

Update Coronavirus, Hungary

Economy protection – action plan

According to the **Gov. decree Nr. 47/2020** from the **18th of March 2020** related to the economical domain the handling, respectively the reduction of the occurring negative effects caused by the virus has already been started at several points.

Several government decrees are expected in the upcoming days and weeks, they will bring changes in the position of economic operators, employers and employees.

1. Workplace Protection - Reducing Public Payments by 30 June 2020

After existing employment in sectors already affected by the epidemic, i.e. tourism, hospitality, entertainment, gambling, film, performing arts, event organizer and sports services, the employers and employee's public payment obligations has changed as follows:

1. **→employers** have no obligation to pay public duties, i.e. the social contribution tax of 17.5%, respectively the training contribution of 1,5% (**19%** in total) has been suspended.
2. **→employees** only have to pay the health insurance contributions of **4%**, which is limited to monthly amount of max. HUF 7.710. According to this, the employees' monthly net income increases by 14,5% at least.

The changes named above are affecting also the wages paid for March.

In these sectors, the lease contracts cannot be terminated or the lease fee cannot be increased until the **30th of June 2020**, even if otherwise permitted by the contract.

2. Working from home, facilitating home office order

After the cessation of the current emergency period, an **employer** can **unilaterally order home work or telecommuting for an unlimited period** (but max. 30 days) - without any changes in the work contract, namely **without the additional contribution of the employee** for the prolongation of the ordered home office occupation.

In addition, **changes in working time arrangements can be made more flexible** (the 96-hour rule has been abolished) and **the employer has the right to take measures** to monitor the health of workers for health reasons.

Collective agreements may not derogate from these measures within the scope of the Decree.

3. Quarantine worker / Employee illness

If the employee becomes ill, the employee is entitled to sick leave.

If the employee is quarantined, namely he/she is **monitored due to the epidemic** either at his/her home or in a medical institution, or he/she is working in a sector that is affected by a potential **epidemiological closure** of his business, he/she is entitled to **sickness benefit** (cash-benefit). This case falls under the so-called No. 7. Code indicating the incapacity for work,

according to which there is **no obligation for the employers to pay 1/3 of the sickness benefit**. Ergo, the employer has no paying obligation at all. The epidemiological closure can be ordered by the Director-General of National Medicine for a defined area. Please note, that this rule does not apply to voluntary precautionary quarantine.

4. Employees over the age of 70

Given that they are primarily the most vulnerable group of the epidemic disease the Government instructs all people over the age of 70 not to leave their place of residence.

Thus, under certain conditions in the case of admission to the sick target group, an employer may breach the convention of the Employment law, according to which the employee may be employed only for work which, in view of his/her health may not have adverse consequences. In other words, the employer is basically unable to employ the employee and cannot fulfill the obligations arising from the employment contract. In such a case, it is possible to take steps to order home office work, to take annual leave, to take unpaid leave, or as a final solution to terminate the employment relationship.

5. Contribution to tourism development

There is no payment obligation between the **1th of March 2020** and the **30th of June 2020**.

6. Debt moratorium

Considering the state of emergency, the Hungarian National Bank (MNB) has requested the banks already on the **16th of March 2020** to apply a special case moratorium on repayment of corporate cases and called on the government to order a moratorium on repayment of corporate loans.

Due to the emergency, the Government has suspended repayment obligations of capital, interest, and additional payment obligations of loans, borrowings, credit agreements and leases concluded before the **18th of March 2020** up to the date of **31th of December 2020 both in cases of individuals and companies**. There is to be mentioned, that the original term of the respective credit agreement will be extended with the duration of the debt moratorium period. Certainly, the debtor retains the right to continue repaying during the debt moratorium period.

7. Shorter business hours

As from the **17th of March 2020** in the stores stated by the commercial law with exception of the employees (e.g. replenishment, store cleaning, etc.), the stay between **15 pm – 06 am** is strictly forbidden. As exceptions are defined commercial units with the following profile:

- grocery stores
- store units selling perfumes, drugstore products, household cleaners, chemical products and hygiene papers
- pharmacies
- medical aids distributors
- fuel stations
- tobacco stores

8. Restaurants, catering industry closure

Between **15:00 pm to 06:00 am** it is forbidden to stay in the catering shops (with ready-made or on-site meals, beverages typically for on-site consumption, including related entertainment and other service activities), with exception of the store's employees, respectively of the stay duration with purpose of ordering and picking up food and of paying the purchase price.

9. Violations and Sanctions

According to the Government Regulation, a violation occurs for instance by staying on the territory of a grocery store or other store at an unauthorized time or in an unauthorized manner. The penalty of such an event is a fine of between **HUF 5,000 and 500,000 (approx. EUR 14-1,420)**.

10. School and public education closing

As of the **16th of March 2020**, primary and secondary education institutions have been closed for an undefined period; from this week also kindergartens and crèches will be closed gradually.

The support for parents staying at home is currently questionable. From the employer's point of view, in case the parent is otherwise unable to take care of the child and is therefore unable to take up work, it is to be considered as an incapacitated status under current law. At the same time this status is not to be paid by the employer, nor does it imply the entitlement for sickness benefit.

11. EU Commission proposal

The European Commission has set up a task force to respond more effectively to the challenges caused by infection. Therefore, the strengthening of health systems, the mitigation of the SMEs losses, the protection of labour markets and of less resilient sectors stands is the main focus of the EU budgetary policy.

In addition, the European Commission is drafting a proposal to allow EU Member States to grant state aid of up to EUR 500,000 to firms with difficulties.

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We would like to draw your attention to the fact, that Hungary currently has an extraordinary legal order, which even allows for immediate legislation. Considering the current situation, we would kindly ask you to be carefully informed before taking economical decisions and by cases of unclarity don't hesitate to seek for professional help.