

BENEFITS IN HUNGARY – update for 2017

11 January 2017

Special benefits in Hungary

The Cafeteria system

In Hungary, there is no obligatory benefit or bonus allowances that an employer must certainly offer however once a voluntary benefit or a benefit plan is set up than it is called the „Cafeteria System” and preferential tax treatments may applicable.

May employers offer such or similar benefits as a part of a more attractive compensation package and for three main reasons:

1. its contributes to the competitiveness of any compensation package,
2. the constructed benefit system (no matter if only one or several benefits included) is more cost efficient for an employer,
3. the employer has the flexibility to offer only one benefit or several other benefits with each of its own yearly amount limits which are very generously determined for exploit the preferential taxes.

Important conditions for any benefits / benefit plans

Benefit(s) or any such identical allowances must be offered and be available for ALL employees and senior officers specified in an internal policy at identical conditions and manner.¹

2017 Annual limit and taxation

I. Tax – free benefits

- Entry ticket or season ticket to sport events for individual up to HUF 50,000 per annum.
- Entry ticket or season ticket to cultural events for any individual up to HUF 50,000 per annum per employee.

II. Benefits subject to preferential tax treatments

	BENEFIT TYPE	BENEFIT APPLICABLE	MAXIMUM BENEFIT AMOUNT PER ANNUM OR MONTHLY**	APPLICABLE TAX	MAXIMUM AMOUNT INCLUDING SELECTED BENEFITS
1	Erzsébet VOUCHER	Purchasing cold food at grocery stores	No limit BUT the yearly amount cap is still applicable	43.66%	TOGETHER AT MOST HUF 200,000 PER ANNUM
2	Local travel - value of the seasonal public transport ticket	Travel cards / tickets.	10,500 HUF / month	43.66%	
3	Back-to- school benefit VOUCHER	Supporting employee's childrens school beginning costs	30% of the minimum monthly wage / child / annum	43.66%	
4	Voluntary Pension fund**	-	50% of the minimum monthly wage / month	43.66%	
5	Voluntary Private Health fund CARD *	Including any private health insurance	30% of the minimum monthly wage / month	43.66%	
6	Petty –cash cafeteria benefit	Only cash	HUF 100,000 / annum	34.22%	TOGETHER AT MOST HUF 450,000 PER ANNUM
7	Voluntary Card - CATERING*	For meals & drinks (incl. breakfast, lunch, supper)	HUF 150,000 / annum	34.22%	
8	Voluntary Card - ACCOMODATION*	Accomodation (e.g.:in Hotels)	HUF 225,000 / annum	34.22%	
9	Voluntary Card – RECREATION *	Recreational services (e.g. Fitness gym season tickets)	HUF 75,000 / annum	34.22%	

(*) Points 5,7,8,9: Such cards work as a debit card. The employer of record transfers the monthly benefit amount to the card and employee may use it at his/her convenience for catering/accommodations/recreational or health/pharmacy institutes where the card is accepted as a payment type. Alcohol beverages / cigarettes / tobacco products can not be paid with the catering benefit cards at all.

(**) Point 4: Employer of record must open a pension fund account at a preferred pension fund bank where employee can have an individual account. Such voluntary benefit can not be used before the employee reaches the retirement age (currently age of 65) in Hungary.

The yearly benefit amount caps must be calculated pro rata in case an employee is not employed continuously a full year from 1 January to 31 December.

III. Other special or non-cafeteria benefits subject to other taxation

	BENEFIT TYPE	BENEFIT FOR	MAX. AMOUNT PER ANNUM	APPLICABLE TAX
1	Meals and other service related to official or business travel when refunded on the bases of adequate expense documentation *	Official or business purpose only	No Limit	43.66%
2	Entertainment and business gift without limiting the amount; Gifts for promotion / business policy.	For business partners / customers and its persons	No Limit	43.66%
3	Gift of petty value	Provided max. 3 times a year	Up to 10% of minimum wage / annum	43.66%
5	Entry ticket or season ticket to SPORT EVENTS	For employee or his/her family members	HUF 50,000 / annum	Tax-exempt up to the limit. Over the limit 43.66%
6	Entry ticket or season ticket to CULTURAL EVENTS	For employee or his/her family members	HUF 50,000 / annum	Tax-exempt up to the limit. Over the limit 43.66%
7	Health insurances / premium (saving or non-savings type) paid by the employer / employee / by other persons.	Including private health insurance	Maximum 38 250 HUF / month	43.66%
8	Risk life - insurance (non-saving life insurance type only)	With respect to the same insured employee.	Maximum 38 250 HUF / month	Tax-exempt up to the limit. Over the limit 43.66%

IV. Some special terms and conditions

- The amounts exceeding the annual individual or group limits as set out in section I-III. the applicable tax changes from the preferential to the higher 43.66%.
- Each benefit payment has its special term and conditions defined by the applicable benefit law (e.g. necessary administration / VAT bills / ticket requirements) that defines if the actual benefit can be payable by the employer, otherwise the Employer has the right to refuse any benefit payment without notice.
- Each benefit payment shall be paid in the subject month, otherwise no preferential tax can be applicable for the previous/following or any additional monthly benefits might paid together with the subject monthly one.
- The yearly amount of a benefit shall be reduced pro rata in case of an employee does not work a full year at the employer.

Should you have any questions or need more detailed information on [benefits](#), please do not hesitate to contact our HR compliance team in Hungary (hungary@coberonchronos.com, phone: +36 1 268 1216).