Hello and welcome to this E-Learning.
After completing this lesson, you will be able to:

- Discuss the implementation highlights of SAP country version Hungary.
- Explain key country-specific localization topics for Hungary.
Here is the agenda. First, we will introduce the country-specific implementation for Hungary. Then we will talk about key issues in payroll and human capital management.
Introduction
Country Complexity and Highlights

Hungary
- Member of EU with similar law base in areas regulated by EU.
- Local currency HUF; Hungary is not yet a member of the Euro zone.
- High complexity in payroll area:
  - Legal changes are frequent, usually yearly (tax areas, payroll, and insurance).
  - HCM localization for Hungary is available as an add-on installation as of SAP R/3 3.0H.

- Hungary, as a member of the European Union, has laws similar to those of other European countries. It is ranked as a medium-complexity country in the finance and accounting areas, but high-complexity in the payroll area.
- Hungary uses a local currency called the Hungarian Forint.
- Legal changes are quite frequent, usually yearly.
- Human capital management in the country version has been available since SAP R/3 3.0H, and therefore has been proven by many implementations.
Basic Information and Legislative Environment

Basic information
- Member of European Union
- Unique tax number, unique TAJ number
- Monthly payroll runs, posting to accounting, basic reporting
- Quarterly and yearly reporting

Legislative environment
- Constantly changing legislative environment

- Hungary is a member of European Union, so Hungarian laws and standards are impacted by EU laws.
- Each person has unique tax number and social insurance certificate number. Both of these are basic personal identification codes and, as such, they belong in confidential personnel data.
- Payroll is run monthly, with posting into accounting and basic reporting (for example, reports for social and health insurance companies). However, there are also some mandatory quarterly and yearly reports.
- The legislative environment in Hungary is very unstable and constantly changing. Typically, major changes occur at the beginning of the calendar year, with many minor changes throughout the course of the year. It is not unusual, for example, for the entire concept of employee income taxation to change.
Hungarian HCM localization in SAP ERP system
- Payroll localization for Hungary is available as an add-on installation as of SAP R/3 3.0F.

Special certificates
- Certificate from NAV on tax calculation model.
- Permission from OEP on reports.

Periodic updates
- SAP issues HR Support Packages on a monthly basis.
Now let's explore how the Hungarian HCM add-on enhances the SAP HCM standard.

The Personnel Administration module serves as employee-related master data storage for all other HCM modules. For Hungary, it had to be enhanced in several ways to meet local requirements.

There are three main localizations in the Personnel Administration module:

- Standard infotypes with Hungarian dynpro
- Local Hungarian infotypes
- Some local specialties in other standard infotypes

Standard infotypes with local Hungarian dynpro were used if the main functionality of the infotype was the same but it was necessary to add some fields or change the logic to support local needs. This was the case, for example, for the Personal Data and Addresses infotypes.

- **Standard infotypes with Hungarian dynpro**
  - IT 0002 Personal Data
  - IT 0006 Addresses
  - IT 0008 Basic Pay
  - IT 0021 Family Member/Dependents
  - IT 0022 Education

- **Local Hungarian infotypes**
  - IT 0175 Supplementary personal data, IT 0176 Statistical data
  - IT 0163 Tax, IT 0193 Carry over tax data, IT 0307 Tax additional data
  - IT 0164 Contributions
  - IT 0226 Garnishment, IT 0308 Garnishment corrections
  - IT 3260 Leave Entitlement HU
  - IT 0284 – IT 0287, IT0660 SI infotypes
  - IT 0635 – IT 0644, IT3263 – IT 3265 Public sector infotypes
In several cases, it was necessary to create a completely new infotype to cover special legal requirements. This was the case for tax and insurance issues and public-sector-specific issues.

Other local specifications were ensured by using standard infotypes, but with local subtypes or different meanings or usage for certain fields.

Several local customizing tables were created to maintain locally specific data for both Personnel Administration and Payroll.

The SAP Implementation Guide was enhanced where necessary. New customization related to local Hungarian infotypes is available, along with some new customization to meet local reporting requirements.
The Hungarian payroll calculation process has a gross phase and a net phase.

The gross wage (or salary) for the given month is determined as a sum of the basic monthly wage, bonuses (regular or extra bonuses that were assigned to the given month), premiums (for example, for overtime, dangerous working environment, or night shifts), and benefits and compensations (for vacation or other paid leave).

The tax advance is determined from the super-gross wage. Super-gross wage includes gross wage and all insurances paid by the employer.

The tax rate is progressive. The tax advance is the product of super-gross wage multiplied by progressive tax rate. Tax credits or discounts are based on total yearly income and number of children. If an employee is hired mid-year, tax data from the employee's previous employer must be carried over and taken into account when calculating tax.

Net wage is calculated as gross wage minus tax advance, plus tax credits, minus insurance paid by employee. Other voluntary (trade union fee, voluntary pension fund) and judicial deductions may also occur.
Contributions
- Amount of contribution depends on contract, type of base element, and whether employee is insured.
- Social insurance paid by employee has a maximum limit; others do not.
- Some leave types are non-countable from the view of being insured; insurance is paused during these leave types (non-insured period).
- Paid health insurance amount influences sickness benefit.

Paid leaves (illnesses, accidents, child birth)
- Very complicated calculation methods and rules.
- Various calculation periods and income bases (dependent on leave type).
- Different calculation for regular and non-regular base elements (for-period and payment date).
- Daily or monthly maximum amounts.
- Employer has to administrate, calculate, and also pay to the employee.
- Reporting and settlement for OEP.

When calculating the different contribution amounts, you have to take into account several complicated legal rules. The amount of contributions depends on the type of contract, the type of base element, and whether the employee is insured. The contributions may also have a maximum limit (social insurance paid by employee). Some leave types are countable; others are non-countable from the aspect of being insured; insurance is paused during these leave types (non-insured period).

If the employee is sick, had an accident, or becomes a parent, he or she is usually entitled to social insurance accommodations. Calculating the proper amount is quite difficult. There are various methods, calculation periods, and daily or monthly maximums. In the case of non-regular payment, you have also take into account the for-period and the payment date.

The employer has to administrate the payment, calculate the proper amount, and pay the employee. Then they are obliged to give several itemized reports on the paid days and amounts to the National Health Insurance Fund. Afterward, the employer is partially reimbursed.
- Overall concept is basically same as it is in the standard solution.
- Local schema H000:
  - Local functions
  - Local rules
  - Local operations
- Social insurance:
  - Integrated part of payroll; not a separate function
- Garnishments:
  - Integrated part of payroll
- Detailed data store for reporting needs

The overall payroll calculation concept is basically same as that in the standard solution.

To meet local requirements, however, it was necessary to create a special Hungarian payroll driver configurable by Hungarian payroll schema H000 and supported by set of local functions, personnel calculation rules, and operations. On the implementation project, the customer or the consultants create a customer-specific schema. This is necessary for handling customer-specific calculations in the payroll.

The calculation of the social insurance payments is part of the payroll. This is not a separate function, but an integrated part of SAP Hungarian payroll.

To fulfill various legal reporting requirements, the payroll module calculates and stores all relevant data in as much detail as possible. This is why a country-specific payroll table was created by SAP inside the standard payroll cluster.
SAP Reporting

Local reporting requirements

- Reports for National Tax and Customs Administration (NAV)
  - '08 monthly tax and contribution declaration
  - M29 yearly income tax clearing
  - Report on insured persons
- Reports for National Health Insurance Fund (OEP)
  - Health insurance and family aid statistical report
  - Summary report on closed incapacity cases in a specific quarter, quarterly reports on pregnancy fees and child care fees
- Mandatory statistical reports
  - Monthly personnel report, annual personnel report
  - May statistics, September earnings profile, workforce cost entry
- Confirmation documents for employees
  - M30 tax final settlement, data sheet at termination of employment
  - Certification of contributions, income confirmation to determine health services
- Various internal reporting capabilities for payroll clerks

- In the reporting area, the localization had to accommodate many local legal reporting requirements, such as regular reports for health and social insurance companies, mandatory statistical reports, and monthly and yearly income tax clearing functionality and reporting.
- Also, it was necessary to create many technical reports for payroll clerks to check master data, calculate payroll results, and produce internal reports for other purposes.
Relevant Hungarian Legislation

- Act No. CXVII/1995 on Personal Income Tax (and its amendments)
- Act No. LXXX/1997 on Eligibility for Social Security Benefits and Private Pension and the Funding for These Services
- Act. No. LIII/1994 on general rules of judicial enforcement
- Act No. XXIII/1992 about legal status of government officials
- Act No. XXXIII/1992 about legal status of public servants
- Act No. XCV/2001 about legal status of professional and contractual soldiers of the Hungarian army
- Act No. XLIII/1996 about service relationship of professional staff members of armed forces

This slide summarizes the most important laws and government regulations relevant to HCM.
Lesson Summary

You should now be able to:
• Discuss the implementation highlights of SAP country version Hungary.
• Explain key country-specific localization topics for Hungary.

You should now be able to discuss the implementation highlights of SAP country version Hungary and explain the key localization issues for SAP ERP.
Related Information

For more information on the topics discussed in this lesson, see the following references:

**Important SAP Notes for Hungary:**
- 572252 Overview note HR-CEE add-on
- 524073 Release strategy for an HR-CEE add-on

**Country page:**
- [http://service.sap.com/globalization](http://service.sap.com/globalization)
  - You are here → country information → Hungary
  - You are here → country information → Globalization knowledge base
- [service.sap.com/GKB](http://service.sap.com/GKB)
- Literature (Implementation of Country Versions for SAP ERP Systems):

For more information on the topics discussed in this lesson, see the references listed here.
Thank You!

Contact information

SAP Globalization Services:
globalization@sap.com