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SME INFO HU

TAX AND OTHER CHANGES AFFECTING PAYROLL EFFECTIVE FROM 1 JULY 2025

The pace of legislation has accelerated considerably recently, with new laws being adopted at the same time, whose entry into force may differ or sometimes can be due in several months first. As a consequence, a situation may arise where, in the context of a currently adopted change, we may inadvertently forget a new rule that has already been enacted into law. To avoid this, we present the changes in chronological order, regardless of when they were adopted by the legislators.

Our current newsletter summarises the new legislation affecting payroll, whether previously or recently adopted, all of which will enter into force on 1 July 2025. The changes affect the Personal Income Tax Act, the time limits of simplified employment, eligibility for health insurance cash benefits, and rules on blocking from wage.

At the end of our newsletter, we also look at the rules for the new tax base allowance for mothers of three children, which will be introduced on 1 October as part of the family tax relief scheme.

We plan to report on the changes adopted under the family tax cut scheme, but which will not come into force until 1 January 2026 or later, in a forthcoming newsletter, along with any new rules expected to be adopted in this autumn's tax package.

The SME Team

The purpose of SME INFO is to provide general information and to draw the attention to the current changes in law which we believe to be important for the business operation of our clients. It is not a replacement for careful review of the acts and rules, and the consultation with your tax advisor.

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1. PERSONAL INCOME TAX (PIT)

1.1. Family tax base allowance: the first step of increasing the allowance amount[(1)]

The previously approved two-stage increase in the rate of the family tax base allowance is entering its first phase. The rate of the increase differs depending on the number of beneficiary dependents for whom the beneficiary can claim the allowance.

The **first increase will take place from 1 July 2025** as follows:

Beneficiary dependent	*Tax base allowance (gross)*	*Redeemable discount (net)*
	(per beneficiary dependent and month of entitlement)	
1	*HUF 100,000*	*HUF 15,000*
2	*HUF 200,000*	*HUF 30,000*
3	*HUF 330,000*	*HUF 49,500*

The net tax relief that can be realised is 15% of the tax base relief.

The amount of additional tax relief that can be claimed for beneficiary dependents who are permanently ill or severely disabled under Act LXXXIV of 1998 on family support is increased by HUF 100,000 gross per month per beneficiary dependent, in addition to the above amounts, which represents a net tax relief of HUF 15,000 per month per beneficiary dependent.

No change: The other conditions for the tax base allowance will remain the same as currently in force, subject to the following rules:

- the definition of income included in the consolidated tax base,
- the rules on joint assessment,
- the possibility of claiming 15% of the tax base allowance that is not deductible from the tax base as a contribution allowance,
- definition of a person who is permanently ill or seriously disabled,
- the restrictive provisions introduced from 1 January 2025 in relation to entitlement to family allowances, invalidity allowances or similar benefits in an EEA State, Ukraine or Serbia,
- penalties in case of unjustified use of the tax base allowance.

In the case of entitlement to several tax base allowances at the same time, the family tax base allowance will continue to be the last allowance in the queue.

Allowances not claimed during the year can still be claimed in the annual personal income tax return.

With regard to the new amounts, those entitled to the allowance should consider whether it is advisable to submit a modified tax advance declaration in July before the first payment.

The tax authority has published the below guideline in this regard:

Claiming method	jointly		alone
If the distribution of the allowance for the period prior to July was made ...	as per fixed amount	as per beneficiary dependent/s	(no division)
... is it advisable to make an amended tax advance declaration?	yes	not required	
If the beneficiary does not submit an amended declaration, the payer will have to...	take into account the amount indicated in the in the declaration made previously	apply the higher tax base allowance amount automatically	

Of course, those entitled to the allowance will still have the opportunity to amend their tax advance declaration submitted later or later in the tax year, if, for example, their circumstances entitling them to the allowance change.

As pointing out in our previous newsletter, the second increase will be due from 1 January 2026.

Effective date: 1 July 2025 (first increase) and 1 January 2026 (second increase))

1.2 New tax base allowance: tax-free prenatal allowance, child care allowance and adoption fee [2]

Within the framework of the family tax reduction program, the amount of prenatal allowance, child care allowance and adoption fee **will be included in the scope of tax base allowances** as part of the consolidated tax base, defined in a completely new law. The amount of the gross tax allowance is equal to the amount of the related social security benefit and can be used by the person to whom the given benefit is paid.

If a private individual receives several social security benefits at the same time, i.e. for example, he/she is paid prenatal allowance for his/her younger child and child care allowance for his/her older child, he/she can claim the tax allowance from both benefits at the same time.

Private individuals **do not have to submit a tax advance declaration**, because this tax base allowance is automatically applied by the payer.

The allowance only applies to personal income tax and cannot be applied to the pension contribution deducted from child care allowance. At the same time, it does not exclude the simultaneous use of the family tax base allowance, so in the absence of a tax base allowance that can no longer be applied to the consolidated tax base, 15% of the unclaimed family tax base allowance can be claimed as a contribution allowance **on the basis of the private individual's relevant tax advance declaration.** [3]

The new tax base allowance **changes the order of allowances known so far**: it can be applied after the allowance for mothers raising four or more children, but before the allowance for young people under the age of 25.[4]

The payer must first apply the allowance **for social security benefits paid after 30 June 2025.**

Effective from: 1 July 2025

2 SIMPLIFIED EMPLOYMENT: NEW ANNUAL FRAMEWORK FOR WORKERS [5]

In connection with simplified employment, a new framework will be introduced in addition to the time limits set for the same parties.

According to this, in the case of employment relationships concluded for

- seasonal work,
- casual work or
- seasonal work and casual work

the same employee may enter into an employment relationship for simplified employment for **no more than 120 days in a calendar year.** Thus, from 1 July, the new „annual employee limit" **does not apply to the legal relationship between the same parties aimed at simplified employment but arises only on the employee's side.**

The employer will be obliged to monitor the new framework. For this purpose, the tax authority will provide employers with **an electronic query interface.** The structure of this interface is unknown at the time of closing the editing of the newsletter. Any reporting of simplified employment exceeding the limit will be rejected by the tax authority.

An employer inspection cannot be replaced by an employee statement.

Effective from: 1 July 2025

3 HEALTH INSURANCE: INTRODUCTION OF THE „PRENATAL ALLOWANCE PLUS" [6]

While retaining 70% of the prenatal allowance, it will be possible for the person receiving the prenatal allowance to (re)start working **after the 90th day** from the date of the child's birth.

The worker must notify his/her employer who runs a social security payment office of his/her intention to return to work. A worker who is employed by an employer who does not run a social security institution must notify both his/her employer and the government office that pays his/her social security benefits.

However, if the person is gainfully employed in any other legal relationship than the foster parent employment relationship within 90 days from the date of the child's birth, he/she loses his/her entitlement to prenatal allowance for this period of time.

Effective from: 1 July 2025.

4 CHANGES IN THE JUDICIAL ENFORCEMENT ACT

4.1 New item exempt from enforcement [7]

The net amount of the family tax base allowance specified in the Personal Income Tax Act will be exempted from enforcement from wages.

The exemption applies to enforcement cases initiated after the entry into force.[8]

Effective from: 1 July 2025

4.2 Increase in the minimal amount exempt from enforcement[9]

In the course of enforcement from wages, the part of the monthly wages paid that is exempt from enforcement **will increase** from the current net HUF 60,000 **to 60% of the net amount of the mandatory minimum wage according to the related government decree[10] in force at any given time.[11]**

The exemption still does not apply to the costs of child support and childbirth.

Effective from: 1 July 2025

5 LOOKING AHEAD: TAX ALLOWANCE FOR MOTHERS WITH THREE CHILDREN[12]

The tax base allowance **for mothers raising three children** will also be introduced within the framework of the family tax reduction program. The amount of the gross allowance is equal to the amount of the mother's independent and non-independent income earned after 30 September 2025 during the entitlement period (in the case of income from employment, accounted for the entitlement period), as specified in the law.

The entitlement to the tax base allowance opens on the first day of the month in which **the private individual qualifies as a mother raising three children** on any day of that month according **to the definition set out in**

the law[13], and ceases on the last day of the month in which she no longer qualifies as such.

> The entitled mother must submit a **tax advance declaration** to the payer. However, there is no need to make an amended declaration if, for example, the mother qualifies as raising three children in October 2025 but as raising four children in December 2025.

The allowance for mothers raising three children will be equal to the allowance for mothers raising four or more children **in terms of application order of the tax base allowances, i.e. it will also be in the first place** in the queue.[14]

> The allowance does not exclude the simultaneous use of the family tax base allowance, so in the absence of a tax base allowance that can no longer be applied to the consolidated tax base, 15% of the unclaimed family tax base allowance can be claimed as a contribution allowance **on the basis of the private individual's relevant tax advance declaration**.

Effective from: 1 October 2025

Editing of this newsletter closed on 26th June 2025.

References:

(1) Act CXVII of 1995 – on Personal Income Tax (hereinafter referred to as: Personal Income Tax Act) § 29/A (2) and (2a)

(2) Act XVI of 2025 – on Tax Allowance relating to Prenatal Allowance, Child Care Allowance and Adoption Allowance, Personal Income Tax Act § 3. 56.

(3) Act CXXII of 2019 – on Entitlement to Social Security Benefits and the Coverage of These Benefits (hereinafter referred to as: Social Sercurity Act) § 34, § 79, § 80, and Personal Income Tax Act § 29/B (6)

(4) Personal Income Tax Act § 29/H

(5) Act LXXV of 2010 – on Simplified Employment, § 1 (4)

(6) Act LXXXIII of 1997 – on the Benefits of Compulsory Health Insurance Sections § 41, § 42 (1a)

(7) Act LIII of 1994 – on Judicial Enforcement (hereinafter referred to as Judicial Enforcement Act) § 74 l)

(8) Judicial Enforcement Act § 304/R (2)

(9) Judicial Enforcement Act § 62 (1)

(10) Government Decree 394 of 12 December 2024 – on the Establishment of the Mandatory Minimum Wage and the Guaranteed Minimum Wage § 2 (1)

(11) From 1 July 2025, the amount exempt from enforcement is HUF 116,029.

(12) Act XV of 2025 – on the Tax Allowance for Mothers Raising Three Children (hereinafter referred to as Mothers with Three Children Act)

(13) Mothers with Three Children Act § 1 (3) and (4)

(14) Personal Income Tax Act § 29/H