

# wts newsletter

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## highlights

**Social security in light of bilateral conventions** – Looking at today's globalised commercial life, it is little wonder that some Hungarian companies have a large number of foreign employees. Multicultural environments represent a serious challenge for company management as well as taxation/social security, so here it really is worthwhile to contact a consultant with an international background.

In our Newsletter there is an overview of bilateral international conventions on social security in force in Hungary.

## Social security in light of bilateral conventions

*Looking at today's globalised commercial life, it is little wonder that some Hungarian companies have a large number of foreign employees. Multicultural environments represent a serious challenge for company management as well as taxation/social security, so here it really is worthwhile to contact a consultant with an international background.*

*Below is an overview of bilateral international conventions on social security in force in Hungary (with particular reference to the new conventions with Albania, Macedonia, United States of America and Turkey promulgated in Spring ), mentioning the tightening social security consequences from 1 July 2015 in relation to the so called third country assignments.*

### Relationship between international conventions and national law

First and foremost it must be stressed that both EU regulations (which we do not discuss in detail in this newsletter) and the provisions of bilateral pacts with non-EU states override national regulations. This essentially means that when dealing with the social security status of a worker posted from Japan for example, it is best first to review the provisions of the Japanese-Hungarian convention before delving into examining the legislation on social security.

### Grouping of bilateral international conventions

Bilateral social security conventions can historically be grouped into three categories:

1. social security conventions (promulgated by law)
2. social policy conventions (promulgated in decree law before the Hungarian political and economic transition as of 1989-90)
3. health-care cooperation conventions (likewise promulgated in ministerial decrees before the political and economic transition – except for the Cuba convention, which was promulgated in decree law).

### Brief overview of scope of bilateral conventions

The structures of *social security conventions* resemble each other in many respects, but the detailed rules can differ significantly. Generally speaking it is true that these conventions give guidance as to which participating country's social security rules apply to the given private individual in the case of cross-border arrangements (e.g. working abroad), and about pension insurance issues (e.g. totalisation of insurance periods) too. A large majority of the conventions (excluding social security conventions concluded with the former states of Yugoslavia, e.g. Bosnia and Herzegovina) do not contain any rules on the use of health-care systems. Thus sticking with the above example, if the worker posted from and insured in Japan breaks his leg, he has to pay for hospital services in Hungary, which may subsequently be covered from the Japanese insurance system (provided that Japanese rules allow this).

*Social policy conventions* are similar to social security conventions in terms of function, but it should be highlighted that if posted workers stay in the country of the contracting parties concerned, they are entitled to free or subsidised emergency care.

*Health-care cooperation conventions* provide free services to the citizens of contracting states in the case of acute diseases or emergency cases requiring urgent treatment.

## List of the relevant social security conventions

### *Social security conventions*

- » Albania (Act XVIII of 2015) – not yet applicable
- » Australia (Act CXVII of 2011)
- » Bosnia and Herzegovina (Act II of 2009)
- » South Korea (Act LXXIX of 2006)
- » India (Act XXIX of 2010)
- » Japan (Act CLII of 2013)
- » Canada (Act LXIX of 2003)
- » Macedonia (Act XXIII of 2015) – not yet applicable
- » Moldova (Act CCXXXIII of 2013)
- » Mongolia (Act CXVIII of 2011)
- » Montenegro (Act LXXII of 2008)
- » Québec (Act XVII of 2006)
- » Serbia (Act CCXXXIV of 2013)
- » Turkey (Act XXX of 2015) – not yet applicable
- » United States of America (Act XXIX of 2015) – not yet applicable

### *Social policy conventions*

- » Macedonia, Kosovo (Decree Law No. 20 of 1959)
- » The former states of the Soviet Union, e.g. Russia, Ukraine; excluding Latvia, Lithuania, Estonia, Uzbekistan and the Republic of Moldova (Decree Law No. 16 of 1963)

### *Health-care cooperation conventions*

- » Angola (Decree 17/1984 (III. 27) MT)
- » North Korea (Decree 14/1975 (V. 14) MT)
- » Iraq (Decree 47/1978 (X. 4) MT)
- » Jordan (Decree 15/1981 (V. 23) MT)
- » Cuba (Decree Law No. 16 of 1969)
- » Kuwait (Decree 33/1979 (X. 14) MT)

## Could other conventions be concluded aside from the above?

The scope of social security conventions is steadily growing. A good example here is the social security convention concluded between the United States of America and Hungary on 3 February 2015, but this is in the process of being ratified and it is difficult to predict how long this will take, several months or even years; consequently it will be some time before it can be applied.

## Social security status of workers posted from third countries (e.g. the United States)

Third countries include states not falling under the scope of the bilateral social security conventions of the European Economic Area and Hungary, so currently the United States for example. It is extremely important that if a posting from a third country has lasted for more than two years as of 1 July 2015, there may be a social security obligation according to Hungarian regulations (even parallel to a social security status abroad).

## How can we help if you employ posted workers, or your employee is sent to work at a partner company abroad?

Our tax professionals with significant expertise and specialist backgrounds provide efficient support in all personal income tax and social security issues related to international assignments – even through the WTS Group network covering approximately one hundred countries. Our activities include the necessary registrations (tax identification number, social security ID), preparation of tax returns and their professional review, but we are often contacted only because our clients have some specific questions. With the help of our payroll colleagues you can also outsource your entire payroll procedure.

The newsletter accurately reflects the statutory provisions as they stand at the time of its issue.  
The authors of the news articles have endeavoured to provide general information that both reads well and is professional.  
Given the general nature of the content and possible changes to legal regulations, please contact us if you require this information tailored to your personal circumstances.

Services of the WTS Klient Group:

- » Tax consulting
- » Consulting
- » Legal consulting
- » Accounting
- » Payroll

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The WTS Klient Group won the Hungarian Quality Product Award in 2014 regarding cross border accounting and tax services.

