



The Hungarian Authority's Guidance on Tipping Awareness

September 27, 2024

Tipping habits in restaurants vary from country to country. In some places, tipping is explicitly expected, while in others, it is not required. The Hungarian Competition Authority (HCA) provides information on tipping and service charges to help companies avoid unfair commercial practices and to help consumers make informed decisions.

The difference between a service charge and a tip is that while service charges are a mandatory form of revenue for restaurants, which can only be used to pay employee wages (benefiting all employees), a tip is a voluntary, discretionary payment determined by the customer, used to express satisfaction with the service.

Restaurants are free to set the rate of the service charge they apply, and they must clearly indicate it, including on the menu.

If a customer chooses to tip, it's important to consider the method of payment. If the tip is added to the total bill, either in cash or by credit card, its distribution is at the discretion of the employer, meaning it

may or may not go to the waiting staff. In such cases, the tip is subject to tax and contributions.

However, if the tip is placed in a designated tip box, it remains tax and contribution-free, provided its distribution is decided collectively by the employees (and not the employer).

When the waiting staff is tipped directly and separately in cash, the amount is tax and contribution-free and goes directly to the staff member.

The purpose behind tipping can help guide the decision. If the customer wants to reward all employees, it might be best to use a dedicated tip box, perhaps after inquiring about how tips are distributed. On the other hand, if the customer wants to reward only the waiter/waitress, a separate gratuity payment may be a better option.

In summary, while the service charge is a mandatory payment used exclusively for staff salaries, a tip is a voluntary reward. In Hungary, with the growing use of service charges, tipping has become less common. However, if tipping is chosen, it is generally expected to be around 8-10%.

{ The Hungarian Competition Authority provides information on tipping and service charges to help companies avoid unfair commercial practices and to help consumers make informed decisions.

