

EUROMOD

COUNTRY REPORT



HUNGARY (HU)

2009-2013

Péter Hegedűs

Péter Szivós

Paola De Agostini

04/06/2014



EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD has been enlarged to cover 27 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

This report documents the work done in one annual update for Hungary. This work was carried out by the EUROMOD core developer team, based mainly in ISER at the University of Essex, in collaboration with a national team.

EUROMOD coordinator: Holly Sutherland

EUROMOD coordination assistant: Cara McGenn

EUROMOD developer responsible for Hungary: Paola De Agostini

National team for Hungary: Péter Hegedűs, Péter Szivós

The results presented in this report are derived using EUROMOD version G2.0. EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

For more information, see: <http://www.iser.essex.ac.uk/research/euromod>

This document is supported by the European Union Programme for Employment and Social Solidarity – PROGRESS (2007-2013).

This programme is managed by the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. It was established to finally support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitment. PROGRESS is instrumental in providing analysis and policy advice on PROGRESS policy areas; monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas; promoting policy transfer, learning and support among Member States on EU objectives and priorities; and relaying the views of the stakeholders and society at large. For more information see: <http://ec.europa.eu/progress>

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

CONTENTS

| | | |
|-----------|---|-----------|
| 1. | BASIC INFORMATION | 5 |
| 1.1 | Basic information about the tax-benefit system, 2009-2013 | 5 |
| 1.2 | Social Benefits | 5 |
| 1.3 | Social contributions | 16 |
| 1.4 | Taxes | 19 |
| 2. | SIMULATION OF TAXES AND BENEFITS IN EUROMOD | 26 |
| 2.1 | Scope of simulation | 26 |
| 2.2 | Simulated policies and order of simulation | 29 |
| 2.2.1 | Simulated policies | 29 |
| 2.2.2 | Order of simulation and interdependencies | 29 |
| 2.3 | Social benefits | 30 |
| 2.3.1 | Maternity grant (<i>Bmanc_hu</i>) | 30 |
| 2.3.2 | Child care allowance (<i>Bccnc_hu</i>) | 30 |
| 2.3.3 | Child raising support (<i>Bcclt_hu</i>) | 31 |
| 2.3.4 | Family allowance (<i>Bchmm_hu</i>) | 32 |
| 2.3.5 | Regular child protection allowance (<i>Bchmt_hu</i>) | 33 |
| 2.3.6 | Social assistance (<i>BSA_HU</i>) | 34 |
| 2.4 | Social contributions | 37 |
| 2.4.1 | Employee social contributions (<i>Tscee_hu</i>) | 37 |
| 2.4.2 | Employer social contributions (<i>Tscer_hu</i>) | 37 |
| 2.4.3 | Self-employed social contributions | 38 |
| 2.5 | Personal income tax (<i>tin_hu</i>) | 39 |
| 2.5.1 | Tax Unit | 39 |
| 2.5.2 | Exemptions | 39 |
| 2.5.3 | Tax base | 39 |
| 2.5.4 | Tax schedule | 40 |
| 2.5.5 | Tax credits | 40 |
| 2.6 | Simplified Business Tax (<i>tbs_hu</i>) | 41 |
| 3. | DATA | 42 |
| 3.1 | General description | 42 |

| | | |
|------------------------------------|--|-----------|
| 3.2 | Data adjustment | 43 |
| 3.3 | Imputations and assumptions | 43 |
| 3.3.1 | Time period | 43 |
| 3.3.2 | Gross incomes | 44 |
| 3.3.3 | Disaggregation of harmonized variables | 44 |
| 3.4 | Updating | 44 |
| 4. | VALIDATION | 45 |
| 4.1 | Aggregate Validation | 45 |
| 4.1.1 | Components of disposable income | 45 |
| 4.1.2 | Validation of incomes inputted into the simulation | 46 |
| 4.1.3 | Validation of outputted (simulated) incomes | 47 |
| 4.2 | Income distribution | 48 |
| 4.2.1 | Income inequality | 48 |
| 4.2.2 | Poverty rates | 49 |
| 4.3 | Summary of “health warnings” | 49 |
| 5. | REFERENCES | 49 |
| ANNEX 1. | | 50 |
| ANNEX 2. VALIDATION TABLES. | | 51 |

1. BASIC INFORMATION

1.1 Basic information about the tax-benefit system, 2009-2013

- The Hungarian tax-benefit system is a unified national system where there are no policy differences across regions.
- In Hungary, the “tax year” runs from January 1 to December 31. The tax system generally changes in January each year. Mainly, benefits changes happen at the same time, but modifications may also occur during the year. In January of 2011 the personal income tax system was changed significantly (see page 21)
- Year by year gradual increase on the old age pension’s age limit had been applied so that pension age raises to 65 years old for both men and women.
- Since September of 2012 the minimum school leaving age is 16; dependent children are defined as age under 16 or under 25 if the child is in full-time education and not married. The regulations exclude the people with their own children or cohabiting partner being a dependent child. In the case of the regular child protection benefit dependent children are defined in the tax unit as aged 17 or younger or 23 or younger if they are in full-time secondary education, not married and not cohabiting or 25 or younger if they are in full-time tertiary education, not married and not cohabiting.
- For benefit purposes a lone parent is not legally married to anyone and is a parent of a dependent child (regardless of cohabitation, if he/she declares him/herself alone). If the parent declares him/herself as not married, he/she has the right not to share child related tax credit with the other parent.
- The income tax system is an individual (personal) system.
- Income tax withholdings are collected on a cumulative basis, i.e., the system tries to ensure withholding the exact amount due in the financial year. Only individuals paying tax on trading income (e.g. self-employed people) or who earn from different sources must file a tax return for income tax.
- The means-tested benefit system assesses entitlement according to benefit unit income. The benefit unit is the household - the couple (cohabiting or married) and other adult person(s) or single adult plus any dependent children.
- The monthly minimum wage in these years are:

| 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------|-----------|-----------|-----------|-----------|
| 71500 HUF | 73500 HUF | 78000 HUF | 93000 HUF | 98000 HUF |

1.2 Social Benefits

Old age benefits

The pension system was reformed in 1997, to establish three main pillars.

– First Pillar: mandatory, state pension, which is publicly-managed and financed on a PAYG basis. It is financed by employer and employee contributions, supplemented from state budget if needed.

– Second Pillar: mandatory, privately-run pension funds and fully funded. This compulsory pension scheme is administered by several independent pension funds, which are authorised and supervised by the state. It is financed by employer and employee contributions. This pillar was practically terminated in 2011, cumulated funds were nationalised.

– Third pillar: voluntary, privately-run pension funds.

A significant reverse change happened in 2011, as third pillar was de facto eliminated (some couple of ten thousands remained in.)

Table 1. Retirement age in the past and after 01/01/2010

| Year of birth | Retirement age | | Retirement year | |
|---------------|----------------|-------|-----------------|-----------|
| | Men | Women | Men | Women |
| 1945 | 62 | 60 | 2007 | 2005 |
| 1946 | 62 | 61 | 2008 | 2007 |
| 1947 | | 62 | | 2009 |
| 1948 | | 62 | | 2010 |
| 1949 | | 62 | | 2011 |
| 1950 | | 62 | | 2012 |
| 1951 | | 62 | | 2013 |
| 1952 | | 62,5 | | 2014-2015 |
| 1953 | | 63 | | 2016 |
| 1954 | | 63,5 | | 2017-2018 |
| 1955 | | 64 | | 2019 |
| 1956 | | 64,5 | | 2020-2021 |
| 1957 | | 65 | | 2022 |
| 1958 | | 65 | | 2023 |
| 1959 | | 65 | | 2024 |
| 1960 | | 65 | | 2025 |

Source: Central Administration of National Pension Insurance; 2011

Old age benefit (*öregségi nyugdíj*): The amount of pension depends on the average monthly income and the insurance period. 20 years of contribution payment is required for a full old age pension, and 15-19 years for a partial pension. Retirement age is 62 for men and for women from 2009 to 2013. The monthly minimum pension amounts to 28,500 HUF in each year, it is frozen at that level.

In 2009 a measure was taken for further increase of age limits of both sexes up to 65 years in a mid-term period (see Table 5 above). The amount of the minimum pension is also a reference eligibility threshold for several social benefits (e.g. regular social support).

Early and Advanced Pension (*előrehozott, karkedvezményes nyugdíjak*): Early Retirement Pension (*karkedvezményes öregségi nyugdíj*) is available to those involved in jobs resulting in increased physical load or jobs implying hazardous (such as soldiers, policemen, fire-fighters, etc.) to health. Entitlement to pension starts 2 years earlier for those who have worked in such activities for at least 10 years (men) or 8 years (women), and retirement age is further reduced by 1 year for every additional working period of 5 years (men) or 4 years (women) in such

conditions. Advanced Pension (*előrehozott öregségi nyugdíj*) is paid no earlier than five years before the retirement age. Those who need no more than 5 years of service period are entitled to the Advanced pension at reduced rate (*csökkentett összegű előrehozott öregségi nyugdíj*) From January 1, 2012 all type of the early and advance pensions were terminated, instead of these the *early retirement benefits* were created.

Survivors benefits

Survivors benefits is paid to the surviving partner even if the couple was not married (either widowed, divorced or cohabitant), the surviving dependent children and other surviving persons (i.e. parents, grandparents, and foster parents). This is a not means tested benefit. It corresponds to 60% of the deceased person pension and it is paid even though the surviving spouse has a pension by his own. Therefore, the surviving spouse can be entitled for a permanent or a temporary widow(er)s pension if his/her deceased spouse was a receiver of old age or invalidity pension or got the necessary service period.

Temporary Widow(er)'s Pension (*ideiglenes özvegyi nyugdíj*) is paid to the surviving spouse for 12 months, or until the common child reaches 18 years of age. After the termination of the temporary widow(er)'s pension the widow(er) is entitled to a Permanent Widow(er)'s Pension.

Permanent Widow(er)'s Pension (*özvegyi nyugdíj*): The surviving spouse/partner is entitled to a permanent widow pension if he/she is above retirement age, or invalid or has at least two minor children. The amount of the pension is 50% of the old age pension or 50% of the invalidity pension to which the deceased person would have been entitled to. This is reduced to 30% if the widow(er) receives old age or invalidity pension on his/her own right.

Parental Pension (*szülői nyugdíj*) is paid to those (grand)parents, who are disabled or 65 years old or more, who were dependent upon their (grand)child throughout the preceding year, and whose deceased (grand)child was entitled to old age or invalidity pension at the time of death. The amount of the parental pension is equal to the amount of the permanent widow(er)'s Pension.

Orphan's Allowance (*árvaellátás*): Orphans having lost one parent are entitled to 30% of the deceased parent's pension as Orphan's Allowance. Those orphans having lost both parents are entitled to 60% of the higher pension of the two parents. Survivors of a person died in a work-related accident are entitled to Work Accident-related Survivors' Benefits. They can be entitled to Temporary and Permanent Widow(er)'s Pension, Parental Pension and Orphan's Allowance according to the above rules with the exception that in this case the length of the deceased person's service period is not a condition.

Sickness benefits

Two kinds of sickness benefits are paid by social insurance.

Sick-leave (*betegszabadság*) is entitled to the sick employee for up to 15 working days per calendar year. The employer pays the expenses of sick-leave.

Sickness Benefit (*táppénz*) is paid by the Health Insurance Fund for a maximum of one year during employment or for 90 days after the termination of employment. If the previous

insurance period is at least two years, the amount of sickness benefit is 70% of the daily average gross earning over the previous calendar year, while if the previous insurance period is less than 2 years, the amount is 60% of the daily average earnings. These rates were decreased to 60 and 50% on 01.08.2009.

Parents can be entitled for Sickness Benefit in order to nurse their children as follows:

- Until the child reaches 1 year of age,
- For 84 days per child if the child is between 1-3 years,
- For 42 days per child if the child is between 3-6 years and for 84 days for a lone parent,
- For 14 days per child if the child is between 6-12 years and for 28 days for a lone parent.

Disability benefits

In Hungary disability benefits are heterogeneous; there are both insurance-based and non-contributory benefits among them. The system of the disability benefits was changed at the end of 2011. Since 1st of January 2012, the disability benefit was introduced to replace the invalidity pension, the work Accident-related disability pension, the temporary invalidity annuity and the regular social annuity. .

Invalidity Pension (*rokkantsági nyugdíj*) is due to those persons whose working capacity has been reduced by at least 67% and no improvement is expected in his/her health for at least 1 year, therefore the recipient does not work regularly or his/her wage is substantially lower than before becoming invalid.

There are three classes of invalidity pension:

- Class III: at least 67% reduction in working capacity but not totally incapacitated for work;
- Class II: 100% reduction of working capacity but no need of permanent care by others;
- Class I: 100% reduction of working capacity and need of permanent care by others.

Eligibility for invalidity pension starts from the day on which a medical committee diagnoses the invalidity. The invalidity pension is not replaced by an old age pension, but covers also the period after the retirement age. Eligibility terminates if the pensioner is no longer invalid, or works on a regular basis. Eligibility criteria for invalidity pension depend on the age and the length of the insurance period of the insured. The minimum invalidity pension for Class III is equal to the minimum old age pension.

From January 1 2012, the invalidity pension was terminated and replaced by the *invalidity benefit*. The transition between the Invalidity Pension system and the Invalidity Benefit system requires a revision of the process mainly based on a medical check up. No data are available yet.

Other disability benefits are non-contributory benefits and paid by the central budget:

Invalidity Annuity (*rokkantsági járadék*) is paid to individuals above 18 years old who lose 80% of their working capacity before reaching the age of 25. Its monthly amount is 33,330 HUF from 2009 to 2013. Those adult persons that are not eligible for invalidity annuity, but their working capacity has decreased under the minimum 67% and that get a Disability benefit or Annuity for the Blind, are eligible for Regular Social Support (*Rendszeres szociális segély*).

Temporary Invalidity Annuity (*átmeneti járadék*) and **Regular Social Annuity (*Rendszeres***

szociális járadék) are due to invalid persons, whose working capacity is reduced by 50%, who cannot find a rehabilitation workplace, and who are not entitled to old age, invalidity or work accident-related disability pension, nor to unemployment benefit, sickness benefit, work accident sick pay or maternity allowance. The Temporary Invalidity Annuity can be paid also to those people who are five years from retirement age and have completed the necessary contribution payment period. The annuity amounts to 75% of the old age pension that he/she would be entitled to upon reaching retirement

The Regular Social Annuity is paid to those people who are eligible and have not yet reached retirement age, but have contributed for at least half of the contribution payment periods necessary for receiving an invalidity pension. The Regular Social Annuity is 27,000 HUF per month in 2009, 2010 and 2011. From January 1 2012, both of the temporary invalidity annuity and the regular social annuity were terminated, instead of these the invalidity benefit was introduced and linked to these.

Disability Benefit (*fogyatékosági támogatás*) is paid to those persons above the age of 18 whose severe disability (visual, hearing, mental, physical or multiple impairment or autism) is permanent and that are unable to live independently. It is a flat-rate benefit. It amounts to 80% of the minimum old age pension in case of multiple disadvantages or a severe disadvantage that makes any kind of self-help impossible; in any other cases it amounts to 65% of the minimum old age pension.

People with severe disabilities can also apply for specific transport allowances:

- Transportation support (*közlekedési támogatás*) for transportation costs of disabled people;
- Support for car purchase (*személygépkocsi szerzési támogatás*);
- And Support to make a car barrier-free (*személygépkocsi átalakítási támogatás*).

Employment injuries and occupational diseases

Contributory benefits for employed people in case of work-related injuries or occupational diseases.

Work Accident Sickness Benefit (*baleseti táppénz*) is payable for a maximum of one year with the possibility of an extension for a further year. Its amount is 100 per cent of the average income over the previous year.

Work Accident Annuity (*baleseti járadék*) is payable to a person who lost his/her working capacity by 15-67% as a consequence of an employment injury. Its amount depends on the degree of invalidity. Its amount is expressed as a percentage of monthly average. If the reduction of the working capacity does not exceed 25 per cent the annuity is payable for a maximum of two years, while if it exceeds 25 per cent then there is no time limit.

Work Accident-related Disability Pension (*baleseti rokkantsági nyugdíj*) is paid if the capacity for work is more than 67% reduced as a consequence of a work accident, or at least 50% reduced due to silicosis. It is paid according to the similar three classes used in the determination of Invalidity Pension. The Class I is the 70%; the Class II is the 65% and the Class III is the 60% of the monthly average earnings, and the minimum benefit amount is

changed year by year. This pension was terminated from the beginning of 2012, and new special entitlement hasn't been designed for them yet. They are instead covered by invalidity benefit.

Unemployment benefits

Unemployment Benefit¹, Job-Seekers Benefit (*munkanélküli járadék; álláskeresési járadék*): Employees and self-employed persons having lost their job are entitled to Unemployment Benefit if they have been employed for at least 200 days during the previous 4 years, if they became involuntarily unemployed, have no entitlement for pension, get no sickness benefit and seek a job and co-operate with the labour centre. It is paid from employee and employer contributions paid to the Labour Market Fund. From 1st of November 2005 the benefit duration has two parts. The first term is maximum 91 days, the second term is max 179 days. In the first term the amount of the benefit is 60% of the previous wage (the lower limit in this term is the 60% of the minimum wage, the upper limit is 120% of the minimum wage) and in the second term it is a fix amount: the 60% of the minimum wage.

At the beginning of 2012 the regulation of the Job-Seekers Benefit was changed again. In 2012 the benefit has one period with 90 days maximum, and the maximum of the amount is the 100% of the minimum wage, and the unemployment person is entitled if he/she has been employed for at least 360 days during the previous 3 years.

Minimum and maximum of the unemployment benefit in the first term from 2009 to 2013:

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|------------|------------|------------|------------|------------|
| Minimum | 42,900 HUF | 44,100 HUF | 46,800 HUF | 55,800 HUF | 58,800 HUF |
| Maximum | 85,800 HUF | 88,200 HUF | 93,600 HUF | 93,000 HUF | 98,000 HUF |

Pre-retirement Unemployment Assistance (*nyugdíj előtti munkanélküli segély*): Unemployed persons may apply if they are within five years of reaching retirement age, received unemployment benefit for at least 140 days and have exhausted the entitlement for unemployment benefit, have a sufficient contribution period for retirement (normally 20 years), have no prospect of finding a suitable job, and co-operate with the Labour Centre.

The pre-retirement unemployment assistance was replaced by the job-seekers allowance since November 2005. In 2012 the pre-retirement unemployment assistance was introduced again, the amount is the 40% of the minimum wage. If the entitled person's average wage is lower than this amount, the amount of the pre-retirement unemployment assistance is the average wage

Job-seekers Allowance (*álláskeresési segély*): Received by job seekers who have used up all their entitlement period (180 days) of job-seeking benefit, but have not found a job. The duration time of the allowance is 90 days or 180 days depending on the job-seeker age being, respectively, lower or greater than 50. The second type of jobseeker's allowance benefits those job-seekers that are not entitled to job-seekers benefit, but they had spent 200 days in employment in the last four years. The third type of job-seekers allowance is entitled to job-seekers who are within maximum 5 years from reaching the retirement age.

¹ After 1st of November 2005 the official name of unemployment benefit was changed to 'job-seekers benefit' (*álláskeresési járadék*)

The amount of this allowance for all three types of Job-seeker allowance is the 40% of the minimum wage. If the job-seekers average wage is lower than this amount, the amount of the job-seekers allowance is the average wage.

Maternity benefits

Maternity Allowance (*terhességi-gyermekágyi segély*): Mothers giving birth to a child are entitled to two types of benefits depending on their previous employment situation. If they are insured for at least 180 days during the last two years before delivery they are entitled to maternity allowance. It is paid for 24 weeks (4 weeks before and 20 weeks after the planned date of birth, or 24 weeks after the date of birth, depending on the mothers' choice) and its amount is 70% of the daily average gross earnings of the previous year.

Maternity Grant (*anyasági támogatás*): Resident women who give birth, had previously participated in prenatal care at least 4 times, and have no insurance are entitled to a one-off lump-sum payment of 225% of the minimum old age pension or 300% in case of twins (64,125 and 85,500 HUF from 2009 to 2013).

Child Care Allowance (*gyermekgondozási segély*): This is a universal entitlement financed by the state budget that provides a flat-rate benefit to parents who stay away from work to care for their children under the age of 3 (under age of 10 in case of permanently ill or severely disabled children) or for grandparents who care for their grandchildren aged between 1-3 years in the household of the parent. In case of twins the allowance is paid until the children reach the compulsory schooling age (usually 6 years). The monthly amount is equal to the minimum old age pension (28,500 HUF). In case of twins the amount is doubled. From 2006 to 2010 the mothers may have gainful activity after the 1st year of age of the child (She may have full time job as well). In 2009, the period of CCA was reduced to 2 years, effective from mid-2010. (Government terminated this measure at spring of 2010.)

Child Care Fee (*gyermekgondozási díj*): is a contributory benefit, which is paid after the expiry of Maternity Allowance until the child reaches 2 years of age if the parent(s) does not work. The eligibility criterion is at least 180 days of insurance during the last two years before delivery of the parent who wants to take care of the child at home. Its amount is 70% of the daily average gross earnings of the previous year with a maximum of 70% of twice the minimum wage (100,100 HUF in 2009; 102,900 HUF in 2010; 109,200 HUF in 2011, 130,200HUF in 2012 and 137200 in 2013).

Child Raising Support (*Gyermeknevelési támogatás*): It is a universal benefit financed by the state budget for parents who raise three or more children in their own home, if the youngest child is between 3 and 7 years old. The monthly amount is equal to the minimum old age pension, irrespective of the number of children.

Child benefits

In Hungary a well-developed child benefit system is in operation consisting of universal and means-tested benefits.

Family Allowance (*családi pótlék*) is a universal benefit financed by the state budget. It is paid to the parent from the birth of the child to the termination of studies in the compulsory education system (usually 0-16 years), and then during secondary school education or vocational training of the child (up to 20 years of age). Its amount depends on the number of children in the family, whether a single-parent family or not and whether the child is disabled. In the month of July double amounts are paid in order to support schooling.

The monthly amounts of the family allowance differ by number of children and family composition as shown below. The amounts were the same for these years.

2009-2013:

1 child in the family: HUF 12,200,
1 child, single parent: HUF 13,700,
2 children in the family: HUF 13,300 per child,
2 children, single parent: HUF 14,800 per child,
3 or more children in the family: HUF 16,000 per child,
3 or more children, single parent: HUF 17,000 per child,
permanently ill or severely disabled child in the family: HUF 23,300,
permanently ill or severely disabled child, single parent: HUF 25,900,
child in foster home/at foster parent: HUF 14,800.

Regular child protection allowance (*rendszeres gyermekvédelmi kedvezmény*): From 2006 the local government provides regular benefit for the child if the per capita income of the family caring for him or her is less than the current minimum old age pension (this limit is 130% of the minimum old age pension from 2009) and remaining in the family is not against the interests of the child. From 2006 the regular child protection benefit was included into the family allowance. The entitlement for benefit in kind, related to the previous regular child protection benefit, has remained (free dining, free school-books) but the name of support has changed to **regular child protection allowance**. For those who are entitled to this allowance it is granted a 5 800 HUF support in cash twice a year.

Social assistance

The specific forms of social allowances are means-tested. They are provided by local governments, which have some competence in specifying the eligibility criteria. The financing of these benefits comes from the central budget by 90%, while local authorities pay the rest.

Regular social benefit (*rendszeres szociális segély*): This is a social assistance scheme to ensure a minimum standard of living. People can be eligible to this benefit, if they:

- have lost at least 67% of their working capacity or are entitled to a blind person's allowance or disability benefit, or
- are at least 55 years old (this part of the regulation was changed to “5 years before retirement age” form 2012)
- raise minimum one child who is younger than 14 and the family doesn't get child raising support or child care fee or maternity allowance and the child care in day-care centre is not ensured.

Only one person in a family is entitled to this support. The assessing of the entitlement and the amount of the assistance are based on the income projected to the consumer unit instead of the previous income per capita. Each member of the consumer unit is weighted by a rate which shows the structure and consumption of a family: the first adult member of the family and the disabled child's rate is 1,0, the ratio of the spouse and other adults is 0.9 while each child is given a weight equal to 0.7. The amount of support is variable and supplements the family's effective total income to the limit of the entitlement (this limit is the 90% of the minimum pension). The maximum of the monthly support is 57,815 HUF in 2009; 60,236 HUF in 2010; 60,600 HUF in 2011; 42,326 HUF in 2012 and 44,508 HUF in 2013.

Stand-by allowance (2009-2010); Wage Supplement Support (2011); Employment Supply Support (2012) (*rendelkezésre állási támogatás; bérpótló juttatás; foglalkoztatást helyettesítő támogatás*): A new benefit was introduced on 1 January 2009 called "stand-by allowance" (*rendelkezésre állási támogatás*) mainly replacing regular social benefit for persons aged 55-year or less, who has no child or day-care of child/ren. Local government authorities re-classified persons/cases by 1 April 2009, the scheme was fully effective since that time. The benefit amount was higher than former regular social benefit (equal to minimum pension) and it is given to eligible persons (not household as before). Persons should be ready to accept public employment offer on a mandatory basis.

From January 2009 more than one member is eligible for the stand-by allowance, but after 15th of November 2009 this can be paid only to one member in the family. However, it is possible for one family to receive both types of benefit, if someone is entitled to the regular benefit while the another member of the family is entitled to the stand by allowance.

The name of the stand by allowance was changed to wage supplement support in 2011 and employment supply support in 2012. In 2012 the amount of this benefit was decreased to the 80% of the minimum old age pension.

Nursing Fee (ápolási díj): Paid to people who provide permanent care to a disabled relative:

–severely disabled or permanently ill and under the age of 18. At least the minimum amount of old age pension is paid (in 2008 and 2009) if the claim is based on the own right of the claimant. The amount paid is higher than the minimum old age pension from 2011 to 2013 29,500 HUF per month.

– Those nursing severely disabled person in need of increased care are provided with a higher amount of nursing allowance: normally higher by 30 per cent than the normal nursing allowance.

–In case of nursing a permanently ill person above 18 years of age, the nursing fee is provided by the local government on a discretionary basis. The amount is fully financed by the local government's budget and it corresponds to the 80% of the normal nursing fee allowance.

Old age Allowance (időskorúak járadéka): This is a social assistance scheme to ensure a minimum income during old age in the absence of an old age pension. The amount of the benefit is determined by the income of the person (and his/her partner or spouse).

Conditions of eligibility:

- Reaching retirement age for both men and women, and
- income combined with his/her spouse or partner is below 80% of the minimum old age pension, or in case of a single person, below 95% of the minimum old age pension.

The amount payable varies in such a way that it supplements the actual income to reach 80% of the minimum old age pension per person for a couple or 95% for a single person.

Until 31 December 2005 old age allowance is payable by local government to a person who is over the applicable retirement age and neither his own monthly income nor the monthly per capita income - calculated by taking his own together with that of his spouse - exceed 80 per cent of the current minimum old age pension or 95 per cent in the case of a person living alone. From 1 January 2006 the old age allowance amount is differentiated by marital status and age. Higher amount of old age allowance is provided for persons aged 75 or over and living alone if the person's total income is lower than 130% of the minimum old age pension. The regulation regarding to the rates of the calculation haven't been changed from 2009 to 2013.

Home Maintenance Support (*lakásfenntartási támogatás*): This is a means-tested benefit provided by the local government for a family or individual who lives in a home not exceeding a specified size, provided that there is no income from the use of that home. People can be eligible to this benefit by three rights:

- a) Normative home maintenance support according to the rules of the Act on Social benefits;
- b) If they participate in a debt-management procedure;
- c) Local home maintenance support according to the conditions specified by the local authority in a local decree.

A normative home maintenance support is provided if:

- the monthly income per person in a household does not exceed 150% the minimum amount of the old age pension (this limit decreased to 250% of the minimum pension from September 1 2011); and
- the acknowledged costs of home maintenance are equal to 20% or more of the total monthly income of the household.

The acknowledged size of the flat is maximum

- 35 m² in case of one-person households,
- 45 m² in two-person households,
- 55 m² in three-person households,
- 65 m² in four-person households,
- if more than four people are living in the household then 65 m² plus 5 m² for each additional person but maximum the real size of the flat.

The minimum amount of the benefit is 2,500 HUF per month. The local authority can depart from these minimum rules and can specify more favourable conditions.

- **Further benefits (not simulated)**

Advance on maintenance payments (*tartásdíj megelőlegezése*): This benefit is paid to the parent who takes care of a child if the child maintenance is temporarily irrecoverable by/from the other parent obliged to maintain the child. If the person who takes care of the child cannot maintain the child and the income per person in the applicant's family does not exceed three times the current minimum amount of old age pension the caring parent is entitled to advance maintenance payment. Its amount is equal to the amount of child maintenance decided by the court.

Irregular Child Protection Benefit (*rendkívüli gyermekvédelmi támogatás*) is paid to families with temporarily cash flow problems or facing emergency situations that seriously threaten their standard of living. The amount is designated by decree of the respective local government.

Debt-management Benefit (*adósságcsökkentési támogatás*): beside the home maintenance support, people with overdue debts can receive a cash benefit, transferred by local governments to the creditor. The amount of debt-management benefit is the result of an agreement between the local authority, the creditor and the beneficiary. The other pillar is debt management counselling, which is mandatory for beneficiaries.

Public Health Benefit (*közgyógyellátás*): Socially disadvantaged people may receive a Public Health Card by which they can obtain specific medicine and therapies free of charge.

Temporary Benefit (*átmeneti segély*): This is a means-tested benefit provided by the local government and regulated by a local government decree. It can be provided to persons whose subsistence is occasionally or long-lastingly endangered. It can be provided occasionally or monthly. The local government can regulate the entitlement conditions, but the household income per person taken into account during the judgement of the claim cannot be lower than the old age pension minimum, or 150% of it in case of a one-person household

Funeral Support (*temetési segély*): This is a means-tested benefit provided by the local government and regulated by a local government decree. Somebody may receive a funeral support if he/she provided for the funeral of somebody although it was not his/her duty, or if it were his/her duty but bearing the funeral costs would endanger his/her existence. The local government can regulate the entitlement conditions, but the household income per person taken into account during the judgement of the claim cannot be lower than the old age pension minimum, or 150 per cent of it in case of a one-person household. The amount of the funeral benefit cannot be lower than 10 per cent of the locally usual cheapest funeral. The local authority, in its local decree, can complete the benefits defined in the Act on Social benefits or can define other kinds of cash benefits as well. The local authority, in its local decree, can complete the benefits defined in the Act on Social benefits or can define other kinds of cash benefits as well.

Examples of other social benefits provided by local governments:

- Home renting support (lakbértámogatás),
- Interest-free social loan (kamatmentes szociális kölcsön),
- Meals support (étkezési támogatás),
- Local transportation support (helyi utazási támogatás).

1.3 Social contributions

In Hungary, social insurance can be divided into two large categories: pension scheme and health insurance.

Since 1 January 1998, the Hungarian pension scheme has been financed jointly by the compulsory pension scheme of social insurance and, in addition, by private pension insurance (till 2011). It is also possible to complete a social insurance pension through voluntary pension funds. In the case of voluntary pension funds, payment is unsolicited, there are no provisions of the law concerning the minimum or maximum amount, and the minimum amount is defined by the statutes of the funds. Membership fees can be assumed by the employers.

In this sense, health insurance is not financed jointly, but through voluntary health funds, beside the compulsory social insurance, there is still an opportunity to obtain additional health provision.

Participation in the system of social insurance is compulsory, if legal relations provided by the law are established, the compulsory contractual insurance relations come into being. Both employers and employees, and also joint and private companies, and entrepreneurs have to make contributions both to the pension insurance and to the health insurance funds. The amount of contribution payable by both parties is calculated on the basis of the gross – before taxation – wages, income.

Employee social insurance contribution

In 2009 the rate of contribution payable by employees, if they are members of the compulsory pension scheme of social insurance only, is 9.5%; if they are also members of one of the private pension funds, then 0.5%. Members of private pension funds are obliged to pay 9% member fee to the private pension fund, above the 0.5% compulsory pension contribution. In 2010 the private pension funds part of the system was demolished, from then all of the pension insurance contribution pay to the state pillar of the system.

There is an upper limit of pension contribution paid by employees, which equals the contribution payable after the gross average income threefold, in 2009 20,400 HUF/day. (This amount was increased year by year and abolished in 2013) The pensioners who have employee income at the same time have to pay pension insurance contribution too.

The health insurance contribution was separated to 'in-kind' and 'monetary' part. For example the monetary part of the employees health insurance contribution is 2% and the in-kind part is 4 % in 2009. The pensioners who were working and had old-age pensions too had to pay the in-kind part of the health insurance contributions. In 2009 the rate of contribution was 2% up to 143,000 HUF/month and 6% above this amount in the case of employees in 2009.

Pensioners employed in their own right, pay neither pension nor health contribution. If a pensioner, apart from the pension, receives income subject to contribution payment (as an employee or an entrepreneur), contributions payable by employees do not need to be paid, but he/she is still obliged to fulfil obligations of employers. (Reasonably, as an employee the employer and as a partner or private entrepreneur, the entrepreneur.)

Employer social insurance contribution

In 2009 the rate of pension insurance contribution payable by employers is 24%. The rate of contribution was 2% up to 143,000 HUF/month and 5% above this amount in the case of employers in 2009. Joint and private entrepreneurs are obliged to pay both the 2 (or 5) % payable by employers and the 6% payable by employees in 2009.

From 2012 employer part of the health insurance and pension insurance (with the labour market contributions) were erased, instead of these 27 % social contribution tax was introduced.

Self-employed social insurance contribution

Joint and private entrepreneurs are obliged to pay both the 24% pension contribution payable by employers and the 9.5% pension contribution payable by employees in 2009. Joint and private entrepreneurs are also obliged to pay both the employers and the employee's part of the health insurance contribution.

In the case of joint businesses and entrepreneurs, health insurance contribution is calculated on the basis of the income paid to the entrepreneur as personal agency, but at least the amount of the minimum wage. In the case of private entrepreneurs, contribution is calculated on the basis of the entrepreneurial withdrawal, in the case of presumptive taxpayers, the presumptive income tax is based on at least the amount of the minimum wage. Regulation changes since 2012 imply that joint and private entrepreneurs pay 27% social contribution.

For those who pay simplified business tax (EVA) contribution payable is calculated on the basis of the minimum wage, but they can choose to declare higher income. If apart from having a partnership or a private enterprise, someone has another legal relation providing social insurance (employee, full-time student etc.), social contribution is calculated on the basis of income actually received. In the case of EVA, contributions do not need to be paid. Joint and private entrepreneurs are exempt from paying contributions if they receive sick-pay, maternity allowance, child-care allowance, child rising support, child-care fee, nursing fee, except if they personally continue their activities during this time. Contributions are not to be paid for tax-exempt payment in kind.

The following table shows the changes of the pension and the health insurance contribution year by year.

Pension insurance contribution from 2009 to 2013

| | | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|
| Pension insurance contribution (nyugdíjjárulék) | Employees | 9.5% | 9.5% | 10% | 10% | 10% |
| | Employers | 24% | 24% | 24% | * | * |
| | Upper limit | 20,400 HUF | 20,420 HUF | 21,000 HUF | 21,700 HUF | 21,700 HUF |
| | Self employment | 33.5% | 33.5% | 34% | 10%+ * | 10%+ * |

* Replaced by the 27 % social contribution tax

Health insurance contribution from 2009 to 2013

| | | | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-----------------|----------|-------------|------|------|--------|--------|
| Health insurance contribution (egészségbiztosítási járulék) | Employees | In-kind | 4% | 4% | 4% | 4% | 4% |
| | | Monetary | 2% | 2% | 2% | 3% | 3% |
| | Employers | In-kind | 1,5% / 4,5% | 1,5% | 1,5% | * | * |
| | | Monetary | 0,5% / 0,5% | 0,5% | 0,5% | * | * |
| | Self employment | | 8% / 11% | 8% | 8% | 7% + * | 7% + * |

*Replaced by 27 % social contribution tax

Flat rate health contribution (tételes egészségügyi hozzájárulás): Fixed health contributions are payable by employers. The private entrepreneurs, those subject to EVA also included, by those having a legal relation of member, elected functionaries, outworkers, agents, assisting family members and by those receiving income substituting benefit for the unemployed, but only on the basis of one legal relation at a time. It is not payable during the time one receives sick pay, maternity allowance, child-care fee, child-care allowance, child raising support, during the time of unpaid holiday and detention and in the case of private entrepreneurs who receive widows' pension or a pension in their own right. It amounted to 1 950 HUF/month in 2009. In the case of part-time employment, the amount of contribution to be paid has to be made proportionate, but is at least 50%.

In 2010 the flat rate health contribution was abolished.

Other income related contributions

Employee contribution is calculated on the basis of gross wages received from the employer. Exempted are those who receive or become entitled to receive old age pension, disability pension or pension for work accident related disability, while being in employment. Employees are obliged to pay the contribution. Its rate is 1,5% since 1st of September 2006. The pensioners who are employees at the same time do not have to pay this employee contribution.

Employer contribution is calculated on the basis of the gross wage – before taxation – accounted and paid to the employee with regard to his/her employment, including severance pay, jubilee reward, fees paid during the time of sick-leave, taxable payment in kind, meal contribution, holiday contribution and 25% of the tax payable for a company car provided with regard to employment. The employer contribution is payable by the employer. In 2009 the rate of contribution was 1% up to 143,000 HUF/month and 3% above this amount.

Entrepreneurial contribution is paid by joint business on the basis of the income paid to the entrepreneur with regard to his/her personal assistance, by private entrepreneurs on the basis of the entrepreneurial withdrawal and by private entrepreneurs subject to presumptive taxation on the basis of the minimum wage. The minimum of the contribution base is always the amount of the minimum wage provided by the law. Exempted are those who receive or become entitled to receive old age pension, disability pension or pension for work accident related disability and those who are employed at the same time and work at least 36 hours a week. In 2009 the contribution rate is 2,5% (0-143000 HUF) and 4% (above 143 000 HUF) of contribution base. If in receipt of old age pension this contribution does not have to be paid.

From 2010 these separate contributions (the employee, the employer and the entrepreneurial) erased, in place of these the employer pay 1%, the employee pay 1,5% and the self-employment pay 2,5% of the contribution base and this have been called '**labour market contribution**' (*munkaerő-piaci járulék*). From 2012 the employer part of the labour market contributions were erased, this is part of the 27 % social contribution tax (see above).

Vocational training contribution is payable by every economic society and private entrepreneur, except for those paying EVA or flat-rate tax. Contribution is calculated on the basis of expenditure on wages, its rate is 1.5%. from 2008 to 2012.

1.4 Taxes

Direct taxes

Personal income tax (*személyi jövedelemadó*): The system of personal income tax was introduced in 1988. The system in itself has basically remained unchanged but several simplifications were carried out over the years (out of the eleven originally introduced tax rates, by 2012 there remained only one). However, it is still typical of the system that types of incomes are differentiated in detail; there are tax credits of several kinds and members of certain sectors, primarily those working in the field of agriculture (primary producers, small-scale producers, assisting family members) enjoy differential treatment.

The personal income tax is the second most important source of revenue for the budget. Every active citizen is obliged to file a tax return at the end of the tax year, which can be done in three different ways: either by self-assessment or, if one has a workplace and has other income only from very few and well defined sources, one can ask the workplace to fill in and file a tax return for him/her, and thirdly tax authority fills the form. As it will turn out below, the Hungarian tax regulations are rather complex, so there is an option of filling in a detailed data sheet and asking the tax authorities to calculate the amount of tax to be paid. Small-scale producers who work in the field of agriculture and whose yearly revenue is between 600,000 and 3,000,000 HUF can also make a simplified declaration of tax return, which substitutes for the filing of the personal tax return.

Incomes to be consolidated are taxed according to the tax table. Tax credits are only demandable on the basis of the amount of tax calculated this way. Incomes taxed separately can be divided into two groups. In the first group there are income sources of different kinds, in this case separate tax rates apply. In the second group, we talk about flat rate taxation. This is only a choice in the case of certain activities and even then there are further conditions to be fulfilled.

The simplified business tax (EVA), as a form of taxation was announced on 1 January 2003 and started from 2004. EVA addresses small-scale enterprises, not only with the aim of reducing tax burdens but also in order to simplify administration. This form of taxation provides an opportunity for the legal transformation of revenues into freely utilizable income, it is easy to calculate and there are relatively less rates and taxes to be paid.

The main characteristics of those belonging to EVA are made quite clear by the provisions of the law. EVA, as a form of taxation, can be chosen by private entrepreneurs, unlimited partnerships, deposit companies, limited liability companies, co-operatives, lawyers' offices etc. If the taxpayer carried out its activities in the previous tax year continuously, without transformation and its revenues in the two previous tax years and, as reasonably expectable, in the current tax year are not more than 25,000,000 HUF. The tax rate is 25% in 2009 and 30% in 2010-2011 and 37% in 2012-2013. In 2012 the amount of the maximum revenue was increased to 30,000,000 HUF per year.

Income-types to be consolidated:

- Wage income from employment
- Social security benefits with regard to employment, like sick pay, child-care fee, maternity allowance
- Income originating from casual work
- Income received in return for foreign service
- Unemployment benefit, incentive benefit for job seekers, complementary wages, wage substituting benefit, work accident allowance, compensation substituting wage income from employment
- Income originating from being an elected functionary, a member of Parliament or a Local Government, subsidies received in connection with these activities (meal, clothing, holiday, housing contributions), taxable insurance fees due to these activities, income originating from securities.
- Income originating from refund of expenses above the amount of certified expenses.
- Part of severance pay (for the tax year or earlier) concerning the year 2005.
- Withdrawal of a private entrepreneur
- Income gained by an assisting family member in a joint business.

- Income originating from activity of agricultural primary producers. This kind of income needs to be declared only if it is more than 600,000 HUF.
- Income originating from intellectual activities; that is income received for a composition that enjoys legal protection of copyright and that was earned outside of employment or enterprise.
- Other income originating from independent activities (not carried out as a private entrepreneur), not intellectual income.

Non-taxable emoluments (Incomes of this kind are to be consolidated, which means that they are part of the tax base, but tax can be reduced by the amount of tax calculated for this kind of income.): child-care allowance; child raising support; foster parent fee; nursing fee as determined by the act on social provisions. From 2007 the old age pension is part of the non-taxable emoluments too; the family allowance and the maternity grant was part of the non-taxable emoluments too in 2010. From 2011 tax credit for non taxable emolument was terminated from the tax system.

The tax base is made up of the incomes to be consolidated (including non-taxable emoluments to 2010). Tax is calculated on the basis of the tax base, according to the tax table. From 2007 a 4% additional tax was inducted at the upper income bracket. This limit has increased to 7,446,000 at 2009. This additional tax was abolished in 2010.

Tax table in 2009: 0 – 1,900,000 HUF 18 %; above 1,900,000 HUF 36%

In 2010 a new tax base calculation was introduced, applying a coefficients of 1.27 on the gross income (the previous tax base), and parallel the tax table was changed to: 0 – 5,000,000 HUF 17 %; above 5,000,000 HUF 36%

In 2011 the tax system changed to a sort of flat tax system where everybody pays a tax rate of 16% on the tax base defined by multiplying it by 1.27.

In 2012 the use of a coefficient to define the tax base was partially terminated (up to 2,424,000 annual HUF). Practically, with this regulation the flat tax system become a flat tax with two rates, because from 0 to 2,424,000 HUF the tax rate is 16% of the tax base, from 2,424,000HUF the tax rate is 20.32% on tax base multiply by 127% (taxbase*1.27).

In 2013 a fixed flat tax system was introduced with a tax rate of 16% of the tax base.

Tax credits:

Tax credit on income from wages (*adójóvátárás*): Tax refund calculated on the bases of income from wages². Tax refund is due to a person whose total income, i.e. types of income to be

² Income from wages includes the following: income from wages due to employment, social security provisions due to employment, like sick pay, child-care fee, maternity allowance, income received for foreign service, income originating from refund of expenses above the amount of certified expenses, unemployment benefit, incentive benefit for job seekers, complementary wages, wage substituting benefit, work accident allowance, compensation, substituting wage-like income from employment, wage-like income to be declared, raised abroad

consolidated, together with the income that is taxed separately, but without income originating from the selling of real-estate, is not more than 2,762,000 HUF in 2009. The tax refund is 18% of the income from wages but at maximum 11,340 HUF a month. In the case of income between 1,250,000 and 2,762,000 HUF, the maximal tax refund decreases linearly. The tax refund of the income from wages was decreased to 17 % in 2010.

Tax credit on income from wage was terminated from 2012 tax system, to increase tax revenue and make further simplification on the system.

Tax credit on income from wages ³

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------|---------------|---------------|---------------|------|------|
| Maximum monthly amount | 11,340 HUF | 15,100 HUF | 12,100 HUF | - | - |
| The lower limit | 1,250,000 HUF | 3,188,000 HUF | 2,750,000 HUF | - | - |
| The higher limit of the income | 2,762,000 HUF | 4,698,000 HUF | 3,960,000 HUF | - | - |

Family tax credit (in 2009 and 2010) (*családi adókedvezmény*): In 2009 family with three or more dependent children are entitled to 144 000 HUF tax credit yearly ($nDepChild \times 4000 \text{ HUF} \times 12$). In the case of consorts and common-law wives and husbands, family tax credits can be shared because, in this way, more tax credit can be claimed. Family tax credit can be claimed in full up to 8,000,000 HUF total income, whilst, for each HUF above 8,000,000HUF, the tax credit is reduced by 20%. Hence tax credit = tax credit – ((total income – 8 million) * 20%).

Family tax allowance (from 2011) (*családi adókedvezmény*): In 2011 the regulation of the family tax credit was changed transforming the family tax credit into a family tax allowance. In practice, while until then the family tax credit was deducted from the income tax, from 2011 the tax base is reduced before calculating income tax. At the same time the amount of the tax allowance changed too, and amounts are: 62.500 HUF monthly per child if there are one or two dependent children in the family; and 206.250 HUF monthly per child if there are three or more dependent children in the family. No negative tax allowance is allowed. (The possibility of sharing between the parents remained.)

Tax credit for serious disability: Persons with a disability level of at least 67% are eligible for tax credit for serious disability. The personal income tax amount to be deducted due to **serious disability** is the 5% of the minimum wage per month.

Non-simulated tax credits:

³ From 2008 together with the additional tax credit on income from wages.

Although the detailed system of tax credits was considerably simplified at 2007, most of the items were terminated, but several allowance stay in the tax system. The most important are: allowance after the amount paid to a **voluntary health fund**; allowance after the income originating from **intellectual activities**; allowance for the amount spent on paying off a **loan for buying accommodation**; allowance for amounts paid towards **tuition fees** in higher and adult education; allowance for **primary producers** in agriculture: this allowance is the amount of tax payable for the income raised by way of primary production or small-scale production; allowance for **payments made towards public interest organisations**, the Church, with the aim of assumption of obligations for purposes of public interest, allowance **for payments made towards public interest organisations of high priority**.

Simplified Business Tax (*egyszerűsített vállalkozói adó*): The simplified business tax (EVA), as a form of taxation was announced on 1 January 2003. EVA addresses small-scale enterprises, not only with the aim of reducing tax burdens but also in order to simplify administration. This form of taxation provides an opportunity for the legal transformation of revenues into freely utilizable income, it is easy to calculate and there are relatively fewer rates and taxes to be paid.

The main characteristics of those belonging to EVA are made quite clear by the provisions of the law. EVA, as a form of taxation, can be chosen by private entrepreneurs, unlimited partnerships, deposit companies, limited liability companies, co-operatives, lawyers' offices etc., if the taxpayer carried out its activities in the previous tax year continuously, without transformation and its revenues in the two previous tax years and, it is reasonable to expect that also in the current tax year they will be no more than 25,000,000 HUF (this maximum amount increase to 30,000,000 HUF by 2012). Economic societies can choose this form of taxation, if every member of the society is a private person and the economic society does not have a share in another economic society. There are some further restrictions ordained by the law, for example, it is only possible to become subject to EVA if tax authorities have not previously imposed a fine due to negligence on the company, if the company does not produce and does not circulate products imposed by excise tax, does not carry out any activities that require the permission of the Hungarian Financial Supervisory Authority or the Gaming Board.

Calculation of EVA is based on the amount of total revenues including VAT. The tax rate was 25 in 2009, 30% in 2010 and 2011; and 37% from 2012. Those paying EVA are exempted from paying the VAT, they do not have to pay entrepreneurial personal income tax and if they have no other revenues, they do not have to file a personal income tax return.

From the above, it emerges that the choice of EVA is reasonable for those enterprises that obtain revenues without much expense, or in the case of which the expenses cover partly entrepreneurial and partly household demands. It cannot be precluded, especially within a couple of years of the introduction of a new method of taxation, that certain people chose this opportunity by mistake. Still, we can assume that, in the case of the majority of the companies, the results remaining after taxation can predominantly be considered as incomes of households and EVA can be regarded as a tax payable by households.

Separately taxed income types are the following:

- Flat-rate taxation income of private entrepreneurs: In the case of flat-rate taxation, the accountable cost ratio is fixed, the ratio itself is defined by the law, depending on the type of activity and it varies between 40-87%. Tax is payable for the revenues remaining after the cost ratio was deducted.

- Income of private entrepreneurs, liable to entrepreneurial personal income tax and entrepreneurial dividend tax. The personal income tax of entrepreneurs is 16% of the entrepreneurial tax base. The entrepreneurial tax base basically means the revenues remaining after costs were deducted but the exact system of rules is rather complex. The entrepreneurial dividend base is the entrepreneurial income remaining after taxation. Tax payable for the entrepreneurial dividend base is 20% up to 30% of entrepreneurial withdrawal; above that it is 35%.
- Flat-rate taxation income of small-scale agricultural producers. The accountable cost ratio is fixed, depending on the type of activity; it is between 80-94%. The amount of tax payable is the same as in the case of flat-rate tax of private entrepreneurs.
- Flat-rate taxation income of hosts receiving paying guests The tax amounts to 32,000 HUF a year, out of which 80% is payable in the form of personal income tax and 20% as flat-rate health contribution. The amount of tax payable does not depend on whether guests were received throughout the year or only part of the year.
- Income originating from the sale of real-estate. Tax rate is 20% and it does not need to be declared, if the real-estate was obtained before 1988, or if there was no income originating from it. Allowance for getting an apartment is the duet of those who buy or build real-estate inland for themselves or for near relatives, either within 12 months before the sale or within 60 months afterwards. The amount spent for purchasing it can be deducted from the income originating from sale.
- Income originating from the sale of movable property. Tax rate is 20%., however, if the income originating from the sale of movable property is not more than 200 000 HUF, the sale is exempt from taxes. If it is more than 200 000 HUF, it needs to be declared but 40 000 HUF can be deducted from the tax.
- Income originating from life-annuity contract. Tax needs to be paid if the life-annuity contract was made after 1996 and life-annuity is received without compensation. The tax rate is 35%. It is tax-exempt: 1) if the contract ensuring support for life, the testamentary contract or the life-annuity contract was made with a private person; 2) if the contract ensuring support for life, the testamentary contract or the life-annuity contract was signed between a pensioner and an organisation financed by the state budget or a local government; 3) if life-annuity was received in return for real estate, right of property or movable property.
- Income originating from rate of exchange gain. Tax rate is 25%.
- Income originating from securities lending. Tax rate is 20%.
- Income raised by right of dividends Tax rate is 20% up to 30% of the financial deposit of the person entitled to receive the dividend. Above that it is 35%.
- Income raised by right dividend, taxable abroad. Tax rate is 20%. Tax justifiably paid abroad can be deducted, but if Hungary does not have a convention ruling out double taxation, at least 5% of the tax has to be paid in Hungary. etc.

Tax liability is the total of the amount of tax payable for incomes to be consolidated reduced by allowances and the amount of tax payable for incomes taxed separately. Tax return does not need to be filed by those who only have tax-exempt income. Tax-exempt incomes are the following:

- pensions
- severance pay received with regard to the cessation of the right for widow's pension
- supplementary income
- income substitution for the unemployed
- subsidy received prior to beginning independent activities, joining an economic society or founding an economic society, based on provisions of the law or international contracts

- maternity benefit given by the state, with regard to social considerations or within the system of social security
- social benefits
- temporary benefits
- funeral support given in accordance with the provisions of the social law by the local government, by an interest organisation or by the employer
- home maintenance support, subsidy for rental of accommodation
- orphans' allowance
- foster-parent fee, special provision due to foster parents
- after-care provision
- old age allowance
- personal allowance of the blind
- disability allowance, travelling support for seriously disabled private persons as provided by the law
- family aid for the relatives of conscripts and those carrying out civil service, monetary supply to disabled serviceman, national fee for care as provided by the law
- income of interest payment received from a private person or from a pay-office, if it is maximum 5% more than the base rate of the central bank interest
- debt management service

Among tax-exempt incomes, payment in kind supplementing wages also needs to be mentioned. One of the most frequently used forms is the provision of lunch on vouchers. The regulation of this was changed year by year. Another significant item is the provision of holiday contributions. These can be given for free, either in the form of holiday services or in the form of holiday checks and can also be used by close relatives, either together with or separately from the employee. Its limit is the amount of the minimum wage, in 2010 73,500 HUF. Schooling support can also be provided tax-exempt for the parents at the beginning of the school year, up to 22,500 HUF in 2010. Finally, so-called “presents of little value” can also be given to employees, up to 10% of the minimum wage.

Local taxes (*helyi adók*): Problems of local taxes are the result of territorial division. There are more than 3 100 local governments in Hungary, all of which might have their own provisions concerning tax types below. They have a legal right to levy taxes and even though there is a maximum limit, the actual regulations are framed by the local governments.

Indirect taxes

Value Added Tax: In Hungary, VAT was introduced in 1988. VAT is to be paid after each and every product and service sold inland and after the import of products. VAT is payable both by private persons and by legal entities, which means that there are only estimates available concerning the size of VAT paid by the population. VAT revenues form the major source of income for the state budget. The general rate of VAT is increased from 25 to 27% in 2012, with the exception of the products and services listed in the regulation (more details in the Feasibility Study).

There are further indirect taxes and levies collected by the National Tax and Customs Administration. They play a minor role relative to VAT, but as an example they are as follows:

excise tax; environmental protection; charge for environmental load; gambling tax; registration tax; energy tax.

Since 2010 Government introduced taxes on telecommunication, retail and money transfers – these are not simulated either.

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1 Scope of simulation

Not all the taxes and benefits mentioned in the previous section are simulated by EUROMOD. Some are beyond its scope entirely and are neither included in the EUROMOD database nor in the output income variables (e.g. Value Added Tax). Others are not possible to simulate accurately with the available data (old age benefits and unemployment benefits). They are included in the database and may be chosen as components of output variables, but the rules governing them may not be changed in the model. Table 2 and Table 3 classifies each of the main tax-benefit instruments (and some minor ones introduced above) into one of these groups and provides a brief explanation as to why the instrument is not fully simulated if this is the case.

Table 2. Simulation of benefits in EUROMOD

| | 2009- 2013 | 2009- 2013 | Why not fully simulated? |
|--|---------------|---------------|---|
| Old age benefit | POA | I | No data on contribution history |
| Early Retirement Pension | POA | I | No data on contribution history |
| Advanced Pension | POA | I | No data on contribution history |
| Temporary Widow(er)'s Pension | PSU | I | No data on contribution history |
| Permanent Widow(er)'s Pension | PSU | I | In the EU-SILC database if the survivor's benefits paid after the standard retirement age these benefits are included under the old age benefits. |
| Parental Pension | PSU | I | No data on contribution history |
| Orphan's Allowance | PSU | I | No information about the eligibility conditions |
| Absence Fee | BHL | I | Data available is not sufficient to simulate all eligibility conditions |
| Sickness Benefit | BHL | I | Data available is not sufficient to simulate all eligibility conditions |
| Invalidity Annuity | PDI | I | No information on disability |
| Temporary Invalidity Annuity | PDI | I | No information on disability |
| Disability Benefit | PDI | I | Data available is not sufficient to simulate all eligibility conditions |
| Work Accident Sickness Benefit | BHL | I | No information about the sickness |
| Work Accident Annuity | BHL | I | No information about the sickness |
| Work Accident-related Disability Pension | PDI | I | No information about the sickness |
| Unemployment Benefit | BUN | S | No data on contribution history (coded (PS) but currently switched off) |
| Pre-retirement Unemployment Assistance | BUN | I | No data on contribution history |
| Incentive Benefit for Job-seekers | BUN | I | No data on contribution history |
| Maternity Allowance | BMACT | I | No data on contribution history |
| Maternity Grant | BMANCc | S | |
| Child Care Allowance | BCCNCc | S | |
| Child Care Fee | BCCCT | I | No data on contribution history |
| Child Raising Support | BCCLT | S | |
| Family Allowance | BCHNM | S | |
| Regular Child Protection Allowance | BCHMT | S | |
| Old age allowance | POAMT | S | |
| Regular benefit | BSA00 | S | |
| Home maintenance support | BSAHO | PS | No information about the size of flat |
| Nursing fee | - | I | No information about the eligibility conditions |

Notes: "-": policy did not exist in that year; "E": *excluded* from the model as it is neither included in the micro-data nor simulated; "I": *included* in the micro-data but not simulated; "PS" *partially simulated* as some of its relevant rules are not simulated; "S" *simulated* although some minor or very specific rules may not be simulated.

Table 3. Simulation of taxes and social contributions in EUROMOD

| | 2009- 2013 | 2009- 2013 | Why not fully simulated? |
|--|---------------|---------------|---|
| Personal income tax | tin | PS | No information about all of the tax credits |
| Corporate tax | - | E | No information available |
| Simplified business tax | tbs | S | No information about the type of the self-employment, but we estimate the number of the tax payers. Every eighth self-employment choosed this type of tax paying in 2006. (~100 000 person or firm) |
| Local taxes | - | E | No information available |
| Value Added Tax | - | E | No information available |
| Excise tax | - | E | No information available |
| Environmental protection fee | - | E | No information available |
| Charge for environmental load | - | E | No information available |
| Gambling tax | - | E | No information available |
| Registration tax | - | E | No information available |
| Energy tax | - | E | No information available |
| Employee Social Insurance Contributions | tscee | S | |
| Employer Social Insurance Contributions | tscer | S | |
| Self-employed Social Insurance Contributions | tscse | S | |

Notes: “-” policy did not exist in that year; “E” policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by Euromod; “PS” policy is *partially simulated* as some of its relevant rules are not simulated; “S” policy is *simulated* although some minor or very specific rules may not be simulated.

2.2 Simulated policies and order of simulation

2.2.1 Simulated policies

The model allows simulating changes in the tax rates and contribution rates, changes in tax deductions and allowances, family benefits, and major rules for social assistance benefit. The order of simulation is reported below.

2.2.2 Order of simulation and interdependencies

The following table shows the order in which policies of the Hungarian fiscal system are simulated.

Table 4. EUROMOD: order of simulation, 2009-2013

| Policy | HU_2009 | HU_2010 | HU_2011 | HU_2012 | HU_2013 | Description of the instrument and main output |
|------------------|---------|---------|---------|---------|---------|---|
| uprate_hu | on | on | on | on | on | DEF: UPRATING FACTORS |
| ConstDef_hu | on | on | on | on | on | DEF: CONSTANTS |
| InitVars_hu | on | on | on | on | on | DEF: Initialise variables |
| IlDef_hu | on | on | on | on | on | DEF: INCOME CONCEPTS |
| TuDef_hu | on | on | on | on | on | DEF: ASSESSMENT UNITS |
| yem_hu | off | off | off | off | off | DEF: minimum wage |
| neg_hu | on | on | on | on | on | DEF: recode negative income from self-employment to zero |
| bun_hu | on | on | on | on | on | BEN: unemployment benefit (munkanélküli járadék) |
| bmanc_hu | on | on | on | on | on | BEN: Maternity Grant (Anyasági Támogatás) |
| bccnc_hu | on | on | on | on | on | BEN: Child Care Allowance (Gyermekgondozási Segély) |
| bcclt_hu | on | on | on | on | on | BEN: Child Raising Support (Gyermeknevelési Támogatás) |
| bchnm_hu | on | on | on | on | on | BEN: Family Allowance (Családi Pótlék Tartásdíj) |
| tscee_hu | on | on | on | on | on | SIC: Employee Social Insurance Contributions |
| tscer_hu | on | on | on | on | on | SIC: Employer Social Insurance Contributions |
| tscse_hu | on | on | on | on | on | SIC: Self-employed Social Insurance Contributions |
| tin_hu | on | on | on | on | on | TAX: Personal Income Tax (Személyi Jövedelemadó) |
| tbs_hu | on | on | on | on | on | TAX: Simplified Business Tax (Egyszerűsített Vállalkozói Adó) |
| bchmt_hu | on | on | on | on | on | BEN: Regular Child Protection Benefit (Rendszeres Gyermekvédelmi Támogatás) |
| bfa_hu | on | on | on | on | on | BEN: Family Benefit |
| bsa_hu | on | on | on | on | on | BEN: Social Assistance (Szociális Segélyek) |
| output_std_hu | on | on | on | on | on | DEF: STANDARD OUTPUT INDIVIDUAL LEVEL |
| output_std_hh_hu | off | off | off | off | off | DEF: STANDARD OUTPUT HOUSEHOLD LEVEL |

In the Hungarian system there are four means-tested benefits that can be simulated. Their amounts are calculated within two policies: regular child protection allowance and social assistance (including old age allowance, regular benefit and home maintenance support). They all depend on income after income tax and employee and self-employed contributions have been deducted. They are therefore simulated after the simulation of income taxes and social insurance contributions.

The other four simulated benefits are non means-tested benefits. These are: maternity or child related benefits that depend on the age of the child or the number of the dependent children in the household. These non-means-tested benefits must be simulated first, because they are considered incomes by the means-tested income criteria.

2.3 Social benefits

2.3.1 Maternity grant (*Bmanc_hu*)

Resident women who give birth, having previously participated in pre-natal care at least 4 times and having no insurance, are entitled to a one-off lump-sum payment of 225% of the minimum old age pension or 300% in case of twins in 2009. (In EUROMOD the twins regulation is not implemented because of the lack of data.)

- *Definitions*

The unit of analysis is the family. This comprises the head, his spouse or partner and their own children. Dependent children are defined in the tax unit as aged 16 or younger or 24 or younger if they are in full-time secondary education, not married and not cohabiting.

- *Eligibility conditions*

This benefit is paid if at least one one-year old child lives in the family.

- *Income test*

This benefit does not depend on other incomes. Income test is not necessary.

- *Benefit amount*

The maternity grant is a lump-sum payment of 225% of the minimum old-age pension. In order to obtain average monthly amounts, Euromod output is divided by 12 .

2.3.2 Child care allowance (*Bccnc_hu*)

A flat-rate benefit to parents who stay away from work to care for their children under the age of 3 (under age of 10 in case of permanently ill or severely disabled children) or for grandparents who care for their grandchildren aged between 1-3 years in the household of the parent. The monthly amount is equal to the minimum old age pension.

- **Definitions**

The unit of analysis is the family. This comprises the head, his spouse or partner, grandparents and their own children. Dependent children are defined in the tax unit as age \leq 2 or age \leq 9 if disabled, grandparents are defined as parents of the child's mother or father.

- **Eligibility conditions**

Eligible are units where at least one adult person is caring for a 0-2 years old child if the person is the parent, or a 1-2 year old child if the person is the grandparent.

Since 2008, the caring parent of children under 1 year of age cannot pursue a gainful activity, while parents of children older than 1 year of age can pursue a gainful activity without restriction.

- **Income test**

Income test is not applicable

- **Benefit amount**

The monthly amount is equal to the minimum old age pension.

2.3.3 Child raising support (*Bcclt_hu*)

Benefit for parents who raise three or more children in their own home, if the youngest child is between 3 and 8 years old. The monthly amount is equal to the minimum old age pension, irrespective of the number of children.

- **Definitions**

The unit of analysis is the family. This comprises the head, his spouse or partner and their own children. Dependent children are defined in the tax unit as aged 16 or younger or 24 or younger if they are in full-time secondary education, not married and not cohabiting.

- **Eligibility conditions**

Eligible are families where parent(s) work maximum 4 hrs per week in order to take care of at least 3 dependent children where there is at least one child age between 3 and 7 years-old (included) and no child age 0 to 2 (i.e. a 3-7 year old child is the youngest).

- **Income test**

Income test is not applicable

- ***Benefit amount***

The monthly amount is equal to the minimum old age pension.

2.3.4 Family allowance (*Bchnm_hu*)

Family allowance is mainly meant to support families with schooling costs. It is paid to the parent from the birth of the child to the termination of compulsory education studies (usually 0-16 years); it may be paid also during secondary school education or vocational training (up to 20 years of age). Its amount depends on the number of children in the family, household type (e.g. single-parent family) and whether the child is disabled. In order to support families with schooling costs, in July the amount of the family allowance is double.

- ***Definitions***

The unit of analysis is the family. This comprises the head, his spouse or partner and their own children.

Dependent children are defined in the tax unit as aged younger than 16; or 24 if they are in full-time secondary education, not married and not cohabiting

- ***Eligibility conditions***

Family Allowance is a universal benefit. This benefit is paid if at least one dependent child lives in the family.

- ***Income test***

Income test is not necessary

- ***Benefit amount***

In 2009, the monthly amount for lone parents depends on number of children living in the family:

1 child: HUF 13,700 in 2009,

2 children: HUF 14,800 per child,

3 or more children: HUF 17,000 per child,

If the child is permanently ill or severely disabled: HUF 25,900.

The monthly amounts for other families are:

1 child: HUF 12,200,

2 children: HUF 13,300 per child,

3 or more children: HUF 16,000 per child,

If the child is permanently ill or severely disabled: HUF 23,300.

The amounts paid by the family allowance have not changed since 2009:

| | 2009-2013 |
|---|-----------|
| 1 child in the family | 12,200, |
| 1 child, single parent | 13,700, |
| 2 children in the family | 13,300 |
| 2 children, single parent | 14,800 |
| 3 or more children in the family | 16,000 |
| 3 or more children, single parent | 17,000 |
| permanently ill or severely disabled child in the family | 23,300, |
| permanently ill or severely disabled child, single parent | 25,900, |

In EUROMOD, the double amount paid in July and special amount for foster children cannot be simulated.

2.3.5 Regular child protection allowance (*Bchmt_hu*)

- **Definitions**

This benefit is paid to the family if the income per person in the family does not exceed the amount of the defined percentage of the minimum old age pension. It is meant to support low income families with children.

The unit of analysis is the family. It comprises of the head, his spouse or partner and their own children.

Dependent children are defined in the tax unit as aged 17 or younger, or under age 23 (included) if they are in full-time secondary education, not married and not cohabiting or 25 or younger if they are in full-time tertiary education, not married and not cohabiting.

- **Eligibility conditions**

Eligible are families with children where per capita monthly income (as defined in `ill_meanstestY`) is below 130% of the minimum old age pension .

- ***Income test***

The income test is based on per capita monthly income defined as disposables income (excluding regular child protection allowance - this benefit - and social assistance (as they are not yet calculated)).

- ***Benefit amount***

The benefit is paid in a fixed amount per year to families with children (independently from the number of children). In 2009 it amounts to 11 600 HUF per year.

2.3.6 Social assistance (*BSA_HU*)

2.3.6.1 Old age allowance

This is a social assistance scheme to ensure a minimum income during old age in the absence of an old age pension. The amount of the benefit is determined by the income of the person (and his/her partner or spouse).

- ***Definitions***

The unit of analysis is the 'couple'. This comprises the head, his spouse or partner. Tax unit comprises only head and his/her partner, i.e. income of other household members is not taken into account.

- ***Eligibility conditions***

Eligible are people who have reach the pension age (62 years old from 2009) or those living in a couple where at least one person is older than the pension age.

- ***Income test***

Old age allowance is a means-tested benefit based on *il_meanstestY* which is defined as disposables income with the exception of regular child protection benefit (*bchmt_s*) and social assistance (*bsa_s*) (as they are not yet calculated).

- ***Benefit amount***

For couples the maximum benefit amounts to 80% of the minimum old age pension per person.

For singles the maximum benefit amounts to 95% of the minimum old age pension or 130% if the person is older than 75 years old. Income of the couple/single (as defined in *il_meanstestY*) is withdrawn in full from maximum benefit.

2.3.6.2 Regular benefit

This is a social assistance scheme to ensure a minimum standard of living. From 2006 to 2010 the assessing of the entitlement and the amount of the assistance based on the income projected to the consumer unit instead of the previous income per capita. The consumer unit is the rate which shows the structure of consumption within a family. The first major member of the family and the disabled child's rate is 1,0 while the ratio of the companion (spouse) and a child is lower (0,9-0,7). From 2009 it was replaced by the stand-by allowance for people over 55.

- **Definitions**

The unit of analysis is the household, which includes all individuals in the household as members of the same unit. From 2006 only one person in a family is entitled to this support .

Dependent children are defined in the taxunit as children under 16 or children under 21 not in work or children under 25 in full time education and not working, not married nor cohabiting.

- **Eligibility conditions**

Eligible are persons who are 18 years or older who have a disability degree of at least 67% or are non-employed, i.e. unemployed and their income is lower than the 90% of the minimum pension.

In 2009 the regular benefit was replaced by the stand-by allowance. The eligibility conditions were changed: People age 18-55 with children or those age over 56 (up to pension age) are eligible if they are disable or not entitled to unemployment benefit and they have low income (as defined by `il_sareexclY` in the income list).

- **Income test**

`il_meanstestY` is defined as disposable income with the exception of regular child protection benefit and social assistance.

- **Benefit amount**

From 2006 to 2009 the maximum amount of the benefit is 90% of the minimum old age pension. The payable amount is the difference between the means-tested income and the income calculated with the per consumer unit . The lower and upper limit of the benefit are respectively 0 and the minimum wage.

2.3.6.3 Stand-by allowance (from the year 2009)

This is a social assistance scheme to ensure a minimum standard of living. The assessing of the entitlement and the amount of the assistance based on the income projected to the consumer unit instead of the previous income per capita. The consumer unit is the rate which shows the structure of consumption within a family. The first major member of the family and the disabled child's rate is 1,0 while the ratio of the companion (spouse) and a child is lower (0,9-0,7).

- **Definitions**

The unit of analysis is the household, i.e. all individuals in the household are members of the same unit.

Dependent children are defined in the tax unit as household members 15 or younger or, if in education and not working, 24 or younger.

- ***Eligibility conditions***

Eligible are persons who are younger than 55 and older than 18 years old and have a disability degree of at least 67% or do not receive unemployment benefit and are non-employed, i.e. unemployed and do not have income as defined in `il_sareexclY` and do not received regular social benefit.

- ***Income test***

`il_meanstestY` is defined as disposables income with the exception of regular child protection benefit and social assistance (as they are not yet calculated).

- ***Benefit amount***

The maximum amount of the benefit is the minimum old age pension.

2.3.6.4 Home maintenance support

This is a means-tested benefit provided by the local government for a family or individual who lives in a home not exceeding a specified size, provided that there is no income from the use of that home.

- ***Definitions***

The unit of analysis is the household (all individuals in the household are members of the same unit).

- ***Eligibility conditions***

Eligible are households where per capita income does not exceed 150% of the minimum old age pension (in 2012 this increased to 250%).

- ***Income test***

Household income test is based on the per consumption unit household income (`il_meanstestY`). The consumer unit is the rate which shows the structure of consumption within a family. However, this is different from that used for social assistance: the first adult of the household has a rate of 1,0, the second adult has a rate of 0.9, other adults weight 0.8, first and second child also weight 0.8, other children have a rate of 0.7. Extra weight (0.2) is given to the household if it is a lone parent household.

- ***Benefit amount***

The home maintenance supports maximum 30% of recognized housing costs.

The maximum amount of the benefit depends on household size. For each recognized squared meter, it pays 450HUF: The table below show details for each year from 2009 to 2013.

| N. of people in household | Accepted house size (squared meters) | 2009-2013 |
|---------------------------|--------------------------------------|---------------------------------------|
| 1 | 35 | 15750 |
| 2 | 45 | 20250 |
| 3 | 55 | 24750 |
| 4 | 65 | 29250 |
| 4+ | 65+5 for each extra person | 29250 + (2250 * (n. hld members - 4)) |

30% of the maximum amount of the benefit is paid to household with per capita income lower than 50% of minimum pension; for households with per-capita income between 50% and 150% (250% from 2011) of minimum pension, the amount of the benefit is reduced and the new rate is calculated as follows $(0.3 - ((i_{hh} \text{per capita} Y1 - \$MinPension_m * 50\%) / \$MinPension_m) * 0.15)$

2.4 Social contributions

In Hungary, the social insurance system has two large parts: the pension scheme and health insurance.

2.4.1 Employee social contributions (Tscee_hu)

In 2009, pension insurance contributions amount to 9.5% of employment income with a daily upper limit. This increased to 10% from 2011.

In 2009, employees pay 6% for health insurance contribution, this increased to 7% from 2012. The general employee insurance contributions amounts to 1,5% of employment income from 2010.

No employee social insurance contributions are payed if in receipt of old age pension. The assessment unit is the individual.

2.4.2 Employer social contributions (Tscer_hu)

- *Liability for contributions*

Employers have to pay Pension and Health insurance contribution for each of their employees

- **Thresholds and rates**

The rate on earnings for pension insurance contributions is 24% of employment income from 2008.

The rate for health insurance contributions in 2009 is 2% for earnings up to 143000 HUF and 5% for earnings above 143000 HUF. From 2010, only one rate for health insurance contributions is maintained (2%).

Fixed health contributions of a monthly amount of 1 950 HUF are paid by employers for their employees. Fixed health contributions are counted as employer social insurance contributions if the person is "mainly employee" (i.e. employment income > self-employment income) otherwise as self-employed social insurance contributions. From 2010 the fixed health contributions is not part of the tax system.

In 2009 the general insurance contributions amount is 1% (0-143000 HUF) or 3% (for the part above 143000 HUF -). In 2011 and 2012 this is only the 1% of the income in all income categories.

From 2012 the health insurance, pension insurance and the general insurance contributions were erased, instead of these, 27 % social contribution tax was introduced.

The assessment unit is the individual.

2.4.3 Self-employed social contributions

Entrepreneurs (those with no zero self-employment income) and EVA (simplified business tax) payers ($1_{se00} = 1$) pay self-employed contributions.

The contribution base for entrepreneurs is the highest between minimum wage and self-employment income. In the case of EVA payers the contribution base is the amount of the minimum wage. EVA payers do not pay self-employed health insurance contributions if they are at the same time employees.

The 1_{se00} variable has been generated to identify the EVA payers $\{1_{se00}=1\}$. This variable is created from the self employment income variable based on the following criteria: if self-employment income ($py050g$) < 25 000 000 HUF then $\{1_{se00}=1\}$. Because of the low estimate of self-employment income this causes a very large number of individuals in the sample to be classified as EVA payers. In order to avoid this, a correction has been adopted: one case every eight self-employed is categorized back to a 'normal' tax payers.

Pension insurance contributions amount to 24% + 9,5% of employment income in 2009. In 2009 the health insurance contributions amount to 2% + 6% (0-143000 HUF) or 5% + 6% (143000 HUF -) of the contribution base. If the recipient gets pension she/he pays smaller health insurance contribution. In the following years the self-employment social insurance contribution was adjusted to equal the employer and employee SIC. This means that in 2012 and 2013 the social contribution tax was introduced in the case of the self-employment person too.

In 2009 the general insurance contributions amount to 1% (employee-part) + 1,5% (0-143000 HUF) or 4% (143000 HUF) - employer part of contribution base. If in receipt of old age pension

or have employer income the general insurance contribution is 0. In 2010 and 2011 this type of insurance contribution is 2%.

Fixed health contributions of a monthly amount of 1 950 HUF are counted as employer social insurance contributions if the person is "mainly self-employed" (i.e. self-employment income > employment income) otherwise it counts as employer social insurance contributions. This contribution form was cancelled after 2009.

2.5 Personal income tax (tin_hu)

The main tax simulated for Hungary is personal income tax. Every citizen is obliged to file a tax return at the end of the tax year if their annual income comprises taxable income.

2.5.1 Tax Unit

Personal income tax is individual. However, there is a partial exception to this rule: family tax credit is jointly assessed. In this case the unit of analysis is the family. This comprises the head, his/her spouse or partner and their own dependent children. Dependent children are defined as aged 16 or younger or aged 24 or younger if they are in full-time secondary education. Children cannot be married or cohabiting.

2.5.2 Exemptions

Some income components do not have to be declared to the tax authorities, and thus are not included in the concept of taxable income (pensions, child and family benefits).

2.5.3 Tax base

The tax base is defined as taxable income excluding EVA payers' ($\{1se00=1\}$) self-employment income. Their self-employment income is stored in y_{se} and used for calculating SIC, but not for tax calculation.

Taxable income includes all sources of income. More specifically, the definition of taxable income is as follows:

```
IL: taxableY
taxableY= child raising support (gyermeknevelési támogatás, bcclt) + child
care allowance (gyermekgondozási segély, bccnc) + child care fee
(gyermekgondozási díj, BCCCT) + sickness benefits (táppénz, távolléti díj,
BHL) + maternity allowance (terhességi-gyermekágyi segély, BMACT) +
unemployment benefits (munkanélküli ellátások, BUN) + employment income, YEM)
+ property income (YPR) + self-employment income (YSE)+ old-age income (poa)
```

2.5.4 Tax schedule

Income taxation is graduated, with progressively higher marginal tax rates applying to higher income brackets.

In 2009 the annual income up to 1,900,000 HUF is taxed at a rate of 18%, incomes between 1,900,000 and 7,446,000 HUF at 36%, and income above 7,446,000 HUF at 40%. In 2010 a new tax base was introduced which is the 127% of the previous tax base, and the tax table was changed as follows: 17% paid for incomes below 5,000,000 HUF and 32% paid for incomes above that threshold. In 2011 the tax system changed to a sort of flat tax system where everybody pays a tax rate of 16% on the tax base defined by multiplying `il_taxabley` as defined above by 1.27.

In 2012 the use of a coefficient to define the tax base was partially terminated for incomes lower than 2,424,000 HUF. The tax system became a flat tax with two rates, because from 0 to 2,424,000 HUF the tax rate is 16% of the tax base, above 2,424,000 HUF the tax rate is 20.32% on tax base multiply by 127%. In 2013 a fixed flat tax system was introduced where the tax rate is 16% for everyone.

2.5.5 Tax credits

Tax credits are defined as deductions from tax due. These tax credits are non-refundable. In other words, final tax is calculated as the amount of tax resulting from the tax schedule minus the sum of all tax credits, subject to a minimum of zero.

A considerable number of tax credits cannot be simulated, because of the missing variables or missing relevant information in the original EU-SILC database. The model contains most of these tax credits but some of these are switched off. In this chapter we listed only the simulated tax credits.

2.5.6.1. Tax credit for non taxable emolument (progression proviso)

Tax on income as defined in `incomelisty` `il_taxprogy` (which includes education related income (oktatással kapcsolatos támogatás), child raising support (gyermeknevelési támogatás), child care allowance (gyermekgondozási segély), old age income (öregségi/saját jogú nyugdíj), maternity grant (anyasági támogatás) and family allowance (családi pótlék tartásdíj)) is deducted from tax (i.e. this income is not taxable, but it actually moves taxable income up in the schedule). From 2011 the tax credit for non taxable emolument was eliminated.

2.5.6.2. Tax credit on income from wages

The refund amounts to 18% of income from wages (which includes Sickness related benefits, Pension (Betegséggel kapcsolatos juttatások, rokkantnyugdíj), unemployment benefits (munkanélküli ellátások) and employment income as defined in `il_wagey`) with a maximum as described above.

In 2009 the maximum amount of the refund is 11 340 HUF/monthly, but the maximum tapers off if annual total income (which includes child raising support (gyermeknevelési támogatás), child care allowance (gyermekgondozási segély), education related income (oktatással

kapcsolatos támogatás), Sickness related benefits and pension (Betegséggel kapcsolatos juttatások, rokkantnyugdíj), unemployment benefits (munkanélküli ellátások), employment income, investment income, property income and self-employment income as defined in il_totalY) is between 1,250,000 HUF and 2,670,000 HUF

The limits changes in the following years as shown below:

| 2009 | 2010 | 2011 |
|---|---|---|
| $11340\#m - (11340\#m / (2670000\#y - 1250000\#y)) * ((il_totalY * 1.27) < \max\{1250000\#y, 3188000\#y\} - 1250000\#y)$ | $15100\#m - (15100\#m / (4698000\#y - 3188000\#y)) * ((il_totalY * 1.27) < \max\{3188000\#y, 3188000\#y\} - 3188000\#y)$ | $15100\#m - (15100\#m / (4698000\#y - 3188000\#y)) * ((il_totalY * 1.27) < \max\{3188000\#y, 3188000\#y\} - 3188000\#y)$ |

The tax credit on income from wages was eliminated from the tax system in 2012.

2.5.6.4. Tax credit for serious disability

Eligible are people with a disability level of at least 67%. In 2009, the tax credit amounts to 2,000 HUF monthly, this amount changed to the 5% of the minimum wage from 2010.

2.5.6.5. Family tax credit

The family tax credit amounts to 4,000 HUF monthly if there are three or more dependent children in the family.

Tax credit is granted fully if total annual household income is below 8,000,000 HUF; if total annual income is above this threshold, for each HUF above 8,000,000HUF, the tax credit is reduced by 20% .

From 2011 the family tax credit was deducted from the tax base (becoming effectively a tax allowance) and not from the tax due. The amount are: $\{nDepChInTU=1\}=62500\#m$ or $\{nDepChInTU=2\}=62500\#m*2$ or $\{nDepChInTU>=3\}=206250\#m$

The tax credit is shared (proportionally to tax after deduction of other tax credits) among parents to make the maximum use of it.

2.6 Simplified Business Tax (tbs_hu)

Calculation of EVA (Egyszerűsített Vállalkozói Adó – Simplified Business Tax) is based on the amount of total revenues including VAT. The tax rate is 25% in 2009, this increased to 30% in 2010 and 2011, and 37% from 2012. Those paying EVA are exempted from paying the VAT, they do not have to pay entrepreneurial personal income tax and if they have no other revenues, they do not have to file a personal income tax return.

3. DATA

3.1 General description

The Hungarian database is drawn from the Community Statistics on Income and Living Conditions (EU-SILC) as provided by Eurostat (UDB_c10_ver 2010-1 from 01-03-12). EU-SILC is expected to become the EU reference source for comparative statistics on income distribution and social exclusion at European level, particularly in the context of the 'Programme of Community action to encourage cooperation between Member States to combat social exclusion' and for producing structural indicators on social cohesion for the annual spring report to the European Council.

The instrument aims to provide two types of data:

- Cross-sectional data pertaining to a given time or a certain time period with variables on income, poverty, social exclusion and other living conditions
- Longitudinal data pertaining to individual-level changes over time, observed periodically over, typically, a four year period.

Social exclusion and housing condition information is collected at household level while labour, education and health information is obtained for persons aged 16 and over. The core of the instrument, income at very detailed component level, is mainly collected at personal level but a few components are included in the household part of SILC.

The Statistics on Income and Living Conditions is conducted by the Central Statistics Office (HCSO).

The 2010 EU-SILC sample in Hungary was selected by a stratified two-stage sampling design in a part of the population and by stratified one-stage design in the other part. The final sampling units are the dwellings and, in each of them, every household is observed.

Localities were stratified by General Election Districts and size (in terms of number of dwellings). In the first part, one locality was selected with probability proportional to the number of dwellings. Within each selected locality, a systematic selection of dwellings was done. As for the other part of the population, a systematic selection of dwellings was done in each stratum.

Table 5. EUROMOD database description

| | |
|-------------------------|---|
| | 2010 |
| EUROMOD database | HU_2010_a2.txt |
| Original name | UDB_c10_ver 2010-1 from 01-03-12 |
| Provider | HCSO; EUROSÍTAT |
| Year of collection | 2010 |
| Period of collection | 01/03/2010-01/05/2010 |
| Income reference period | 01/01/ to 31/12/ previous year to fieldwork |
| Unit of assessment | Households* |
| Coverage | Private household |
| Sample size | Ind: 20,653 HH: 9,813 |
| Response rate | 0,876 (household level) |

*Notes: Persons living in collective households and in institutions are generally excluded from the target population. Refers to a non-institutional collective dwelling such as a boarding house, dormitory in an educational establishment or other living quarters shared by more than five persons without sharing household expenses.

3.2 Data adjustment

Generally we try to keep the original EU-SILC dataset and no further adjustments to variables have been made. EUROSTAT applies several processes to validate the database. The validation process includes syntax and a logical check audit, for example, on the structural coherence of the files (household register, personal register, household data, personal data) and the coherency between different variables of the same record and other records.

In order to guarantee consistency between demographic variables and income variables, which refer to the previous year (and on which EUROMOD simulation are based), all children born between the end of the income reference period and the date of interview have been dropped from the sample. The final sample includes 20,653 individuals in 9,813 households.

3.3 Imputations and assumptions

3.3.1 Time period

In the SILC user database, the income reference period is a 12-month period. Information on earnings refers to the last tax year. Similarly, information about pensions and benefits refers to the calendar year before the interview. Self-employment income is based on this reference period too.

In general: “The interval between the end of the income reference period and the time of the interview for the respondent concerned shall be limited to 8 months as far as possible. This

applies both to the household and personal samples, and irrespective of whether the reference period used is fixed in terms of calendar dates for the whole sample or is a moving reference period determined according to the timing of the interview for the household or person concerned.”⁴

All monetary amounts in the SILC are expressed in annual terms. These are converted into average monthly terms (dividing by 12) for the EUROMOD database.

3.3.2 Gross incomes

The Hungarian SILC data include variables on income tax, employee social insurance contributions and other deductions from gross earnings. In general, “gross income means the total monetary and non-monetary income received by the household over a specified 'income reference period', before deduction of income tax, regular taxes on wealth, employees', self-employed and unemployed (if applicable) compulsory social insurance contributions and employers' social insurance contributions, but after including inter-household transfers received.”⁵

3.3.3 Disaggregation of harmonized variables

Information on simplify taxation for self-employed is not reported in the original SILC UDB. Therefore we impute whether self-employed workers are subject to simplify or full taxation base on whether their annual self-employment income is less than 25,000,000 HUF. In this case the variable lse00 is set to be 1 to indicate that the person is classified as an EVA payer. However, controlling only for income it is not enough to identify the all EVA payers in Hungary because most of the self-employed in the sample satisfy the income criteria. Hence, to reflect the proportion of EVA payers in the population, one in eighth self-employees are randomly selected to be EVA payers. The others are subject to ‘normal’ taxation.

3.4 Updating

To account for any time inconsistencies between the input dataset and the policy year, updating factors are used. Each monetary variable (i.e. each income component) is updated so as to account for changes in the non-simulated variables that have taken place between the year of the data and the year of the simulated tax-benefit system. Updating factors are generally based on changes in the average value of an income component between the year of the data and the policy year. For detailed information about the construction of each updating factor as well as the sources that have been used, see Annex 1.

As a rule, updating factors are provided both for simulated and non-simulated income components present in the input dataset. Note however that in the case of simulated variables, the actual simulated amounts are used in the baseline rather than the uprated original variables in the dataset. Updating factors for simulated variables are provided so as to facilitate the use of the model in cases when the user wishes to turn off the simulation of a particular variable. The list of uprating factors as well as the sources used to derive them can be found in Annex 1

⁴ SILC UDB description

⁵ SILC UDB description

4. VALIDATION

4.1 Aggregate Validation

EUROMOD results are validated against external benchmarks. Detailed comparisons of the number of people receiving a given income component and total yearly amounts are shown in Annex 2. Both market incomes and non-simulated taxes and benefits in the input dataset as well as simulated taxes and benefits are validated against external official data. The main discrepancies between EUROMOD results and external benchmarks are discussed in the following subsections. Factors that may explain the observed differences are also discussed.

4.1.1 Components of disposable income

In this section, the main differences between the definition of disposable income in EUROMOD and EU-SILC are presented.

Table 4.1 Components of disposable income

| | EUROMOD 2009-2013 | EU-SILC 2010 |
|--|----------------------|-----------------|
| | ils_dispy | HY020 |
| Employee cash or near cash income | + | + |
| Employer's social insurance contribution | 0 | 0 |
| Company car | 0 | + |
| Contributions to individual private pension plans | 0 | 0 |
| Cash benefits or losses from self-employment | + | + |
| Pension from individual private plans | 0 | 0 |
| <i>Unemployment benefits</i> | + | + |
| <i>Old-age benefits</i> | + | + |
| <i>Survivor' benefits</i> | + | + |
| Sickness benefits | + | + |
| Disability benefits | + | + |
| Education-related allowances | + | + |
| Income from rental of a property or land | + | + |
| <i>Family/children related allowances</i> | + | + |
| Social exclusion not elsewhere classified | + | + |
| Housing allowances | + | + |
| Regular inter-household cash transfer received | + | + |
| Interests, dividends, etc. | + | + |
| Income received by people aged under 16 | + | + |
| Regular taxes on wealth | - | - |
| <i>Regular inter-household cash transfer paid</i> | - | - |
| <i>Tax on income and social contributions</i> | - | - |
| <i>Repayments/receipts for tax adjustment</i> | 0 | + |

4.1.2 Validation of incomes inputted into the simulation

Table 4.5 and 4.6 (Annex 2) show the benefits that we cannot simulate in EUROMOD, these numbers compare the original information from the SILC UDB and the external statistics provided by the Hungarian Central Statistical Office.

In the case of the sickness benefits there are significant differences between the SILC and the external statistics. The main reason can be found in the different definition used to construct the two results. The sickness benefit has two big parts, the sick leave and the sick pay. An employee is entitled to 15 days' sick leave per calendar year to cover periods of unfitness for work occurring by reason of sickness. In this period the employer bears the expenses of sick leave (HCSO, 2010). After the first 15 days of sick leave period has been exhausted, the employee receives sick pay. The National Health Insurance Fund Administration data only counts the recipients and expenditures of the sick pay. Therefore it is no surprise that the 'external statistics' reported in Table 4.5 are much lower than the results produced by EUROMOD-SILC, which, instead, contains information about the two types of sickness benefits together (i.e. the sick leave and the sick pay). On the other hand the respondent may have underestimated the sum of the sickness benefit significantly. For example the expenditure per sick pay *day* is 3,101 HUF in 2009 (In 'Yearbook of Social Statistics 2009'; HCSO 2010) and the average sickness benefit is 4,245 HUF per *month* in the SILC dataset.

In the case of the disability benefits, the external source amount includes the disability pension below retirement age, miners' and early retirement pension, benefits to persons with reduced capacity to work, accident benefits and the disability benefit. The coverage of the SILC and the external data is similar, but not the same, this cause an underestimate effect in both the identification of entitlement and the expenditure amounts.

The number of old age income recipients in EUROMOD is similar to the external statistics. However EUROMOD overestimates expenditures. Most likely respondents over-reported the amount of the old age incomes because they included all the kind of pensions (survivor, disability, etc.) in this category if they get old-age pensions. We think this cause the underestimate effect in the survivor benefits too.

The unemployment benefits statistics provided by EU-SILC to EUROMOD contains not all, but most of the ESSPROSS elements, such as the early retirement for labour market reasons, vocational training allowance, etc. However it clearly overestimates number of recipients and total expenditures in 2009 and 2010. The number of recipients are expected to be overestimated because one is counted within the receivers of unemployment benefit even if he/she was unemployed just for one month in the all year as EUROMOD produces the average amount of a benefit received in a month, while the external statistics represent the average number of the recipients in one month and corresponding expenditures. Unfortunately, there is no available information directly comparable with our results. In 2010 the ratio get worst than in 2009. Expenditures are highly overestimated. Indeed, following the economic crisis, the unemployment benefit system was changed significantly in 2010, however this is difficult to pick up with EUROMOD because this specific benefit it is not simulated, but taken as reported in SILC. In fact, EUROMOD is a static microsimulation model which, in this particular case, simulates the effect that 2009-2013 fiscal policies have got on the 2010 population of Hungary. It does that by assuming that the population does not change, but the tax and benefit system does. Therefore, the number of recipients is constant over time because people observed out of work remain the same (we do not change the input data to take into account demographic variations in the population or changes in labour market behaviours), expenditures change as an effect of uprating factors which take forward in time monetary values. However, the big

differences observed between EUROMOD results and external values suggest that uprating factors alone cannot take account of the changes introduced on this benefit.

4.1.3 Validation of outputted (simulated) incomes

Table 4.7 and Table 4.8 (Annex 2) show the child and family related benefits. These benefits are usually well estimated in the model, in particularly those cases where the regulations are clear and all the recipients get these supports (e.g. family allowance). Even so there are some deviations in the child care allowance. EUROMOD allocates this amount where a less than 3 years old child is in the family, but in reality not all these families get this benefit (i.e. it may be a problem of take up or on the identification of who can apply for the benefit: for example grandparents can be entitled to this benefit if parents do not apply), and the model cannot control for this effect. This deviation is worse in the case of the child raising support for which both recipients and expenditures are oversimulated by about 60%.

The simulation of the regular child protection allowance is also underestimating the actual take-up of the benefit. EUROMOD underestimate both the recipients and the expenditure of this allowance. This allowance is not a universal allowance and it is not available to everybody, so there may be some problem of take-up. Moreover, the number of recipients depends on the budget of the local governments, which adds another unknown effect; and the official statistics coverage includes an in-kind part of the benefit that EUROMOD cannot control for.

The numbers of taxpayers are somewhat under-represented in 2009 and overestimated in 2010 and 2011. (Table 4.7) The total amount of the personal income tax is underestimated in 2009 and 2010 and slightly overestimated in 2011 and 2012. This calls attention to the changes in the personal income tax regulations introduced in Hungary between 2009 and 2012. However, we would expect a large decrease in revenue from personal income tax from 2010 to 2011 because of the enlarging of the family tax allowance and the introduction of a flat tax (that took down the top rate to 20.32%). On the contrary, the simulated results from EUROMOD do not seem to pick this up and they show an increase from 2010 to 2011, although the 2010 ratio between simulated results and external statistics is signalling that EUROMOD represents only lightly better 2011 than 2010.

The simplified business tax results picture a rather exceed underestimate in the self-employment income, and this causes a large deviation in the revenue number between the external source and the EUROMOD results. Another reason that could help explaining this underestimation is the lack of information about the simplified business tax payers in the SILC UDB. Indeed, because of this, we have imputed who are these tax payers among those self-employed included in EU-SILC.

Both of the employee and the employer social insurance contributors are well represented in EUROMOD. The revenue from the employees are somewhat overestimated in 2009, whilst the employer revenue is underestimated. One of the reasons of this deviation is the double activity economic status. In Hungary there are big differences between the persons who have only one economic status (e.g. employee, self-employment) and the workers who have more than one status (e.g. pensioner and employee; student and employee, etc.) regarding the social contributions paid. Not all the interviewees mentioned this double status, this causes a relative big difference from the external statistics. The other reason is that the Hungarian official statistics do not collect information that is directly comparable to the number of payers and amounts produced by EUROMOD for self-employment social contributions. Indeed the

National Accounts calculations use different classification for self-employment social insurance contributions revenues.

All of the social allowances have complicated regulations, moreover there are many missing information in this section that makes the implementation more difficult. In Hungary the assembly of the local government provides these allowances, the amount and the number of recipients are depend on the budget of the local government and the number of the entitled persons.

After 2010 the whole unemployment benefit system was changed. According to this, the social base unemployment supports (like the regular social benefit and the stand-by allowance) were transformed. The key of the new system is the public employment. The static EUROMOD system cannot follow these variations, that is why the results of the simulation in the case of these means-tested allowances seems a rather mixed picture in the policy years after 2010 (Table 4.7 Annex 2).

In the case of the home maintenance support EUROMOD identifies eligible households only based on low income criteria, household composition and attributes support for housing costs based on the recognized size of the house. However, part of this benefit involves local government administrations and perhaps low take-up and the differences between central and local government regulations may help to explain the still high overestimates of number of recipients and expenditures in each year.

4.2 Income distribution

All income distribution results presented here are computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+ = 0.5; additional people aged under 14 = 0.3.

4.2.1 Income inequality

Table 4.9 in Annex 2 presents two main inequality indicators (Gini, S80/S20) and the income distribution for each year analysed in this report. EUROMOD’s indicators do not differ significantly from the Eurostat figures calculated on the basis of EU-SILC data on disposable income of the calendar year in question. Given that the data sources are the same, it is encouraging that the distributions of measured and simulated income in 2009 do not differ very much. As far as the income shares are concerned, the biggest difference is found in share of the lowest decile, which EUROMOD overestimates by 5%. It is likely that this is mainly caused by the fact that EUROMOD assumes 100% take-up of benefits such as social assistance on the one hand, and 100% entitlement to (and take-up of) the state pension on the other. EUROMOD underestimated both median and mean income by about 4% and 5%, whilst the Gini and S80/S20 indicators are underestimated by 5% and 6%, respectively. It can also be seen that for 2010 the differences between EUROMOD and Eurostat are slightly larger, owing to the fact that the EUROMOD 2010 distribution hardly differs from the 2009 distribution, whilst the Eurostat 2010 distribution shows slightly larger differences with its 2009 counterpart. In 2011 the income share of the lowest decile according to Eurostat is lower than the 2009 figure, resulting in overestimation by EUROMOD.

4.2.2 Poverty rates

Table 4.10 in Annex 2 introduces the poverty rates, calculated with 40%, 50%, 60% and 70% of the median equivalent income. Comparing poverty rates produced by EUROMOD and Eurostat figures (Table 4.10 in Annex 2), we find that in 2009, EUROMOD underestimates poverty using the poverty line at 40%, 50% and 60% of median equivalized income by between 12% and 19%. Differentiated by age group, we see that this underestimation is concentrated among children 0-15 and among elderly 65+. Also poverty for 16-24 and 25-49 is underestimated. Over the years, in all cases EUROMOD shows similar trends to Eurostat figures although the underestimation of poverty persists.

4.3 Summary of “health warnings”

- The sample size is relatively big but in the case of very detailed analysis the number of cases may be little.
- Please take into consideration the underestimation of the self-employment incomes.
- The tax evasions and the non-take up problem is present but we don't know the exact measure of this.
- The original dataset contains too few people with *low* and *high* earnings; most likely the model underestimates the income inequality.

5. REFERENCES

National Accounts Hungary 2007-2009. Hungarian Central Statistical Office; Budapest, 2010.

National Accounts Hungary 2009-2011. Hungarian Central Statistical Office; Budapest, 2012.

Yearbook of Welfare Statistics 2009; 2010; 2011; 2012; Hungarian Central Statistical Office; Budapest 2010 2011 2012 2013.

Euromod I-CUE Feasibility Study: Tax-benefit system in Hungary 2005; Budapest 2006

EU-SILC User Database Description. EUROSTAT, Luxembourg, 2011.

Eurostat portal: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

- *Sources for tax-benefit descriptions/rules*

General sources for tax-benefit descriptions/rules/regulations:

<http://www.magyarorszag.hu>

ANNEX 1. UPRATING FACTORS

Table 1. Uprating factors

| Index | Income Source/index type | 2009-2010 | 2009-2011 | 2009-2012 | 2009-2013 |
|---------------|---|-----------|-----------|-----------|-----------|
| def_factor | Annual average inflation* | 1.0136 | 1.0965 | 1.1071 | 1.1167 |
| Factor_Value2 | Default child care fee | n/a | 0.996 | 0.9946 | 0.9932 |
| Factor_Value3 | Default maternity allowance | n/a | 0.8864 | 0.9067 | 0.9295 |
| yem | wages and salaries (average growth rate used for 2013) | 0.972 | 1.0932 | 1.1131 | 1.1313 |
| yse | self-employment income (average growth rate used for 2013) | 1.0148 | 1.2564 | 1.2461 | 1.2379 |
| poa | old age income (öregségi/saját jogú nyugdíj) (average growth rate used for 2013) | 1.0095 | 1.1688 | 1.2759 | 1.3674 |
| psu | survivor benefits (hózzátartozói jogon járó nyugdíj) (average growth rate used for 2013) | 1.0304 | 1.055 | 1.091 | 1.1251 |
| bfa | total family benefits (average growth rate used for 2013) | 0.9879 | 0.9616 | 0.9512 | 0.9405 |
| bun | unemployment benefits (munkanélküli ellátások) (average growth rate used for 2013) | 1.375 | 1.3542 | 0.7696 | 0.3379 |
| bhl | PDA: this is bhl (previously phl) in hu_2008_a* (average growth rate used for 2013) | 0.7118 | 0.7105 | 0.6441 | 0.5507 |
| pdi | (average growth rate used for 2011-2013) | 1.0222 | 1.0444 | 1.0661 | 1.0869 |
| bsa | social assistance (average growth rate used for 2013) | 1.058 | 0.8013 | 0.6388 | 0.436 |

Notes: However the name of this factor is average inflation, this is not a real inflation rate, this proportion shows the household income changes (without the in-kind part) from the National Account statistics.

Source: National Accounts Hungary 2010-2012, HCSO 2013; Yearbook of Welfare Statistics 2009, 2010, 2011, 2012 HCSO, 2010-2013

ANNEX 2. VALIDATION TABLES.

Table 4.2 Number of employed and unemployed

| | EUROMOD | | | | | | External | | | | | Ratio | | | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|------|------|------|------|-------|------|------|------|------|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Number of employed | 3,764,615 | 3,781,900 | 3,781,200 | 3,811,900 | 3,877,900 | 3,938,400 | 1.00 | 1.00 | 0.99 | 0.97 | 0.96 | | | | | |
| Number of unemployed | 556,407 | 420,700 | 474,800 | 467,900 | 475,600 | 448,900 | 1.32 | 1.17 | 1.19 | 1.17 | 1.24 | | | | | |

Table 4.3 Market income in EUROMOD – Number of recipients (in thousands)

| | EUROMOD | External | | | | | Ratio | | | | |
|------------------------|---------|----------|-------|-------|------|------|-------|------|------|------|------|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Employment income* | 3,909 | 3,696 | 3,796 | 3,806 | n/a | n/a | 1,06 | 1,03 | 1,03 | n/a | n/a |
| Self-employment income | 851 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Private pensions | 10 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Rent income | 100 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Investment income | 64 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

Source: *Statistic table from the National Tax Administration (the number of the personal tax payers from 2007-2011)

Table 4.4-Market income in EUROMOD -Annual amounts (in mld.)

| | EUROMOD | | | | | External | | | | | Ratio | | | | |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Average employment income* | 1,607,120 | 1,562,121 | 1,756,904 | 1,788,885 | 1,818,135 | 1,853,000 | 1,847,000 | 1,903,000 | n/a | n/a | 0.87 | 0.85 | 0.92 | n/a | n/a |
| Employment income* | 6,281,935 | 6,106,041 | 6,867,412 | 6,992,422 | 7,106,754 | 6,847,808 | 7,011,880 | 7,242,002 | n/a | n/a | 0.92 | 0.87 | 0.95 | n/a | n/a |
| Self-employment income | 993,056 | 1,007,753 | 1,247,675 | 1,237,447 | 1,229,304 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Private pensions | 3,524 | 3,572 | 3,864 | 3,902 | 3,935 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Rent income | 24,266 | 24,596 | 26,607 | 26,864 | 27,097 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Investment income | 30,825 | 31,245 | 33,800 | 34,127 | 34,423 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

Source: *Statistic table from the National Tax Administration (the number of the personal tax payers from 2007-2011)

Table 4.5-Tax benefit instruments included but not simulated in EUROMOD -Number of recipients/ payers (in thousands)

| | EUROMOD | External | | | | | Ratio | | | | |
|-----------------------|-----------|-----------|-----------|------|------|------|-------|------|------|------|------|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Benefits | | | | | | | | | | | |
| Sickness benefits | 494,105 | 90,000 | 76,000 | n/a | n/a | n/a | 5.49 | 6.50 | n/a | n/a | n/a |
| Old-age pensions | 2,281,838 | 2,080,527 | 2,085,243 | n/a | n/a | n/a | 1.10 | 1.09 | n/a | n/a | n/a |
| Disability benefits | 506,955 | 748,277 | 735,000 | n/a | n/a | n/a | 0.68 | 0.69 | n/a | n/a | n/a |
| Survivor benefits | 107,304 | 134,114 | 139,000 | n/a | n/a | n/a | 0.80 | 0.77 | n/a | n/a | n/a |
| Unemployment benefits | 537,085 | 155,508 | 115,838 | n/a | n/a | n/a | 3.45 | 4.64 | n/a | n/a | n/a |

Table 4.6-Tax benefit instruments included but not simulated in EUROMOD -Monthly amounts (in mld.)

| | EUROMOD | | | | | External | | | | | Ratio | | | | |
|-----------------------|---------|---------|---------|---------|---------|----------|---------|------|------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Benefits | | | | | | | | | | | | | | | |
| Sickness benefits | 4,243 | 3,020 | 3,015 | 2,733 | 2,337 | 9,121 | 6,179 | n/a | n/a | n/a | 0.47 | 0.49 | n/a | n/a | n/a |
| Old-age pensions | 198,291 | 200,174 | 231,762 | 252,999 | 271,143 | 115,899 | 126,417 | n/a | n/a | n/a | 1.71 | 1.58 | n/a | n/a | n/a |
| Disability benefits | 26,473 | 27,061 | 27,649 | 28,223 | 28,774 | 52,558 | 53,046 | n/a | n/a | n/a | 0.50 | 0.51 | n/a | n/a | n/a |
| Survivor benefits | 4,087 | 4,211 | 4,312 | 4,459 | 4,598 | 4,845 | 4,845 | n/a | n/a | n/a | 0.84 | 0.87 | n/a | n/a | n/a |
| Unemployment benefits | 12,162 | 16,723 | 16,470 | 9,360 | 4,110 | 12,895 | 9,436 | n/a | n/a | n/a | 0.94 | 1.77 | n/a | n/a | n/a |

Table 4.7-Tax benefit instruments simulated in EUROMOD -Number of recipients/ payers (in thousands)

| | EUROMOD | | | | | SILC | Ratio | External | | | | | Ratio | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|-----------|-----------|-----------|-----------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Benefits | | | | | | | | | | | | | | | | | |
| Maternity grant | 76,875 | 76,875 | 76,875 | 76,875 | 76,875 | 76,875 | 1.00 | 95,303 | 87,048 | 84,396 | 86,196 | n/a | 0.81 | 0.88 | 0.91 | 0.89 | n/a |
| Child care allowance | 190,883 | 190,883 | 190,883 | 190,883 | 190,883 | 190,883 | 1.00 | 174,797 | 178,532 | 169,721 | 168,037 | n/a | 1.09 | 1.07 | 1.12 | 1.14 | n/a |
| Child raising support | 64,148 | 64,148 | 64,148 | 64,148 | 64,148 | 64,148 | 1.00 | 40,107 | 39,275 | 37,829 | 38,608 | n/a | 1.60 | 1.63 | 1.70 | 1.66 | n/a |
| Family allowance | 1,209,868 | 1,209,868 | 1,209,868 | 1,209,868 | 1,209,868 | 1,209,868 | 1.00 | 1,250,000 | 1,224,000 | 1,191,000 | 1,168,000 | n/a | 0.97 | 0.99 | 1.02 | 1.04 | n/a |
| Regular child protection allowance | 428,051 | 449,366 | 338,089 | 362,602 | 365,039 | 428,051 | 1.00 | 555,022 | 598,506 | 592,375 | n/a | n/a | 0.77 | 0.75 | 0.57 | N/A | n/a |
| SA - old age | 9,221 | 8,949 | 9,073 | 6,512 | 5,389 | 9,221 | 1.00 | 6,049 | 5,802 | 5,907 | 6,081 | n/a | 1.52 | 1.54 | 1.54 | 1.07 | n/a |
| SA - regular benefit (ind) | 23,597 | 23,597 | 23,597 | 23,597 | 23,597 | 23,597 | 1.00 | 71,807 | 41,968 | 50,647 | 35,092 | n/a | 0.33 | 0.56 | 0.47 | 0.67 | n/a |
| SA - regular benefit | 9,969 | 9,969 | 9,969 | 9,969 | 9,969 | 9,969 | 1.00 | 71,807 | 41,968 | 50,647 | 35,092 | n/a | 0.14 | 0.24 | 0.20 | 0.28 | n/a |
| SA_stad-by allowance | 181,113 | 161,957 | 160,777 | 157,954 | 157,954 | 181,113 | 1.00 | 167,287 | 174,539 | 209,918 | 236,609 | n/a | 1.08 | 0.93 | 0.77 | 0.67 | n/a |
| SA stand-by allowance (ind) | 0 | 164,707 | 163,527 | 160,248 | 160,248 | 0 | n/a | 167,287 | 174,539 | 209,918 | 236,609 | n/a | 0.00 | 0.94 | 0.78 | 0.68 | n/a |
| SA - home maintenance support | 440,602 | 485,695 | 366,762 | 697,486 | 696,027 | 440,602 | 1.00 | 214,550 | 222,671 | 262,146 | 225,109 | n/a | 2.05 | 2.18 | 1.38 | 3.10 | n/a |

Table 4.7 continued

| | EUROMOD | | | | | SILC | Ratio | External | | | | | Ratio | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-------|-----------|-----------|-----------|--------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Taxes and Social Insurance contributions | | | | | | | | | | | | | | | | | |
| Income tax | 3,786,934 | 5,899,560 | 4,838,241 | 5,254,167 | 5,163,269 | 3,786,934 | 1.00 | 4,370,204 | 4,475,327 | 3,805,000 | n/a | n/a | 0.87 | 1.32 | 1.27 | n/a | n/a |
| Simplified business tax | 104,454 | 104,454 | 104,454 | 104,454 | 104,454 | 104,454 | 1.00 | 97,217 | 97,217 | n/a | 71,000 | n/a | 1.07 | 1.07 | n/a | 1.47 | n/a |
| Employee social insurance contributions | 3,908,815 | 3,908,815 | 3,908,815 | 3,908,815 | 3,908,815 | 0 | n/a | 3,985,514 | 3,985,514 | n/a | n/a | n/a | 0.98 | 0.98 | n/a | n/a | n/a |
| Self-employed social insurance contributions | 727,626 | 717,709 | 717,709 | 851,302 | 851,302 | 0 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Employee's ins. contr. (employee + employer c) | 3,908,815 | 3,908,815 | 3,908,815 | 3,908,815 | 3,908,815 | 0 | n/a | 4,010,599 | 4,010,599 | n/a | n/a | n/a | 0.97 | 0.97 | n/a | n/a | n/a |

Source: National Accounts Hungary 2010-2012, HCSO 2013; Yearbook of Welfare Statistics 2009, 2010, 2011, 2012 HCSO, 2010-2013

Table 4.8-Tax benefit instruments simulated in EUROMOD -Monthly amounts (Mld.)

| | EUROMOD | | | | | SILC | Ratio | | | | | External | | | | | Ratio | | | | |
|------------------------------------|---------|--------|--------|--------|--------|-----------|-------|------|------|------|------|----------|--------|--------|--------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Benefits | | | | | | | | | | | | | | | | | | | | | |
| Maternity grant | 411 | 411 | 411 | 411 | 411 | 410.80 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 525 | 479 | 463 | 474 | n/a | 0.78 | 0.86 | 0.89 | 0.87 | n/a |
| Child care allowance | 5,440 | 5,440 | 5,440 | 5,440 | 5,440 | 5,440.17 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 5,340 | 5,425 | 5,249 | 5,149 | n/a | 1.02 | 1.00 | 1.04 | 1.06 | n/a |
| Child raising support | 1,828 | 1,828 | 1,828 | 1,828 | 1,828 | 1,828.22 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1,154 | 1,118 | 1,097 | 1,105 | n/a | 1.58 | 1.64 | 1.67 | 1.65 | n/a |
| Family allowance | 27,014 | 27,014 | 27,014 | 27,014 | 27,014 | 27,014.01 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 30,643 | 29,917 | 29,206 | 28,593 | n/a | 0.88 | 0.90 | 0.92 | 0.94 | n/a |
| Regular child protection allowance | 414 | 434 | 327 | 351 | 353 | 413.78 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 3,497 | n.a.* | n.a.* | n.a.* | n/a | 0.12 | n/a | n/a | n/a | n/a |
| SA - old age | 80 | 93 | 84 | 80 | 79 | 80.35 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 161 | 159 | 159 | 162 | n/a | 0.50 | 0.59 | 0.53 | 0.49 | n/a |
| SA - regular benefit | 301 | 306 | 302 | 285 | 288 | 301.26 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1,925 | 961 | 1,318 | 962 | n/a | 0.16 | 0.32 | 0.23 | 0.30 | n/a |
| SA_ stad-by allowance | 4,416 | 4,433 | 4,453 | 3,481 | 3,479 | 4,415.98 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 3,867 | 4,813 | 5,277 | 5,192 | n/a | 1.14 | 0.92 | 0.84 | 0.67 | n/a |
| SA - home maintenance support | 2,236 | 2,457 | 1,800 | 1,836 | 3,127 | 3,193 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 968 | 1,028 | 990 | 886 | n/a | 2.31 | 2.39 | 1.82 | 3.53 | n/a |

EUROMOD Country Report – HUNGARY

| | EUROMOD | | | | | SILC | Ratio | | | | | External | | | | | Ratio | | | | |
|---|---------|---------|---------|---------|---------|------------|-------|------|------|------|------|----------|---------|---------|---------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Taxes and Social Insurance contributions | | | | | | | | | | | | | | | | | | | | | |
| Income tax | 108,736 | 96,622 | 138,107 | 151,447 | 141,508 | 108,736.25 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 125,231 | 144,555 | 113,986 | 115,547 | n/a | 0.87 | 0.67 | 1.21 | 1.31 | n/a |
| Simplified business tax | 2,864 | 3,503 | 4,143 | 5,362 | 5,451 | 2,863.67 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 14,285 | 15,157 | 14,356 | 12,211 | n/a | 0.20 | 0.23 | 0.29 | 0.44 | n/a |
| Employee social insurance contributions | 88,563 | 86,083 | 99,679 | 107,183 | 108,936 | 0.00 | n/a | n/a | n/a | n/a | n/a | 68,638 | 80,899 | 107,490 | 120,288 | n/a | 1.29 | 1.06 | 0.93 | 0.89 | n/a |
| Self-employed social insurance contributions | 33,539 | 40,506 | 41,490 | 46,994 | 47,081 | 0.00 | n/a | n/a | n/a | n/a | n/a | 15,822 | 13,949 | 14,393 | 12,095 | n/a | 2.12 | 2.90 | 2.88 | 3.89 | n/a |
| Employee's ins. contr. (employee + employer c) | 155,423 | 127,209 | 143,071 | 157,330 | 159,902 | 0.00 | n/a | n/a | n/a | n/a | n/a | 196,908 | 173,671 | 183,368 | 185,728 | n/a | 0.79 | 0.73 | 0.78 | 0.85 | n/a |

Note: * This amount is not published after 2009 in the official statistic

Source: National Accounts Hungary 2010-2012, HCSO 2013; Yearbook of Welfare Statistics 2009, 2010, 2011, 2012 HCSO, 2010-2013

Table 4.9-Distribution of equivalised disposable income

| | EUROMOD | | | | | External | | | | | Ratio | | | | |
|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| D1 | 4.42 | 4.27 | 4.28 | 3.90 | 3.56 | 4.20 | 3.80 | 3.70 | n/a | n/a | 1.05 | 1.12 | 1.16 | n/a | n/a |
| D2 | 6.04 | 5.95 | 5.82 | 5.64 | 5.43 | 5.80 | 5.40 | 5.50 | n/a | n/a | 1.04 | 1.10 | 1.06 | n/a | n/a |
| D2 | 6.04 | 5.95 | 5.82 | 5.64 | 5.43 | 5.80 | 5.40 | 5.50 | n/a | n/a | 1.04 | 1.10 | 1.06 | n/a | n/a |
| D3 | 7.05 | 6.92 | 6.78 | 6.74 | 6.56 | 6.90 | 6.50 | 6.60 | n/a | n/a | 1.02 | 1.06 | 1.03 | n/a | n/a |
| D4 | 7.91 | 7.82 | 7.63 | 7.66 | 7.54 | 7.80 | 7.50 | 7.60 | n/a | n/a | 1.01 | 1.04 | 1.00 | n/a | n/a |
| D5 | 8.81 | 8.71 | 8.49 | 8.54 | 8.44 | 8.70 | 8.40 | 8.50 | n/a | n/a | 1.01 | 1.04 | 1.00 | n/a | n/a |
| D6 | 9.68 | 9.61 | 9.41 | 9.44 | 9.39 | 9.60 | 9.40 | 9.40 | n/a | n/a | 1.01 | 1.02 | 1.00 | n/a | n/a |
| D7 | 10.67 | 10.63 | 10.47 | 10.55 | 10.54 | 10.60 | 10.60 | 10.50 | n/a | n/a | 1.01 | 1.00 | 1.00 | n/a | n/a |
| D8 | 11.92 | 11.97 | 11.80 | 11.95 | 12.01 | 12.00 | 12.10 | 12.00 | n/a | n/a | 0.99 | 0.99 | 0.98 | n/a | n/a |
| D9 | 13.83 | 13.99 | 13.97 | 14.15 | 14.38 | 14.00 | 14.40 | 14.00 | n/a | n/a | 0.99 | 0.97 | 1.00 | n/a | n/a |
| D10 | 19.68 | 20.14 | 21.35 | 21.42 | 22.14 | 20.20 | 21.80 | 22.20 | n/a | n/a | 0.97 | 0.92 | 0.96 | n/a | n/a |
| Median | 1,144,774 | 1,136,429 | 1,204,913 | 1,200,755 | 1,235,170 | 1,188,818 | 1,249,250 | 1,327,973 | n/a | n/a | 0.96 | 0.91 | 0.91 | n/a | n/a |
| Mean | 1,236,510 | 1,236,345 | 1,350,829 | 1,337,217 | 1,387,472 | 1,298,106 | 1,407,026 | 1,483,681 | n/a | n/a | 0.95 | 0.88 | 0.91 | n/a | n/a |
| Gini | 23.01 | 23.83 | 25.08 | 25.79 | 27.24 | 24.10 | 26.80 | 26.90 | n/a | n/a | 0.95 | 0.89 | 0.93 | n/a | n/a |
| S80/S20 | 3.21 | 3.34 | 3.50 | 3.73 | 4.06 | 3.40 | 3.90 | 4.00 | n/a | n/a | 0.94 | 0.86 | 0.87 | n/a | n/a |

External statistic source: EUROSTAT home page - http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/main_tables

Table 4.10-Poverty rates by gender and age

| | EUROMOD | | | | | External | | | | | Ratio | | | | |
|-----------------------|---------|-------|-------|-------|-------|----------|-------|-------|------|------|-------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 40% median HDI | | | | | | | | | | | | | | | |
| Total | 1.78 | 2.30 | 1.70 | 2.71 | 3.95 | 2.00 | 2.80 | 3.70 | n/a | n/a | 0.89 | 0.82 | 0.46 | n/a | n/a |
| Males | 1.93 | 2.48 | 1.78 | 2.94 | 4.29 | 2.20 | 2.90 | 4.00 | n/a | n/a | 0.88 | 0.86 | 0.45 | n/a | n/a |
| Females | 1.64 | 2.14 | 1.63 | 2.50 | 3.64 | 1.90 | 2.70 | 3.50 | n/a | n/a | 0.87 | 0.79 | 0.47 | n/a | n/a |
| 50% median HDI | | | | | | | | | | | | | | | |
| Total | 5.09 | 5.13 | 4.60 | 6.85 | 8.36 | 6.00 | 7.40 | 8.20 | n/a | n/a | 0.85 | 0.69 | 0.56 | n/a | n/a |
| Males | 5.39 | 5.49 | 4.74 | 7.28 | 8.80 | 6.40 | 7.70 | 8.50 | n/a | n/a | 0.84 | 0.71 | 0.56 | n/a | n/a |
| Females | 4.82 | 4.81 | 4.47 | 6.46 | 7.96 | 5.70 | 7.20 | 8.00 | n/a | n/a | 0.85 | 0.67 | 0.56 | n/a | n/a |
| 60% median HDI | | | | | | | | | | | | | | | |
| Total | 10.86 | 11.11 | 10.44 | 12.87 | 14.37 | 12.30 | 13.80 | 14.00 | n/a | n/a | 0.88 | 0.80 | 0.75 | n/a | n/a |
| Males | 11.17 | 11.35 | 10.51 | 13.25 | 14.87 | 12.60 | 14.10 | 14.20 | n/a | n/a | 0.89 | 0.81 | 0.74 | n/a | n/a |
| Females | 10.58 | 10.88 | 10.37 | 12.54 | 13.92 | 12.00 | 13.60 | 13.90 | n/a | n/a | 0.88 | 0.80 | 0.75 | n/a | n/a |
| 70% median HDI | | | | | | | | | | | | | | | |
| Total | 19.11 | 19.92 | 19.30 | 20.42 | 21.76 | 19.80 | 21.90 | 21.50 | n/a | n/a | 0.97 | 0.91 | 0.90 | n/a | n/a |
| Males | 19.22 | 20.01 | 18.89 | 20.74 | 22.17 | 19.60 | 21.90 | 21.20 | n/a | n/a | 0.98 | 0.91 | 0.89 | n/a | n/a |
| Females | 19.01 | 19.83 | 19.66 | 20.14 | 21.39 | 19.90 | 21.80 | 21.70 | n/a | n/a | 0.96 | 0.91 | 0.91 | n/a | n/a |
| 60% median HDI | | | | | | | | | | | | | | | |
| 0-15 years | 16.82 | 16.25 | 15.36 | 19.76 | 21.89 | 20.10 | 22.60 | 22.20 | n/a | n/a | 0.84 | 0.72 | 0.69 | n/a | n/a |
| 16-24 years | 15.45 | 15.72 | 13.59 | 18.18 | 20.43 | 17.90 | 20.20 | 20.80 | n/a | n/a | 0.86 | 0.78 | 0.65 | n/a | n/a |
| 25-49 years | 11.08 | 11.39 | 9.96 | 13.65 | 15.60 | 12.70 | 13.80 | 13.40 | n/a | n/a | 0.87 | 0.83 | 0.74 | n/a | n/a |
| 50-64 years | 8.97 | 9.53 | 9.19 | 10.31 | 11.38 | 8.60 | 11.00 | 11.20 | n/a | n/a | 1.04 | 0.87 | 0.82 | n/a | n/a |
| 65+ years | 3.35 | 3.82 | 5.69 | 3.64 | 3.56 | 4.10 | 4.50 | 6.00 | n/a | n/a | 0.82 | 0.85 | 0.95 | n/a | n/a |

 External statistic source: EUROSTAT home page - http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/main_tables