

# LIVING AND WORKING IN HUNGARY

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## GENERAL INFORMATION ON HUNGARY

Full country name:	Republic of Hungary
Area:	92966 sq km
Time Zone:	GMT+1hr
Population:	10.1 million
Capital City:	Budapest
People:	89.9% Hungarian, 4% Roma, 2.6% German, 0.8% Slovak, 0.7% Romanian
Language:	Hungarian
Religion:	68% Roman Catholic, 21% Reformed (Calvinist) Protestant, 6% Evangelical (Lutheran), 5% other
Government:	parliamentary democracy
Currency:	Hungarian Forint (HUF)
Major Industries:	Mining, metallurgy, agriculture, construction materials, processed foods, textiles, chemicals (especially pharmaceuticals) and motor vehicles
Major Trading Partners:	Germany, Austria, Italy, Russia

## MOVING TO HUNGARY

### Moving of goods

The Act of Customs (CXXVI. of 2003.) contains harmonized regulation with the rules of the European Union. These are as follows:

- a) Regulation No 2913/1992 of the European Council,
- b) Regulation No 2454/1993 of the European Commission on the Execution of Regulation No 2913/1992 of the European Council,
- c) Regulation No 918/1983 of the European Council,
- d) Regulation No 2658/1987 of the European Council.

According to Regulation No 918/1983 of the European Council moveable property imported or forwarded into Hungary by those living outside of the Community and furnishing a second home in Hungary may be free of any duties. The property must be for domestic purpose and in the ownership of the person for at least six months before the move and must be quantitatively and considering the nature suitable for furnishing the second home.

Property for the purpose of domestic means personal properties, clothes, furniture and equipments.

### Moving of animals and plants

Moveable property imported or forwarded into Hungary by those living in the area of the European Community may be free of any duties if that property is inheritance. But there are two exceptions from these rules: that the quantity of cattle stock exceeds the usual family requirement and the stock of agricultural products.

## **Moving of financial assets**

Transfer of financial goods is largely determined by the regulations on the free movement of capital. In the process of accession to the EU, Hungary has gradually implemented the free movement of the foregoing capital transfers. Liberalisation has thus been implemented, i.e. the following financial goods are allowed to move freely:

- direct investment in enterprises, winding up and relocating home such investment, and free movement of profit arising from such investments;
- unlimited movement of capital and payments between persons with permanent residence in the Community and in Hungary;
- full freedom in respect of foreign currency operations (rights to contracts, e.g. opening accounts, with credit institutions).

A temporary breach of the principle of free movement of capital exists in two areas, in terms of EU citizens acquiring ownership of arable or productive land, and in respect of acquiring a secondary residence. The EU Member States accepted that Hungary could maintain its ban on foreign citizens and enterprises with legal personality acquiring ownership of arable land for seven years following accession. This means that the above persons may not acquire ownership rights to arable land. Hungary was also granted a further five-year temporary exemption from applying Community law in respect of a secondary residence.

Useful links:

<http://www.p-m.hu> (Ministry of Finance)

## **The driving licence**

Driving licences issued in all EU Member States shall be deemed to comply with Hungarian legal regulations. No naturalisation procedure is required for driving licences in this case. Should a foreign citizen request the naturalisation of a foreign driving licence, this shall be completed without any obligation to take an examination.

## **Registration procedures, residence permit**

Foreigners shall give notification of their accommodation in Hungary within three working days of their arrival, by providing the following data:

- identification data for natural persons;
- citizenship;
- data identifying passport document;
- accommodation address;
- start and expected final date for use of the accommodation;

If the accommodation is not commercial accommodation or accommodation maintained by a legal entity, the notification obligation shall be performed in person by the foreigner or the accommodation provider to the competent area authority responsible for policing foreigners for the accommodation. The notification obligation may also be performed directly or by

means of the competent settlement's (or district of Budapest) local government registrar for the accommodation.

The general regulations on foreigners travelling to and residing in Hungary shall be applied, with defined variations, to EEA citizens and their family members travelling and residing here.

Citizens of EEA countries may travel to Hungary without a visa, with a valid passport or valid personal identity card. They may reside on the territory of the country without any further permits for a period of no more than 90 days. Stays of longer than 90 days do not require a visa, however a residence permit shall be requested in person on the prescribed form. The residence permit verifies that the holder enjoys residency or settlement rights on the territory of the Republic of Hungary. Accompanying family members also require a residence permit, which the family member shall be granted by means of the EEA citizen, as a derivative right.

Foreigners shall prove the existence of full-scale, all-risk health insurance for the entire period of residence in Hungary, by means of documents.

The period of validity of the residence permit shall be five years, which may be extended.

Special cases:

- in the event of residency directed at working or practising other income-earning activity for a specified period, the authority may restrict the period of validity of the residence permit to the period of work or practice of the activity;
- if an unemployed or job-seeking EEA citizen wishes to come to Hungary for the purpose of employment, the authority shall determine the period of validity of their residence permit such that it may not exceed six months;
- the period of validity for students' residence permits shall be the period of study, or conduct of professional practice, and in the event of a longer study period shall be one year, which may be extended.

Procedural authorities: Office for Immigration and Citizenship (Budapest, 11<sup>th</sup> District, Budafoki út 60) and its regional agencies, border guard authority responsible for policing foreigners, foreign representative authorised to issue visas, and the Ministry of Foreign Affairs.

Useful links:

<http://www.kulugyminiszterium.hu> (Ministry of Foreign Affairs)

## **WORKING CONDITIONS**

### **Recruitment**

Employment agency activity in Hungary is conducted by the State Employment Service and private employment agencies on the basis of conditions specified in legal regulations.

Information related to the service is available on the SES website, where current job vacancies may be viewed. Also the list of registered private employment agencies and those hiring labour can be found on the SES website. The EURES (European Recruitment Service) agency

system is also directly available from the SES site, where information is available on unfilled vacancies in Hungary.

The agency service of SES is free of charge to both employers and jobseekers. Anyone conducting private employment agency activity may not claim charges or costs from jobseekers.

## **Applications**

Professional CVs, largely complying with CV norms employed in other countries in Europe, are usually typewritten and, where required in the advertisement, completed by hand. The entire CV should be no more than one or two pages long and should always include the following details:

- Personal data
- Educational qualifications (chronological order, starting with the most recent)
- Courses (chronological order, starting with the most recent)
- Workplaces (chronological order, starting with the most recent)
- Computer skills
- Language skills, driving licence
- Hobbies, leisure activities

A letter of motivation, addressed to the organisation advertising the post or the potential employer, contains important data not included in the CV. The letter of motivation should be no more than one page long and, unlike the CV, should always be signed.

It is also worth giving references, possibly for work of which the applicant is proud, or those able to give an objective, but positive picture of the applicant. When providing such references, the applicant should speak to the relevant person in advance, to ask whether they could be quoted on the CV, including their telephone number, position and company name.

The applicant should always attach documents proving qualifications necessary to the line of work and copies of language exam certificates with the application.

## **Recognition of diplomas and qualifications**

Recognition of diplomas: recognition of the level of qualifications certified by advanced diplomas and of the specialist training certified thereby is the task of the Hungarian Equivalency and Information Centre (HEIC), while naturalisation of scientific grades is performed by the domestic universities.

Recognition of certificates or diplomas may be requested by anyone domiciled in Hungary. In addition, the applicant shall verify his or her citizenship by means of a personal identity card, passport or driving licence. However, anyone applying for recognition for the purpose of further study or inclusion of partial studies need not be domiciled in Hungary.

Separate rules refer to the recognition of diplomas verifying specialist training acquired abroad as a general medical practitioner, dentist or chemist:

- recognition is only possible in the event of university qualification;

- a professional examination shall always be taken, which is subject to charges;
- decisions taken by a professional committee;
- other additional conditions may apply.

Useful links:

<http://www.ekvivalencia.hu> – (Hungarian Equivalency and Information Centre – HEIC)

## **Conclusion of employment contracts**

The regulations governing employment can essentially be found in the following:

- Law XXII of 1992 on the Labour Code contains the most important guaranteed regulations in respect of employment.
- Regulations more beneficial to the employee may be established in the collective contract, or in the absence thereof, by agreement between the parties.
- The legal effect of law XXIII of 1992 on the Legal Status of Public Officials (Public Officials Act) extends to public administration agencies, offices of local government representative bodies, and county/Budapest public administration offices or agencies in a legal relationship with such (only Hungarian citizens may be public officials).
- Law XXXIII of 1992 on the Legal Status of Public Employees contains the third element of differentiated regulation, extending to the legal relationship of those employed at budgetary institutions.

In addition to these three legal relationships, Hungarian law recognises three other atypical forms of employment. These are distance working, working from home, and borrowing labour.

Employment is entered into by means of a contract of employment. The contract of employment shall be compiled in writing and shall contain the following elements:

- agreement on the employee's job description;
- agreement on the basic wage, and
- agreement on the location for completing work.

Other matters may also be agreed upon (e.g. trial period, period of notice, grounds for exceptional notice, provisions over and above wages, cost bearing, etc.).

Employment may be established for a fixed or indefinite period. In the absence of an agreement to the contrary, the employment shall come into being for an indefinite period. The fixed period, including establishing new employment, may not exceed five years. The parties may transform or amend the contractual period. Even without agreement, the contract of employment may change from a fixed to an indefinite period if the employee continues to work, with the knowledge of the direct manager, for at least one day following the expiry of the term.

A trial period may be specified in contracts of employment for fixed and indefinite periods. The trial period shall be 30 days. Collective agreements or other agreements may be made by the parties to the contrary, but a trial period may not last more than three months. Extension of the trial period is prohibited. During the trial period, either party may terminate the employment with immediate effect, without giving reasons.

The employee may be employed by several employers simultaneously. The employee is obliged to notify the employer if, during the period of employment, he or she enters into other employment or another legal relationship aimed at completing work (e.g. mandate or contractors' legal relationship). Based on such notification, the employer may acknowledge the completion of work, but may also prohibit such, if it damages the employer's rightful economic interest.

## **Remuneration**

The right to get minimum wage for employees working in Hungary is guaranteed by the Labour Code. The compulsory minimum wage due to employees and the scope of its effect shall be determined by the Government. A regular review of its level shall be made. The degree of regularity of such review depends on the speed of change in economic circumstances. In general, the amount shall be reviewed annually.

As of January 1<sup>st</sup>, 2005, the amount of minimum wage applying for monthly pay is 57.000 HUF, weekly pay is 13.120 HUF, daily pay is 2.624 HUF and hourly pay is 328 HUF.

The amount of minimum wage is not charged by income tax. Social insurance and labour market contributions of employers and employees must be paid according to the general rate.

In specified cases, the employee shall also be entitled to supplementary wages which, in the absence of an agreement to the contrary, shall be calculated on the basis of the employee's basic wage.

By law, the employee is entitled to:

- a night-time supplement (15%);
- a shift-work supplement (afternoons - 15%, nights - 30%);
- an overtime supplement (50%, or the equivalent time in lieu);
- a supplement paid in return for work completed on weekly rest days or bank holidays (50% and a day off, or 100% including attendance charge on bank holidays);
- a supplement due for stand-by (25%).

The collective agreement or agreements made between the parties may agree on additional supplements.

## **Working time**

According to the Labour Code, full-time work involves eight hours' work a day or 40 hours' work a week. Regulations on employment or agreements between the parties may establish a shorter or, for lines of work that have a stand-by nature either fully or in part, longer working hours, but not in excess of 12 hours a day, or 60 hours a week.

## **Annual leave**



Employees shall be entitled to regular leave in each calendar year in which they are employed, serving to assist in rest and recuperation

Regular leave consists of basic and extra holidays

Basic holidays depend solely on the age of the employee. Employees are first due longer basic holidays in the year in which they reach the specified age.

Basic holiday entitlement is as follows:

- up to the age of 25: 20 working days;
- from the age of 25: 21 working days;
- up to the age of 31: an additional working day every three years;
- up to the age of 45: an additional working day every two years;
- from the age of 45: 30 working days.

The law does not exclude the possibility of the employer granting employees more basic leave than that specified by law, under a collective agreement or contract of employment.

The law defines the following three compulsory cases for unpaid leave:

1. Pregnant women or women giving birth are entitled to 24 weeks' maternity (unpaid) leave. For the time of maternity leave, they shall be entitled to pregnancy and confinement benefit from the social insurance fund. At the request of the employee, unpaid leave may be taken for the purpose of childcare until the child reaches the age of three, or the age of 14 in the event of a child suffering long-term illness or having a serious disability. Childcare benefit is due for the period of caring leave.
2. Upon request, the employee is entitled to unpaid leave if he or she looks after or cares for a close relative requiring long-term (expected to exceed 30 days') care or nursing. This period may not be more than two years. The local government registrar for the settlement may establish payment of a nursing fee to the person on caring leave for such a period.
3. The employee shall be allowed unpaid leave of up to one year if building a house from his or her own resources. Entitlement to unpaid leave is due to the employee named in the building permit or a spouse (partner) living with him or her.

### **Leave (sickness, maternity etc.)**

For periods of earning incapacity due to illness, employees are entitled to 15 days' sickness leave per calendar year. Sickness leave entitlement is due to employees over and above regular leave. Days not taken in the relevant year may not be claimed at a later date. Sickness leave of 15 days is due to employees who were in employment over the entire calendar year. It may be taken in several parts or entirely in one go. The employee may only be entitled to sick pay from the sixteenth day. Employees are also entitled to sickness leave under other employment relationships, and if employed part-time or as pensioners.

If the earning incapacity arises as a result of an industrial accident or occupational disease, the employee shall receive accident sick pay and shall not be entitled to sickness leave.

The employee shall receive remuneration for the period of sickness leave, to be funded by the employer. The amount thereof shall be 80% of the attendance fee. Sickness leave is also due for one calendar year. As a result, in the event of an employment relationship commencing during the year, the employee shall be entitled to the pro rata share of sickness leave due for the calendar year. However, if the employee was employed during the course of the year, such share shall not exceed the share of sickness leave not yet taken for the calendar year. This regulation relates to the fact that upon termination of employment, the certification issued to the employee shall contain the period of sickness leave taken by the employee in the year of termination of employment. Sickness leave, similarly to regular leave, may be taken for working days under the schedule of work.

Pregnant women or women giving birth are entitled to 27 weeks' maternity leave, which shall be issued such that four weeks thereof should be taken before the expected date of birth.

Pregnancy and confinement benefit is due for all periods of maternity leave on the basis of the employee's social insurance coverage, which accounts for 70% of the employee's average daily salary.

Leave for having children

The employee is entitled to unpaid leave:

- for the purpose of caring for a child up to the age of three;
- until the child reaches the age of 14, for the purpose of childcare if the employee receives childcare benefit;
- until the child reaches the age of 12, in order to look after a child with an illness at home.

## **End of employment**

Employment may be terminated:

- by mutual agreement between the employer and employee;
- by regular notice;
- by exceptional notice;
- with immediate effect during the trial period.

By law, fixed period employment may only be terminated by mutual agreement, or exceptional notice, or with immediate effect in the event of stipulation of a trial period. The employer may terminate the employee's fixed period employment contrary to the foregoing provision. However, the employee shall then be entitled to one year's average salary and, if the remaining time of the fixed period is shorter than one year, he or she shall receive the average salary for the remaining period. Agreements or declarations directed at terminating employment shall be made in writing. Any deviation from the foregoing shall be invalid.

Mutual agreement shall be established between the employer and employee. Both the employer and employee may terminate employment for an indefinite period by serving regular notice. Notice shall be given in writing. Notice takes effect upon delivery to the relevant party. The employer shall be obliged to give reasons for serving notice, which reasons shall clearly indicate the cause of such notice.

The grounds for notice may only be grounds related to the employee's capabilities or conduct in respect of employment or the employer's operations. The employer may give notice without reasons if the employee has obtained entitlement to old age pension or is in receipt of

an advanced old age pension or service pension. The law does not contain any restrictive provisions for regular notice served by the employee.

The employer may generally exercise regular notice at any time. However, serving notice is excluded in the event of notice prohibition, and serious grounds for notice are required in the event of restrictions on notice.

The notice period lasts for at least 30 days, but may not exceed one year. Such notice period becomes longer according to the time spent in the employment of the employer. In the event of regular notice, the employer shall be obliged to exempt the employee from completing work. This shall cover half the period of notice, though in the event of provision thereof in a decision taken at the discretion of the employer, or in the collective agreement or contract of employment, the notice period may exempt the employee from carrying out work for the entire period. Regular wages are due for the period of notice spent in work, and average salary is due for the period not spent in work.

Severance pay relates to the employer terminating employment by serving regular notice. The employee shall also be entitled to such if the employer is terminated without a legal successor. A further condition for severance pay is that the employee was employed by the employer for at least three years. The employee is not entitled to severance pay if he or she is classified as a pensioner by the time of termination of employment at the latest.

The collective agreement or contract of employment may determine severance pay in a more favourable amount than the level defined by law.

The essential difference between ordinary and extraordinary notice is that, in the case of the latter, employment is terminated after notice has been served. Both the employer and the employee have the option of terminating employment for the following specified reasons:

- if the other party breaches a material obligation arising from the employment intentionally, or by gross neglect, or
- otherwise exhibits conduct rendering the continuation of employment impossible.

During the trial period, either party may terminate the legal relationship with immediate effect without giving reasons.

## **Occupational risks**

Supervision of labour affairs is performed by the supervisors of the county boards of the National Employment Safety and Labour Board, who examine the observance of regulations on completion of work.

The provisions relating to employment protection are contained in law No. XCIII of 1993. The stipulations of this law shall be applied to all organised work (employment, public employees' legal relationship, public service legal relationship), and to students' and pupils' relationships in the course of practical training, and so on.

The law also contains obligations for employers and employees in respect of employment protection.

The employer shall ensure conditions for safe work not posing a danger to health. The employer may not replace performance of these criteria by paying the employee financial or other rewards.

### **Representation of workers**

In order to protect employees' economic and social rights and enforce their interests more effectively, they are entitled to form and operate organisations to represent their interests. The two relevant forms are trade unions and works councils.

### **Work disputes - Strikes**

The employee may initiate labour law disputes to enforce demands originating from his or her employment. In addition, trade unions and works councils may initiate legal disputes to enforce claims arising from the Labour Code, the collective agreement or works agreements. Labour law disputes shall be conducted in court. Labour courts operate in all counties and in Budapest. The petition shall be submitted to the competent labour court for the registered seat of the employer.

Employees are entitled to strike to safeguard their economic and social interests, pursuant to the constitution and the Strikes Act. Participation in strikes shall be voluntary, and nobody may force participation therein or abstention thereof. Coercion may not be used against workers participating in lawful strikes with the aim of ending the suspension of work

#### Useful links

<http://www.fmm.gov.hu> (Ministry of Employment and Labour)

<http://www.afsz.hu> (Public Employment Service)

## **LIVING CONDITIONS**

### **The political, administrative and legal system**

Hungary has been a republic operating as a democratic constitutional state since 23 October 1989. The constitution, acts and a whole series of lower-level legal regulations guarantee the predominance of rights under the law of continental Europe. Legal regulations comply with international norms, and Hungary is a member of the UN, and of the European Union, with effect from 1 May 2004, as well as a participant in all major international conventions.

The legal system is hierarchical, i.e. lower-level legal regulations have to comply with higher-level laws. The Hungarian legal system is founded on written legal regulations and does not recognise case law.

Hungary's public administration is divided into 19 counties and the capital city; while Budapest is broken down into 23 districts. The major units of public administration are

Budapest, the counties, cities and villages. In compliance with the requirements of the European Union, seven planning and statistical regions (Central Hungary, Central Transdanubia, West Transdanubia, South Transdanubia, North Hungary, North Great Hungarian Plain, South Great Hungarian Plain) have been formed in Hungary, fully covering the counties, and county and regional development councils have been established.

Following the social and political changes (after 1989), a multi-party system was formed in Hungary. Anyone is free to form a party in compliance with the Political Parties Act.

Parliamentary elections take place every four years, with the most recent being in spring 2002. Since the social and political changes, parliamentary elections have always been accompanied by a change of government. The election system rests on two pillars: representatives can be voted into Parliament individually and on party lists, and citizens are thus entitled to vote for party lists and individual candidates. Local government elections are held in the same year as parliamentary elections. Only parties receiving at least 5% of the vote at the election gain access to Parliament. The President of the Republic calls upon the candidate from the winning party to form a government.

After the 2002 elections, the most significant parties playing a role in political life were the following:

- Fidesz - Hungarian Civil Party: a conservative, right-wing party;
- Hungarian Democratic Forum: Christian conservative, right-wing party;
- Hungarian Socialist Party: party representing social, left-wing values;
- Alliance of Free Democrats, liberal party.

Useful links:

<http://www.im.hu> (Ministry of Justice)

<http://www.magyarorszag.hu> (Government portal)

<http://www.budapest.hu> (Various information about Budapest)

<http://part.lap.hu> (Homepages of the Hungarian political parties)

<http://politika.lap.hu> (About politics)

## **Taxes and charges on labour**

The following items are deducted from the gross income of private individuals:

- 8% private pension fund contribution;
- 0.5% social insurance contribution;
- 4% health care contribution;
- 1% employee contribution;
- personal income tax.

The regulations of conventions on avoidance of dual taxation primarily govern taxation of income originating from employment in Hungary of foreign private individuals.

The conventions excluding dual taxation specify in which of the two contracting states the individual types of income may be taxed and also stipulate how dual taxation should be avoided in respect of incomes that could be taxed in both countries. As a result, where no convention exists on avoidance of dual taxation with the given state, it is possible that the taxpayer will have to pay tax in two states on foreign income and assets.

If, under the convention, income is taxable in Hungary, the provisions of law No. CXVII of 1995 on Personal Income Tax shall be applied, with certain special provisions in respect of foreigners. The primary difference is that the tax obligation is only incumbent upon foreign private individuals for income earned in Hungary.

In respect of taxable incomes in Hungary, tax liability shall encumber foreign private individuals pursuant to domestic tax regulations. Hereunder:

- the employer shall deduct a tax advance from the employee's wages,
- the employee shall submit tax returns on domestic incomes earned in the given year and on the personal income tax thereon, or
- tax may be determined by the employer on the basis of a passport number, as a tax identifier.

Where the legal conditions are fulfilled, the foreign private individual is also entitled to all tax allowances allowed for under the Personal Income Tax Act (e.g. tax credits).

Tax advances payable by private individuals conducting independent activity shall be established and paid by the private individual to the competent tax authority for the domicile. Tax advances shall be paid quarterly by the 12<sup>th</sup> day of the month following the relevant quarter. In determining the tax advance, income shall be calculated from the beginning of the year until the end of the given quarter, and the amount of tax shall be calculated on the basis of the schedule of taxes. Advances already paid shall be deducted from amounts thus established, and the difference shall be paid as the relevant quarterly advance.

Sole entrepreneurs may choose fixed lump sum taxation or tax payment on entrepreneurial income. Sole entrepreneurs choosing fixed taxation shall pay the tax advance by the 12<sup>th</sup> day of the month following the relevant quarter, which amount shall be the differential between the fixed tax on income calculated from the start of the year and tax advances already paid.

Useful links:

<http://www.oep.hu> (National Health Insurance Fund)

<http://www.penzugyminiszterium.hu> (Ministry of Finance)

<http://www.p-m.hu> (Ministry of Finance)

<http://www.apoh.hu> (State Tax Authority)

### **Incomes and cost of living**

The number of people employed in Hungary was 3,909,000 in 2004 (the total population is slightly below 10 million). However, the number of unemployed was 263,000, representing an unemployment rate of 6.3%. However, it should be noted that the unemployment rate is even lower in the western part of the country, while due to unfavourable economic indicators in the eastern counties, the rate is several times higher than the average.

Gross average income for 2004 was HUF 140,700, but a difference also appeared between the eastern and western counties in this respect: incomes are higher in the economically more developed Transdanubia region of the country, with Budapest the having the highest incomes. The income of those employed in intellectual professions generally exceeds that of physical workers, and the worldwide difference between the salaries of men and women is also noticeable, as a result of which women in the majority of cases receive lower wages than men

for the same work. The so-called 'Equal Opportunities' Act, which prohibits discrimination between the sexes, is aimed at taking action against such differences.

The government defines the amount of the minimum compulsory wage each year (in the event of an eight-hour working day in 2005, HUF 57,000 a month), as well as the minimum pension.

Useful links:

<http://www.afsz.hu> (Public Employment Service)

<http://www.fmm.gov.hu> (Ministry of Employment Policy and Labour Affairs)

<http://www.onyf.hu> (National Pension Insurance Directorate)

<http://www.eum.hu> (Ministry of Health)

<http://www.gkm.hu> (Ministry of Economic Affairs and Transport)

<http://www.ksh.hu> (Central Statistical Office)

<http://www.eselyegyenloseg.hu> (Government Office for Equal Opportunities)

## **Shopping**

Shopping possibilities and habits in Hungary reveal variations in respect of the provinces and larger cities. Whereas small shops open until late afternoon are typical in villages and smaller towns, supermarkets and hypermarkets offering a wide range of goods are now very popular in the large cities, where shoppers can find anything they might need 24 hours a day. Such large stores are usually built outside the cities, on sections of road leading into the city, and attract customers with their huge car parks, cheaper prices and extra services.

Food stores are generally open from 6 a.m. until 8 p.m., but non-stop stores can be found in all cities. Smaller shops usually sell the same products as large retail chains at a slightly higher price. Other stores (clothes, shoes, stationery, gifts, furniture, etc.) are usually open between 9 a.m. and 5 p.m., while stores in the shopping and entertainment centres located in large cities have longer business hours, opening until 8 or 9 p.m.

The option of payment by bank card is not always available to shoppers in smaller stores, but this payment method is spreading, and the high number of cash dispensers also helps to bridge any possible problems. Nevertheless, cash payments may still be deemed customary.

Banks and post offices are open to the public from 8 a.m. until 5 p.m., but banks close earlier on Fridays, at 3 p.m. In addition, post offices staying open late are located in all cities, including some open as late as 12 midnight. Saturday opening of stores presents quite a variable picture: shops located in large cities and shopping centres are open all day on both Saturdays and Sundays, while smaller stores generally close at midday on Saturday and remain closed until Monday.

It is no longer customary to close for lunch in most Hungarian shops, meaning stores are open to the public continuously. There are increasing opportunities to buy by mail order, either from catalogues, over the telephone, or from stores offering such services over the Internet. This method can be used to access a wide range of goods, including household machines, clothes and food. Home deliveries are particularly popular for meals.

Buying on credit is particularly common for durable consumer goods. Bank officials usually work at larger stores, providing shoppers with on-site information on the conditions for buying in instalments, and concluding the contract, thereby facilitating purchase of the relevant product. It is usually a condition of the loan that the shopper must show certification of income from his or her employer. Larger retail stores have also launched their own shopping cards, encouraging people to buy on credit or using bonus points.

Useful links:

<http://vasarlas.lap.hu>

<http://aruhaz.lap.hu>

<http://vasarlas.origo.hu>

<http://fogyasztovedelem.lap.hu>

<http://bank.lap.hu>

<http://www.posta.hu>

## **Accommodation**

Most housing is privately owned, long-term leasing is not wide-spread in Hungary, accordingly blocks of flats are not typical. Conversely, all over the country many private individuals rent out their real estate being out of use. Real estate prices show considerable variations depending on the environment, the approach, the condition and other factors of the real estate. Prices for real estates in good condition, built in Budapest are the highest. It is generally held that the price for smaller flats is comparatively higher than for bigger ones. In addition, leasing a flat in a small town is approximately for third-quarter the price than in the bigger cities.

Information on housing for sale and rent is available from individual advertising newspapers and real estate agents. In order to clarify legal status, whether purchasing or renting housing, it is advisable to look at the ownership deed for the given real estate, which contains public data in respect of the owner of and encumbrances on the real estate, and may be applied for at the competent land registry office. Sale and purchase of real estate is only valid, if it is incorporated in a contract countersigned by a lawyer or public notary, and the contract is submitted to the competent land registry office for the purpose of registering a change of ownership rights.

In the event of buying a house or flat, the following public utilities shall be responsible for procedures and require notification of data:

- regional electricity service providers (specified company provides electricity in the given location, the market is not liberalised);
- regional gas works (same situation as for electricity providers);
- local water works.

Monthly fees shall be paid for such service provision. Fees are generally paid on the basis of a fixed lump sum, with accounts settled annually. When using such services, contracts shall also be concluded with the following organisations:

- telephone company (the communications market is liberalised, meaning there is a free choice of service providers),
- cable television service provider (also liberalised).



#### Useful links:

<http://www.ingatlan.com>

<http://www.ingatlan.lap.hu>

<http://lakas.lap.hu>

<http://www.alberlet.hu>

<http://www.alompalota.hu>

<http://www.ingatlankereso.hu>

<http://www.degaz.hu>

<http://www.demasz.hu>

<http://vizmu.lap.hu>

<http://www.matav.hu>

<http://kabel.lap.hu>

### **The cultural and social life**

There are considerable opportunities for entertainment and relaxation in Hungary. Since the social and political changes, a wider variety of programmes and leisure opportunities have become available, primarily in the cities. In addition to one-off programmes, there are also annual large-scale events, such as the Tisza Lake Festival, the Kapolcs Artists Valley, Budapest Spring Festival or the Island Festival for young people, which primarily offers musical programmes.

The various restaurants, pubs and cafés frequently offer cultural programmes (readings, discussion evenings), thereby linking cultural relaxation to a conversation without any commitments. In addition to cinemas primarily showing mainstream films, there is also an art cinema network, where interested viewers can watch artistic films. These are generally less modern, though cheaper than the multiplexes. The state also subsidises the production of Hungarian films. There are opportunities to visit theatres in all cities, though most are based in the capital city, which also offers the widest selection in terms of the number of plays. The Budapest Opera House offers relaxation opportunities to lovers of this genre, and its artists are recognised throughout the world.

All cities offer sporting opportunities: a variety of sports can be pursued at various sports facilities and fields, and the option of practising unusual, extreme sports exists in larger cities. Internet sites of certain institutions and settlements, and magazines recommending programmes provide information on leisure events.

#### Useful links:

<http://www.est.hu> (Leisure)

<http://www.kultura.lap.hu> (Culture)

<http://www.magyar.sport.hu> (Sport)

<http://www.opera.hu> (Opera)

<http://www.szhaz.hu> (Theatre)

<http://ujzag.lap.hu> (Newspapers)

<http://www.vendegvaro.hu> (Hungarian values, cultural programmes)

<http://www.tex.hu> (Homepage of the Ticket Express)

<http://etterem.lap.hu> (Restaurants)

<http://www.menetrendek.hu> (Timetables)

## **Transport**

By virtue of its location, Hungary plays a key role in international traffic in Europe and has significant levels of both business and private traffic. After accession to the European Union, Hungary's eastern and southern borders shall also become the EU's borders, which is likely to place increasing burdens on traffic and transport.

The country's motorways operate using a toll system. Vouchers are valid for various durations: four-day, 10-day, 31-day and annual motorway passes are available.

The speeds allowed on the roads are as follows:

- on motorways: 130km/h;
- on public highways: 90km/h;
- in built-up areas: 50km/h.

Major discounts available on trains and buses:

- children aged under six travel for free;
- those holding student identification cards receive a 67.5% discount;
- those aged under 26 are entitled to a 33% discount; (only on trains)
- those living with a disability and people accompanying them are given a 67.5% discount;
- pensioners can travel at 50% cost, up to 16 times a year;
- travel over the age of 65 is free of charge;
- service providers may also specify further group allowances and allowances linked to certain events.

Local public transport can also be used in the cities. Buses are available in most cities, while trams run in Budapest, Szeged and Debrecen. Budapest also has three metro lines, as well as trolleybuses. Prices of local city transport are proportionately higher than long-distance transport (a single ticket valid for any means of public transport costs HUF 160 in Budapest, as at February 2005).

### Useful links

<http://www.gkm.hu> (Ministry of Economy and Transport)

<http://www.autopalya.hu> (About Hungarian motorways)

<http://www.malev.hu> (Hungarian Airlines)

<http://www.mav.hu> (Hungarian State Railways)

<http://www.volán.hu> (Buses and schedules)

## **The Hungarian education system**

Children in Hungary may attend crèches, where they are looked after in small groups under full or half-day supervision, until the age of three.

From the age of three, small children may attend nursery schools until such time as they attend school, and before school registration, they shall be obliged to attend nursery school courses for one year.

In larger settlements, parents are generally able to choose between several types of nursery school, as in addition to traditional local government nursery schools, nurseries run by churches or foundations are also available. There are also various nursery schools based on learning methods, for example institutions specialised in language training or sporting activities.

Children in Hungary reaching the necessary level of development to be admitted to school are subject to compulsory education from the calendar year in which they reach the age of six on or before 31 May. Upon parental request, children may also be subject to compulsory education if they reach the age of six on or before 31 December. Compulsory education lasts until the end of the academic year in which the student reaches the age of 18.

The official teaching language in all educational institutions is Hungarian. However, there are also schools that teach in various languages of nationalities living in Hungary, where some subjects are taught in foreign languages.

There is a wide range of both primary and secondary schools, and a great many specialised educational institutions providing students with greater and deeper knowledge, and greater opportunities in certain areas. For example, Hungary has schools specialising in languages, branches of science or sport, and so-called alternative schools, which train and educate children based on methods at variance from the traditional Hungarian education system.

The academic year begins in the last week of August or the first week of September, and lasts until the middle of June.

During the summer break of around two and a half months, most schools organise camps and training sessions for students. Teaching takes place within the framework of 45-minute lessons at all levels up to and including secondary schools, and such lessons are separated by breaks of 10 minutes. Students in primary school have on average five lessons per day, those in secondary school six. Primary schools provide an afternoon service, when trained teachers look after children after lessons have finished.

School studies may be divided into several stages:

- the traditional arrangement is for students to progress to a four-year secondary institution, having completed eight years at primary school (8 + 4 years);
- they can now do so after four or six years, provided they continue studies in a grammar school (4 + 8, or 6 + 6 year system).

The following secondary education institutions exist:

- grammar school (provides general education);
- specialist secondary school (in addition to general education, also provides a specialist qualification);
- vocational school (provides professional qualification, places great emphasis on practical training).

The highest level of qualification achievable at secondary school is the school-leaving exam, which consists of compulsory and optional subjects (compulsory subjects include mathematics, history, Hungarian language and literature, or any foreign language). The school-leaving exam is a compulsory condition for further study in a higher education institution.

There are two types of higher education institution in Hungary:

- college (no more than four years),
- university (usually five, sometimes six years).

Further information on higher education institutions is available on their websites. Study in state educational institutions and the acquisition of the first diploma in higher education institutions is free of charge. However, church-run and other non-state schools may ask for tuition fees for their services.

Nursery schools and primary schools are located in almost every settlement in the country, while secondary schools are only found in towns and cities, and higher education institutions are only in the larger cities. Schools may hold entrance exams within the frameworks of legal regulations to select future students. However, this is only customary for renowned and popular secondary schools and higher education institutions. Should an entrance exam be required, the school shall provide official information to those seeking admission on the conditions for entry to the school. Secondary schools hold entrance exams in the spring, higher education institutions in the summer, after the academic year has ended.

Life-long learning made unavoidable by rapidly changing economic requirements, associated labour market changes and almost universal career changes, has put adult training into the spotlight. As a result, evening, correspondence and distance learning programmes are especially popular in secondary and higher education.

Useful links:

<http://www.felsooktatas.hu> (About the higher education in general)

<http://www.om.hu> (Ministry of Education; Hungarian Equivalence and Information Center)

<http://www.felvi.hu> (On higher education and entrance exams)

<http://ploteus.com> (Portal on Learning Opportunities Throughout Europe)

### **Private life (birth, marriage, deaths)**

Children's births are registered in the competent settlement for the place of birth. Registration in the register of births takes place upon notification, on the basis of the minutes recorded thereof. In the event of births in hospitals or other health care institutions, the institution performs such notification. The birth certificate contains the data of the child and parents, and designation of foreign citizenship, where applicable. After registration in the register of births, the registrar issues an extract from the register free of charge, which contains the child's most important personal data (name, sex, place and time of birth, name of parents and any comments). Such extracts from the register of births are required in various official procedures throughout our lives.

Cases of death shall be entered into the register of deaths in compliance with the place of death, on the basis of the minutes thereof. After registration, the registrar issues an extract from the register of deaths to a close relative free of charge, containing the name, sex and family status of the deceased, place and time of death, name of parents, and any other comments. An extract from the register of deaths must be shown, inter alia, in exercising wills and, in the event of membership of a company, before the court of company registration.

Marriages may be conducted in front of the registrar after a period of 30 days' notification of such intention. Marriages shall be held in public and in the presence of two witnesses, such that the parties jointly declare their intention to conclude a marriage, in front of the registrar, and the registrar shall enter this fact into the register of marriages. A marriage certificate is issued from the register, which later serves to certify the holding of the marriage.

Under the effective legal regulations in Hungary, marriage may be concluded between men and women, and cohabitation of people of the same sex does not entail any legal consequences in law. However, Hungarian law attaches certain legal consequences to partner relationships between men and women (e.g. partners are classified as close relatives and may acquire common ownership during cohabitation, in proportion to their involvement, etc.). In addition to civil law marriages, it is common in Hungary to hold a church wedding. This, however, unlike the civil wedding, does not have implications for legal consequences of family and property law and is not state recognised. Church ceremonies may therefore only be held after the conclusion of a civil marriage.

## **The health system**

Anyone who, on the basis of Hungarian or community regulations, is classified as insured shall be entitled to the benefits of the system of health care provision in Hungary. Pursuant to the law on social insurance, everyone is insured who:

- is an employee or has another legal relationship aimed at performing work;
- is a student;
- is in receipt of unemployment benefit;
- performs entrepreneurial activity and
- clerical person.

Health insurance services are defined in law No. LXXXIII of 1997. Use of such services takes place on the basis of an insurance relationship, based on the payment of a specified amount of contributions. Participation in the social insurance system, i.e. entitlement to benefits thereof, for Hungarian citizens, may be proved by the 'TAJ card' (containing the relevant social insurance identification code and other personal data), and for citizens of EU Member States, by the appropriate E form.

## **Health care benefits include financial benefits and benefits in kind.**

### **I. Benefits in kind**

1. In compliance with age, everyone is entitled to participate in a variety of check-ups (e.g. free dental examinations for children, lung and cancer screening).
2. Family doctor services (general examinations and advice, curative treatment, assessment of earning capacity, etc.) may, as per the statutes, be used at freely chosen family doctors. In the event of the family doctor being unavailable, the competent family doctor for the residence may be contacted.
3. Citizens under 18 or over 60 years of age are entitled to free dental provision and, regardless of age, everyone is entitled to a dentist focal examination.
4. In the event of illness, insured parties are entitled to examinations and curative treatment in the framework of specialist outpatient services, including any necessary medicines or

bandages, to specialist medical opinions and care necessary for curative treatment and in specified cases to the assessment of earning capacity. (The family doctor usually refers patients to specialist examinations, but most specialist medical consultancies can also be used without this.)

5. By means of reference, or in the absence thereof, where necessary, everyone is entitled to inpatient services (i.e. hospital care) and in this framework to placement in hospital, curative treatment, medicines, care and meals.

6. Expectant mothers may claim pregnancy care and birth services, and termination of pregnancy in certain cases defined by law.

7. Benefits in kind also include necessary rehabilitation for individual illnesses (e.g. sanatorium treatment, physiotherapy, etc.) and, where necessary, patient transportation and emergency treatment.

All such services are free of charge to members of the social insurance scheme.

8. The state provides a price subsidy for various medicines, aids to curative treatment and individual therapeutic procedures (e.g. medicinal bathing).

9. Insured parties referred to outpatient services, inpatient institutions or therapeutic services and rehabilitation are entitled to subsidy for travel costs. The beneficiary shall be entitled to subsidy on scheduled means of local transport, up to the amount of full adult fare.

## II. Financial benefits

1. The insured are entitled to pregnancy and confinement benefit for a period of 24 weeks. This accounts for 70% of daily average salary.

2. Child care benefit is due at the earliest from the day following the expiry of pregnancy and confinement benefit (24 weeks), or the appropriate period thereof, until the child reaches the age of two. Childcare benefit shall be equivalent to 70% of the average salary per calendar day. The monthly maximum amount of benefit is defined in the Annual Budget Act (the maximum monthly amount for 2005 is HUF 83,000).

3. Anyone is entitled to sick pay who, during the term of insurance, or on the first, second or third day following termination thereof, becomes incapable of earning (due to illness or pregnancy) and pays health insurance contributions. Sick pay shall be due for the period of earning incapacity, though for no more than one year during the term of the insurance relationship, and for 90 days following termination of the insurance relationship. In the case of continual insurance coverage of at least two years, the amount of sick pay shall be 70% of average income, and for shorter periods of insurance or during periods of inpatient therapeutic institution services, 60%.

4. Accident benefit is due in the event of industrial accidents or occupational disease. The injured party, in the form of accident benefits, shall be entitled to accident health care services, accident sick pay and an accident allowance.

### Useful links:

<http://www.eszcsm.hu> (Ministry of Health)

<http://www.oep.hu> (National Health Insurance Fund)

# **SOCIAL SECURITY**

## **General organisation**

Hungary follows the distribution system of definitions used in the European Union from the point of view of benefits provided and the administrative system thereof, and thus uses the following concepts:

- social protection;
- social security;
- social insurance;
- social assistance.

Social protection is the widest concept, comprising all forms of social subsidy. It rests on two pillars: social security benefits and social assistance.

The concept of social protection includes all forms of benefits and services, whether or not they are linked to payment of contributions (e.g. unemployment benefit), are universal, i.e. allowances based on objective rights (e.g. family supplement), or assistance based on need (e.g. benefits subject to the effect of social law and exceptional child protection subsidy). Social protection therefore includes all three types of benefit: benefits based on insurance, universal benefits, and assistance, including:

- sickness and maternity;
- handicap and disability;
- unemployment;
- old age benefits (pensions and pension-type benefits);
- benefits for relatives;
- family benefits;
- social benefits.

Social security on the other hand is a more restricted concept than social protection. It includes allowances due in the event of the incidence of defined social risks (unemployment, industrial accident, occupational disease, disability, old age, death, sickness, maternity, except for poverty), and which are either related to earning activity, and thereby payment of contributions, or are due on the basis of objective rights, pursuant to status (e.g. citizenship) defined by law. Assistance, however, does not form part of social security. The concept of social security thus comprises the following three types of benefit:

- social insurance benefits;
- universal benefits based on objective rights;
- special non-contributory benefits, which supplement or replace the benefits of the first two groups.

The concept of social security also defines the position of social insurance in relation to social security. Social insurance benefits forming part of social security constitute just one group, the group of benefits only available through contribution payments. Typical of this group are health care and pension system, or some unemployment benefits.

The concept of social assistance includes assistance awarded to those outside social security and in basic need. The objective is to subsidise persons without appropriate material

resources. However, it is not sufficient for the relative party to comply with a legally defined status, for example his or her income does not exceed the minimum old age pension. In addition, the person or organisation awarding assistance shall also be required to take need into consideration, and to base their assessment on fairness.

## **Sickness insurance**

Everyone, irrespective of citizenship, is subject to the effect of compulsory insurance and is therefore insured and entitled to make use of health insurance benefits from the first day of employment.

In so far as the foreigner, in respect of his or her employment, is not classified as insured, in the absence of provision to the contrary in international agreements, he/she shall be entitled to voluntarily join the health insurance scheme. He or she then has to pay relatively high monthly contributions (100% of the minimum wage).

The insured (contribution payers) and those entitled to health care services (pensioners, students, dependent relatives) may, from the first day and without respect for their citizenship, make use of the full range of health care services at any service having a contract with the National Health Insurance Fund. Only persons concluding agreements are entitled to provision contrary to the general regulations, however, this can be justified by the fact that they do not come under the effect of compulsory insurance, and relates not only to foreign citizens, but also to Hungarian citizens not domiciled in Hungary.

Beyond the insured and beneficiaries, or persons entitled pursuant to the agreement, it is only possible to make use of health care provision in Hungary free of charge in the context of the regulations of international agreements. Persons not classified above may only make use of services alongside an obligation to pay. Although in the context of law No CLIV of 1997 on Health Care, emergency provision is due free of charge, in practice this only covers cases of emergency ambulance treatment. It should be noted that the practice of free emergency ambulance treatment is now subject to change, as a result of the slightly ambiguous definition of the Health Care Act.

Sick pay may be granted to insured claimants who have or had insurance relationships and who, as a result of the illness, have been classified by the relevant medical officer as incapable of earning, and were also obliged to pay 3% health insurance contributions. For the first 15 working days of earning incapacity, sickness leave rather than sick pay shall be due. Sickness leave is only due in the event of the employee's own illness. Home workers, sole entrepreneurs, assisting family members, or members of partnership enterprises (unless they carry out work in the framework of employment), persons or apprentices conducting work on the basis of assignment, and persons becoming incapable of earning after their employment has terminated are not entitled to sickness leave. For the period of sickness leave, 80% of the attendance fee shall be due, which is paid by the employer and forms part of tax and income subject to contributions. For insured parties entitled to sickness leave, sick pay shall be established from the day following expiry of sickness leave.

Sick pay is due for periods of certified earning incapacity from the date following the expiry of entitlement to sickness leave for the claimant's illness, and for no more than one year. However, sick pay is only due for one year if the claimant was continually insured for at least



one year directly preceding his or her earning incapacity. Several factors affect the establishment of the amount of sick pay, primarily income forming the basis for sick pay. The amount, depending on the period spent in insurance, shall be 60% or 70% of average daily salary.

### **Maternity insurance**

Pregnancy and confinement benefit is due to anyone who is insured for 180 days within two years prior to birth, and who gives birth during the period of insurance or within 42 days following the termination of insurance, or who gives birth more than 42 days following termination of the insurance but within a further 28 days of the period of payment of sick pay or accident sick pay.

Pregnancy and confinement benefit is due for the period of maternity leave, which on the basis of the Labour Code is 24 weeks. Four weeks of such period shall fall before the expected date of birth.

Pregnancy and confinement benefit amounts to 70% of average daily salary.

### **Invalidity insurance**

Insured persons are entitled to disability pension who:

- a) as a result of a deterioration in health, or physical or intellectual deterioration, have lost at least 67% of working capacity and no improvement is anticipated in this condition for one year,
- b) have acquired the prescribed period of service, and
- c) do not regularly work, or whose salary is substantially lower than their salary before the disablement. Salary shall be deemed substantially lower if it falls below 80% of the salary before illness.

### **Old-age insurance**

In the framework of compulsory pension insurance, in Hungary a so-called mixed system consisting of two pillars operates. Pillar I works by means of a pay-as-you-go system of services, and represents a share of around  $\frac{3}{4}$ . Pillar II is a private pension system working on the principle of capital funds based on contributions and in the organisational frameworks of private pension funds, which provide approx.  $\frac{1}{4}$  of pension services. The two-pillar pension system developed in the framework of the compulsory insurance system is also supplemented by a third pillar: the system of elderly savings organised in voluntary mutual pension schemes launched in 1993, which the state encourages through tax allowances.

Another non-pension insurance element of social insurance for the elderly is the elderly allowance system introduced in 1998. The social allowance system operates separately from pension insurance in respect of finance and organisation, and in this framework local governments, on the basis of actual income or financial circumstances, provide the elderly in need with a minimum income, or supplement existing very low incomes to such minimum level.

The pension insurance system in Hungary constitutes a unified system for the vast majority of those insured. This means regulations are completely identical for the vast majority of those conducting earning activity, irrespective of the form of the legal relationship in which they conduct such activity.

In pillar I, the insured pay pension insurance contributions determined on the basis of present gross monthly salary to the State Pension Insurance Fund, totalling 8.5%. Contributions encumbering the employer shall be paid up to a specified income limit (double the prevailing national gross average salary) on parts of salary or income. The individual does not have to pay contributions on salary parts over this level. In calculating the employer's contribution payment obligation there is no upper income limit.

Compulsory pension insurance in Hungary extends to every citizen conducting earning activity, without consideration for the legal form in which the activity is conducted.

The conditions for entitlement to old age pension:

1. Minimum insurance (period of service): for partial pension in pillar I, 15 years' insurance or contribution payment period is required, while a 20-year period is required for entitlement to full pension, which period includes time spent on sickness leave, on sick pay, pregnancy and confinement benefit, and periods of military service or unemployment provision. There is no minimum private pension scheme membership time stipulated in pillar II. For membership periods shorter than 180 months, the provision may be taken up in one lump sum.

2. Pension age limit: in both pillars the age limit providing entitlement to old age pension for both sexes uniformly has been set at 62 from 2009.

Regulations for calculating pension provision: in pillar I, the amount of pension depends on the size of salaries and the duration of insurance period. A minimum amount exists, and the pension may not be more than the amount of average salary serving as the basis for calculation. There is no guaranteed minimum for lifetime allowance provided by pillar II.

Supplement for dependents: relatives and children maintained by pensioners in Hungary are not entitled to additional pensions or supplements through the pension system. Subsidy of dependents takes place in the framework of the social system, operating separately from pension insurance.

Pension alongside salary: in Hungary pensions are due without restriction, irrespective of whether or not the pensioner conducts earning activity.

Taxation of pensions: pensions originating from pillar I are not classified as taxable income. If other taxable income exists alongside the pension, this in itself is taxed under the general regulations. Services originating from pillar II are taxed in a special way: 50% of the highest rating tax shall be paid.

## **Survivors' pensions**

### Widow's pension system

Anyone is entitled to a widow's pension whose deceased spouse or partner acquired the insurance period necessary for old age or disability pension, or who died as an old age or disability pensioner.

A widow's pension due under any title shall be classified as tax-exempt income, and any taxable income and salary earned in addition shall be independently taxable in accordance with the general regulations.

#### Orphan benefit

Children are entitled to orphan benefit whose parent(s) acquired the necessary period of service for old age or disability pension by the time of his/her death, or died as an old-age or disability pensioner. Orphan benefit is also due to adopted children, brothers and sisters and grandchildren, if the deceased maintained them in his/her own household, and there is no capable relative under an obligation to maintain the child. Entitlement to orphan benefit is not affected if the child or his/her living parent gets married, or they are adopted.

Orphan benefit, in the event of the conditions of entitlement being fulfilled, is due from the date of death (at the earliest) until the child reaches the age of 16. If the child is studying at an educational institution in daytime study, orphan benefit shall be due for the period of studies, but not beyond the age of 25.

The minimum orphan benefit is determined by law, and there is no maximum amount. Orphan benefit is tax-exempt income.

#### Parent's pension

Parents are entitled to a parental pension if their child died after acquiring the necessary period of service for old age or disability pension, or died as a disability pensioner, if

- the parent was disabled at the time of the child's death, or had reached the age of 65, and
- the parent had largely been maintained by his/her child for one year prior to his/her death.

Entitlement also extends to grandparents if they are being maintained by a grandchild and foster parents if they have kept their foster child for a minimum of 10 years.

### **Insurance for occupational accidents and diseases**

#### Accident disability benefits

Beneficiaries are identical to the persons entitled to old age or disability pension. In the event of an industrial accident or occupational disease, no prior insurance period is stipulated for entitlement. Further conditions of entitlement to accident disability pension are identical to those of disability pension, with the obvious difference that the 67% reduction in working capacity arose due to an industrial accident or occupational disease.

The level of accident disability pension depends on the degree of disability and the duration of insurance.

#### Accident relative's benefits

If death takes place as a result of an industrial accident, the relatives, widows, orphans and parents, depending on the periods of insurance of the deceased, shall be entitled to the relative's benefits outlined in the foregoing.

## **Family benefits**

There is a wide range of family benefits available in Hungary, and by European standards, allowances are high. In addition to the benefits outlined, the settlement local government may, in a decree, supplement such benefits on behalf of the socially needy, under the terms and in the manner specified in the decree, and may establish other cash subsidies.

An example of this could be one-off assistance provided by the competent local government for the domicile, in an amount agreeing with maternity subsidy, or the 'school-starting subsidy', provided once a year.

The following are the major types of family benefits in Hungary:

- childcare benefit,
- regular child protection subsidy,
- exceptional child protection subsidy,
- family supplement,
- childcare assistance,
- child raising subsidy,
- maternity subsidy.

## **Unemployment benefits**

Pursuant to the Employment Act, in the form of unemployment benefit, unemployment allowance, jobseekers' benefit, pre-pension unemployment assistance and refunding of costs may be established for the unemployed, under the conditions specified by law. These benefits are paid by the labour exchanges or branch offices.

The longest period for payment of unemployment benefit is 270 days. Unemployment allowance may be established if in the four years prior to becoming unemployed, he/she had at least 200 days in employment. The period of payment of unemployment allowance shall be calculated by taking the time spent in employment as the basis, such that five days' employment corresponds to one day of the period for paying the allowance. (If a fraction of a day arises in the course of calculation, the rules for rounding up or down shall be applied.)

The allowance system may therefore include 200 days spent in employment, providing entitlement to 40 days' allowance payment.

The labour exchange branch office may offer such a workplace, with the unemployment allowance recipient required to accept, if the anticipated salary is the amount of allowance, or if the allowance is lower than the compulsory minimum wage, it shall reach the amount of the compulsory minimum wage.

In order to increase job-seeking assistance, no opportunity exists for the unemployed person to conduct earning activity while receiving unemployment benefit. If the recipient of an allowance conducts earning activity, payment of unemployment allowance shall be terminated. An exception to this statute is formed by earning activity lasting for a short time. If the earning activity lasts no more than 90 days, payment of the allowance shall be suspended rather than terminated during the short period of work.

Due to the shortness of the period of unemployment allowance payments, a larger role is given to labour market services, to help the unemployed capable of accepting work with the targeted application of services to return them to the labour market, even during the allowance period.

Employment legal regulations assist placement of the unemployed partly by subsidies directly provided to the unemployed and partly to employers employing them.

The subsidies that may be provided to the unemployed are the following:

- training course assistance,
- intensive job-seeking subsidy,
- assistance for the unemployed to become entrepreneurs,
- self-employment subsidy.

The subsidies that may be provided to the employer are:

- subsidies serving the expansion of employment (a subsidy may be provided to the employer in an amount up to 50-100% of the employees' wages for a period of no more than one year if it undertakes certain conditions related to employment),
- subsidy of non-profit work,
- assumption of contributions relating to employment,
- subsidy of employment of those changing job skills,
- subsidy of labour market schemes.

The settlement local governments pay regular social assistance to persons not having income from employment who, on the basis of their social position, require such assistance.

Useful links:

<http://www.eum.hu> (Ministry of Health)

<http://www.onyf.hu> (National Pension Insurance Directorate)