

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

March 27, 2020

1. Security measures applicable to certain “essential” companies

Additional security measures are applicable to companies which are identified as essential to the Hungarian economy (e.g. energy, telecommunication sector), while the list of identified companies may be amended later, subject to the development of the COVID-19 pandemic. The Ministry of Interior has sent Local Action Groups to assist in the management of the identified companies. However, it is not clear how these action groups will collaborate with the operative and strategic decision-making bodies of these companies.

Furthermore, if there is imminent danger caused by the worsening state of emergency, any company may be subject to control by the State. In such case, the company concerned is obliged to cooperate with the representatives of the State without immediate, direct remedy against the takeover decision. Nevertheless, the State shall be liable for compensation for the damage caused.

In the case of State control, the Minister of Finance or the designated government commissioner acting on behalf of the State shall be entitled to exercise the following rights over the company's management:

- review of the financial position of the company;
- approval and countersigning of the financial liabilities of the company; and
- making decisions on preventing re-occurrence of the situation that led to the introduction of such extraordinary measures, and mitigation of its consequences.

Again, we note that the legislation is not entirely clear and interpretation of the above rights will be subject to a case-by-case analysis.

2. Further economic measures to mitigate the effects of Covid-19

On March 23, 2020, the Hungarian Government announced further measures aimed to mitigate the adverse effects of the COVID-19 pandemic on the Hungarian economy. These measures are set out in Government Decrees No. 57-61/2020 (III.23) and 68/2020 (III.26).

2.1 Tax exemption from fixed-rate tax of small taxpayer enterprises (Hungarian abbreviation: KATA)

“Small taxpayers” invoicing under the framework of KATA are exempt from paying fixed-rate taxes from March to June for the following business activities, provided that the exempted business activity was registered under their KATA obligation in February 2020:

- Taxi operation
- Hairdressing and other beauty treatment
- Painting and glazing
- Other human health activities
- Electrical installation
- Physical well-being activities
- Performing arts
- Plumbing, heat and air conditioning installation
- Specialist medical practice activities
- Joinery installation
- Sports and recreation education
- Roofing activities
- General medical practice activities
- Floor and wall covering
- Dental practice activities
- Support activities to performing arts
- Other sports activities
- Hospital activities
- Organization of conventions and trade shows
- Camping grounds, recreational vehicle parks and trailer parks
- Fitness facilities
- Other food service activities
- Other accommodation
- Gambling and betting activities
- Social work activities without accommodation for the elderly and disabled
- Hotels and similar accommodation

2.2 No sanctions for delay in payment

Repayment of KATA-related tax debts incurred before March 1, 2020 by small-taxpayers is suspended until the end of the state of emergency. Such debts bear no interest and shall be repaid in ten equal instalments within the 10-month period from the first quarter of the business year falling after the end of the state of emergency. Please note that such suspension is applicable for all “small-taxpayers” and not only ones that conduct the activities indicated above.

2.3 Sector-specific tax exemptions and tax reductions aimed at decreasing wage costs

Employers conducting the following business activities are exempt from payment of social contribution tax and vocational training contribution:

- Taxi operation
- Accommodation services
- Food beverage service activities
- Publishing of newspapers
- Publishing of journals and periodicals
- Motion picture, video and television program production, sound recording and music publishing activities
- Programming and broadcasting activities
- Organization of conventions and trade shows
- Creative, arts and entertainment activities
- Gambling and betting activities
- Sports activities and amusement and recreation activities
- Travel agency, tour operator reservation service and related activities
- Physical well-being activities (provided that they are in compliance with the rules of Public Welfare Minister's decree 37/1996 (X.18.) on the foundation and operation of public baths) and
- Inland passenger water transport

Furthermore, in the case of these employers, the Government also introduced a temporary reduction of social security contributions normally deducted from gross salaries by employers by introducing a cap of HUF 7,710 (approximately EUR 20) per employee for the in-kind health insurance contribution and suspending collection of pension contributions and labor market contributions.

In the case of taxpayers under small business taxation (Hungarian abbreviation: KIVA) wage costs shall not be considered part of the tax base.

The temporary exemptions, reductions and tax base calculation rules will apply from March to June, 2020 and on condition that most, but at least 30% of the employer's overall income of the past 6 months was realized as a result of one of the activities listed above and such activity was actually conducted as the main activity.

2.4 Evictions, enforcement proceedings and enforcement of tax debts are suspended

A moratorium on all eviction, enforcement proceeding, and tax debt is granted until the 15th day after the last day of the state of emergency. In the case of ongoing enforcement procedures, a repayment allowance is also provided without the consent of the party seeking enforcement, if requested.

Enforcement procedures that are implemented by the tax authority (tax enforcements) that were ongoing on March 24, 2020 are suspended until the 15th day after the last day of the state of emergency. This means that tax enforcement initiated after March 24, 2020 are not going to be automatically suspended. Nonetheless, certain procedures are not suspended regardless of the state of emergency: (i) enforcement of claims levied for the breach of epidemiological measures established during the state of emergency, (ii) enforcement of specific actions determined by the decision of the administrative court (iii) enforcement of specific enforcement orders.

2.5 Increased limit on credit card transactions

In order to reduce physical contact, banks should increase the transactional price limit without entering a PIN code. The new limit will be HUF 15,000 (approx. EUR 42), which should be implemented by April 15, 2020.

3. Curfew restrictions applicable March 28 - April 11.

On March 27, 2020, Hungarian Prime Minister Viktor Orbán announced Covid-19 curfew restrictions applicable March 28 - April 11. The PM stressed that these regulations are restrictions on movement, not a prohibition. The details are set out in Government Decree No. 71/2020 (III. 27.).

- Socializing is to be minimized as far as possible, except with household members, and a distance of at least 1.5 meters from other people must be maintained. The same applies to public transport.
- Restaurants and other catering establishments are to be empty except for employees / other staff and for the purpose of handing over food deliveries.
- You need a valid reason to leave home.
 - The decree gives the list of valid reasons, including, for example:
 - Work; professional obligations/responsibilities; economic, agricultural, and forestry activity; and purchase from stores providing indispensable equipment and materials for these activities
 - Supervising children during the day
 - Using health or medical care and service including psychotherapeutic treatment
 - Outdoor sport activities and walking
 - Marriage and funeral with their small family group
 - Purchase, including daily needs for groceries, drugstore or pharmacy products, food for animals, tobacco shops
 - Vehicle fuel purchases
 - Banking, financial, insurance and postal services
 - Parents' rights and obligations; and
 - Religious activities

- Outdoor sport activities are permitted, if conducted alone or with household members, with 1.5 meters of social distancing to be observed.
- Special restrictions apply for the purpose of safeguarding the health of the elderly (over 65). Grocery stores, drugstores, markets and pharmacies are reserved exclusively for the elderly in the morning (0900-1200). The elderly are not to shop at other times. Store operators are in charge of maintaining compliance.
- The police and other security forces will enforce these restrictions. Fines of HUF 5,000 - 500,000 apply.

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.

One of the advantages of being part of a global law firm is that we have a '**COVID-19 (Coronavirus) Hub**' for use by our clients. It has a range of articles and other information from Dentons firms all over the world which will be of interest, especially should you have operations in other parts of the globe. You can find the Hub **here**.

Contacts



Anita Horváth

Partner

E: anita.horvath@dentons.com



Eszter Zádori

Partner

E: eszter.zadori@dentons.com



Gergely Horváth

Partner

E: gergely.horvath@dentons.com



Mihály Czesznak

Associate

E: mihaly.czesznak@dentons.com



Gábor Velkey

Associate

E: gabor.velkey@dentons.com

ABOUT DENTONS

Dentons is the world's largest law firm, delivering quality and value to clients around the globe. Dentons is a leader on the Acritas Global Elite Brand Index, a BTI Client Service 30 Award winner and recognized by prominent business and legal publications for its innovations in client service, including founding Nextlaw Enterprise, Dentons' wholly owned subsidiary of innovation, advisory and technology operating units. Dentons' polycentric approach, commitment to inclusion and diversity and world-class talent challenge the status quo to advance client interests in the communities in which we live and work.

[dentons.com](https://www.dentons.com)

Dentons

1061 Budapest
Andrássy út 11.
T +36 1 488 5200
F +36 1 488 5299
[dentons.com](https://www.dentons.com)

© 2020 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. This publication is not designed to provide legal or other advice and you should not take, or refrain from taking, action based on its content. Please see [dentons.com](https://www.dentons.com) for Legal Notices.