1. Overview of the tax-benefit 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.

1.1. Average Worker wage (AW)¹

The AW value for 2007 was HUF 2156184.

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2. **Unemployment insurance**

**Applicable statutory basis:** Act IV of 1991 on Promoting Employment and Providing for the Unemployed. **Basic principles:** Based on principles of social insurance, financed by employers’ and employees’ contributions and central state budget subsidies, providing earnings-related benefits to employees. **Field of application:** All employees.

The institutional structure of the Hungarian employment policy system can be divided into two main types: *self-governing bodies* on the one hand, and *administrative bodies* on the other. The self-governing bodies are the National Conciliation Council, the Governing Body of the Labour Market Fund, and County (Capital) Labour Councils. The State Employment Service is the administrative body of the employment system. It consists of the National Employment and Social Office, seven Regional Labour Centres, and seven Regional Training Centres.

### 2.1 **Conditions for receipt**

#### 2.1.1 **Employment conditions**

**Main conditions:**

- involuntary unemployment (has the conditions necessary for the establishment of an employment relationship),
- no entitlement for old-age, invalidity pension or work accident-related disability pension,
- not pursuing studies as a full-time student at any educational institution,
- seeking employment (actively searching for a job on his own accord),
- co-operation with the labour centre (notifies the competent employment center concerning any change in his/her status),
- enters into a job-seeking agreement with the competent employment center only in case of being entitled to job-seekers’ benefit or job-seekers’ aid,
- accepts a job offer when presented for a suitable employment,
- has been admitted in the registry of the employment center as a job-seeker.
2.1.2 Contribution conditions

Qualifying period: payment of contributions for at least 365 days during the previous 4 years. If he/she spent at least 200 days in employment over the four years prior to becoming a job-seeker, the job-seeker shall be granted job-seeker aid for 90 days.

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. The self-employed pay 4 per cent contribution.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The determining factor is the gross average salary. The gross average salary of the previous 4 calendar quarters are taken as reference. The provisions of labor-related laws shall be applied for the calculation of average earnings with the exception that the amount of the personal base wage at the time of payment shall be taken into consideration. No ceiling.

The amount of job-seeker benefit for the initial period (not to exceed half of the period of eligibility or maximum 91 days) shall be 60% of the gross average salary. The amount of job-seeker benefit for the second half of the eligibility period shall be 60 per cent of the mandatory minimum wage prevailing on the first day of eligibility for job-seeker benefit. If the gross average salary is lower than the minimum amount of the benefit, the job-seeker benefit shall be equal to the average income in both periods of eligibility. During the initial phase the minimum amount of the job-seeker benefit shall be 60 per cent of the mandatory minimum wage prevailing on the first day of eligibility for job-seeker benefit, whereas its upper limit shall be twice of the amount thus determined (78 600 HUF/month).

2.2.2 Income and earnings disregards

Those, claiming job-seeker 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).

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2 Act IV of 1991 on Promoting Employment and Providing for the Unemployed has been amended, This amendment entered into force 1 November 2005. With the amendment a new job-seeker benefit system has been set up. The former unemployment benefits have been deleted and new types of benefits, namely job-seeker benefit and job-seeker aid have been introduced. The aim of the new system was, firstly, to facilitate the unemployed persons to find a job, secondly, to ensure that any group of the unemployed should not receive lower amount of benefit. Any decrease in the daily average benefit should be balanced by a longer benefit period.
Payment of job-seeker benefits shall be discontinued if the job-seeker is engaged in short-term gainful activities, not to exceed ninety days, provided the notification obligation (to the employment centre) was satisfied.

2.3 Tax treatment of benefit

Job-seeker benefits are subject to the full range of income taxation. The pension insurance contribution is 8.5%, and the years on benefit count as qualifying period for pension calculation purposes. The benefit is not subject to 4% health contribution (and the claimant will not receive sick pay for disease during the benefit period, but will only receive the job-seeker benefit until the expiration of the entitlement).

2.4 Benefit duration

One day of job-seeker benefit is paid for every 5 days of insurance contribution period, up to a maximum of 270 days.

2.5 Treatment of particular groups

2.5.1 Young persons

No specific rules for young persons, the general rules of job-seeker benefit entitlement conditions apply.

2.5.2 Older workers

Benefits provided for older unemployed:

- **early pension**: advanced pension (előrehozott öregségi nyugdíj) can be provided for women at the age of 57 and for men at the age of 60 if he/she has a sufficient contribution period for retirement (normally 38 or 33 years for a reduced sum). According to an other form (early retirement pension - korengedményes nyugdíj) the employer transfers the amount of old-age pension to the Pension Insurance Fund up to his/her advanced pension age. In 2007 this is only an option for men. As regards women, they are eligible 5 years before the standard retirement to advanced pension so they cannot choose the option of early retirement pension.

- If the person had 3 years to reach retirement age, he or she could receive a pre-retirement pension financed from the Labour Market Fund. This exit-route was terminated in 1998.

2.5.3 Others if applicable

Entrepreneurial benefits

*Conditions:*
being ‘job-seeker’

spent at least 365 days in employment as a private entrepreneur or as a member in a business partnership over the four years prior to becoming job-seeker, if having satisfied the entrepreneurial contribution payment obligation during this time,

being not eligible for invalidity or accident-related disability pensions and is not receiving sick-pay,

wishes to find employment, but the local employment center is unable to offer suitable employment.

**Amount:**

The amount of entrepreneurial benefits shall be calculated based upon the income that comprises the base for entrepreneurial contributions. The calculations shall be based on the income earned during the last calendar year during the four calendar years prior to becoming job-seeker, in which the jobless person paid entrepreneurial contributions for a period of not less than six months. In the absence of such calendar year the entrepreneurial benefits shall be based on the mandatory minimum wage prevailing during the calendar year prior to becoming job-seeker. The entrepreneurial benefit shall be 65 per cent of the monthly average of the average income defined previous.

The monthly minimum of the entrepreneurial benefits shall equal 90 per cent of the minimum old-age pension (24,417 HUF/month) in effect on the first day of eligibility for the entrepreneurial benefits; its upper limit shall be twice of the amount calculated in this fashion (48,834 HUF/month).
3. **Unemployment assistance**

Following the expiration of job-seeker benefit, job-seeker aid shall be granted on the request of job-seeker in case of having submitted the request within 30 days for the date of termination of payment of job-seeker benefits.

### 3.1 Conditions for receipt

#### 3.1.1 Employment conditions

*See 2.1.1*

#### 3.1.2 Contribution conditions

*See 2.1.2*

### 3.2 Calculation of benefit amount

#### 3.2.1 Calculation of gross benefit

The amount of job-seeker aid shall be 40 per cent of the mandatory minimum wage (26 200 HUF) prevailing at the time of submission of the application. If the average income is lower than this amount, the amount of job-seeker aid shall be the same as this average income.

#### 3.2.2 Income and earnings disregards

*See 2.2.2*

### 3.3 Tax treatment of income subsidy

*See 2.3*

### 3.4 Benefit duration

Job-seeker aid shall be provided for 90 days or for 180 days if the job-seeker has reached the age of fifty at the time the application was submitted.
3.5    **Treatment of particular groups**

3.5.1    **Young persons**

3.5.2    **Older workers**

Job-seeker aid shall be granted on the request of job-seeker if he is no more than five years away from attaining retirement age as applicable at the time of submission of the application and has received job-seeker benefits for at least 140 days and has exhausted the eligibility period for job-seeker benefits. In such case the job-seeker aid shall be provided until the job-seeker gains eligibility for old-age pension, invalidity or accident-related disability pension. The amount of job-seeker aid shall be 40 per cent of the mandatory minimum wage prevailing at the time of submission of the application. If the average income is lower than this amount, the amount of job-seeker aid shall be the same as this average income

3.5.3    **Others if applicable**
4. **Social assistance**

**Regular social benefit**: It is provided within the social assistance scheme in order to ensure a minimum standard of living. The amount of the benefit is determined by per capita income of the applicant’s household. Financing: 90% by state budget and 10% by local authorities (100% by state budget in case of homeless people).

4.1 **Conditions for receipt**

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’ annuity or of disability assistance.

b) Being unemployed, but no longer entitled to income supplement for the unemployed (or not entitled for income supplement at all, in this case a certain period of cooperation with the local government is needed) and having no alternative source of living

c) Being job-seekers and receive job-seeker benefit or job-seeker aid.

4.2 **Calculation of benefit amount**

4.2.1 **Calculation of gross benefit**

After 1st July 2006 the system of regular social benefit transformed into a so-called family-centred benefit, the sum of which is calculated with the help of “consumption unit”, which shows the structure of the family. Instead of a fixed amount, the benefit depends on the income of the family. The income of the family is supplemented to 90% of the minimum old-age pension per consumption unit. The system is based on the one family-one benefit principle.

The calculation of social assistance:

\[ SA = (0.9 \times \text{minimum old age pension} \times \text{consumption unit}) - \text{household income} \]

The **consumption unit** is as follows:

The first adult: 1,0 (+ 0,2, if he/she is a single parent)

Spouse or partner: 0,9

First and second child: 0,8

Third and other children: 0,7

Disabled child: 1,0 (if there are disabled and healthy children, the first healthy child counts 0,8).

If the first adult or the spouse (partner) is receiving disability benefit, they count 1,0+0,2, or 0,9+0,2
Since 1st January 2007, the amount of the social assistance is limited: the maximum amount is the net minimum wage, 53,915 HUF in 2007.

In case of finding a job, the benefit is paid for over six months in a decreasing amount (50 % in the first three months, and 25 % in the second three months), so that the anti-work effect of the benefit will be diminished.

4.2.2 Income and earnings disregards

Various benefits and allowances for persons suffering from serious health damage, such as blind person’s annuity or disability assistance etc. do not count as income. Benefit recipients are allowed to perform temporary work (casual work), but the income is calculated in the benefit amount.

In the household income housing benefits are not included.

4.3 Treatment of Benefit

Not subject to taxation

4.4 Benefit duration

No time limit.

4.5 Treatment of particular group

No.
4.5.1 Young persons

4.5.2 Older workers

4.5.3 Others if applicable

5. Housing benefits

The home maintenance support is a means-tested benefit, which is provided as social assistance by the local government for a family or individual who lives in a home not exceeding a specified minimum size, provided that there is no income from the use of that home.

5.1 Conditions for receipt

The benefit is particularly justified if:

- the costs of home maintenance are equal to 20% or more of the total monthly income of the household
- the monthly income per person does not exceed 150% of the current minimum amount of old age pension.
- Or: at the time of taking part in debt reducing service (there are no other conditions in this case)

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

The minimum amount of the benefit is 2,500 HUF.

5.2.2 Income and earnings disregards

No.

5.3 Taxation of housing benefit

Not subject to taxation.
5.4 Treatment of particular groups

No.

5.4.1 Young persons

5.4.2 Older workers

5.4.3 Others if applicable

6. Family benefits

The Hungarian family support system is a universal scheme, thus every Hungarian national, long-term residents, migrant workers or refugees who are parents (foster and stepparents as well) or guardians (including foster home managers), and who have children up to a certain age (23), may be entitled to various family support benefits. These benefits are financed out of the central budget. The family support system provides:

- family allowance,
- regular child protection allowance
- irregular child protection support

Regular child protection support has been dissolved into the family allowance, the families in need are entitled to regular child protection allowance. 
Irregular child protection support is social assistance-based, provided by the local government for families having temporary cash flow problems or facing emergency situations that seriously threaten their standard of living.

6.1 Conditions for receipt

General eligibility for every parent raising a child to family allowance. This benefit is provided from birth to the termination of studies in compulsory education system (usually 0-18 years), then for secondary school education or vocational training, up to 23 years of age.

Regular child protection support has been dissolved into the family allowance, the families in need are entitled to regular child protection allowance. 
She/he is entitled to regular child protection allowance if the per capita monthly income in the family looking after the child does not exceed 130% of the prevailing lowest amount of old-age pension, in case of single-parent families, or the child is permanently ill or seriously disabled, or if the child is more than 18 years old and attending to secondary or higher education, in any other case if the per capita monthly income in the family looking after the child does not exceed 120% of the prevailing lowest amount of old-age pension.
(The aim of determining such an entitlement is to justify that the child according to his social conditions is entitled to get the normative allowance of daily meals, free of charge textbooks and other support).

Irregular child protection support is paid for families with temporary cash flow problems or facing emergency situations that seriously threaten their standard of living.

### 6.2 Calculation of benefit amount

#### 6.2.1 Calculation of gross benefit

**Family allowance:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (HUF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>for one-child family</td>
<td>11 700</td>
</tr>
<tr>
<td>for one-child, single-parent family</td>
<td>12 700</td>
</tr>
<tr>
<td>for two-children family</td>
<td>12 700</td>
</tr>
<tr>
<td>for two-children, single parent family</td>
<td>13 800</td>
</tr>
<tr>
<td>for families with three or more children</td>
<td>14 900</td>
</tr>
<tr>
<td>for single parent families with 3 or more children</td>
<td>15 900</td>
</tr>
<tr>
<td>for families with severely ill or disabled child</td>
<td>22 300</td>
</tr>
<tr>
<td>for single parent families with severely ill or disabled child</td>
<td>24 400</td>
</tr>
<tr>
<td>in case the child concerned is in foster home</td>
<td></td>
</tr>
<tr>
<td>or lives with foster parent</td>
<td>13 800</td>
</tr>
</tbody>
</table>

**After 1st July of 2006,** the family support system has changed: the amounts of the family allowance are almost doubled, the regular child protection support dissolved into the family allowance, and so did the family tax credit of the families with one or two children. The essence of the change is, that the universal family allowance is to strengthen, taking into consideration, that every child is equal. The families with three or more children have a tax credit of 4 000 HUF/month/child, in case their income does not exceed a certain limit (6 000 000 HUF/year in families with three children, 8 000 000 HUF/year in families with seven children).

In the framework of regular child protection allowance cash benefit (2 x 5000 HUF in 2007), subsidized meals for children and other kinds of support are provided.
Irregular child protection support: the amount is designated by decree of the respective local government.

6.2.2 Income and earnings disregards
See 6.1.

6.3 Tax treatment of family benefits
Not subject to tax.

6.4 Treatment of particular groups

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

Single parents and parents with severely ill or disabled child are entitled to higher amounts of benefits. (see 6.2.1.)
7. Child care benefits

Birth grant is a universal benefit provided for every mother (or adopting parents) right after giving birth. Pregnancy-confinement benefit is insurance-based, for 24 weeks (4 weeks before, 20 weeks after planned date of birth, or 24 weeks after the date of birth, as the choice of the mother). Child care fee is insurance based, provided from after the period of pregnancy confinement benefit to the age of 2 years of the child. Child home care allowance (provided also for grandparents): entitlement is universal, providing flat-rate benefit to all residents. As a general rule, the benefit is provided until the age of 3 years of the child. In case of twins, the benefit is provided until the twins enter into primary education. In case of a child being severely ill or disabled, the benefit is provided until the age of 10 years of the child. Child raising support: entitlement is universal, providing a flat-rate benefit, provided that there are three or more minor children (being under the age of 18) raised in the family. The benefit shall be provided from the age of 3 years of the youngest child until she/he reaches the age of 8 years.

Regular child protection support dissolved into the family allowance, the families in need are entitled to regular child protection allowance (see section 6). Irregular child protection support is social assistance-based, provided by the local government for families having temporary cash flow problems or facing emergency situations that seriously threaten their standard of living. (see section 6).

7.1 Out-of-pocket childcare fees paid by parents

At the centre-based institutes providing the day-time provisions for children the care is free of charge, the family have to pay only for the meal. The average fee is: 6 000 Ft/person/month. The basis of calculation: The cost of the raw material for one person.

After children suffering from permanent disease or being seriously disabled or those living in families with 3 or more children, the families are entitled to pay 50% reduced fee for the daily meals. Free of charge meals are provided for children entitled to regular child protection allowance in crèches, nurseries and in the first four grades of primary schools.

At the form of the child-minding care at home the fee is based upon the hours being in care, but can not be more than 15% of the monthly income of the parents. If the care includes meal, can not be more than 20% of that.

The fees are legislated: The Act of Protection of Children 1997 XXXI regulates the question.

They are not tax deductible.

The liability for social support gives possibility for reduction of the fees.

7.2 Child-care benefits

Birth grant is a universal benefit provided for every mother (or adopting parents) right after giving birth. Pregnancy-confinement benefit is insurance-based, for the period of the maternity leave, namely 24 weeks (4 weeks before, 20 weeks after planned date of birth, or 24 weeks after the date of birth, as the choice of the mother). Child care fee is insurance based, provided from after the period of
pregnancy confinement benefit to the age of 2 years of the child. **Child home care allowance** (provided also for grandparents): entitlement is universal, providing flat-rate benefit to all residents. As a general rule, the benefit is provided until the age of 3 years of the child. In case of twins, the benefit is provided until the twins enter into primary education. In case of a child being severely ill or disabled, the benefit is provided until the age of 10 years of the child. **Child raising support**: entitlement is universal, providing a flat-rate benefit, provided that there are three or more minor children (being under the age of 18) raised in the family. The benefit shall be provided from the age of 3 years of the youngest child until she/he reaches the age of 8 years.

7.2.1 **Conditions for receipt**

**Birth grant** is conditional upon that the mother completed at least four prenatal medical examinations (one in case of premature birth). **Pregnancy-confinement benefit** is provided if the insured mother (or adopting mother) was insured for at least 180 days during the last two years prior to childbirth and gave birth to the child during being insured or within 42 days after having been terminated the insurance or during paid sick-leave. Conditions of the **child care fee**: the parent has to be insured, and needs at least 180 days of insurance during the last two years before delivery, the child lives with the claimant’s family, and one of the parents is obliged to stay at home and care for the child. **Child home care allowance**: for parents who care for their children aged under 3 years (aged under 10 for disabled children) or for grandparents who care for their grandchildren aged between 1-3 years in the household of the parent. In case of twins the allowance is paid until children will reach the compulsory schooling age (usually 6 years). After the child’s 1st birthday, the parent is allowed to work full-time while receiving the benefit. **Child raising support**: see 7.2.

7.2.2 **Calculation of benefit amount**

7.2.2.1 Calculation of gross benefit

**Birth grant**: one off lump-sum payment, 225% of the minimum amount of old-age pension per child or 300 % of the minimum of old-age pension per child in case of twin-children. **Pregnancy-confinement benefit**: 70% of the daily average gross earnings of the previous year.

**Child care fee**: the amount of benefit is defined as 70% of the previous average daily income, with a ceiling of maximum 91 700 HUF, introduced by 1 January 2007.

**Child home care allowance**: the amount equals to the monthly minimum old age pension (in 2006: 25,800 HUF, in 2007: 27 130 HUF), in case of twins, the amount is doubled (in in 2006: 51,600 HUF, in 2007: 54 260 HUF). **Child raising support**: the amount, irrespectively to the number of children in the family concerned, equals to the minimum old age pension.

7.2.2.2 Income and earnings disregards

No.
7.3 **Tax treatment of benefits**

1. The pregnancy-confinement benefit is disbursed on an insurance basis, and is proportionate to earnings, and therefore counts as taxable income and interact only with child home care allowance.

2. 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 and the tax calculated on the allowance is deductible. Pension contribution must be paid after it as the disbursement period is qualifying period for pension.

3. Child raising support 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 support and the tax calculated on the support is deductible. Pension contribution must be paid after it as the disbursement period is qualifying period for pension.

4. Child care fee is disbursed on an insurance basis, and is proportionate to earnings, and therefore counts as a taxable income and can interact with child home care allowance.

7.4 **Treatment of particular groups**

See above.

8. **Employment-conditional benefits**

None
8.1 Conditions for receipt

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefit

8.3 Tax treatment of benefit and interaction with other benefits

8.4 Benefit duration

8.5 Treatment of particular group

8.5.1 Young persons

8.5.2 Older workers

8.5.3 Others if applicable

9. Lone-parent benefits

See 6.2.1.
9.1 Conditions for receipt

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

9.4 Benefit duration

9.5 Treatment of particular group

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

None.

10.1.1.2 Standard tax credits

Employment tax credit:

This credit is calculated as 18 per cent of wage income earned, with the monthly maximum of HUF 9,000. This tax credit is applicable to workers whose annual income does not exceed
HUF 2 100 000. In the case of employees having annual income between HUF 1 500 000 and HUF 2 100 000, a reduced amount of tax credit is applicable.

Supplemental employment tax credit:

This tax credit is applicable to workers whose annual income is between HUF 600 000 and HUF 1 561 600. It is calculated as 18 per cent of annual wage income in excess of HUF 600 000, with the monthly maximum of HUF 2 340. In the case of employees having annual income between HUF 1 000 000 and HUF 1 561 600, a reduced amount of tax credit is applicable.

Tax credits for children:

For families having at least three children, the tax can be reduced by the child tax credit, which amounts to HUF 4 000 per month/each dependent. This tax deduction can be applied by a pregnant woman (or her husband living in same household) as from the 91st day after conception until birth of the child. The tax credit may be claimed by one spouse or be split between the spouses. If parent’s total annual income is higher than a limit defined in the legislation (the income limit differs according to the number of children, e.g. for families with three children it amounts to HUF 6 million), a reduced amount of tax credit is applicable.

10.1.2 The definition of taxable income

Gross (wage and unemployment) earnings.

10.1.3 The tax schedule

<table>
<thead>
<tr>
<th>Taxable income (HUF)</th>
<th>Tax on lower limit (HUF)</th>
<th>Tax rate on income in bracket (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 1 700 000</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>1 700 001 and above</td>
<td>306 000</td>
<td>36</td>
</tr>
</tbody>
</table>

Private persons with a combined annual income (gross annual income taxed progressively) of more than HUF 6 748 850 must pay a surtax. The tax base is the portion of the income over HUF 6 748 850; the tax rate is 4 per cent.

10.1.4 State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one. More precisely, the total income tax collected is split between the central government and local governments. At the same time, the local governments can levy taxes on sites and buildings, tourist facilities and activities, employment and business activities.
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 PAYG mandatory social insurance pension scheme, a mandatory fully-funded private scheme and a supplementary voluntary private scheme. Participation in the public scheme and the mandatory private scheme is mandatory for all those who enter the labour market for the first time and are below 35 years of age. (Other private persons had the right to join a mandatory private pension fund until 1 September 1999.) As from May 2004, those who first join the social security system in Hungary but previously had mandatory pension insurance abroad may enter a mandatory private fund on a voluntary basis within 3 months. From 2006, voluntary affiliation with mandatory private funds has been reopened for people under 30 years of age and for those coming to work in Hungary (and thus becoming insured here) for the first time in their lives. In 2007 employees remaining in the public scheme continue to pay 8.5 per cent contributions to the social insurance pension fund (the PAYG scheme). Members of the mixed system pay 0.5 per cent contribution into the social insurance pension scheme and 8 per cent contribution to the mandatory private scheme. From 2007 employers pay 21 per cent contribution to the social insurance pension scheme (regardless of whether the employee is member of the mandatory private pillar).

10.3.2 **Sickness**

Until 31 August 2006, the rate of the employees’ health contribution amounted to 4% of gross earnings, employers paid 11% contribution (7% for coverage of in-kind, 4 % for in cash benefits). From 1 September 2006, the rate of the employee’s health contribution went up to 6% (out of which 4% is meant for the coverage of in-kind benefits and 2% for the coverage of cash benefits). As from 1 January 2007 the rate of the employee’s health contribution went up to 7% (out of which 4% is meant for the coverage of in-kind benefits and 3% for the coverage of cash benefits), and employer’s contribution rate decrease to 8 % (5% in-kind, 3% in cash).

10.3.3 **Unemployment**

Until 31 August 2006, the worker paid, as employees’ contribution, 1% of gross earnings. As from 1 September 2006, this rate rose to 1.5%. Employers pay 3%.

The self-employed are to pay 4 per cent “entrepreneurs’ contribution” in return for which they can earn entitlements for job-seeker benefit.

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Percentage of gross earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note: Only earned income is liable to job-seeker benefit and sickness contributions. That is, workers pay 17 per cent and unemployed pay 8.5%. The maximum level of yearly income subject to employees’ pension contributions in 2007 is HUF 6,748,850 (daily HUF 18,490).

### 10.4 Treatment of particular group

#### 10.4.1 Young persons

As from October 2005, employers taking on career starters with a ‘Start Card’ (which is valid for two years after completing studies before reaching age 25, or age 30 in the case of a higher degree) are exempt from lump sum health insurance contribution. Furthermore, these employers are liable to a lower rate of social security contribution (15 per cent in the first year of employment, 25 per cent in the second year as opposed to the general 21+8+3 per cent rate). However, this lower rate can only be applied up to 150 per cent of the minimum wage (or 200 per cent in the case of a higher degree).

#### 10.4.2 Older workers

Employers hiring previously unemployed people over 50 years of age or with only elementary qualification with a ‘Start Extra Card’ can apply for a reduction in the employer’s social security contributions. The reduction is 100 per cent in the first year of employment. From the second year on employers are liable to pay 15 per cent of the gross income as social security contributions.

#### 10.4.3 Others if applicable

Employers of people formerly standing unemployed or recipients of any of the various child care benefits with a ‘Start Plus Card’ (which is valid for two years) are entitled to the same allowance as set out under section 10.4.1. As from January 2006, micro-, small- or medium-sized companies are exempt from the lump sum health insurance contribution for the first year of employment of people who had previously been unemployed for at least three months.

### 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 may be granted up to the
50-90 percent of the gross wage, if the employee is employed in a shorter working time than before, but at least between 4 and 6 working hours.

### 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. From 1st November 2005 the fixed sum contribution for health care amounts to HUF 1950 per person per month. This is paid by the employer for each employee, irrespective of the wage of each employee. In the case of part-time employees the amount of the lump sum health care contribution may be reduced proportionally with the working time down to 50 per cent at most. Employers employing long-term unemployed over 50 years of age or recipients of child care allowance or child raising support are exempt from the fixed sum contribution for health care.

### 12. **Policy developments**

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

As from January 2006, the ceiling of employees’ pension contribution (for public and mandatory private pillar combined) has been increased from a daily HUF 16 440 to HUF 17 330, in 2007 HUF 18 490. As from January 2006, micro-, small- or medium-sized companies are exempt from the lump sum health insurance contribution for the first year of employment of people who had previously been unemployed for at least three months. As from 1 September 2006, employee’s health contribution has been increased by 2 percentage points (from 4 to 6 per cent of wages) and employees’ contribution into the Labour Market Fund (for the coverage of unemployment benefits) has been raised by 0.5 percentage points (from 1 to 1.5 per cent of wages). From 1 January 2007, employee’s health contribution has been increased by 1 percentage point (from 6 to 7 per cent of wages).

#### 12.2 **Policy changes announced**