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EMPLOYING PEOPLE IN HUNGARY

GENERAL OVERVIEW

2025

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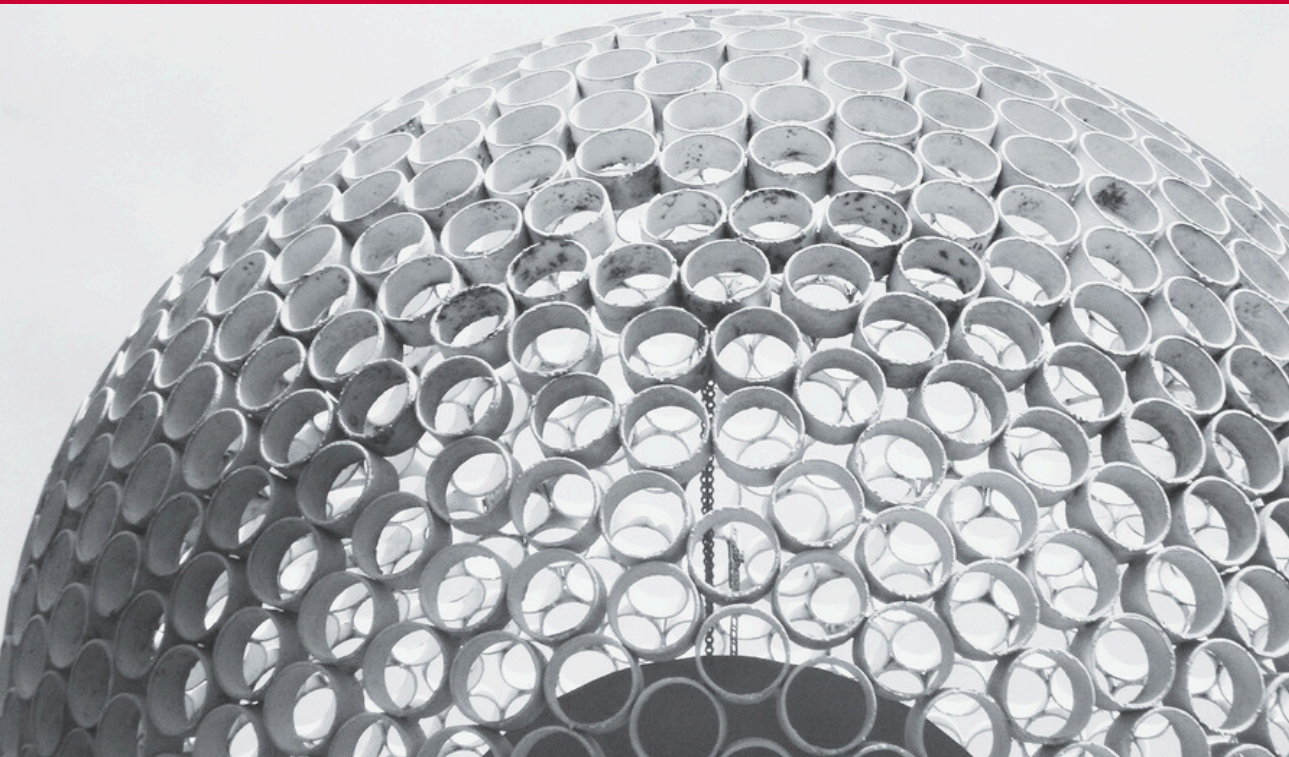
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General information

Registration

Before the establishment of an employment relationship, the employer is required to complete **a registration obligation toward the Tax Authority**.

As part of the registration personal data of the employee and employment data (e.g.: the name of the position, working time per week, first and last day of the employment relationship, qualification of the employees, etc.) prescribed by the relevant regulation should be declared within the following deadlines:

- › Relating to the commencement of the employment relationship, on the first day of the insurance relationship before the work being started;
- › Within 8 days from the date of termination of the relationship.

Labour Contract

A labour relation is deemed to be established by a **labour contract** – entering into this contract is allowed only in written form. In the written contract (beside the personal data of the parties) at least the below two conditions should be indicated:

- › the name of the position
- › the salary of the employee.

Any other employment-related content can be indicated based on the agreement of the parties, if it is in **line with the labour rules**.

A labour contract should be concluded for either a definite or indefinite period. Probation period is applicable in relation to both types of contracts, but the period cannot exceed 90 days.

Within 15 days from the starting date of the employment relationship, employer is obliged to inform the employee of the followings:

- › the daily working hours;
- › any additional elements of the remuneration;
- › the method of calculating the wages, the frequency and the payment date of wages;
- › job description;
- › the duration of paid leave, the way of the determining of paid leave and the rules of taking it out;
- › the rules applied for the determining of the amount of notice period;
- › whether the employee is under the scope of a collective agreement, and the person exercising the employer's rights.

Working Term | Working hours

As a general rule, statutory number of **daily working hours is 8 hours, weekly working hours is 40 hours** in the case of a full-time employment. The number of hours worked per day may not exceed **12 hours and per week 48 hours** including the overtime work. The maximum hours to be worked per week should be taken into consideration on average if **irregular work schedule** is applicable.

Overtime hours are overall limited to 250 hours per year. Starting from 2021, in addition to the above 250 hours an additional 150 hours extraordinary overtime hours can be ordered by the employer based on the written agreement of the employee and the employer.

Minimum Wage

As in most EU member countries, in Hungary legal monthly minimum wages are set regularly.

The minimum wage from 1 January 2025 is **gross HUF 290,800 (or approx. EUR 730) per month for unskilled worker and gross HUF 348,800 (or approx. EUR 870) for skilled workers.**

However, the Hungarian minimum wage is independent of the industrial / commercial sectors and the individual's professional experience, therefore, it applies uniformly to all employees. The only aspect to be taken into account, when we apply it, is which category (unskilled or skilled) the individual belongs to.

The actual salaries are significantly higher. The average gross (monthly) salary amounted to gross HUF 727,700 (or approx. EUR 1,800) in 2024.

Please note that from 1 January 2025, the minimum wage increased by 9% and the guaranteed minimum wage by 7%. However, the minimum wage **will increase by a further 13% and 14% in 2026 and 2027** respectively. The aim of the increase is to bring the amount **up to 50%** of the average wage in three years.

Holiday entitlement

Employees shall be entitled to annual paid holiday comprised of basic and extra holiday.

The amount of basic holiday shall be **20 working days**. This basic amount is increased in accordance with the years of age of the employee and reaches **up to 30 working days** for employees of the age of forty-five and above.

Furthermore, **extra vacation time** is allowed for under certain circumstances (e.g. child care, "hazardous" work health conditions, etc.).

According to the general rule, vacation time should be taken in the respective year. There are only some strict reasons (e.g. illness, maternity leave) based on which paid holidays should be legally taken in the years following the respective year.

National holidays

Hungary has **14 national holidays**. If a national holiday is on Tuesday, the day before, or if it is on Thursday, the day after is also considered as a day-off, and instead of these additional day offs, employees – who are working under general working schedule – are prescribed to work on a specified Saturday.

New Year's Day	1 January
1848/49 War of Independence Memorial Day	15 March
Labor Day	1 May
Founding of Hungary - King Stephen's Day	20 August
1956 War of Independence Memorial Day	23 October
All Saints' Day	1 November
Christmas Days	24-26 December
Good Friday, Easter Sunday and Monday	Variable
Whit Sunday and Monday	Variable



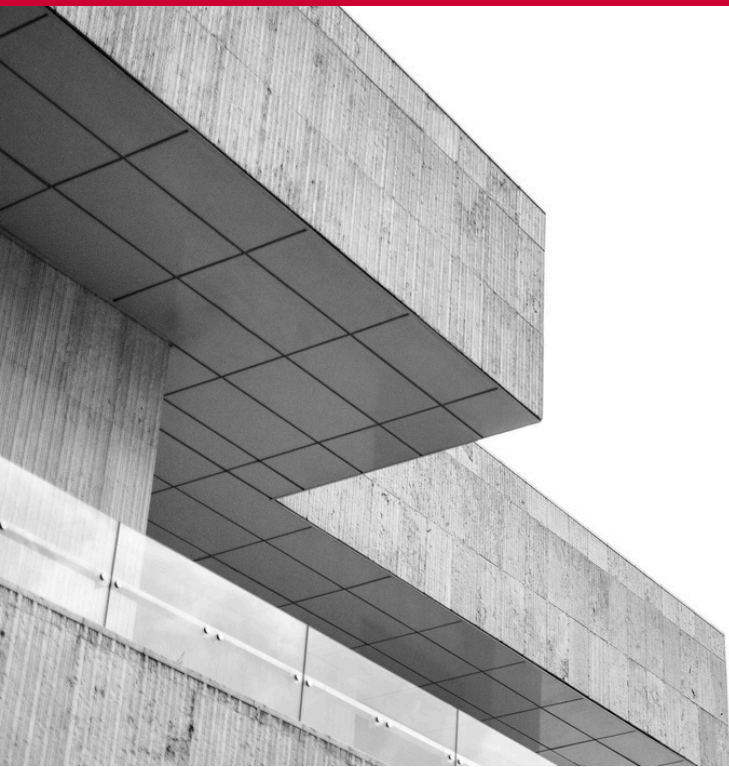
Termination of Employment Contract

A labour relationship may be terminated by the below ways:

- › **mutual agreement**;
- › **notice by any of the parties** (general notice period is 30 days, however, this period is increased based on the years of the related employment relationship and it can be up to 3 months in case of notice by the employer or up to 6 months based on the agreement of the parties);
- › **notice with immediate effect by any of the parties** (without indication the reason for it during the probationary period, but in any other cases only by the indication of the reason).:

An employee shall be **entitled to severance pay**, if his employment relationship is terminated by the employer by notice or by the employee himself by notice with immediate effect.





Details

Social Security and Health Insurance

An employer is obliged to **declare, deduct and pay social security contributions** both on behalf of an employer and on behalf of an employee.

The employer has to pay a **social contribution tax**, which is **13%** of the gross salary of the employees. However, social contribution tax allowances are available if certain conditions are met (e.g. employment relationship with employees entering to the labor market, employment relationship with employees entering the labour market after their maternity leave; women raising three or more children, entering the labor market; employment of workers employed in agricultural jobs or in jobs not requiring professional qualifications, employees with reduced ability to work; persons in public employment, employment of research workers or in relation to research and development activity).



The levels of social security contributions:

2025		
	Employee	Employer
Social security contribution	18.50%	
Social security contribution tax		13.00%
Total	18.50%	13.00%

Employers with at least 25 employees are subject to **rehabilitation contribution** if the number of incapacitated employees is below 5% (mandatory employment ratio). The annual amount of rehabilitation contribution shall be calculated by multiplying the number of employees missing from the mandatory employment ratio by **the amount of 9 times the minimum wage** ($9 \times \text{HUF } 290,800 = \text{HUF } 2,617,200$).

Personal income taxation

Hungarian tax liability is determined by a **person's residency**.

Tax Residency

Hungarian tax residents are taxed on their **worldwide income**, regardless of where they earn it. Non-residents are taxed on their **Hungarian source** income only. Taxpayers should check whether the taxation of their income is regulated by a double tax treaty.

In order to determine the tax residency of a private individual several factors should be taken into consideration, for example:

- > **permanent residence**,
- > **habitual place of residence**,
- > **centre of vital interests**,
- > **nationality**.

If a private individual is considered tax resident in more than one country, the double tax treaty concluded between the two countries should be examined for the determination of the tax residency.

After the determination of the tax residency, the regulation of the **double tax treaty** should be applied as to which country should tax the income concerned.

In order to avoid the **double taxation**, tax treaties include different types of double taxation avoidance techniques, for example applying income exemption in the resident country, if the income is taxable only in the source country, or using tax credits in the resident country if a treaty allows the taxation of the income concerned in both of the countries.

In the absence of a **double tax treaty** with the relevant country, the Hungarian domestic regulations should be applied for determining the tax residency, as well as the taxation of the specified income. The Hungarian domestic regulations provide both for **elimination of tax avoidance** and for **reducing tax burdens** resulting from double taxation.

Individuals who are not considered Hungarian tax residents based on the facts, are deemed Hungarian non-residents and are liable to pay Hungarian income tax only on their Hungarian-source income.

In line with the most of Hungarian double tax treaties, **withholding tax can be applied on some types of income** (for example on interest and dividends), if the income is considered a Hungarian source income.



In the most of the double taxation treaties the withholding tax deductible from a Hungarian source income is usually capped at 15% which equals the domestic personal income tax rate.

The income can be considered as a Hungarian-source income, if it is derived from one of the following activities (non-exhaustive list):

- › employment with a domestic employer;
- › a legal relationship where the party that orders the work is resident in Hungary;
- › activities exercised in Hungary;
- › assets (any property value) located in Hungary.

Tax Base

The income of individuals in Hungary is split up into two main parts with further subdivision applied. These two main parts are:

- › **Consolidated tax base income** (income derived from employment relationship or freelance contracts);
- › **Incomes that are taxed separately** (interest, dividends, capital gains).

Tax base of different types of income is determined by deduction of itemised costs or a flat rate cost from the income, but sometimes cost deductions are not applicable.

Capital Income

Income from capital investments can be split up as follows:

- › Interest income;
- › Income from securities lending;
- › Profit realised on swaps;
- › Dividend income;
- › Capital gains;
- › Income from stock exchange transactions;
- › Income from permanent investments;
- › Income from capital withdrawn from enterprises.





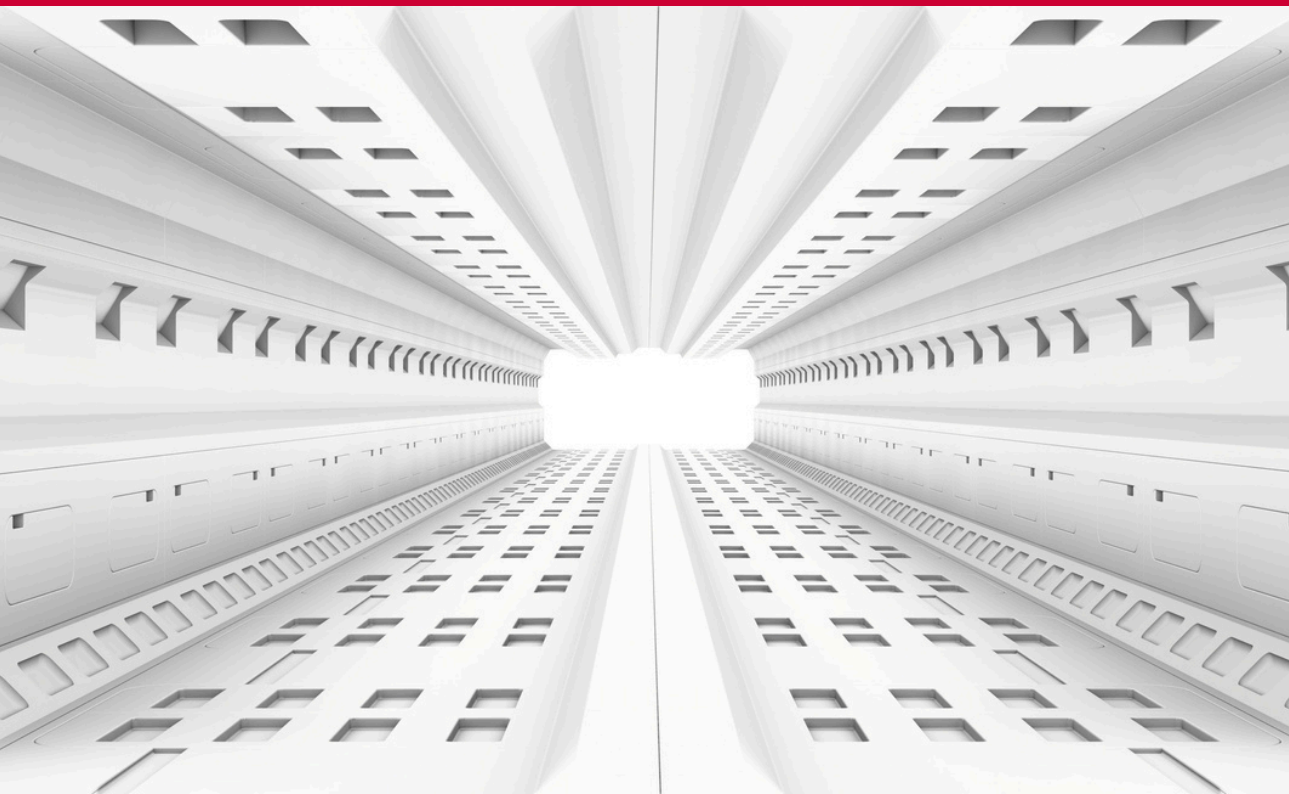
Taxation of cryptocurrency

From 1 January 2022, the income earned on transactions carried out by a cryptocurrency (e.g. Bitcoin, Ethereum, etc.) is no longer part of the consolidated tax base, but **qualifies as a separately taxable income**, meaning that no social contribution tax is payable thereafter as in 2021. The **personal income tax rate is 15%**.

The transaction performed becomes taxable only when the cryptocurrency leaves the "cryptoworld": the conversion of a cryptocurrency to another cryptocurrency is **tax-exempt**.

Provided that certain conditions are met, transaction income that **does not exceed 10 percent of the minimum wage is non-taxable**.





Tax allowances

Tax allowances, tax-base allowances

The regulation provides a possibility for taxpayers to **reduce the tax** of the consolidated tax base or the payable tax. (Should not be confused with the consolidated taxation of spouses which does not exist in Hungary).

Employees/private individuals can claim the following 8 types of allowance:

- › tax base allowance for mothers raising four or more children;
- › allowance for mothers raising two or three children;
- › allowance for infant care allowance, childcare allowance, and adoption allowance
- › allowance for young people under 25;
- › first marriage allowance;
- › family tax and contribution allowance;
- › tax allowance for mothers under 30;
- › personal allowance.

Tax allowance of the mothers raising four or more children

Starting from 1 January 2020 a **new tax allowance** has been introduced whereby **women raising four or more** – own or adopted – **children** are entitled to deduct from their personal income tax base any income earned on certain types of activities (basically employment or work assignments performed in personal capacity). Due to this tax allowance a mother's annual personal tax liability may be **reduced to zero**, if she earned income from employment or work in personal capacity only. Passive incomes such as income from property rent are out of scope of this tax allowance.

Since 2024, an administrative simplification allows eligible individuals to request that the payer consider their tax advance declaration unchanged until they submit a new declaration or request the withdrawal of their previous one. The allowance can be claimed **continuously**, meaning there is no need to submit a new tax advance declaration to the employer or payer providing regular income each year.

Allowance for mothers raising two or three children

On 29 April 2025 the Hungarian Parliament approved the allowance for mothers raising **two or three children**. Mothers raising two or three children are eligible for the allowance if they are **entitled to family allowance** as biological or adoptive parents in respect of the children they are raising, or are no longer entitled to family allowance but **have been eligible for at least 12 years**. Accordingly, the allowance cannot be claimed for unborn children.

The allowance for mothers raising two or three children generally applies to **income from employment**, commission, self-employment and similar sources. It does not apply to income from property rental or capital gains. The good news is that any portion of the allowance that cannot be deducted from the personal income tax base may be taken into account as a family contribution allowance. If eligibility applies for less than the full tax year, the allowance must be applied on a pro rata basis.

The allowance can be claimed by the mother through a **declaration in her tax return**.

The allowance for mothers raising two children will be introduced in four phases:

- › from 1 January 2026, for mothers who have not yet reached the age of 40;
- › from 1 January 2027, for mothers who have not yet reached the age of 50;
- › from 1 January 2028, for mothers who have not yet reached the age of 60;
- › from 1 January 2029, a lifetime personal income tax exemption will apply to mothers of two children, regardless of age.

The allowance for mothers with three children can be claimed for income earned after 30 September 2025, and, in the case of income from employment, for wages accounted for after that date.



Allowance for infant care allowance, childcare allowance and adoption allowance

From July 1, 2025, the infant care allowance, childcare allowance, and adoption allowance will be exempt from taxation.

The infant care benefit (CSED) may be granted to the mother (or in certain cases, another person) for a period of 24 weeks in connection with the birth of a child, provided that she was insured for at least 365 days in the two calendar years preceding the birth. The child care benefit (GYED) is available under the same insurance condition until the child reaches the age of two. The adoption benefit may be granted to an insured parent adopting a child older than two years (or three years in the case of twins), provided the parent meets the required prior insurance period.

According to the new regulation, the amount of these benefits may be deducted from the consolidated tax base, as a tax-reducing allowance. The amount of the allowance is equal to the amount of the benefits received. If the individual receives more than one type of benefit at the same time, the allowance can be claimed for each.

No social security contribution is required to be paid on the infant care benefit and the adoption benefit, so with the introduction of the tax exemption, the full amount of these benefits will be received by the eligible person, without any deductions. However, although the child care benefit will also be tax-exempt, it remains subject to a 10% pension contribution.



Tax allowance for young people under 25

Starting from 1 January 2021 the personal income tax base allowances are to be extended with a new element. The **allowance for young people under 25** can be claimed up to the average national gross wage in the previous July (in this year July 2024) – actually **HUF 636,700** (roughly EUR 1,589), – and it provides **exemption** from personal income tax for young people under 25.

The allowance can be claimed by **citizens of EEA states and non-EEA states bordering Hungary**.

Tax allowance for mothers under 30

The tax allowances for mother under 30 can be claimed as a tax base deduction. The maximum tax relief per tax year is equal to the number of months of eligibility multiplied by the gross average national income published for July of the year preceding the tax year. Please note that **from 1 January 2026, the allowance for mothers under 30 will be significantly changed since the allowance would not be subject to an upper limit of the gross average national income and the benefit would not only be available to mothers over the age of 25.**



Personal allowance

As of 2021 the health care allowance can be claimed as a tax base deduction, this allowance is an allowance in connection with the payable personal income tax in the case of **special health problems or medical disabilities**.

Based on the given statement, the employer or payer decreases the tax advance base for each eligible month by an amount equalling **one third of the minimum wage rounded to one hundred forints** (in 2025 monthly HUF 14,535 – approx. EUR 36)

This allowance can be claimed by a person who suffers from an illness defined in Government Decree 335/2009 (XII.29) on illnesses qualifying as serious disabilities, receives disability allowance or disability support.

Since 2024, an administrative simplification allows eligible individuals to request that the payer consider their tax advance declaration unchanged until they submit a new declaration or request the withdrawal of their previous one. The allowance can be claimed **continuously**, meaning there is no need to submit a new tax advance declaration to the employer or payer providing regular income each year.

First marriage tax allowance

A tax allowance deductible from one's personal income tax base, is **available to first weds**, i.e. the first marriage for at least one party to the couple. The amount of the tax base allowance **which can be claimed by the married couple**, is HUF 33,335 (or approx. EUR 83) on a monthly basis for two years' period from the date of the wedding. It is practically equivalent to a HUF 5,000 (or approx. EUR 12) reduction in personal income tax liability. First marriage tax allowance can be provided together with the family tax allowance if the requirements are met. The allowance can be claimed by citizens of **EEA states and non-EEA states bordering Hungary**.

Since 2024, an administrative simplification allows eligible individuals to request that the payer consider their tax advance declaration unchanged until they submit a new declaration or request the withdrawal of their previous one. The allowance can be claimed **continuously**, meaning there is no need to submit a new tax advance declaration to the employer or payer providing regular income each year.

Family tax and contribution allowance

Private individuals can claim family tax allowance that means if they meet the conditions, they can deduct the amount of family tax allowance from their consolidated tax base.

The family tax allowance is available to **private individuals who are eligible for family allowance in respect of a child or children** according to the Family Assistance Act.

The amount of family tax base allowance - depending on the number of dependants (in fact, school-age children raised in the private individual's household) shall be:

- › **HUF 66,670** (or approx. EUR 166) in case of only one dependant;
- › **HUF 133,330** (or approx. EUR 333) if the number of dependants is two;
- › **HUF 220,000** (or approx. EUR 550) if the number of dependants is three or more

for each beneficiary dependant per each month of eligibility.



Please note that the amount of family tax base allowance - depending on the number of dependants (in fact, school-age children raised in the private individual's household) will be increased in July 2025 as follows:

- › HUF 100,000 (or approx. EUR 250) in case of only one dependant;
- › HUF 200,000 (or approx. EUR 500) if the number of dependants is two;
- › HUF 330,000 (or approx. EUR 820) if the number of dependants is three or more for each beneficiary dependant per each month of eligibility.

Furthermore – in a second step – the amount of family tax base allowance - depending on the number of dependants (in fact, school-age children raised in the private individual's household) will be also increased in January 2026 as follows:

- › **HUF 133,340** (or approx. EUR 330) in case of only one dependant;
- › **HUF 266,660** (or approx. EUR 670) if the number of dependants is two;
- › **HUF 440,000** (or approx. EUR 1,100) if the number of dependants is three or more for each beneficiary dependant per each month of eligibility.

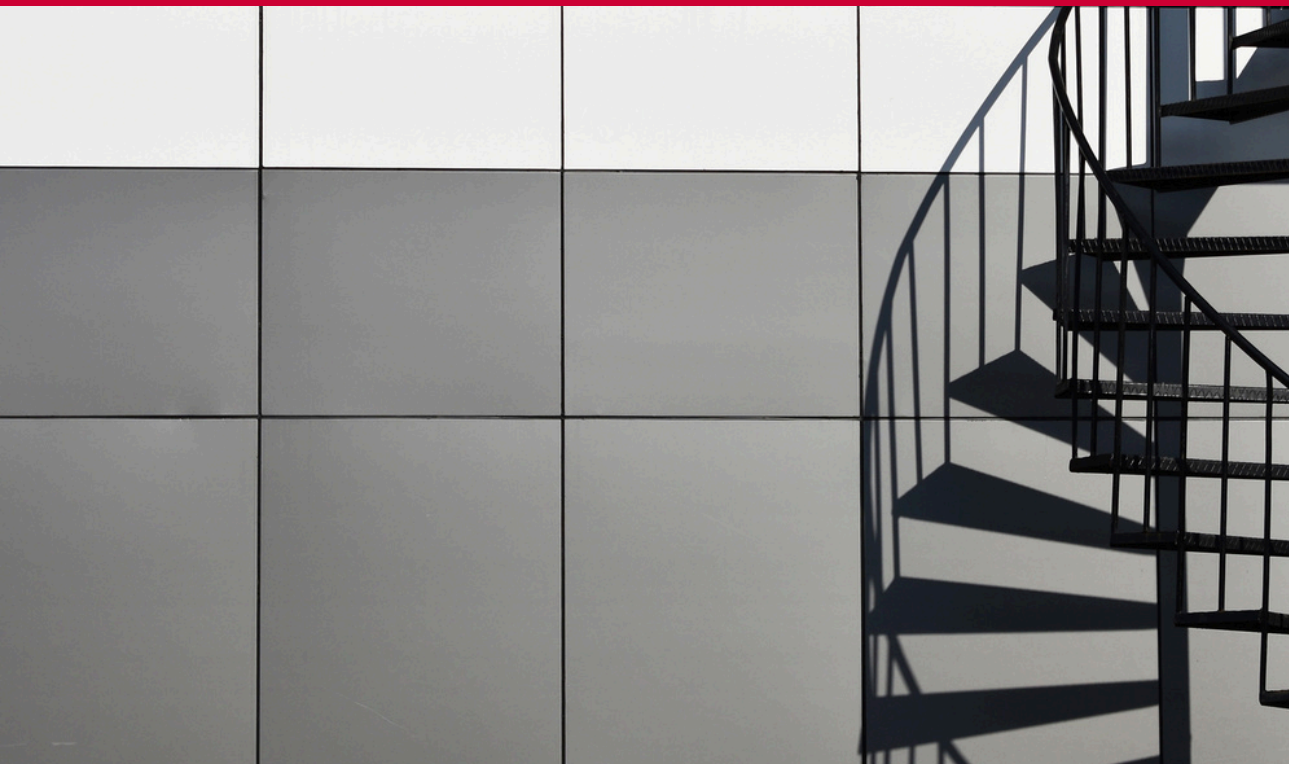
The family tax allowance can be claimed in an increased amount of **HUF 66,670** (or approx. EUR 166; from 1 July 2025: HUF 100,000 – approx. EUR 250) per eligible dependent and per month of eligibility for each dependent who is classified as chronically ill or seriously disabled under the law on family support.

An **individual over the age of 18 is also considered chronically ill or seriously disabled** if they receive disability support instead of an increased family allowance.

The family allowances which have not been used fully because they exceeded the calculated personal tax liability, **may be taken over to the social security tax** due from the private individual's income.

The allowance can also be applied to individuals (beneficiaries, dependents) entitled to family allowance, disability annuity, or other similar benefits under the laws of any **EEA state or a non-EEA state bordering Hungary**, provided that the additional legal requirements are met.





Calculation

Tax rates

The personal income tax rate of all income is 15%.

Tax returns

All individuals, both Hungarian tax residents and non-residents having any Hungarian taxable income are required to file a tax return using the form available on the website of the Tax Authority.

Tax returns must be filed by 20 May of the following year. The aforementioned date is also the due date of the tax payments.

Alternatively, the **Hungarian Tax Authority** prepares personal income tax return drafts for those private individuals on whose behalf their employer (or a legal entity payer under other types of assignments or economic transactions) deducted personal income tax in the course of the tax year and who have personal accounts on the state services portal ("Ügyfélkapu+").

Private individuals should finalise such drafts by amending the amounts presented or overwrite them by filing the full annual tax return mentioned above. If such draft is not **finalised** by the private individual or overwritten by a submitted annual tax return before the assigned deadline (20 May of the year following the tax year), then it becomes the private individual's final personal income tax return.



Tax payments

The employer as a payer shall be required to pay the tax advance assessed by the 12th day of the month following the month when the income was paid and declare it in accordance with the Act on the Rules of Taxation.

Beyond personal income tax obligation, other social security contributions calculated as the percentage of the tax base, should also be deducted, paid and declared.

The amounts of taxes and contributions (in the percentage of the tax base) deducted by the employer from the employees' income derived from employment relationship are:

- › **15.00%** personal income tax,
- › **18.50%** social security contribution.

The employer is liable to below contribution calculated as percentage of the gross salaries:

- › **13%** social contribution tax

If the private individual's income is not liable to tax deductions by the employer (payer), then tax advances should be paid by the individual himself/herself on a quarterly basis by the 12th day of the month following the relevant quarter (a quarterly advance under **HUF 10,000 should not be paid**. When the quarterly advances' aggregated amount achieves HUF 10,000, then in this quarter this aggregated advance becomes payable).

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