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Employment Newsletter

Update on recent developments in Hungarian employment regulations and on the human resources aspects of the current COVID-19 situation.

July 31, 2020

On June 18, 2020, the Hungarian government lifted the state of emergency and the lockdown imposed in spring to combat the COVID-19 pandemic in Hungary, and introduced special interim rules on the roll-back of emergency legislation. This gave Hungarian employers the opportunity to prepare for a return to business as usual and afforded companies, entrepreneurs and HR departments some much needed time to contemplate and plan for the "New Dynamic" to come.

The COVID-19 task force and dedicated informative website created by the government remain operational and continue to follow the pandemic situation in Hungary closely. With a view to recent developments in Hungary and neighboring countries, the government has re-introduced international travel restrictions and announced additional policy plans in readiness for a second wave of the pandemic.

This newsletter provides an update concerning employment and HR related legislative developments that have occurred or been announced since the end of the state of emergency, with the aim of identifying goals that improve day-to-day operations and can prove crucial in the event of a return to lockdown.

1 Work from home and remote work arrangements

Pursuant to government decrees introduced during the state of emergency, employers were able to deviate from certain rules of Hungarian labor law, including those pertaining to unilaterally imposed work from home or remote work arrangements and working time scheduling. These decrees are, however, no longer applicable, and businesses intending to employ their staff on a home-office / remote work basis will find it necessary to consider (i) amending employment agreements; (ii) prepare appropriate work from home or remote work policies; and (iii) in the case of regular or long-term home-office or remote work, prepare risk evaluations.

Public announcements made in the past couple of days suggest that the government will review the regulation on remote working arrangements as part of its autumn legislative agenda, and it appears that a change in the law may be expected to take effect before the winter. Such changes are widely expected to entail an update of the Labor Code provisions, many of which are deemed obsolete and inflexible.

2 Pandemic business continuity planning

Employers which have not already introduced Pandemic Business Continuity Plans, should take the opportunity provided by the currently more relaxed pandemic situation to review the contingency actions they have taken and set up a continuity plan. The continuity plan should address issues such as informing employees, attention to cleanliness of work spaces, cancelling events or organizing them remotely, reviewing access to premises, allocating organizational responsibilities. It should also specify the procedure to be followed in the case of employees returning from abroad, and of infected or potentially infected employees.

Such a continuity plan could go a long way in terms of mitigating the fall-out from a potential re-introduction of the lockdown should a second wave of mass infections hit Hungary in the coming months.

3 Availability of COVID-19 related wage subsidy programs

The Government continues to make available previously introduced wage subsidy programs aimed at job retention with respect to (i) employees placed on reduced working hours due to COVID-19 contingencies, and (ii) R&D positions. Businesses may submit applications to participate in these programs on August 31, 2020. Please consult our **earlier newsletter** on the detailed preconditions and method of application.

The government will contribute to the labor market integration of those who are more difficult to employ from July 16, 2020. The job creation subsidy will be available for registered jobseekers under the age of 25 and long-term jobseekers. Applications for the subsidy submitted until July 15, 2020 may be assessed in accordance with the previous publication. However, from July 16, 2020, only applications for support for disadvantaged jobseekers will be accepted. The job creation subsidy application can be submitted from July 16, 2020 until the revocation of the publication that established it.

4 Travel restrictions

The government of Hungary introduced a new international travel restriction scheme in mid-July, which classifies foreign countries (including EU member states) as “red”, “yellow” or “green” depending on the severity of their COVID-19 situation. The government’s COVID-19 task force is monitoring infection data shared by foreign countries and updates the classifications accordingly. For more information on the categorization of countries, please see the table below, listing “red” and “yellow” countries.

Only persons coming from “green” countries may enter Hungary without a health check and avoid quarantine. Hungarian citizens (and foreign nationals who have previously obtained a residence permit or have a permanent address in Hungary) entering from “red” and “yellow” countries must undergo a medical examination (based on spot checks) upon crossing the border, and are quarantined for 14 days unless they demonstrate a negative infection test. Foreign nationals (with the exception of those who have previously obtained a residence permit or have a permanent address in Hungary) may not enter Hungary from “red” countries, and may only enter Hungary from “yellow” countries if a medical examination conducted at the border (spot check) shows no suspicion of infection.

COUNTRIES CLASSIFIED AS “YELLOW”	COUNTRIES CLASSIFIED AS “RED”
Bulgaria, United Kingdom, Norway, Russian Federation, Romania, Serbia, Sweden, Japan, China, United States, and Canada.	Albania, Bosnia and Herzegovina, Belarus, Kosovo, North Macedonia, Moldova, Montenegro, Ukraine, all other countries of Asia, all other countries of America, all countries of Africa, and all countries of Oceania

5 Changes affecting tax burdens on consulting and services agreements

The Act on Itemized Tax for Small Businesses (in Hungarian: KATA) has been amended. The amendment will become effective as of January 1, 2021, and will require companies receiving invoices from KATA taxpayers in excess of HUF 3 million (approximately €8,500) in a given year to pay 40% tax on that part of a KATA taxpayer’s invoice that exceeds the HUF 3 million threshold.

The change may decrease the popularity of KATA and, depending on the outcome of relevant tax reviews and re-assessments, require some businesses to consider the termination or amendment of certain services and consulting amendments or explore alternative forms of contracting/employment.

One of the advantages of being a client of Dentons is that you have access to the **New Dynamic Hub**, containing a range of articles and other information from Dentons lawyers across 75+ countries. This may be of interest, especially if you have operations in other parts of the globe.

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