Labour Law and Employment in Hungary - 2018 Guide
## Contents

**Employment possibilities** 4  
- Fixed term employment 4  
- Indefinite duration (permanent employment) 4  

**Employment contract minimums** 5  

**Probationary period** 6  

**Termination of the employment** 7  
- Termination by notice 7  
- Termination by mutual consent 8  
- Dismissal without notice 8  

**Social contributions and income tax** 9  

**Working time and vacation** 10  
- Overtime 10  
- Vacation time 10  
- Unpaid leave 10  

**Most common employee benefits** 12  

**Temporary work – general aspects** 13  
- Fixed term employment 13  
- Call for work 13  
- Simplified employment and occasional work 13  
- Temporary agency work 13  
- Posting of employees 14  

**Overview of applicable legislation** 15  

**ABOUT ACCACE** 16
Employment relationship in may be concluded for fixed term employment and for indefinite duration.

**Fixed term employment**

The period of fixed-term employment in Hungary shall be determined according to the calendar or by other appropriate means. The duration of a fixed-term employment relationship may not exceed five years, including the duration of an extended relationship and that of another fixed-term employment relationship concluded within six months of the termination of the previous fixed-term employment relationship.

A fixed-term employment relationship may be extended, or another fixed-term employment relationship may be concluded within six months from the time of termination of the previous one upon the employers legitimate interests.

**Indefinite duration (permanent employment)**

According to the intention of the parties, if they do not define the term of the employment relationship or they define it as “indefinite duration”, the contract is concluded for an indefinite duration.

These employment term possibilities are available for Hungarian and for foreign (EU/non-EU) citizens.

Citizens of EU member states and their family members may be employed in Hungary without a work permit since January 1st, 2009. For statistical purposes the employer is required to report the employment data of EU citizens to the employment centre.

With a few exceptions, non-EU citizens need work permits to work in Hungary. Officially, the employee applies for the work permit, but first the employer must document that they had already tried to fill the position with a Hungarian citizen, with the assistance of the employment centre. Non-EU citizens may only begin their employment in Hungary after they have obtained all permits and documents necessary for their employment.

Non-EU citizens also need gain right to stay in Hungary (Residence permit for gainful activity; Residence permit for purpose of gainful activity, Residence permit for seasonal workers).
EMPLOYMENT CONTRACT MINIMUMS

In Hungary, the conclusion of a written employment contract is a pre-requisite to enter into an employment relationship. It is definitely the employer’s obligation to set forth any employment contract in writing.

There are essential items in the contract, which has to be included. The parties of the employment contract must agree by all means on both the personal base wage and the position of the employee – these terms are essential under Hungarian labour law.

It is not essential for the parties to set the place of work and the duration of the employment contract as well as the starting date of the employment relationship (lack of agreement on these issues will not affect the validity of the employment contract and relationship).

If the parties fail to provide for the place of work, then the place where the employee regularly performs his work shall qualify as the place of work.

Besides the essential and mandatory elements discussed above, the parties may set any other term they wish to provide for in the employment contract. The only thing the parties need to be aware of: such term may not be in violation of statutory labour law.

The statutory minimum employment terms and conditions are set forth in the Labour Code. Departure from these minimum terms is only allowed if it is favourable to so-called ordinary employees.

In the case of executive employers, the parties are to agree on the terms of employment and there are less minimum terms to observe and apply of the Labour Code.
PROBATIONARY PERIOD

In the Hungarian employment contract the parties may stipulate a **probationary period of not more than three months** from the date of commencement of the employment relationship. In the event that a shorter probationary period has been stipulated, the parties may extend the probationary period once. In either case, the duration of the probationary period may not exceed three months.

Probationary period could be stipulated in case of fixed term employment and also in case of permanent employment.

Stipulation of probationary period shall be included in the employment contract.
TERMINATION OF THE EMPLOYMENT

Cases of termination of employment depend on the intention of the parties; at least the declaration of one party, or the declaration of both of the parties, is needed. The cases of termination are cogent; therefore parties do not allow derogate these legal grounds.

An employment relationship in Hungary may be terminated in three ways: by mutual consent, by notice, by dismissal without notice.

Termination by notice

An employment relationship may be terminated by the employee and the employer by notice. If so agreed by the parties, the employment relationship may not be terminated by notice for a period of up to one year from the date of commencement of the employment relationship.

Employers must justify their dismissals in writing. The reasons must be clearly specified, authentic and substantial. Reasons of termination by notice may be in connection with the employer’s behaviour in relation to the employment relationship, with the employee’s ability or in connection with the employer’s operations.

The period of notice is thirty days.

Where employment is terminated by the employer, the thirty-day notice period shall be extended:

- by five days after three years;
- by fifteen days after five years;
- by twenty days after eight years;
- by twenty-five days after ten years;
- by thirty days after fifteen years;
- by forty days after eighteen years;
- by sixty days after twenty years

of employment at the employer.
By agreement of the parties the notice periods referred before may be extended by up to six months. The period of notice for the termination of a fixed-term employment relationship by notice may not go beyond the fixed term.

**Termination by mutual consent**

The termination by mutual consent is not regulated by expressed Hungarian Labour Code provisions. Termination by mutual consent allows to the employer and employee to agree freely but in agreement with each other on the conditions of termination.

**Dismissal without notice**

Employer or employee may terminate an employment relationship without notice if the other party:

- wilfully or by gross negligence commits a grave violation of any substantive obligations arising from the employment relationship; or
- otherwise engages in conduct that would render the employment relationship impossible.

The right of termination without notice may be exercised within a period of fifteen days of gaining knowledge of the grounds. Therefore, in any case within not more than one year of the occurrence of such grounds, or in the event of a criminal offense up to the statute of limitation.

If the right of termination without notice is exercised by a body, the date of gaining knowledge shall be the date when the body, acting as the body exercising employer’s rights, is informed regarding the grounds for termination without notice.

**In case of termination without notice, the justification is obligatory for the employer or the employee as well.**
Employers in Hungary are required to pay the following taxes and contributions on the gross salaries of their employees:

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Employee</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social contribution tax</td>
<td>-</td>
<td>19.5 %</td>
</tr>
<tr>
<td>Vocational contribution</td>
<td>-</td>
<td>1.5 %</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>15 %</td>
<td>-</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>10 %</td>
<td>-</td>
</tr>
<tr>
<td>Social security contribution</td>
<td>7 %</td>
<td>-</td>
</tr>
<tr>
<td>Employment contribution</td>
<td>1.5 %</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>33.5 %</td>
<td>21 %</td>
</tr>
</tbody>
</table>
WORKING TIME AND VACATION

The **daily working time in full-time jobs is eight hours** (regular daily working time). Work shall be scheduled for five days a week. The daily working time can be increased or reduced.

Based on an agreement between the parties, the daily working time in full-time jobs may be increased to not more than twelve hours daily for employees: working in stand-by jobs, and who are relatives of the employer or the owner (extended daily working time).

Employees in Hungary shall be entitled to have **two rest days in a given week**.

**In case of an irregular work schedule the weekly rest days may be scheduled irregularly as well.** Instead of weekly rest days, employee shall be given at least forty-eight hours uninterrupted weekly rest period.

### Overtime

In case of full time employment, two hundred and fifty hours of overtime work is permitted in a calendar year. Working overtime shall be in writing, if requested by the employee.

### Vacation time

The amount of vested vacation time shall be twenty working days. Workers shall be entitled to extra vacation time from 1 to 10 days depend on the age of the employee according to the Labour Code. Parents also have 2 days of vacation time per child every calendar year.

Employees shall be entitled to fifteen working days of sick leave per calendar year for the duration of time during which the employee is incapacitated to work.

### Unpaid leave

Unpaid leave can be defined as quasi extraordinary vacation without pay, which is an opportunity, but also there are compulsory cases according to the Hungarian Labour Code.

Employees shall convey the request for leave of absence without pay in writing, at least fifteen days in advance.
The employee is eligible for unpaid leave:

- for the purpose of taking care of children – until the child is 3 years old
- over 3 years of age, for the purpose of take personal care of a child until the 10 years of age, under the term of childcare allowance, allowance support the childcare
- for the period of effective volunteer reservist military service

In addition to the above unpaid leave also possible by mutual agreement of the employer and employee, however it is not regulated by the Hungarian Labour Code.
MOST COMMON EMPLOYEE BENEFITS

The benefits can be systematised by many ways in Hungary, many kinds of benefit has catering purposes, purpose of welfare, or social purpose.

It is also common to give cost contribution by the employer to the employee for example work clothes contribution.

The benefits given by the employer may be:

- **fix** (the benefit is the same for every employee for example HUF 10,000 food voucher for every employee/month)
- **optional** (the benefits can be chosen by the employer from list of benefits within frames of a determined amount) – optional system called “Cafeteria system”

Most common benefits in Hungary

- **Vouchers** – Erzsébet voucher (unprocessed food support); School starting voucher; Culture vouchers; Gift voucher
- **SZÉP Card** – the card has 3 “pockets”, from each pocket different kind of cost can be funded at place the card is accepted. (restaurant meals, accommodation, culture)
- **Local public transport season ticket**
- **Health Care Fund Card**
- **Voluntary pension fund additions**
TEMPORARY WORK – GENERAL ASPECTS

Fixed term employment

The period of fixed-term employment in Hungary shall be determined according to the calendar or by other appropriate means. The duration of a fixed-term employment relationship may not exceed five years, including the duration of an extended relationship and that of another fixed-term employment relationship concluded within six months of the termination of the previous fixed-term employment relationship.

Call for work

Part-time workers employed under employment contract in jobs for up to six hours a day shall work at times deemed necessary to best accommodate the function of their jobs. In this case the duration of working time banking may not exceed four months.

Simplified employment and occasional work

Such an employment relationship is established by the fulfilment of the notification requirement of the employer. Not EU citizen shall only be employed in present employment relationship form in the frame of seasonal agricultural work.

Number of employees in present form of employment is strictly regulated by the Labour Code. Present form of employment between employer and employee shall not exceed 120 days, even if the parties entered into more than one employment relationship.

Temporary agency work

Present employment means when an employee is hired out by a temporary-work agency to a user enterprise for remunerated temporary work, provided there is an employment relationship between the worker and the temporary-work agency (placement).

The duration of assignment may not exceed five years, including any period of extended assignment and re-assignment within a period of six months from the time of termination of his/her previous employment.
Posting of employees

Employers shall be entitled to temporarily reassign their employees to jobs and workplaces other than what is contained in the employment contracts, or to another employer.

The duration of employment in present employment form may not exceed a total of forty-four working days or three hundred and fifty-two scheduled hours during a calendar year. This shall proportionately apply if the employment relationship commenced during the year, if it was entered into for a fixed term or in the case of irregular daily working time and part-time work. The employee affected shall be informed of the expected duration of work in derogation from the employment contract.

In some cases stated in the Hungarian Labour Code employee may not be transferred to work at another location without the employee’s consent.
OVERVIEW OF APPLICABLE LEGISLATION

- Act I of 2012 on the Labour Code;
- Act CLV of 2011 on Vocational Training Contributions and Support for the Development of Training Programs;
- Act LXXX of 1997 on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services;
- Act LXXXI of 1997 on Social Security Pension Benefits;
- Act LXXXII of 1997 on Private Pensions and Private Pension Funds;
- Act LXXXIII of 1997 on the Services of the Compulsory Health Insurance System;
- Act CXVII of 1995 on Personal Income Tax,
- Act LXXV of 2010 on Simplified employment and occasional work relationships

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