

Economy and job protection measures adopted due to the COVID-19 pandemic (Hungary)

March 20, 2020

On March 18, 2020, Hungarian Prime Minister Viktor Orbán announced several immediate measures aimed to mitigate the negative effects of the COVID-19 pandemic on the Hungarian economy. These measures are set out in Government Decree No. 47/2020 (III. 18.), with further details soon to follow in other legislative instruments.

We set out below key measures adopted by the Hungarian Government.

1 Measures on debtors' obligations

1.1 Moratorium on all loan repayments for individuals and companies until December 31, 2020

A payment moratorium will be applied until December 31, 2020 (this date may be extended by the government) on all contractual loan and financial lease obligations disbursed before the midnight of March 18, 2020 by financial institutions. The moratorium is not forgiving debt, interest will continue to accrue during this period and the repayment period will be extended accordingly. The moratorium covers all principal repayment and ancillary payment obligations, such as interest, commissions and fees set in loan and financial lease agreements. The extension of the repayment period applies to the ancillary obligations as well (e.g. guarantee, pledge). Consequently, the creditor cannot enforce any of the debtor's financial obligations until the end of the moratorium.

In general, the moratorium would be an obligation for the creditor. Nonetheless, the debtor may voluntarily fulfil its payment obligations in accordance with the original contractual conditions.

Further details will follow, as certain elements of the new legislation (e.g. its effect on overdraft-type debts) or agreements governed by a law other than Hungarian remains to be clarified.

1.2 New consumer credit interest rates will be capped at the base rate of the Central Bank of Hungary plus 5% maximum

As of March 19, 2020, the maximum interest rate of consumer credits, which is not secured by any mortgage, cannot exceed the base rate of the Central Bank of Hungary by more than 5%, which means that the current maximum consumer interest rate is 5.9%.

2 Measures regarding the sectors most affected by the COVID-19 pandemic

2.1 Lease contracts cannot be terminated, and rental prices cannot be increased

In sectors most severely affected by the COVID-19 pandemic, such as tourism, catering industry, entertainment, gambling, film industry, event management, performing arts, and sports services, the rental fee for non-residential premises should not be increased and the lease agreement should not be unilaterally terminated until June 30, 2020. The ban on contractual termination may be extended by the government until the end of the state of emergency.

2.2 Tourism and passenger transportation

Tourism development contributions are suspended from March 1, 2020 to June 30, 2020. Furthermore, taxi drivers invoicing under the framework of the Fixed-rate Tax of Small Taxpayer Enterprises (KATA) will be exempted from paying fixed-rate taxes until June 30, 2020.

2.3 Sector-specific tax exemptions aimed at decreasing wage costs

Employers operating in the tourism, catering, entertainment, gambling and film industries and companies undertaking event management, performing arts and sports services are exempted from payment of social contribution tax and social security contributions – in the case of the latter, with the exception of the public healthcare contribution, payment of which continues to be obligatory with a temporary cap of HUF 7,710 (approximately EUR 20) per employee. The temporary tax exemptions/reduction will apply during March, April, May and June of 2020.

3 Temporary deviations from general employment law regulation

3.1 Remote work arrangements

In order to facilitate social distancing, the Government of Hungary issued a decree which temporarily allows employers to unilaterally put in place remote work (work from home) arrangements.

Remote work normally requires amending employment agreements or – at least – introducing a remote work policy and may only be required (without consent) to work remotely for a period of up to 44 work days.

3.2 Changes to working time schedules

Working time schedules (i.e. allocation of contracted hours) may be amended by employers unilaterally under general circumstances, but in order to allow employer to better adapt their operations to COVID-19 contingencies, the Government of Hungary issued a decree which allows employers to disregard the normally applicable requirement of providing 96 hours of notice when implementing changes to regular working time allocation.¹

3.3 Processing employee health data

A decree issued recently by the Government of Hungary, which explicitly permits employers to take necessary and proportionate steps to check the health (infection) status of their employees. This may allow employers to process employee data that would normally qualify as sensitive, so far as such data processing is necessary and proportionate to the scale of the emergency. We note though, that the Hungarian Data Protection Authority issued a guidance just before the emergency declared by the Government in which it discouraged general and indiscriminate use of body temperature checks upon entry to workplaces that are carried out by the employer in lieu of health professionals. As the pandemic situation is emerging rapidly, we expect that the Hungarian Data Protection Authority may update its guidance in this regard.

If you would like assistance in reviewing your contracts to understand your position and available options, please get in touch with the contacts listed with this article or your usual Dentons Budapest relationship manager.

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