benefits**

**6.1 Conditions for receipt**

Children under 16, or under 20 in full-time education or disabled.

## **6.2 Calculation of benefit amount**

### **6.2.1 Calculation of gross benefit**

Number of children	Amount per child for a couple (HUF)	Amount per child for a lone parent (HUF)
1	33 000	39 000
2	39 000	45 000
3 or more	45 000	45 000

### **6.2.2 Income and earnings disregards**

Not income-tested.

## **6.3 Tax treatment of benefit**

Not taxable.

## **6.4 Treatment of particular groups**

None.

## **7. Child-care benefits**

There are three different benefits, that function as a replacement income for mothers who prefer to care for their children at home:

- 1) Child-care Leave.
- 2) Child-care Allowance.
- 3) Supplementary Child-care help.

### **7.1 Conditions for receipt**

- 1) To have children under 2 and to have worked at least 180 days in the last 2 years.
- 2) The amount depends on the number of children.
- 3) To have three or more children where the youngest child is between 3 and 8 years old, and to have worked at least 180 days in the last 2 years. The parent may work part-time, up to 4 hours a day. It is not paid when the family income exceeds 3 times the minimum old-age pension.

Under the Labour Code, it is compulsory for employers to provide unpaid leave to parents receiving the Child-care Allowance, although the parent is permitted to work part-time after the child is 18 months old. Children may not be older than 2.

## **7.2 Calculation of benefit amount**

### **7.2.1 Calculation of gross benefit**

#### 1) Child-care Leave:

Employment record	Benefit
180 - 270 days in last two years before birth	65% of mother's gross reference earnings
270 days in last 2 years before birth	75% of mother's gross reference earnings

There is an upper limit on the amount received, which is identical to the minimum old-age pension.

- 2) Child-care Allowance consists of a flat-rate monthly allowance and an additional component that increases with the number of children in the family.
- 3) Supplementary Child-care help: minimum old-age pension per month.

### **7.2.2 Income and earnings disregards**

None.

## **7.3 Tax treatment of benefit**

The three benefits are fully liable to income and social security taxes.

## **7.4 Treatment of particular groups**

### **7.4.1 Young persons**

None.

### **7.4.2 Older workers**

None.

## **8. Employment-conditional benefits**

None.

## 9. Lone-parent benefits

Lone parents receive higher family benefits (see family benefits in Section 6).

## 10. Tax system

### 10.1 *Income tax rate schedule*

#### 10.1.1 *Tax allowances and credits*

Tax allowances:

- Unemployment insurance contributions are deductible in their entirety.

Tax credits:

- 25 per cent of other social security contributions are deducted from calculated income tax as a wastable tax credit. The amount of credit is increased with HUF 7 200 if gross earnings minus social security contributions (10 per cent rate only) do not exceed HUF 500 000.

#### 10.1.2 *The definition of taxable income*

Gross earnings minus the above tax allowances.

#### 10.1.3 *The tax schedule*

Taxable income (HUF)	Tax rate (%)
0 - 110 000	0
110 001 - 150 000	20
150 001 - 220 000	25
220 001 - 380 000	35
380 001 - 550 000	40
550 000+	44

### 10.2 *Treatment of family income*

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

### **10.3 Social security contribution schedule**

Contributions	Percentage of gross earnings
Unemployment	1.5
Social security (other)	10

Note: only earned income is liable to unemployment insurance contributions.

## **11. Part-time work**

### **11.1 Special benefit rules for part-time work**

Any worker earnings less than the minimum wage (HUF 12 200/month) is excluded from the social security system.

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

See 11.1.

## **12. Policy developments**

### **12.1 Policy changes introduced in the last year**

The minimum and maximum UI benefit amounts have been made independent of the minimum wage (previously 100 per cent and 200 per cent respectively). This means a real decrease of both values.

### **12.2 Policy changes announced**

None.

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### The annual tax/benefit position of an unemployed single person, 1995 (HUF)

	Unemployment insurance (Phase I)	Unemployment insurance (Phase II)	Social assistance
<b>A. Taxable benefits</b>			
<b>Means-tested benefits</b>			
<b>Non-means tested benefits</b>			
Unemployment benefits	216 000	180 000	
<b>Total taxable benefits</b>	<b>216 000</b>	<b>180 000</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>			
Income tax allowances	0	0	
Taxable income	216 000	180 000	
Total income tax	24 500	15 500	
Tax credit	12 600	11 700	
Social security contributions	21 600	18 000	
<b>Total income tax and social security contributions</b>	<b>34 500</b>	<b>21 800</b>	<b>0</b>
<b>C. Non-taxable benefits</b>			
<b>Means-tested benefits</b>			
Social assistance	0	0	80 640
Housing benefits	0	12 490	47 266
<b>Non-means tested benefits</b>			
Family benefits	0	0	0
<b>Total non-taxable benefits</b>	<b>0</b>	<b>12 490</b>	<b>127 906</b>
<b>D. Net income out of work (A-B+C)</b>	<b>182 500</b>	<b>170 690</b>	<b>127 906</b>
<b>E. Net income in work</b>	<b>272 053</b>	<b>272 053</b>	<b>272 053</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>67</b>	<b>63</b>	<b>47</b>

Note: The amounts shown in these tables are annualised amounts; the benefit duration in Phase I does not exceed 3 months.

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### The annual tax/benefit position of an unemployed married couple with two children, 1995 (HUF)

	Unemployment insurance (Phase I)	Unemployment insurance (Phase II)	Social assistance
<b>A. Taxable benefits</b>			
<b>Means-tested benefits</b>			
<b>Non-means tested benefits</b>			
Unemployment benefits	216 000	180 000	
<b>Total taxable benefits</b>	<b>216 000</b>	<b>180 000</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>			
Income tax allowances	0	0	
Taxable income	216 000	180 000	
Total income tax	24 500	15 500	
Tax credit	12 600	11 700	
Social security contributions	21 600	18 000	
<b>Total income tax and social security contributions</b>	<b>34 500</b>	<b>21 800</b>	<b>0</b>
<b>C. Non-taxable benefits</b>			
<b>Means-tested benefits</b>			
Social assistance	0	0	80 640
Housing benefits	0	12 490	47 266
<b>Non-means tested benefits</b>			
Family benefits	78 000	78 000	78 000
<b>Total non-taxable benefits</b>	<b>78 000</b>	<b>90 490</b>	<b>205 906</b>
<b>D. Net income out of work (A-B+C)</b>	<b>260 500</b>	<b>248 690</b>	<b>205 906</b>
<b>E. Net income in work</b>	<b>350 053</b>	<b>350 053</b>	<b>350 053</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>74</b>	<b>71</b>	<b>59</b>

Note: The amounts shown in these tables are annualised amounts; the benefit duration in Phase I does not exceed 3 months.

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### The annual tax/benefit position of an unemployed lone parent with two children, 1995 (HUF)

	Unemployment insurance (Phase I)	Unemployment insurance (Phase II)	Social assistance
<b>A. Taxable benefits</b>			
<b>Means-tested benefits</b>			
<b>Non-means tested benefits</b>			
Unemployment benefits	216 000	180 000	
<b>Total taxable benefits</b>	<b>216 000</b>	<b>180 000</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>			
Income tax allowances	0	0	
Taxable income	216 000	180 000	
Total income tax	24 500	15 500	
Tax credit	12 600	11 700	
Social security contributions	21 600	18 000	
<b>Total income tax and social security contributions</b>	<b>34 500</b>	<b>21 800</b>	<b>0</b>
<b>C. Non-taxable benefits</b>			
<b>Means-tested benefits</b>			
Social assistance	0	0	80 640
Housing benefits	0	12 490	47 266
<b>Non-means tested benefits</b>			
Family benefits	90 000	90 000	90 000
<b>Total non-taxable benefits</b>	<b>90 000</b>	<b>102 490</b>	<b>217 906</b>
<b>D. Net income out of work (A-B+C)</b>	<b>272 500</b>	<b>260 690</b>	<b>217 906</b>
<b>E. Net income in work</b>	<b>362 053</b>	<b>362 053</b>	<b>362 053</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>75</b>	<b>72</b>	<b>60</b>

Note: The amounts shown in these tables are annualised amounts; the benefit duration in Phase I does not exceed 3 months.