

NAVIGATING HUNGARY'S LABOR LAWS - A COMPREHENSIVE GUIDE FOR EMPLOYERS



**Your Essential Handbook for
Compliance & Best Practices**

Provided by

TABLE OF CONTENTS



01

**INTRODUCTION: WHY
UNDERSTANDING HUNGARIAN LABOR
LAWS MATTERS**



02

**OVERVIEW OF HUNGARY'S
EMPLOYMENT REGULATIONS**



03

**MANDATORY EMPLOYEE BENEFITS
AND ENTITLEMENTS**



04

PAYROLL AND TAXATION IN HUNGARY



05

**BEST PRACTICES FOR COMPLIANCE
WITH LOCAL LABOR LAWS**



06

**CHALLENGES OF EXPANDING
INTO HUNGARY**



07

**CASE STUDIES: SUCCESSFUL HR
STRATEGIES IN HUNGARY**



08

CONCLUSION & NEXT STEPS

INTRODUCTION: WHY UNDERSTANDING HUNGARIAN LABOR LAWS MATTERS



Hungary is an **attractive destination for business expansion** due to its **strategic location, competitive labor costs, and skilled workforce**. As a **member of the European Union (EU) and Schengen Zone**, Hungary provides companies with **access to the broader European market** while maintaining **business-friendly tax incentives and industrial growth**.

However, navigating Hungary's labor laws, payroll regulations, and compliance obligations requires a thorough understanding of **The Hungarian Labour Code (Munka Törvénykönyve – Act I of 2012)**, which governs employment contracts, payroll, benefits, and termination procedures.

This white paper provides a comprehensive guide for businesses expanding into Hungary, covering employment regulations, payroll requirements, best HR compliance strategies, and real-world case studies.

OVERVIEW OF HUNGARY'S EMPLOYMENT REGULATIONS

📌 Key Legal Framework

Employment relationships in Hungary are regulated by:

- **The Labour Code (Act I of 2012)** – Governs employment contracts, working hours, and termination.
- **The Social Security Act** – Covers pensions, health insurance, and social security contributions.
- **The Personal Income Tax Act** – Defines tax obligations for employers and employees.
- **The Occupational Health and Safety Act** – Ensures workplace safety compliance.

Hungary's labor laws **align with EU employment directives**, ensuring worker **protections and employer obligations**.

📌 Types of Employment Contracts in Hungary

- ✓ **Permanent (Indefinite-term) Contracts** – The most common contract type, providing full employee protections.
- ✓ **Fixed-term Contracts** – Maximum 5 years, renewable under specific conditions
- ✓ **Part-time Contracts** – Must specify working hours, with proportional benefits
- ✓ **Temporary Work Contracts** – Used for seasonal or project-based work.
- ✓ **Probation Periods:**
 - Maximum 3 months.
 - Can be extended by collective agreements.

All employment contracts must be in writing and signed before the employee starts working.

MANDATORY EMPLOYEE BENEFITS & ENTITLEMENTS

Employers in Hungary must provide **statutory benefits** to ensure compliance with labor laws.

✦ Paid Leave and Public Holidays

- **Annual Leave** – Minimum 20 working days, increasing with tenure
- **Public Holidays** – **11 national holidays**, including Hungary's National Day and Christmas.
- **Sick Leave**
 - First 15 days paid at 70% by the employer
 - From day 16 onwards, covered by social security at 50–60% of salary

✦ Maternity, Paternity, and Parental Leave

- **Maternity Leave** – 24 weeks paid at 100% of salary, covered by social security.
- **Paternity Leave** – 10 working days fully paid, covered by social security.
- **Parental Leave** – Up to 2 years unpaid leave, with job security.

✦ Other Employee Benefits

- **Social Security Contributions** – Covers medical care, pensions, and unemployment benefits.
- **13th-Month Salary (Optional)** – Some companies provide a holiday bonus equivalent to one month's salary.
- **Workplace Accident Insurance** – Required for all employers.

Providing additional benefits such as private health insurance, travel allowances, and meal vouchers helps companies **attract and retain top talent**.

PAYROLL AND TAXATION IN HUNGARY



📌 Payroll Contributions (2024)

Employers in **Hungary** must withhold and pay taxes for employees.

🕒 Employee Contributions

- Personal Income Tax (PIT): 15% flat rate
- Social Security Contributions: 18.5% of gross salary

🕒 Employer Contributions

- Social Security Contributions: 13% of gross salary
- Total Employer Cost: Gross salary + 13% employer-paid social security

Employers must submit payroll reports monthly to the **Hungarian National Tax and Customs Administration (NAV)** and ensure timely tax and social security payments.

BEST PRACTICES FOR COMPLIANCE WITH LOCAL LABOR LAWS



To ensure compliance with **Hungarian labor laws**, businesses should adopt the following best practices:

- ✓ **Ensure Legally Compliant Employment Contracts** – Contracts must be in writing and registered with local authorities
- ✓ **Monitor Working Hours & Overtime** – The standard workweek is 40 hours, and overtime must be paid at 150%-200% of the regular wage
- ✓ **Automate Payroll Processing** – To ensure accurate tax deductions and social security contributions
- ✓ **Follow Proper Termination Procedures** – Employees must receive notice periods based on tenure (30 days to 6 months).
- ✓ **Stay Updated on Employment Laws** – Hungarian labor laws change frequently, requiring HR teams to stay informed.
- ✓ **Engage a Local HR Partner** – Outsourcing payroll and HR administration ensures compliance with **Hungarian employment regulations**.

CHALLENGES OF EXPANDING INTO HUNGARY



- **Frequent Legislative Updates** – Tax and labor laws change regularly.
- **Payroll & Tax Complexity** – Employers must manage PIT, social security, and health insurance
- **High Employer Contributions** – 13% of gross salary, increasing labor costs.
- **Strict Termination Laws** – Employees have strong protections against unfair dismissal.
- **Remote Work Compliance** – Employers must ensure homeworking policies comply with tax and labor laws.

Partnering with an **HR outsourcing provider** can help businesses **overcome these challenges** efficiently.

CASE STUDIES: SUCCESSFUL HR STRATEGIES IN HUNGARY



📌 Case Study 1: A Tech Startup Expanding to Budapest

Challenge: Managing payroll and labor law compliance.

Solution: Partnered with an Employer of Record (EOR) to handle payroll, benefits, and tax compliance.

Result: Successfully expanded operations while ensuring full labor law compliance

📌 Case Study 2: A Manufacturing Firm Facing Complex Workforce Regulations

Challenge: Understanding termination rules and severance obligations.

Solution: Consulted an HR advisory firm to ensure legally compliant dismissals and HR policies.

Result: Avoided legal disputes and ensured compliance with Hungarian labor laws

*These case studies highlight how **expert HR support** can **streamline business operations in Hungary.***

CONCLUSION & NEXT STEPS



Navigating **Hungarian labor laws** requires a deep understanding of employment regulations, payroll obligations, and HR best practices. Employers must prioritize compliance, adopt efficient HR systems, and consider outsourcing HR functions for smoother business operations.

 **Looking for expert HR support in Hungary?**

Europe HR Solutions (EHRS) specializes in payroll, compliance, recruitment, and HR outsourcing, helping businesses stay compliant while streamlining operations.

 **Contact us today** to discuss how we can simplify HR for your business in Hungary!

Need HR support in Hungary?

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