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NEWSLETTER HUNGARY

MUTUAL SUCCESS

1/2020

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→ Governmental measures to contain the economic consequences of the COVID-19 pandemic in Hungary

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The new Coronavirus has extended to a worldwide pandemic. As a result, public and economic life comes to a standstill in many countries. In January 2020, there was still hope that the effects would be limited only to Asia but the virus has spread worldwide with significant consequences for the population as well as for the economy and for the enterprises.

Since mid-March 2020, the Hungarian Government has also passed a large number of regulations which are intended to contain/limit these negative effects. Many of the regulations are provisionally valid up and including June but can be extended if necessary. In the following, we would like to present you the most important measures taken by the Hungarian Government so far to contain the economic effects on the population and on the companies.

If you have any questions regarding this topic or if you have specific concerns about any issues that may affect your company, please contact our colleagues who will gladly answer your questions you may have.

LABOR LAW MEASURES

The aim of the Hungarian Government regarding the employment relationships is to make a more flexible employment relationships possible under the present circumstances in order to be able to make the necessary adjustments and to be able to preserve the jobs. The Hungarian Labor Code does not contain any provisions regarding the fact what kind of options the employers have in an emergency or danger situation. In order to overcome this problem, the Hungarian Government has granted the employers and their employees in particular the following simplifications through the government decrees:

- Modification of the schedule of working hours: The employer is entitled to unilaterally modify the schedule of working hours of the employee ignoring the provisions of the Hungarian Labor Code regarding the notification period (notifications at least 96 hours prior to the start of the working time).
- Home-Office and/or telework: the employer is entitled to unilaterally order the home office and/or telework
- Health check: the employer is entitled to have the health of the employees checked at any time
- Bilateral agreement of the parties: the employer and the employee are entitled to deviate from the provision of the Hungarian Labor Code in a bilateral agreement.

No short-time allowance: We note, that **there is no allowances being similar to the German short-time allowance in Hungary** and the Hungarian labor law does not deal with this topic, either. Due to this, it has to be decided in each individual case how a contractual procedure can be achieved for both sides by taking into consideration the legal provisions, e.g. if the short-time work or the temporary interruption of work is intended.

SOCIAL SECURITY CONTRIBUTIONS

According to the Government Decree, certain service providers whose main activities fall into the categories of gastronomy, hotel business, taxi services, sports and leisure businesses, artistic and entertainment sector, event management, gambling business and printed press services shall be exempted from the payment of the employer's part in the social security contribution and in the training contributions (17,5 percent + 1,5 percent)

for the months March, April, May and June 2020. The same applies to the so-called rehabilitation contribution for these four months. The individual beneficiary economic sectors are listed with the NACE-codes (so-called TEÁOR) in the Government Decree.

The affected employees will be exempted from the employees' contribution to the pension insurance up to and including June 2020 and the monthly health insurance contribution will be maximized in an amount of HUF 7,710,- until 30 June 2020. This should not result in any disadvantages for the employees. The pension insurance periods are determined in a way as if the insurance contributions would have been paid for this period.

MATERNITY ALLOWANCE, CHILD BENEFIT

For mothers on maternity leave, their status including the benefits is extended until the end of the state of emergency; the same shall apply for the child benefits (including Hungarian GYED, GYES, GYET)

TAX BURDEN OF SMALL BUSINESSES AND FREELANCERS

Small businesses with an annual income of less than HUF 12 m., whose activity falls especially within the scope of the catering, hotel service, taxi, sport and leisure, arts and entertainment, event organization, gambling, beauty and health sector, fitters' from the construction and of the printed press sector, are exempted from the small business tax "KATA" for the months March, April, May and June 2020. The individual beneficiary economic sectors are listed with the NACE-codes (so-called TEÁOR) in the Government Decree. The payment moratorium for the KATA tax debts incurred before March 1 up to the first quarter after the current state of emergency has also been introduced.

APPLICATION FOR TAX DEFERRALS, REDUCTION OF PAYMENT ON ACCOUNTS

The Government has not introduced any general tax relief. However, applications for tax deferrals for direct or indirect taxes charged due to the consequences of the pandemic are expected to be processed swiftly. The reduction of payment on accounts may also be requested if a significant decrease of sales revenues and profits is expected

in the current business year. However, it is not possible currently to extend the deadline for the submission of the tax returns.

TOURISM DEVELOPMENT CONTRIBUTION

The tourism development contribution will be suspended from March to June 2020.

RULES ON ENTERING AND DEPARTING THE COUNTRY

Foreigners with permanent residence in Hungary (having a residence permit "állandó tartózkodási engedély" or a residence card "lakcímkártya") are still entitled to enter Hungary. In other cases, there is a very strict ban on entries where commuters may be exemptions based on an intergovernmental agreement (e.g. commuters from the border region of Slovakia and Romania). There are currently no travel restrictions for Hungarian citizens. Problems may arise currently for example in case of short-term employment of foreign citizens within the framework of project businesses or maintenance assignments.

TRANSIT TRAFFIC

Goods transport corridors have been determined for transports crossing Hungary and delivering to neighboring countries. The ability of the driver to drive is controlled at the borders and if there is suspicion of illness, a quarantine obligation may be imposed which may also lead to the refusal of entry.

OPENING HOURS OF SHOPS, SERVICE PROVIDERS AND PUBLIC FACILITIES

According to the government decree, shops and restaurants are only allowed to be open between 6:00 a.m. and 3:00 p.m. (employees may be in these premises also outside the opening hours). Exceptions from these restriction of opening hours are grocery shops, pharmacies, drugstores, petrol stations and tobacco shops as well as foods of gastronomies ordered "for takeover or take-out".

The classroom education at schools and universities has been stopped and the nurseries are closed. Online training has been introduced for schools, universities etc..

CURFEW

According to the government decree of 27 March 2020, a curfew has been introduced from 28 March until 11 April. This decree details on what occasions the place of residence and the temporary residence may be left. This includes in particular the way to work, to buy necessary goods, the use of medical services, the help for people in need, individual leisure sport activities. An employer certificate for the journey to work is currently not required.

According to the decree, only people above the age of 65 are allowed to be in the grocery stores, drug stores, markets and pharmacies in addition to those employed there between 09:00 a.m. and 12.00 a.m.. The local regulatory office will monitor the compliance with the above requirements.

DEBT REPAYMENT MORATORIUM

Until the end of the calendar year 2020, the loan repayments, interest payments and also the fee payments for companies and private individuals (including employee loans) will be suspended in relation to the contracts concluded and granted until 18. March 2020. The same applies to liabilities from financing leasing agreements. Short-term corporate loans that are about the expire are automatically extended until the end of the year. The calculation of interests for the duration of the moratorium is also prohibited.

For consumer loans granted since 19. March 2020, the loan costs are maximized at the base interest rate of the Hungarian National Bank "MNB" plus 5 percent.

SHOP RENTS

According to the government decree, certain service providers whose main activity falls into the categories of gastronomy, tourism, sport and leisure, arts and entertainment, event organization, gambling and film production are particularly affected by the COVID-19 pandemic and therefore, the followings have been determined regarding the existing lease relationships of these companies:

Lease agreements regarding premises not serving as living apartments may not be terminated until 30 June 2020. The termination protection may be extended until the end of the state of emergency.

The rental fee may not be increased during the state of emergency even if it were allowed by the agreement.

JUDICIAL AND ENFORCEMENT PROCEEDINGS

Foreclosures and evictions are suspended until the end of the state of emergency and a moratorium has been determined for the enforcement of tax debts up to 15 days after the end of the state of emergency.

OFFICIAL DOCUMENTS

Official documents of Hungarian citizens being valid in Hungary and being about the expire will continue to be valid until 15 days after the end of the state of emergency.

STRATEGIC ENTERPRISES

In order to ensure the continuous supply of the population and of the public institutions, advisers of the ministry of defense are delegated to companies being previously designated as strategic companies. These are particular large companies that are active in the areas of food production and distribution, the pharmaceutical industry, the telecommunication and the energy trading.

SUMMARY

The corona pandemic has a major impact on the population and global economic activity. A large number of companies and their employees are facing difficult times and have significant financial losses. The affected companies shall try to find solution together with their employees so that they can survive the next few months and start again as quickly as possible after the state of emergency.

The business activity has unfortunately significantly decreased for many companies for a variety of reasons. Some of the sales market – for whatever reason – has collapsed, on the other hand, some important supply chains have been interrupted.

We are happy to support you during this difficult time and can offer you company-specific options and alternatives to apply, e.g. in case of an intended “short-time work” or temporary cessation of business”.

We will continue to inform you about other selected events occurring regarding this topic.

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