



PS HUNGARY NEWSLETTER

14 September 2015

I **EXPANDED REPORTING REQUIREMENTS ON NEWLY HIRED EMPLOYEES**

As of 1 January 2016 the sections of the Rules of Taxation (Act XCII of 2003) detailing the employers' obligation to notify the Tax Office about new hires will be amended. In addition to the current information requirement employers taking on a new employee will be required to supply details also on the educational background of the employee along with the name of the educational institute and the reference number of the document attesting the employee's qualification.

As of now, specifics on the exact content of the report are yet to be disclosed which leaves a number of questions still open (e.g. whether all qualifications are to be reported or just the highest education, or just the one required for the work position). Nevertheless, it is recommended for employers to make preparations in advance by updating their new hires information request form. As per

our interpretation the extended reporting requirement will not be applicable to the workforce currently employed and will only target new entrants entering into a work contract after 1 January 2016.

II **TEMPORARY STAFFING – NEW DIRECTIVE FOR THE CALCULATION OF DISABILITY CONTRIBUTION**

According to the amendments made to the Act on Disability Allotments (Act XCCI of 2011) starting from 19 July 2015, individuals hired through temporary staffing agencies will have to be accounted for in the head count of the hirer by default, (until this date, temporary workforce had to be considered in the head count of the temporary agencies). As the head count (and its mix of employees living with or without disabilities) is the key variable for disability contribution calculations, the change is going to have a direct impact on the amount of disability contribution

RECENT PAYROLL CHANGES



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liability for both the temporary agencies and the companies employing temporary workforce. However, the parties can deviate from the default rule and thus can keep the temporary workforce in the agencies' head count at their discretion, provided their intention is documented in a written declaration issued by the agency. The rate and calculation method of the disability contribution remains unchanged – its annual amount remains HUF 964,500 per capita payable by employers with a head count of over 25 provided the number of employees living with disability does not reach 5% of the total head count.

III SOCIAL SECURITY POSITION OF THIRD COUNTRY INDIVIDUALS ON SECONDMENT

As of 1 July 2015, third country employees working in Hungary on a secondment with a duration of more than 2 years are no longer exempt of social security liabilities. For secondments which had started earlier, the 2 years' period shall be counted from 1 July 2013 thus these individuals become insured as of 1 July 2015 the earliest.

Citizens shall be considered of third country origin when arriving from a country outside the EEA or Switzerland provided the country does not have a bilateral social security agreement with Hungary. In case there is such an agreement in place, then the provisions of the agreement shall prevail.

The social security obligation starts from the first day of the secondment in case the duration of the secondment exceeds 2 years. Special compliance rules apply for those cases where the employer is a foreign company without an obligation to register in Hungary.

IV TRAINING FUND CONTRIBUTION – EXPANDING OPPORTUNITIES FOR ALLOWANCES

On 27 May 2015 several changes have been passed also to training fund contribution of which the following are worth noting:

- a) New opportunities to reduce the contribution liability will become available for those who offer employment under an apprenticeship agreement. On top of

the conventional basic reductions, additional reducing items will be introduced from 1 January 2016 with respect to

- i. investments: eligible on investments related to practical training;
 - ii. tutors: opportunity for small and medium-sized enterprises;
 - iii. workshop maintenance: for the trainings of the 9th graders in KTM (with some exceptions).
- b) Small and medium-sized enterprises will be eligible to account for both basic and additional reductions when requesting a contribution refund
 - c) The concept of dual trainings (in higher education) will be codified and thus the cost of such trainings will be recognizable as training fund contribution reducing item
 - d) In case the training contribution is satisfied by way of the cost of the training of own employees, the condition that at least 45 employees have to participate in the training can also be fulfilled by enrolling employees from linked or partner enterprises.

V CHANGES OF THE NATIONAL HEALTH FOUND'S FAMILY SUPPORT BENEFITS

Pursuant to a new rule effective as of 1 July 2015, the amount of Child Care Allowance and Child Care Benefit (GYES, GYED) received for a second child cannot be less than the same benefit allotted for the first child. The new regulation is only applicable to newborns born during the period for which the parent is eligible for Child Care Allowance and Child Care Benefit for the first child, or during the one year period past eligibility.

The purpose of our newsletter is to provide general information and to draw the attention to the current changes in law which we believe to be important for the business operation of our clients. It is not a replacement for careful review of the acts and rules and the consultation with your tax advisor.

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