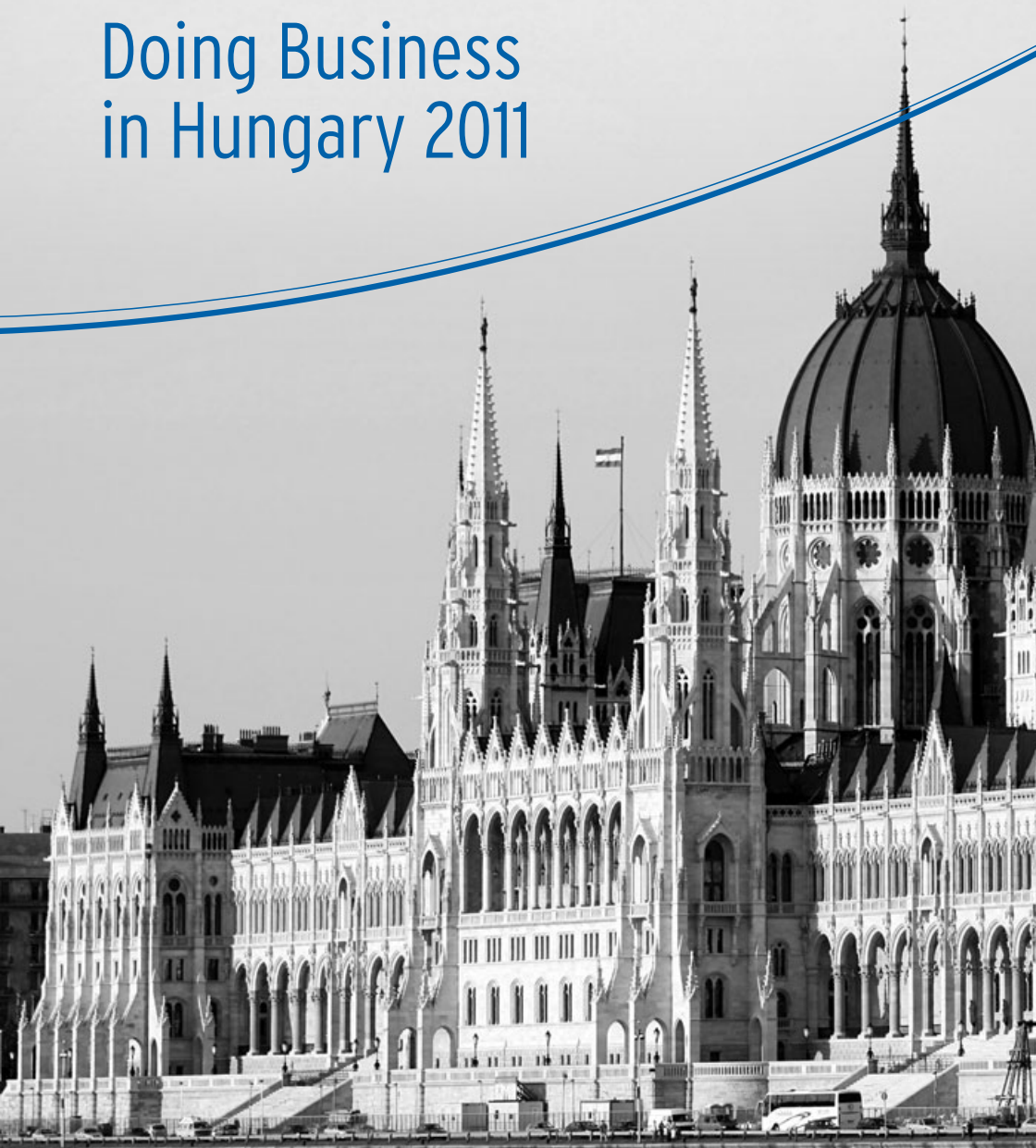


RSM! DTM Hungary



Doing Business in Hungary 2011



Foreword

Hungary enjoys extensive foreign trade relations, something the global economic recession has not stifled. The Government of Hungary set up the Hungarian Investment and Trade Agency (HITA) on 1 January 2011 precisely in order, on the one hand, to support the foreign trade activities of domestic small- and medium-size enterprises, and on the other hand to encourage and assist the investments in Hungary of foreign corporations. HITA takes an active part in the finalization of Hungary's foreign economic strategy and in carrying out state tasks in the fields of investment promotion and export development.

According to the government's set of objectives, the pace of economic development will increase over the coming four years and the most recent governmental measures (for instance, the Széll Kálmán Plan, the new foreign trade strategy etc.) will create new opportunities for small- and medium-size enterprises. HITA intends to play an active role in this process.

In a rapidly evolving economic environment, the entry onto the Hungary market by foreign corporations and their success on the market, furthermore the appearance of enterprises from Hungary on foreign markets, represent significant challenges to the management and owners of companies. The professionals at RSM DTM Hungary are well aware of these challenges, which is why - as the Hungary member of the global network of RSM International - we provide our clients with active and quality support in the fields of taxation, accounting, bookkeeping, payroll accounting and consultancy.

The publication Doing Business in Hungary 2011 can be seen as a tool to stimulate investment or simply as an information resource. It is the common objective of HITA and RSM DTM Hungary for the publication to provide brief and yet informative answers to the many sorts of questions that can arise in the course of preparing the way for a decision on an investment. We are confident that through this publication we have managed to achieve this goal successfully.



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Hungarian Investment and Trade Agency

Investment Promotion Department

The Investment Promotion Department is responsible for providing information to and consulting with foreign companies choosing Hungary as the place of their investments.

The goal of the department is for foreign companies to have establishments in Hungary increasing the volume of orders of the Hungarian supplier and service provider networks making sure that investors are satisfied and that successful capital investments generate further reinvestments of profit. The department helps foreign entities in the gathering of information on investment opportunities as well as supports and facilitates the making of their investment decisions by operating a one-stop administration system. Using of the information gathered during the coordination of investment inquiries of foreign companies, the Investment Promotion Department is actively involved in the elaboration of proposals concerning the support system of foreign trade and, in order to efficiently execute the Government's investment promotion and supplier development strategy, the department cooperates with diplomatic and domestic regional foreign trade networks.

In the case of investments, which are critical from the perspective of the national economy, the department also provides governmental investment promotion services tailored to the needs of the given company.

Project management

It is a key task of the Manufacturing and Energy Sectors Unit and the Service and Knowledge-based Sectors Unit of the Investment Promotion Department to identify potential foreign investors and to keep in touch with them in order to help them in making a positive investment decision. Both of the units mentioned are responsible for the preparation of general promotion and professional materials on the Hungarian investment environment, the elaboration of sector-oriented action plans and for the editing of professional sector related publications.

The authority of the project managers also extends to making suggestions based on the professional needs of the investors for the choice of the investment venue. Accordingly, they may recommend the investors green- and brown-field industrial sites and real properties for logistic and office purposes using the databases managed by the Authority.

As soon as the data of the planned investment project are available, the project managers also recommend opportunities for the involvement of subsidies or supplementary funds and make preparations for and initiate the subsidization of the given project based on a special government decision or the classification of the project as a key project. In order to accelerate the realization of investments and to enhance investor satisfaction, if necessary, the project manager contacts and keeps in touch with the professional associations, interest bodies and regulatory bodies and authorities of the given industry as well as representatives of the municipalities concerned.

As international investment trends indicate that an increasing ratio of working capital investments comes from re-investments, personal relationship management with the local representatives and managers of the investing companies already having an establishment in Hungary is essential to promote re-investment. In the case of a re-investment intention, the project managers make sure that the companies receive a proposal package, offers and information on subsidy schemes.

The sectors units prepare proposals on potential suppliers in cooperation with the Suppliers Unit.

The Manufacturing and Energy Sectors Unit is responsible for traditional industries,

- they primarily handle inquiries from investors in the automobile industry, the machine industry, electronics, the manufacturing of medical instruments, the food and the chemical industry and the renewing energy sector,

while the Service and Knowledge-based Sectors Unit is in charge of

- SSC, ICT, logistic as well as bio-technology, pharmaceutical, healthcare and research and development activities.

Suppliers Unit

The main tasks of the Suppliers Unit include the alignment of the programs involved in the Supplier Program and the development of supplier competence centres. This unit is responsible for the operation of the supplier network and training module and for certain tasks relating to the financial module. The unit also makes recommendations to the relevant resource owners for the elaboration of subsidy schemes.

To facilitate the reinvestments and the production expansions of foreign companies already established in Hungary, the Suppliers Unit offers domestic supplier capacities and development potentials to the investors.

Investor Support Unit

The Investor Support Unit is responsible for the preparation of support packages for investors in relation to the project management activities. The unit carries out the support tasks necessary for the decisions of the investors and prepares the drafts of the proposals requesting government subsidies.

The unit also performs monitoring tasks in relation to the subsidies in the implementation phase of the projects, prepares proposals for potentially required modifications and prepares the accounts and statements relating to the project for the subsidy decision makers.

In order to improve the efficiency of subsidies, the unit provides information and advice to governmental bodies and for the organizations entitled to make decisions on subsidy schemes and keeps in touch with the governmental organizations and municipalities providing various subsidies.

RSM DTM Hungary Tax and Financial Advisory Ltd.

DTM Tax and Financial Advisory Services Ltd. was founded by private individuals in 2001. In October 2007 the company was transformed into a private limited company and in April 2009 joins to RSM International, which is one of the largest international consultancy service providers with a presence in 76 countries around the world. Following this move the company will continue operating under the name RSM DTM Hungary Tax and Financial Advisory Services Private Ltd., except for the name changing, operating in the same. Thanks to the outstanding technical competence and the professional background, the company is now acknowledged as one of the dominant market players of the Hungarian market.

Our firm is one of the most dynamically developing independent financial advisory service providers. We have committed ourselves to a high-level, outstanding-quality service standard covering the entire spectrum of financial advisory services. With our international background and our advisory network, our clients are supported by almost 80 advisors from the Budapest office. We are proud of our direct and flexible contact and service approach, which has been continuously appreciated and confirmed by the clients during the 8 years of our operation.

In addition to our accounting and tax advisory activities, our partner audit firm also plays an important role in allowing us to offer a comprehensive service package to our clients. In addition to medium-sized Hungarian enterprises, foreign-owned multinational companies also represent a significant part of our client portfolio.

Our HR Consulting division was founded in 2010 for individual personnel selection services. We search, pre-screen and select suitable candidates for manager and expert positions for our clients in order to effectively reduce the time they spend on interviews.

1. General information

1.1. Overview

- Area: 93,030 sq km
- Capital: Budapest
- Official language: Hungarian
- Currency: Hungarian forint; abbreviations: Ft, HUF;
prevailing interest and currency rates: <http://english.mnb.hu/>
- Form of government: republic
- Population: 10 million
- International Airport: Budapest Ferihegy, BUD
- OECD member since: 1996
- EU member since: 1 May 2004



1.2. Geography and climate

Hungary is situated in Central Europe, between latitudes 44° and 48° North and longitudes 16° and 23° E and occupies an area of 93,030 sq km. Neighbouring countries: Slovakia to the north, the Ukraine and Romania to the east, Serbia, Croatia and Slovenia to the south and southwest, and Austria to the west.

The majority of the landscape consists of plains and low mountains. The highest point in the country is the Kékes at 1,014 m. The two largest rivers, the Danube and the Tisza, are navigable. The Balaton, the largest lake in Central Europe, can also be found in Hungary. Natural treasures of the country include the arable land and the waterways, the latter including, in addition to a large number of rivers and lakes, a number of high-quality artesian springs and various types of thermal springs.

Hungary has a continental climate but is also influenced by the oceanic climate from the west and the Mediterranean climate from the south. Summers are generally warm and sunny with temperatures in the 25-30°C range. For a few weeks, daytime temperatures can reach around 35-38°C. Winters are cold with temperatures in the -10-0°C range. Spring and autumn are often short and usually wet.

1.3. Population

Preliminary data indicate that Hungary's population fell to 10 million in 2010, which may be confirmed by the statistical census planned for 2011. Bringing the population decrease to a halt is a primary government objective. The age pyramid depicts an aging population, with 15-16 percent in the 65+ age group. Close to 20 percent of Hungarians live in Budapest and its suburbs. This concentration is mostly due to the capital's primary role in the country's higher education, public administration and economy, as well as the traffic infrastructure. In addition to the high concentration in Budapest, the number of people living in large and mid-size towns is also significant, and migration from small towns is typical.

In terms of ethnic composition, the vast majority of the population are Hungarian, but the peoples from neighbouring countries and those that settled in Hungary during previous centuries have strong minority representation. The following is a list of minorities from the most to the least populous: Romas and Gypsies, Germans, Croats, Slovaks, Romanians, Ukrainians, Serbs and Slovenians.

1.4. History

After a centuries-long journey, Hungarian tribes settled in the Carpathian Basin in 9th century A.D. The following century witnessed the development of centralised leadership over the tribes. Pagan Hungarians were converted to Christianity under St Stephen, the first King of Hungary, a process that lasted for several decades. The foundation of the Hungarian state is traced back to the date when St Stephen was crowned with the headpiece received from the Pope of Rome.

Despite the devastation caused by the Mongol invasion, centralised power and a strong state were established in the Middle Ages. The nation-founding House of Árpád was succeeded by the Anjou kings, who raised Hungary to a great European power. In addition to the country's political and economic roles in Europe, succeeding kings enhanced the importance of Hungary's cultural life, which resulted in a flourishing state during the Renaissance only to be brought to an end by the Ottoman occupation.

By early Modern Times, Hungary's political power had decreased, and with the Ottoman invasion its territory was broken up into three parts in 1541. The ensuing battle to recapture the country from the Turks turned the central area of the country into a wasteland. The Habsburgs ruling the western part of the country easily extended their influence over this central region previously occupied by the Turks and the Principality of Transylvania, a former vassal state of the Ottoman Empire in the east. Between the early 18th century and World War I, Hungary was part of the Habsburg Empire.

Hungary eventually regained its independence as a republic after World War I. The Peace Treaty of Trianon, signed on 4 June 1920, redefined state borders, as a result of which the country lost around two thirds of its pre-World War I territory and population. Between the peace treaty and World War II, Hungary was once again officially a kingdom, but was ruled by a governor.

In 1941, Hungary joined Germany in the Second World War with high hopes of regaining the territories it had been deprived of some two decades before. In 1944, the country was occupied by the Germans, who were defeated and replaced as the occupying force by the Soviet Red Army only to increase the material and human toll of the war.

The Paris Peace Treaty reinforced the state borders of the Treaty of Trianon. The post-war period of parliamentary democracy, lasting barely four years, ended in August of 1949 with the Soviet-backed Communist Party taking over control of the country and establishing a one-party system. In the first half of the 1950s, Hungary was changed into a Stalinist totalitarian regime against which the 1956 Revolution broke out under the leadership of workers and young people. After the revolution was defeated by the communists relying on the support of Soviet

tanks, government control tightened, yet this proved to be relatively mild ("goulash communism") compared to other countries in the Soviet-led communist bloc.

In the late 1980s, Soviet control began to slacken, paving the way for the change of political regime in 1989, with 23 October marking the birth of the new Republic of Hungary. The first democratic national and municipal elections took place in 1990. Complete democratic restructuring and stabilisation of the new institutional system went in parallel with a fundamental transformation of economic life. As early as 1990, Hungary was striving for Euro-Atlantic integration, joining NATO in 1999, the European Union on 1 May 2004, and the Schengen Area in December 2007.

1.5. Political and legal environment

Since 1990, the Republic of Hungary has been based on a political system of Parliamentary democracy. Parliament is the highest body of popular representation. Members of Parliament are elected directly by the people every four years. Upon the recommendation of the President of the Republic, the Parliament elects the Prime Minister, who then forms the cabinet. Cabinet members are appointed by the President upon the recommendation of the Prime Minister. The President of the Republic is elected by Parliament for a period of 5 years.

The President's duties are primarily diplomatic, but he also announces the date of a national election and his approval is necessary for bills passed by Parliament to be enacted.

The 11-member Supreme Court is an independent forum designated to study whether or not specific laws are in compliance with the constitution. Enacted in 1949 and amended in 1989, the currently effective constitution is likely to be replaced in 2011 with a new constitution satisfying new, European and general international principles.

Hungary is divided into 19 counties and the capital (representing a separate region) for public administration purposes, and 7 regions for development and statistics.

1.6. Education and culture

The Hungarian education system is divided into three levels (elementary, secondary and higher education), all three with some publicly owned and some privately owned institutions. Hungary joined the Bologna Process in 1999.

Videos about Hungary:

<http://www.youtube.com/watch?v=Hmz8Ni9z04M&feature=related>

<http://www.youtube.com/watch?v=e0wkokaybWA>

1.7. Economic information

The sectoral structure of the Hungarian economy is mostly compatible with other countries at the same level of development. The service sector accounts for slightly less than two thirds of the GDP. Within the service sector, the private services (trade, tourism, finance and other economic services) are highly developed. Services, especially economic services, represent a sizeable portion of the country's export. The transportation sector (with some companies owned by the state and others by private corporations) offers optimum conditions for transit traffic due to Hungary's favourable geographical location. The state-run service sectors (health, education, public administration) failed to keep pace with the other service sectors and their fundamental transformation is therefore high on the political agenda.

The agricultural sector, for which Hungary has especially favourable climate conditions, represents only 5 percent of the country's GDP. Crop yields vary greatly from one year to the next, which is not sufficiently compensated by subsidies, capital supplies and investment incentives.

In line with international trends, the industrial sector accounts for around one quarter of the country's GDP. Recently, primarily export-focused industries have been able to increase their output. These include the automotive industry, telecommunications and computer technology, while food and light industries have fallen back and the construction industry, as a result of the crisis, remains in a poor condition in 2011. The shortfall in the food industry is mostly attributed to the adverse conditions generated by Hungary's accession to the European Union. However strong it may once have been, Hungary's light industry is now almost non-existent, as Hungary has also lost out to Southeast Asian export markets.

Source: parliamentary draft of topics: http://www.parlament.hu/hivatal/kozbesz/2009/384_nfft/384_kopint_4.pdf

1.8. Current economic situation / Key processes of 2010

In the Hungarian economy, according to unadjusted estimates, the recession hit rock bottom in the second quarter of 2009, a quarter of a year later than in the developed world. Accordingly, we were almost six months late coming out of the period of recession in 2010. The government's economic policy in the first half of 2010 was shaped by an effort to regain international trust and limit internal consumption, and the subsequent fiscal restrictions increased government revenues of taxes and contributions. These, however, failed to produce substantial positive results due to the limited conditions of the internal market. The industrial sector was able to get a foothold on foreign economic activity, especially export-oriented manufacturing activities joined with logistics. The dynamically growing export resulted in increased demand to replenish stocks and increase import. Due to limited domestic demand, however, the growth rate of import lagged behind that of export. Net export, therefore, has strongly contributed to Hungarian economic recovery. Due to high capacity reserves, revitalisation of external markets was in sufficient to jumpstart investments, which after the four-year fallback only stagnated in 2010.

The 7 percent increase in industrial output is due solely to the growth of export-oriented sectors, as the volume of sales on the domestic market continued to shrink, even if at a lower rate. Due to increased foreign demand, consumer durable goods and investment assets produced the highest growth rate.

1.9. The current economic situation and forecasts for 2011

In the editing phase of our publication (February 2011), we still do not know the details of the government's plans for economic policy including structural changes. Consequently, this publication relies on the September 2010 forecast by Pénzügykutató Zrt. for the calendar year 2011 without any changes.

The demand factors for growth have been restructured, which altogether results in a higher dynamism than in 2010. The pulling power of foreign markets is somewhat decreasing and the driving forces behind internal demand are on the increase, resulting in higher consumption and accumulation. This increased domestic demand comes as a result of the export-driven 2010 economic path on the basis of investments started from accumulated profits and improving market outlooks and partially funded from EU resources on one hand and improving job and salary prospects on the other.

Since the crisis put renewals and renovations on hold, the revival of business may lead to that need on a massive scale. Expansion of internal markets also increases leverage on existing capacities, which may jumpstart investments also in part because, according to the New Széchenyi Plan, the emphasis in the government's economic policy is shifted towards support for SMBs even by the redistribution of EU funds.

The growth rate of industrial production is expected to slow down somewhat in 2011. On the basis of the data already available from the world economy and from the European Union, the growth rate of Hungary's export is expected to slow down in comparison to 2010. If, supported by the production of the companies supplying export products and the expansion of domestic sales, domestic industrial sales increase slightly in 2011, the overall performance of the sector may increase by 5.5-6.5 percent in 2011.

Summary forecast figures (previous year=100 percent)

Description	2009	2010**	2011*
GDP production	93.7**	100.8	102.3-102.8
Investment	91.4**	99.0	102.0-103.0
Household consumption	93.3**	96.7	101.6-102.1
Real income 97.6	97.6	102.6	101.5-102
Net household savings, HUF billion	875	1100	1100
Industrial production	82.2	107.0	105.5-106.5
Construction industry output	95.7	90.0	100.5-101.5
Retail turnover (total)	93.6	97.6	101.5-102.0
Agricultural production	90.0	95.5	107.0-108.0
Export (at current prices, EUR)	80.6	117.0	110.5
Import (at current prices, EUR)	75.2	115.5	110.3
Balance of foreign trade, EUR billion	3.7	5.2	5.9
Balance of payment on current accounts, EUR million	153	700	800
Immediate foreign capital influx with owner loans, EUR billion	1.0	2.5	3.5
State budget deficit as percentage of GDP (ESA '95)	4.0	4.2 (3.8***)	2.8
Consumer price index, annual average	104.2	104.8	103.0-103.5
Prevailing (bi-weekly savings) interest rate of the national bank, end-of-year	6.25	5.25	5.25
Yield of 3-month state bonds, end-of-year	6.1	5.3	5.2
HUF/EUR exchange rate, end-of-year	270.8	282	275
HUF/USD exchange rate, end-of-year	188.1	229	213
Unemployment rate, annual average	10.0	11.2	10.7-11.1
Number of employees, as per the workforce survey	97.5	99.5	100.3-100.8

* forecast by Pénzügykutató Zrt. ** preliminary data *** in the event of additional adjustments to be implemented in 2010
 Source: Pénzügykutató Zrt. The current situation and prospects for the Hungarian economy (2010-2011) (24 September 2010)
 Our briefing document is a brief summary based on the abstract prepared on the study.

1.10. Capital investments

The volume of Foreign Direct Investments (FDI) is over EUR 67 billion, one of the highest per capita figures in the Central and Eastern European region. The vast majority of investments were funnelled into service industries and competitive processing industries (automotive and electrical equipment manufacturing). Of all the foreign direct investments in Hungary, 75 percent originates from the European Union and 22 percent from Germany. In 2009, the total amount of foreign direct investments completed in Hungary reached EUR 1,550 million, EUR 798 million

of which was reinvested profit. In the first three quarters of 2010, foreign direct investments in Hungary were EUR 121 million net, EUR 427 million higher than the same period the previous year. In 2010 overall, the influx of non-debt generating capital (stocks and other shares, reinvested profit), without unique, large-scale fourth-quarter transactions, may have been close to EUR 3 billion. However, debt generating other capital movements may have caused a record-high net withdrawal of capital resulting in foreign direct investments in Hungary remaining below even EUR 1 billion. In the mid-term, we expect EUR 4 billion worth FDI for the whole of Hungary, which may be significantly influenced by individual, high-value transactions, either positively or negatively.

Source: Ministry for National Economy - An Overview of current direct capital investment processes (18 January 2011)
<http://www.kormany.hu/hu/nemzetgazdasagi-miniszterium>

The volume of Hungarian direct investments abroad is more than EUR 17.4 billion, one of the highest per capita figures in the Central and Eastern European region. The majority of such investments come from the service industries and the crude oil and processing industries. Forty-nine percent of Hungarian foreign direct investments are located in Central and Eastern Europe. In 2009, the total amount of Hungarian foreign direct investments completed abroad amounted to EUR 1,709 million, which is down EUR 368 million on the previous year. In Quarters 1-3 of 2010, the total amount of Hungarian foreign direct investments completed abroad was EUR 729 million, which is down EUR 285 million on the same period of the previous year. In 2010, calculated without individual, high-value transactions in the fourth quarter, Hungarian foreign direct investments abroad will most likely fall a long way behind the average of previous years. In the mid-term, we expect EUR 2 billion worth of capital export, which may be significantly influenced by individual, high-value transactions.

Source: Ministry for National Economy - An Overview of Hungarian capital export processes (18 January 2011)
<http://www.kormany.hu/hu/nemzetgazdasagi-miniszterium>

1.11. The stock market: the Budapest Stock Exchange

The Budapest Stock Exchange (BSE) is the venue for trading with shares of public companies limited by shares and registered in Hungary, securities issued by businesses, and Hungarian state and other securities. The BSE has four trading sections: equities, securities, derivatives and commodities. For more information on the BSE and BUX, its leading index, see the BSE website: <http://www.bse.hu/topmenu/marketsandproducts/indices/bux>.

The Budapest Stock Exchange is a full-fledged member of a number of international professional alliances and organisations:

- Federation of European Securities Exchanges (FESE): <http://www.fese.be/en/>,
- World Federation of Exchanges (WFE): <http://www.world-exchanges.org>,
- Financial Information Services Division / Information Industry Association (FISD/IIA)
http://www.siiia.net/index.php?option=com_content&view=article&id=138&Itemid=4
- Association of Futures Markets (AFM): <http://www.afmorg.net/>

1.12. Visas, work and residence permits

The visa regulations of the Republic of Hungary are in compliance with the regulations and recommendations of the European Union and the Schengen Agreement. Hungary joined the Schengen Area in December 2007.

Regarding Hungary's Schengen membership, the following need to be highlighted:

- visas and residence permits issued by any member state of the Schengen Area are valid in the Republic of Hungary, and vice versa
- visas issued by Hungarian legations abroad, and residence permits granted by Hungarian national authorities, are valid for the Schengen Area as specified on the stamp of the visa issued in the member states: "ETATES SCHENGEN", i.e. valid for all Schengen States.

The Schengen visa and entry regulations apply only for stays that do not exceed 90 days. For periods longer than 90 days, the visa regulations of the respective member states apply.

For more detailed information regarding entry and residence permits and the relevant procedures, a list of countries whose citizens can travel to Hungary without a visa, and special regulations on the citizens of non-EU countries, please visit the website of the Ministry of Foreign Affairs at http://www.mfa.gov.hu/kum/en/bal/consular_services/Entry_of_Foreigners_to_Hungary/how_to_apply_for_visa/.

1.13. Other useful information

Hungary uses the metric system for units of measurements.

Hungarian date notation: year/month/day.

Hungarian uses the comma as the decimal separator and the full stop as the thousand separator.

Time Zone

Hungary is in the Central European Time Zone (CET), which is one hour ahead of Greenwich Mean Time (GMT). The country uses the practice of daylight saving time, advancing clocks by one hour during the period from the last weekend in March to the last weekend of October.

Normal business hours:

Private and public offices: 8 a.m. to 4 p.m., closed on Saturdays and Sundays

Retail: 10 a.m. to 6 p.m. Monday to Friday, 9 a.m. to 1 p.m. on Saturdays

Shopping centres, hypermarkets: 7 a.m. to 9 p.m., seven days a week

Restaurants: 12 noon to 10 p.m.

The information above is not exhaustive and should only be considered as a guide because business hours may differ significantly in specific cases.

Holidays in 2011

- 1 January: New Year's Day
- 15 March: national holiday
- 24-25 April: Easter
- 1 May: Labour Day
- 13 June: Whitsun
- 20 August: commemoration of the founding of the Hungarian state
- 23 October: national holiday
- 1 November: All Saints' Day
- 25-26 December: Christmas

Distances between Budapest and some major European cities

- Vienna, Austria: 217 km
- Frankfurt am Main, Germany: 1,034 km
- Rome, Italy: 810 km
- Paris, France: 1,247 km
- Prague, Czech Republic: 443 km
- Warsaw, Poland: 545 km
- Bucharest, Romania: 640 km
- Kiev, Ukraine: 894 km
- Amsterdam, the Netherlands: 1,145 km

2. Some important laws applicable to business associations

2.1. Branch offices and commercial representative offices of foreign business associations

2.1.1. Branch offices

Foreign entrepreneurs may conduct their business in Hungary by opening a branch office in the country. Such a branch office is a separate organisation unit of the foreign business association without legal personality registered by the Hungarian Court of Registration. Through their branch offices, foreign business associations are entitled to carry out business activities in Hungary and are represented towards the authorities and third parties by their branch offices.

Each branch office shall be registered to the company registry. Branch offices may be represented by natural persons employed at or assigned to the branch office or with a permanent contract of employment and a domestic place of residence. Representatives of branch offices and their close relatives may only conclude transactions within the activities of the branch office if the deed of foundation of the branch office or the foreign business association approves it. The foreign company's approval is needed if the person authorised to represent the branch office intends to acquire shares in another business association conducting the same business activities as the branch office, excluding the buying of shares in public limited companies.

The laws applicable to companies with domestic registered offices apply to the business activities and the domestic business behaviour of branch offices, and its books shall be kept in accordance with the Hungarian laws on accounting. Special rules apply to the branch offices of foreign businesses conducting financial activities. The employees of the branch office are in employment relationship with the foreign business association and employer rights are exercised by the foreign business association through its branch office.

The foreign business association shall continuously provide the assets necessary for the operation of the branch office and the settlement of its debts. No permit is required for a business association registered in an EEA member state to purchase real estate required for the business operations of its Hungarian branch office. In all other cases a permit is required unless otherwise specified by an international agreement or no such property may be purchased based on the principle of reciprocity.

The foreign company and the branch office bear joint and several liability for debts incurred during the activity of the branch office. When judicial enforcement to collect debts is initiated against the foreign company, all its assets in Hungary become subject to enforcement. Enforcement procedure may also be initiated directly against the branch office, and creditors can enforce their claims even in a liquidation procedure initiated against the foreign business.

The branch office is terminated by being deleted from the company register. Deleting a branch office does not in all cases require its being free from public debt, the publication of an announcement about the termination, or verification that there are no authority or court procedures in progress against the foreign company in Hungary with regards to its activities conducted through the branch office. This condition only applies if the country of registration of the foreign company and the Republic of Hungary have signed an international agreement on the competences of courts, the enforcement of court rulings and the collection of public debts for civil and commercial cases, or such issues are governed by EU community laws.

2.1.2 Commercial representative office

Commercial representative office is an organisational unit of a foreign company without a legal personality, which can operate from the time it is registered in the company register. The activities of commercial representation offices are limited to mediating and preparing contracts and carrying out information, advertising and propaganda activities on behalf of the foreign company.

In their own names, commercial representative offices may not conduct business activities that yield profits or other proceeds; however, they can conclude contracts related to its operation in the name and for the benefit of the foreign company.

The same employment rules apply to commercial representative offices as to branch offices.

2.2. Company law

The primary act of law in Hungarian company law is Act 4 of 2006 on Business Associations (hereinafter Companies Act). In addition to business associations, the Companies Act also covers a special professional form of business association called "interest grouping" ("egyesülés" in Hungarian). The main types of business associations under the Companies Act are identical to those regulated in EU countries. However, there are some others under EU law, such as the European Economic Interest Grouping (EEIG) regulated in Act XLIX of 2003 on the basis of Council Decree no. 2137/85/EEC, and the European Society (Latin original: Societas Europaea) regulated on the basis of Council Decree no. 2157/2001/EEC. The procedures on founding, implementing changes in data and winding up of Hungarian associations are primarily governed by Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (hereinafter: Company Procedures Act).

2.2.1. Common provisions applicable to business associations

Under the Companies Act, business associations may be founded by non-resident and resident natural persons, legal persons and business associations without legal personality (hereinafter: business association). Hungarian laws do not provide an exhaustive list of legal persons but, on the basis of the Civil Code, state, municipal, business, social and other organisations may have legal personalities. International treaties may contain regulations in derogation from these provisions in respect of the participation of non-residents in Hungarian business associations.

In most cases, business associations are founded to conduct economic activities but they can be founded and regulated in any company type regulated under the Companies Act for purposes other than common economic activities (non-profit business association). Non-profit business associations may only engage in business operations in the form of ancillary activities; the profit from these operations may not be distributed among the members (shareholders).

The law may require a special permit from the authority for the foundation of a business association (foundation permit), such as companies with an interest in financing, insurance or capital market activities, which may only be founded with approval from the Hungarian Financial Supervisory Authority (PSZÁF). Where authorisation by the authority is prescribed as mandatory by law to engage in a certain economic activity, the business association may only begin and pursue the activity in question when in possession of such authorisation. Activities subject to qualification may only be pursued by business associations if there is at least one person among its participating members, employees, or persons working for the benefit of the company under a permanent civil law contract concluded with the business association who satisfies the qualification requirements set out in the legal regulations.

The provisions of the Civil Code of the Republic of Hungary (hereinafter: Civil Code) shall be applied in respect of the financial and personal relations of business associations and their members (shareholders) not regulated by the Companies Act.

2.2.2. Types of business associations

The Companies Act regulates the following types of business association:

- (i) General partnership (Kkt.): a business association whose members jointly undertake the obligation to engage in business operations with unlimited and joint and several liability. Kkt-s do not have a legal personality, which, however, does not mean that they cannot be subject to rights and obligations or that they are transparent in terms of taxation. The lack of legal personality only refers to the Kkt.'s personal collective (rather than capital collective) nature.
- (ii) Limited Partnership (Bt.). At least one member (general partner) has unlimited liability for the obligations of the business association, while the liability of other, at least one member (limited partner), is limited to the amount of its contribution.
- (iii) Limited Liability Companies (Kft.) are business associations founded with an initial capital (subscribed capital) consisting of capital contributions of a pre-determined amount, in the case of which the liability of members to the company extends only to the provision of their capital contributions, and to other possible contributions as set forth in the articles of association. With the exceptions set out in the Companies Act, members are not liable for the liabilities of the company.
- (iv) Companies limited by shares (Rt.) are business associations founded with a share capital (subscribed capital) consisting of shares of a pre-determined number and face value, in the case of which the obligation of members (shareholders) to the limited company extends to the provision of the face value or the issue price of shares. With the exceptions defined in the Companies Act, shareholders shall not bear liability for the obligations of a limited company. Limited companies may be established privately or be open to the public and, consequently, they may operate in the form of a public (Nyrt.) or private (Zrt.) limited company.
- (v) A grouping is a co-operative society vested with legal personality, founded by members in order to facilitate the success of their business activities and to co-ordinate such business activities, as well as to represent their professional interests. The purpose of a grouping is not to make a profit for itself; its members shall bear unlimited, joint and several liability for debts in excess of the grouping's assets.

2.2.3. Foundation of a business association

A business association is founded by the founding members signing the articles of association (statutes, for sole member companies deed foundation), which is drawn up in an authentic instrument prepared by a notary public, or in a private document countersigned by a lawyer or the legal counsel of the founder.

General partnerships, limited partnerships, limited liability companies, single member companies or private limited companies may be founded in a simplified procedure by enclosing with the application for the registration of the company the deed of foundation drawn up on the basis of a template in the annex of the Company Procedures Act. In the latter cases, the deed of foundation is required to be prepared in a notary deed and countersigned. In the case of this simplified procedure, the business association is registered by the court of registration within one working hour of the receipt of the application for registration.

The articles of association must include the following for all business associations:

- a) the corporate name and registered office of the business association;
- b) the data of the members of the business association (name, place of residence, registered office, company registration number for legal entities or business associations without legal personality);
- c) the business association's activities which the company intends to indicate in the register of companies;

- d) the subscribed capital of the business association, the financial contribution of each member, and how and when the subscribed capital is made available;
- e) the mode of representation and the method of signing for the company;
- f) the name and address (registered office) of the first executive officers appointed by the members (shareholders), and of the first appointed supervisory board members and auditor where applicable, and for legal persons and business associations without legal personality their (company) registration number;
- g) the duration of the business association, if established for a limited period of time; and
- h) any other information required by the Companies Act for the various forms of business associations.

Members' (shareholders') contributions may be cash or contributions in kind. A contribution in kind may be any marketable thing of value or intellectual work, any intangible property, or any claim that is acknowledged by the debtor or that has been granted by a final and definitive court decision. Any member (shareholder) providing a contribution in kind shall accept responsibility towards the business association for a period of five years from the provision of the contribution in kind, to the effect that the value indicated in the articles of association does not exceed the real value of the contribution in kind as effective at the time of its provision.

Pre-company period

As of the date when the articles of association is countersigned or executed in an authentic instrument, the business association may operate as the pre-company of the business association, i.e. a company under registration. The pre-company may obtain rights and responsibilities but can only carry out business activities after the application for the registration of the business association has been submitted. With certain limitations (e.g. shares / business quotas may not be transferred), the same rules apply to pre-companies as to registered business associations. The pre-company period ends when the business association is registered in the company register and all legal transactions signed in the pre-company phase become the legal transactions of the business association. Under the effective regulations, business associations are required to file a separate report and tax return for the pre-company period provided that the company started its business activity in the pre-company period or the company is registered in the business year of its establishment.

2.2.4. Supreme bodies of business associations

In most cases, the highest body of business associations is the meeting of the members, which has different names for specific forms of business associations (e.g. members' meeting, general meeting). In the case of sole member companies, the only member has the powers otherwise vested in the supreme bodies of other business associations. The supreme body makes decisions in strategic matters of the company. Matters rendered under the exclusive competence of the supreme body are defined by the law for the specific company forms.

In most cases, members (shareholders) attend the meeting of the supreme body in person but they can also delegate proxies. The articles of association may allow members (shareholders) or their proxies to exercise their membership rights by means of electronic communications instead of attending the sessions of the supreme body in person. Decisions may also be made in writing. In this case, the articles of association need to specify matters in which members can make decisions without holding a meeting. The possibility of attendance by means of electronic communications as well as the written decisions provide foreign owners with flexibility in exercising their rights.

2.2.5 Management of business associations

For the purposes of the Companies Act, 'management' means the passing of decisions other than those under the competence of the supreme body or other company organ, and which are necessary in connection with the company's operations.

The executive officers or a board made up of executive officers shall conduct the management of the business association pursuant to the provisions governing the specific forms of business associations. The management of general partnerships (Kkt.) and limited partnerships (Bt.) are handled by the member or members entitled thereunto in the capacity of executive officers. Management of business associations is exercised by the general manager(s) for limited liability companies (Kft.) and by the management or a board of directors for companies limited by shares (Nyrt. and Zrt.), except for private limited companies where the chief executive officer is a single person.

With the exception of general partnerships and limited partnerships, executive officers must be natural persons. Executive officers must discharge their duties relating to the company's internal affairs and its bodies and other officers in person; no representation is allowed. Executive officers may act on behalf of the company under company law and employment law.

Executive officers discharge their duties independently and are superseded only by legal regulations, the articles of association, and the resolution of the company's supreme body and, with the exception of sole member companies, may not be instructed by the members (shareholders) of the business association. The company's supreme body is only allowed to reduce the powers of executive officers or the management body in relation to the management of the company where so authorised by the Companies Act or under the articles of association.

Providing they are not subject to disqualifying factors, executive officers may be appointed for an indefinite term, or definite period no longer than 5 years, and may be recalled at any time.

The responsibility of executive officers primarily covers the following:

- Company foundation, announcement of any changes in the data registered in the company register and submittal of the annual report to the court of registration;
- upon request by the members, the executive officers have to provide information concerning the affairs of the business association, and allow inspection of its books and documents.
- exercise employer's rights over the employees of the business association;
- representation of the company before third parties, authorities and courts.

Executive officers have to conduct the management of the business association with the level of care generally expected from persons occupying such positions, and give priority to the interests of the business association. In the event of an imminent threat to the business association's insolvency, the executive officers have to conduct the management of the business association giving priority to the company's creditors.

In addition to the executive officers, an employee of the business association may be appointed as company manager. The company manager may be authorised to sign independently for the company.

2.2.6. Supervising the operation of the company

The supervisory board shall consist of at least three and at most fifteen members. In some cases, a supervisory board is required, while in others it is only an option. The supreme body of a business association that is supervised by a supervisory board may adopt a decision concerning the annual report only if in possession of the written report of the supervisory board.

Establishment of a supervisory board is mandatory:

- for public companies limited by shares except for public limited companies that are controlled by the one-tier system, i.e. the board of directors also performs the duties of a supervisory board;
- for private companies limited by shares if requested by the founders or members (shareholders) controlling at least five percent of the total number of votes;

- irrespective of the form and operational structure of the company, where prescribed by law with a view to the protection of public assets or to the activities in which the company is engaged;
- If the annual average number of full-time employees employed by the business association exceeds two hundred, one third of the supervisory board is made up of employee representatives.

2.2.7. Minority rights

Members (shareholders) having at least 5 percent of the votes have certain minority rights. These minority rights include the option of these members (shareholders) at any time to request the management to call a meeting of the supreme body of the business association, and request the court of registration to order the auditing of the annual report or any other event in the management history of the past two years if such request has been refused by the supreme body of the business association or no decision has been adopted in the matter. If the supreme body of a business association has refused the request to enforce a claim against the members, executive officers, supervisory board members or auditor of the business association, or, if the business association's supreme body failed to adopt a decision regarding a proposal that has been properly presented, the members (shareholders) with minority rights may enforce the claim themselves on behalf of the business association in court proceedings.

2.2.8. Protection of creditors

In certain cases, the Companies Act excludes limited liability of the members (shareholders). In the event of the termination of a limited liability company or a public or private company limited by shares without legal successor, the member (shareholder) who has abused his limited liability may not rely on his limited liability. Any members (shareholders) of limited liability companies and public or private company limited by shares who have abused their limited liability or the company's legal personality to the detriment of the creditors, have to bear unlimited and joint and several liability for the unsatisfied obligations of the defunct business association.

If a business association does not have sufficient own funds to cover the subscribed capital prescribed for its form of business association over two consecutive financial years, the members (shareholders) of the business association have to provide for the necessary own funds within three months of the approval of the annual report prepared pursuant to the Act C of 2000 on accounting (Accounting Act) for the second year. If the business association fails to do so, it has to adopt a decision for transformation into a different business association, or for its termination without succession.

2.2.9. Acquisition of qualifying holding

If any member (shareholder) of the private or public limited company acquires an influence ensuring qualifying holding over 75 percent after the company is established, the owner of this qualifying holding has to announce this fact to the court of registration. Unless excluded by a unanimous decision of the members in the articles of association, any member (shareholder) of the company may request the owner of the qualifying holding to purchase his business share (share) at market price but at least at the rate proportionate to the business share (share) to the own capital of the business association.

In the event that any member acquires over 50 percent of the votes, has the right to designate or dismiss the majority of the executive officers of the other company or has the power to assert major influence over the decisions of the other company by merger or acquisition, this member is deemed to fall under the scope of Act LVII of 1996 on the Prohibition of Unfair Trading Practices and Unfair Competition (hereinafter: the Competition Act) and in certain cases may need to request permission from the competent authority.

2.2.10. Termination and transformation of business associations

Business associations may be terminated with or without a legal successor. Cases of termination without a legal successor:

- the period of time specified in the articles of association expires or any other condition of termination is realised;
- the company's supreme body has adopted a decision for the company's termination without succession (voluntary winding-up or liquidation);
- the number of members of the business association keeps decreasing, except for limited liability companies and companies limited by shares;
- it is terminated by the court of registration for reasons provided for in the Companies Act;
- it is required to do so by law.

If the business association is terminated by liquidation, the provisions of Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings shall apply.

2.2.11. Transformation of business associations

A business association is terminated with succession in the case of conversion, merger and demerger (hereinafter: transformation). 'Merger' means the operation whereby two or more business associations are wound up without going into liquidation and the companies combine as one legal entity. 'Demerger' of a business association is when the business association is split into two or more business associations.

The rules for transformation are contained in the Companies Act and the Accounting Act. A business association created by transformation has no pre-company period, as the legal successor business association may start its activities after being registered by the court of registration. Until the changes are registered, the predecessor company continues its activity unchanged.

The business association established by way of transformation is the universal successor of the business association transformed. The rights and obligations of the predecessor business association shall be transferred upon the successor business association. In the event of a division, the demerger agreement has to divide the rights and responsibilities of the business association being transformed; however, the predecessor business associations will bear joint and several liability for the obligations that have not been divided.

In the event of a transformation, draft statements of assets and liabilities and draft inventories of holdings will be prepared for the company undergoing transformation and its successor company. The draft statements of assets and liabilities and the draft inventories of holdings will be approved by an independent auditor, who may not be the auditor of the business association undergoing transformation.

In the event of a merger, the provisions of the Competition Act also have to be observed, and in accordance with this, in certain cases permits from the competent competition authority and the European Commission also have to be requested.

In accordance with Act CXL of 2007 on cross-border mergers of limited liability companies, limited liability companies and companies limited by shares may pass decisions about cross-border mergers with a business association established in the European Union. The abovementioned act is designed to help compliance with Directive 2005/56/EC, supports flexible merger of business associations within the European Union and provides an opportunity for planning finances and taxes.

2.2.12. Limited liability companies

As a result of its limited liability and simple formal requirements, the limited liability company is the most widely used form of business association in Hungary.

In addition to the data to be included in the deed of foundation of any business association, the deed of foundation (articles of association) of a limited liability company has to include the material contributions of all members, as well as their voting rights.

Performance of capital contributions and other services

The subscribed capital of limited liability companies is composed of the capital contributions made by the members. The minimum amount of subscribed capital is HUF 500,000 (approx. EUR 1,800). If a member is making a contribution in kind, the contribution needs to be accepted by the other members. If the business association does not use an independent auditor to evaluate the contribution in kind, the criteria for evaluating the contribution need to be defined.

The value of the capital contributions of the members may not be lower than HUF 100,000 and must be divisible by 10,000. Each member may only have one capital contribution but one capital contribution may have multiple owners. In addition to making their capital contributions, the members of the business associations also undertake to fulfil certain other services of value (hereinafter: ancillary services) in the articles of association. Members may be entitled to remuneration for such ancillary services.

In order to cover losses, the articles of association may authorise the members' meeting to order an obligation upon the members to provide supplementary capital contributions. The maximum amount payable by members on this basis, the method, frequency and timing of performing supplementary capital contributions, and the order of repayment must be specified in the articles of association. The amount of supplementary capital contributions shall not comprise a part of members' initial contribution to the capital. Capital contributions not needed to cover losses must be repaid to the members.

Business quota and transfer of business quotas

Following registration of the company, the rights of members and their share from the assets of the company are embodied by their business quotas. In most cases, the business quotas of the members are consistent with their respective capital contributions. The articles of association may, however, invest certain business quotas with membership rights that differ from those of others. Accordingly, business quotas with different rights may grant rights to more favourable dividends or voting rights.

Business quotas may be transferred by written agreement, but only to a third person if the member concerned has paid his capital contribution in full. The members, company or person designated by the members' meeting shall have pre-emption rights for the transfer of a business quota by a contract of sale, but this right may be excluded or limited in the articles of association. The right to pre-emption is non-transferrable.

Members may render any transfer of business quotas to non-member parties subject to the consent of the company. The transfer of business quotas based on legal grounds other than a contract of sale may be excluded or restricted in the articles of association.

Disbursements by business associations

The company may effect a disbursement from its equity to a member, on account of his membership and in accordance with the Companies Act and the Accounting Act, with the exception of the reduction of the share capital, from the taxed profit for the current year, or from the profit reserves or capital reserves. No disbursement can be made if the company's equity capital is below its share capital or would be reduced to below the share capital if the payment was made.

Members are entitled to receive a share of the company's taxed profit, according to the annual report, in the percentage consistent with their business quota (dividend). The members' meetings may pass a decision on the disbursement of interim dividends if the interim balance sheet verifies that the business association has the financial collateral for it and the members agree to pay back the interim dividends if there were no legal grounds for the disbursement of dividends on the basis of the subsequent annual report.

Scope and operation of the members' meeting

The members' meeting is the supreme body of the limited liability company. It has to be convened at least once a year.

The following specifically fall within the exclusive competence of the members' meeting:

- approval of annual and interim reports; decisions on the disbursement of dividends and interim dividends;
- order and repayment of supplementary capital contributions;
- exercising pre-emption rights on behalf of the company; designation of a person for the right to exercise pre-emption rights;
- granting of consent for the transfer of any business quota to a third person;
- resolution for initiating the expulsion of a member;
- the election and removal of the managing directors and the establishment of their remuneration (unless those rights have been transferred to the Board of Supervisors);
- the election and removal of the members of the Supervisory Board and the auditor and the establishing of their remuneration;
- approval to conclude contracts which take place between the company and one of its members, its managing director or their close relatives or domestic partners;
- enforcement of claims vis-a-vis members, managing directors, supervisory board members and the auditor;
- ordering of the examination of the company's report, management and financial operations by an auditor;
- decisions on termination without succession or transformation of the company;
- amendments to the articles of association, including an increase or reduction of the equity capital and related rights;
- all issues which are assigned exclusively to the competence of the general meeting by law or the memorandum of association.

As a general rule, the members' meetings are convened by the managing director at the registered office of the Company. In accordance with the Companies Act, the members' meetings may be held in such a way as to allow the members to participate not in person but by way of proper electronic means of communication, designed to handle dialogues between members and providing adequate facilities for debate without any restrictions whatsoever. The articles of association may contain provisions to allow for the option of adopting resolutions without a meeting. In this case, the draft resolution needs to be sent to the members who cast their votes in writing or any other verifiable manner. The resolution shall be considered adopted on the day following the day when the last vote is received.

Single-member companies

A company may be founded by a single member, or a single-member company may be established in such a way that the ownership of all business quotas of an already operating company is acquired by one member. In single-member companies, the decisions falling within the competence of the members' meeting are adopted by the sole member. A critical formal requirement for a contract concluded between a single-member company and its sole member to be valid, is that such contract shall be drawn up in an authentic instrument or in a private document representing conclusive evidence.

2.2.13. Company limited by shares

Companies limited by shares (hereinafter also referred to as limited companies) may be established privately or publicly. The Companies Act regulates these two types of business associations separately; the regulations on private limited companies must be applied unless otherwise provided by the rules applicable to public limited companies.

Capital requirements

The minimum registered capital is HUF 5 million (approx. EUR 18,000) for private limited companies and HUF 20 million (approx. EUR 73,000) for public limited companies. A limited company may increase its registered capital by the issue of new shares from the assets other than the share capital of the company, by the issue of employees' shares and by the issue of convertible bonds. Increasing the capital of the assets above the share capital and by the issue of employees' shares, however, is only allowed as a private limited company.

Classes of shares

Shares issued by limited companies are equity securities representing membership rights which are registered, have a face value and are marketable. The relevant regulations are included in Act CXX of 2001 on the Capital Market. The sum total of the face value of all shares comprises the share capital of a public or private limited company.

Only registered shares may be issued in Hungary in a printed or dematerialised form. Public limited companies may only issue dematerialised shares. When using dematerialised shares, the data representing the shares are recorded on a securities account. The shareholder may only exercise its right if registered by the share book kept by the Board of Directors. Share types regulated by the Companies Act:

- a) ordinary shares;
- b) preference shares;
- c) employee shares;
- d) interest-bearing shares;
- e) redeemable shares.

Within preference shares, the articles of association may define classes of shares to provide the following rights:

- a) priority dividend;
- b) upon termination of the limited company without succession, priority for a share from the assets to be distributed (preferential right to any liquidation surplus);
- c) preference related to voting rights;
- d) priority for the appointment of executive officers or supervisory board members; and
- e) pre-emption right (to be issued only for private limited companies);
- f) priority rights defined under a specific provision of the law.

Limited companies may issue registered bonds that must be converted into shares if requested by the holder of the bond and those that grant subscription rights to its owner upon the increase of registered capital.

Rights of shareholders

Shareholders have the right to participate, request information, make remarks and proposals, and vote if holding shares with voting rights. Public limited companies may stipulate the maximum level of voting rights which may be exercised by a single shareholder.

A group of shareholders controlling at least five percent of the votes may request the management board to place an issue of their choosing on the agenda.

Shareholders are entitled to dividends and interim dividends. Limitations on the disbursement of dividends are the same as those listed for limited liability companies.

General meeting

The following shall fall within the exclusive competence of the general meeting:

- a) decisions to approve and amend the articles of association;
- b) decisions on the modification of the operational form of the limited company;
- c) decisions on the limited company's reorganisation or termination without legal successor;
- d) the election and removal of the members of the board of directors or the general director, members of the supervisory board and the auditor, and establishing their remuneration;
- e) approval of the report prepared according to the Accounting Act, decisions on the disbursement of interim dividends;
- f) decisions to convert printed share certificates into dematerialised shares;
- g) changing the rights attached to the individual series of shares, and the transformation of categories or classes of shares;
- h) decisions to issue convertible bonds or bonds with subscription rights, unless the Companies Act contains provisions to the contrary;
- i) decisions to increase share capital, unless the Companies Act contains provisions to the contrary;
- j) decisions to reduce the share capital, unless the Companies Act contains provisions to the contrary;
- k) decisions on the exclusion of the exercise of the priority subscription right;
- l) decisions on all issues assigned to the exclusive competence of the General Meeting by law or the Articles of Association.

The general meetings of public or private limited companies may be held by way of electronic means of communication.

In case of a public company limited by shares the general meeting has exclusive rights concerning the guidelines and framework for a long-term salary and incentive scheme for executive officers, supervisory board members and executive employees.

Board of Directors

As a general rule, the administrative duties of limited companies are handled by the Board of Directors, consisting of at least three and at most eleven members, all natural persons. The Chairman of the Board is elected either by the board members or directly by the general meeting. The board is an independent body that sets its own agenda.

In case of private companies limited by shares the articles of association may provide that a Board is not required, and the rights conferred upon the Board of Directors are exercised by a single executive officer (general director).

Where the articles of association of a public limited company so provide, it may be controlled by the council of directors under a one-tier system instead of the management board and the supervisory board.

2.3. Labour law

Regarding the form, employment contracts, any modification thereof, and the termination of employment must be incorporated in writing. The employment contract and all employment related documents may be inspected by the tax and labour authorities at any time. Act XII of 1992 (hereinafter Labour Code) is very similar to the labour laws of other European countries in that it has only minimum requirements as to the content of employment contracts. Employment contracts are usually concluded for an indefinite period of time. At the beginning of the

employment relationship, the parties may specify a probationary period for a maximum of three months. Employment contracts may be signed for definite terms but extension requires substantial economic reasons. In the event that a definite-term employment contract is extended for an additional definite term, the competent labour court may declare it an employment contract for an indefinite term. Termination of employment is usually based on mutual agreement of the parties or a unilateral ordinary notice given by one of the parties. Note that the employer is required to provide a reason for its termination of the employee's contract and that the reason must be realistic and rational. Employees may terminate their employment by regular notice without the obligation to provide a reason. With regards to extraordinary notice, both the employer and the employee are required to provide a substantial and verified reason. Employees have a 30-day forfeit period for legal remedies if the reason provided for the ordinary/extraordinary notice is contrary to the law.

Trade unions are designed to protect and represent employees' rights and interests provided under the law. These unions are only strong in the public sector: national railway, public transport companies, airport and airline, healthcare professionals, etc.

Even though the law has provisions for part-time employment and distance working ("home office"), these methods are not yet widely used. Regular working hours are 40 hours per week, Monday to Friday. Working time conditions (e.g. the ceiling) and extra payment for overtime are strictly regulated by the law. The annual paid holiday is 20 workdays, which increases with the age of the employee in categories with the maximum being 30 days. Pregnant women are entitled to 24 weeks of maternity leave. As of 1 January 2011, childcare benefit is available for up to 3 years. The labour law protects women on maternity leave and those receiving childcare benefit against regular termination of their employment. The age limit for the full old-age pension varies between 62 and 65 years depending on the date of birth.

2.4. Rules for employment of foreigners

With a few exceptions, foreigners need work permits to work in Hungary. The first question to answer is whether the employee is a citizen of an EU country or comes from a third country.

Employment of foreigners from third countries (non-EU members)

With a few special exceptions, citizens of third countries may only be employed in Hungary with a work permit.

Individual work permits are usually valid for a maximum of 2 years with the option of extension for another 2 years. Officially, the employee applies for the work permit, but first the employer must state that they had already tried to fill the position with a Hungarian citizen with the help of the employment centre. Next, the employer submits an application for the work permit using certified copies of documents verifying the personal data and qualifications of the employee. Employers have to comply with strict regulations regarding the employment of foreign employees.

In certain cases, the law allows for the issue of a work permit for third country citizens without any investigation of the job market. These special cases include, but are not limited to, employment of a foreign national in a key position at a foreign interest company established in Hungary or when the majority of a business association is owned by foreign nationals and the percentage of foreign employees does not exceed 5 percent.

In other cases, third country citizens may be employed simply by making a formal announcement without the need for a work permit. These positions include the managing directors of branch offices and representations of foreign companies. The employer is responsible for making the appropriate announcement and issuing accurate documentation verifying the conditions of employment of foreign nationals without a work permit.

On the basis of their appropriate visas, foreign nationals are required to apply for a residency permit from the Office of Immigration and Nationality.

Non-EU citizens may only begin their employment in Hungary after they have obtained all permits and documents necessary for their employment.

Employment of citizens of EU member states

In general, since 1 January 2009, citizens of EU member states and their family members may be employed in Hungary without a work permit. This exemption does not cover secondary employment, assignment or temporary employment.

The employer is required to report the employment data of EU citizens to the employment centre without the employee actually being the subject of this report. The employment centre only registers these reported data for statistical purposes.

No residence permit is necessary for EU citizens who plan to spend more than 3 months in the country for employment purposes. Nevertheless, they are required to report the details of their extended stay to the Office of Immigration and Nationality and to apply for a residence card.

3. Taxation

3.1. Corporate tax

3.1.1. Taxpayers of corporate tax

Taxpayers with Hungarian residence have tax-paying obligations for their income originating both from Hungary and from abroad. Non-resident businesses are only taxable on activities conducted at their Hungarian branches, and proceeds from the sale of their shares in a company that owns real estate.

Among others, the following qualify as resident for taxation purposes:

- business associations (including non-profit businesses) such as public limited companies, private limited companies, limited liability companies and limited partnerships;
- law offices;
- foundations, public foundations;
- institutions of higher education, student hostels;
- single member companies.

Foreign nationals are subject to taxation in Hungary if they make any income from the sale or withdrawal of their shares in a business association that owns real estate (a business association qualifies as a company that owns real estate if, together with its affiliates established in Hungary or abroad, the value of the real estate located in Hungary is over 75 percent of the market value of the company's assets listed in the reports for the balance sheet date). An additional criterion is that a member of the business association that owns real estate, or any member of the group, be established for at least one day during the tax year in a state with whom the Republic of Hungary has not signed a treaty on the avoidance of double taxation or the treaty allows such property to be taxed in Hungary.

3.1.2. Tax base assessment

For domestic and foreign businesses alike, the corporate tax base is the earnings before taxation modified by the items identified in Act LXXXI of 1996 on corporate tax (hereinafter Corporate Tax Act).

Items modifying the corporate tax base include the following:

Loss carried forward

Loss carried forward generated after 2009 may be used without any time limitation or permit from the tax authority.

Provisions

The provisions accumulated for expected liabilities and future costs increase the tax base, while the amount used from the provisions and accounted as earnings reduces the tax base.

Depreciation and amortisation

Ordinary and extraordinary depreciation and amortisation accounted on the basis of the Accounting Act qualify as items increasing the corporate tax base. Depreciation and amortisation accounted on the basis of the Corporate Tax Act reduce the corporate tax base.

Declared share

Declared share: a minimum of 30 percent share in Hungarian businesses and all additional shares reported to the tax authority within 30 days of the acquisition of such shares. The exchange rate gain from the sale of the declared share in the target year reduces the tax base of the tax year provided that the company listed the share among its assets for a minimum of one year prior to its sale.

Dividends

Revenues accounted as dividends received (due) in the target year reduce the tax base unless it originated from a controlled foreign business association.

Royalties received

Upon the fulfilment of certain conditions, 50 percent of the revenues accounted as royalties reduce the tax base.

Research and development

Upon the fulfilment of certain conditions, the direct incurred costs of research and development reduce the corporate tax base.

Costs and expenses not incurred in the interest of business operations

The Corporate Tax Act specifies certain items that do not qualify as costs and expenses incurred in the interest of business operations and thus they increase the corporate tax base. These include:

- the consideration for a service in excess of HUF 200,000 without value added tax if the use of the service contradicts the requirements of reasonable management;
- the book value of missing assets, if, with the proper care, the shortfall could have been avoided;
- the book value of a tangible asset recorded by value when retired from service, if the fact of retirement and the reason for it are not credibly supported by documents;
- the consideration paid to a controlled foreign company, unless the taxpayer is able to prove that it serves the purposes of his business operations;
- any grant or support provided without obligation of repayment to a non-resident person, non-repayable liquid assets, the book value of assets provided without consideration, liabilities assumed without consideration, and costs and expenses accounted for services provided free of charge do not qualify as business expenses, regardless of whether the foreign entity qualifies as a controlled foreign business association.
- in kind benefits provided in the form of representation and business gifts.

Penalty

The penalty imposed by a final court decision increases the corporate base tax.

Thin capitalisation

If the liabilities of the company (except for those against financial institutions) are in excess of three times the company's equity, the proportionate value of the interest accounted increases the corporate base tax.
Controlled foreign company (CFC)

A foreign individual qualifies as a controlled foreign company if

- in the majority of the year it has a resident owner under Act CXVII of 1995 on personal income tax (hereinafter Personal Income Tax Act), or;
- the majority of its revenues originate from abroad;
- the company tax paid is less than 10 percent of the quotient of the tax and the tax base, or
- it is profitable, yet paid no corporate tax because the tax base is zero or negative.

The CFC rule is not applicable if the registered office or residence of the foreign business association is in a member state of the European Union or the OECD or in a state with which the Republic of Hungary has signed a treaty on the avoidance of double taxation and has real economic presence in that country.

3.1.3. Income minimum

If the pre-tax profit of the company or its tax base, whichever is higher, fails to reach the income (profit) minimum, the taxpayer has the option to either:

- a) make a statement on the cost structure in its tax return, or;
- b) apply the income minimum as the tax base and pay the tax on that.

The income is calculated as follows:

	Total income
(-)	acquisition cost of purchased goods
(-)	value of services sold, intermediated
(±)	modifying items
	Modified total income

The income minimum is 2 percent of the above modified total income.

3.1.4. Corporate tax rate

The corporate tax is 10 percent of the positive tax base up to HUF 500 million, and 19 percent of the remaining portion of the tax base.

3.1.5. Tax credits

Tax credits related to funding film making and performance arts

If certain conditions are met, the company may use a tax credit for the specific tax year and for the following three years up to the amount of the funding for films verified by the professional authority. If certain conditions are met, the company may use a tax credit for the specific tax year and for the following three years up to the amount of the funding for performance arts organisations verified by the professional authority.

Tax credits for R&D and software development

Taxpayers may take advantage of a tax credit up to the direct costs accounted for basic research, applied research and experimental development, and up to 10 percent of the wage costs of software developers. This tax credit applies to the tax year and the following three years in equal portions.

Taxpayers qualifying as small and medium businesses (SMBs) may take advantage of an additional tax credit equal to 15 percent of the wage cost reported for software development, for the tax year and for the following three years, in equal portions.

Tax credits for small and medium businesses

Taxpayers qualifying as an SMB company on the last day of the tax year when signing a loan agreement, may use a tax credit based on the interest of the loan granted by a financial institution after 31 December 2000 for the purchase and production of tangible assets. The tax credit for the loan is 40 percent of the interest in the tax year, with a cap of HUF 6 million.

Development tax credit

The taxpayer is entitled to a tax credit in the following cases:

- an investment worth at least HUF 3 billion at current value;
- an investment installed and operated in the administrative area of the beneficiary municipality worth at least HUF 1 billion at current value;
- an investment, worth at least HUF 100 million at current value, in establishing the food hygiene conditions of a previously occupied facility producing food of animal origin;
- an independent environmental protection investment worth at least HUF 100 million at current value;
- an investment in the development of electronic telecommunications network or Internet service worth at least HUF 100 million at current value with certain specific conditions;
- an investment designed to promote basic or applied research or experimental development worth at least HUF 100 million at current value;
- an investment designed to promote films and videos worth at least HUF 100 million at current value;
- an investment designed to create jobs;
- launching and operating, according to specific conditions, an investment by an SMB worth at least HUF 500 million at current value.

Additional conditions for the first two types of investment include that for the four tax years following the first year the tax credit is used:

- a) the average number of the workforce employed by the taxpayer exceeds the number of employees before the investment by at least 150 people (in certain cases by at least 75 people), or
- b) the wage cost accounted by the taxpayer exceeds the annual calculated wage cost prior to the tax year of the investment by the equivalent of at least 600 (in certain cases 300) times the minimum wage calculated for the tax year.

Please note that the above information does not cover all the detailed rules of all types of tax credits.

3.1.6. Tax return and tax payment deadlines

In Hungary, business associations are required to file a corporate tax return every year (for each business year). Generally, the business year is identical to the calendar year, but companies may use a different tax year.

Business associations are required to file their corporate tax returns and pay corporate tax by 31 May following the tax year. If the taxpayer opts for a different tax year, the filing and payment deadline is 150 days after the last day of the business year.

If the tax liability of the business association for the previous tax year reached HUF 5 million, an advance corporate tax payment must be made every month. If the amount is less than HUF 5 million, the business association is required to make an advance corporate tax payment in each quarter.

If the annual turnover of the business association for the year preceding the relevant year reached HUF 100 million, the business association is required to pay a tax top-up and file a return form on that. This advance corporate tax payment is designed to make up for the amount calculated as the tax liability of the company for the relevant year. The deadline for this tax top-up is 20 December of the relevant year. If the taxpayer opts for a tax year different from the calendar year, the top-up payment and the related filing deadline is the 20th day of the last month of the business year.

3.2. Personal income tax

3.2.1. Taxpayers of personal income tax

Resident tax payers shall be subject to tax liability in respect of all their income (all-inclusive tax liability). The tax liability of non-resident private individuals shall apply to income that originates in Hungary.

'Resident private individual' means:

- any citizen of Hungary (with the exception of dual citizens without a residence in Hungary),
- citizens of EEC member states if residing in Hungary for more than 183 days in the year,
- citizens of third countries with residence permits,
- persons with residence only in Hungary.

If the relevant countries have entered into treaties on the avoidance of dual taxation, that treaty shall prevail.

3.2.2. Taxable income

With a few exceptions, all incomes of resident private individuals are taxable. Incomes may be classified in two main categories:

Consolidated tax base

The consolidated tax base consists of income from self-employment activities, income from activities other than self-employment and other types of income. Based on the decision of the taxpayer, the income from self-employment activities may be calculated in one of two ways: itemised expense accounting or application of a 10 percent expense ratio.

Income taxed separately

This includes income from the sale of real estate, from interest, dividends and long-term investments etc.

3.2.3. Tax bases and tax rates

For income under the consolidated tax base, in 2011 the tax base is the gross income plus 27 percent, in 2012 this will fall to plus 13.5 percent and from 2013 on it will be plus 0 percent.

The tax rate is 16 percent of the tax base. As of 2011, the tax rate for income taxed separately is also uniformly 16 percent. Exceptions to this general rule are the entrepreneurs' income tax (see section 3.3.4) and the tax on the yield of long-term investments (10 percent). Private individual taxpayers are entitled to a tax credit up to an annual income of HUF 3,960,000.

Family tax credit

As of 2011, the family tax credit is also available for one child, and the upper income limit has been removed. For one or two children HUF 62,500 is available per child per month, for three or more children HUF 206,250 per child is available as tax credit deductible for the tax base.

3.2.4. Entrepreneurs' income tax

Private entrepreneurs are required to pay personal income tax and dividend tax. The tax base is the difference between the entrepreneur's total revenues and costs corrected with specific modifying items. The entrepreneur's personal income tax is 10 percent of the positive tax base up to HUF 500 million, and 19 percent of the remaining portion of the tax base. The entrepreneur is also liable to pay a dividend tax of 16 percent.

If certain conditions are met, entrepreneurs may opt for a flat-rate income tax or the simplified entrepreneurial tax.

3.2.5. Tax return and tax payment deadlines

Private individuals are required to file their tax returns for the tax year (identical to the calendar year). The deadline for filing these tax returns is 20 May of the year following the relevant year. For private individuals involved in business activities, this deadline is 25 February of the year following the relevant year.

Employers are required to file monthly tax returns for tax withheld.

Employees on foreign assignments have to pay an income tax advance by the 12th day of the month following each quarter.

3.3. Local taxes

Local taxes are levied by the municipalities at their own discretion. Local taxes:

3.3.1. Local business tax

The local business tax is the most widely used local tax. The local business tax is payable by all entrepreneurs whose registered office or branch office is located within the jurisdiction of the municipality. The maximum rate of the local business tax is 2 percent.

The tax is based on the following:

- Net sales revenues
- (-) purchase value of goods sold
- (-) value of services intermediated
- (-) the cost of research and experimental development
- (-) material costs
- Tax base**

A business activity is considered temporary if, within the jurisdiction of the municipality, the entrepreneur who has no registered office or branch office:

- conducts construction activities, the duration of which within the tax year (either continuously or in more than one phase) exceeds 30 days but is shorter than 181 days. If the duration of activities exceeds 180 days, the location of the business activity qualifies as a permanent registered office.
- generates revenues from the conducting of any activities provided the entrepreneur has no registered office or site within the jurisdiction of any municipality.

The maximum amount of the local business tax for temporary business activities is HUF 5,000 per day.

The advance on the local business tax is payable twice a year: by 15 March and 15 September. Any entrepreneur whose generated revenue is above HUF 100 million for the previous year is required to top-up the amount of tax paid to the expected tax liability for the relevant year and also file a tax return. The local business tax return has to be filed and paid by 31 May of the year following the relevant year. If the taxpayer opts for a business year different from the calendar year, the tax advance is due by the 15th day of the third month and the 15th day of the ninth month of the tax year. If the taxpayer opts for a tax year different from the calendar year, the top-up payment and the related filing deadline is the 20th day of the last month of the business year. Taxpayers opting for a business year different from the calendar year are required to file their tax returns and pay the tax by the 150th day following the last day of the tax year.

3.3.2. Building tax

The building tax is payable by the registered owner of the building as of 1 January, regardless of whether or not the building is used for residential purposes.

The maximum rate of the tax:

- HUF 1,580 / sq m, or
- 3.6 percent of the adjusted market value.

The annual building tax is due in two instalments: by 15 March and 15 September.

3.3.3. Land tax

The land tax is payable by the registered owner of the lot as of 1 January. The maximum rate of the tax:

- HUF 287 / sq m, or
- 3 percent of the adjusted market value.

The annual land tax is due in two instalments: by 15 March and 15 September.

3.3.4. Tourist tax

Any private individual who spends at least one tourist night within the jurisdiction of the municipality and is not a permanent resident is subject to the tourist tax. The maximum amount of the tax:

- HUF 431 per person per tourist night,

The tourist tax is to be collected by the host. The deadline for payment of the tourist tax is the 15th day of the month following the month of collection.

3.4. Value added tax

Act CXXVII of 2007 on value added tax (hereinafter VAT Act) is in line with the VAT directive of the EU.

3.4.1. Taxpayers and scope of application

Taxpayers are legal persons or organisations conducting business activities, regardless of location, purpose or result. Taxpayers with no residence in Hungary but liable to pay taxes in Hungary have to register under the VAT taxation scheme.

Taxpayers liable for taxation but with no residence in Hungary for economic purposes may appoint a financial representative to exercise the rights provided under the VAT Act and fulfil its liabilities.

If the taxpayer liable for taxation settled in a third country with an economic purpose, they are required to appoint a financial representative.

The scope of the VAT Act covers the following: the sale of products, providing services, procuring products within the European Community and importing products.

3.4.2. Place of performance in the event of selling products and providing services

The place of performance for the selling of products and providing services determines whether or not the Hungarian VAT Act applies to the transaction.

Sale of products

General rule: the place of performance is the location where the product can be found at the time of performing the sale unless the product is sent by post or delivered. If the product is posted or delivered, the place of performance is where delivery begins.

Special rules apply to imports, the procurement of products within the Community, the sale of products within the Community, chain transactions and the sale of products used for mounting or installation.

Service provisioning

General rule: in the event of services provided for the taxpayer, the place of performance is the location where the entity utilising the service has established residence for economic purposes.

In the event of services provided not for taxpayers, the place of performance is the location where the entity providing the service has established residence for economic purposes.

For services provided between the following taxpayers, the abovementioned general rule does not apply to:

- services connected with immovable property;
- transportation of passengers;
- cultural, artistic, scientific, educational, sports activities
- short-term rental of transportation vehicles;
- restaurant or other catering activities.

3.4.3. Tax rates

The general tax rate is 25 percent.

In addition to the general tax rate, two lower rates are defined by the law at 5 and 18 percent.

The 5 percent tax rate applies to, among others, medicine, healthcare equipment, books, e-books, periodicals and district heating.

The 18 percent tax rate applies to milk and dairy products and products made using corn, flour and milk, as well as commercial accommodation services.

3.4.4. Limiting the right of tax deduction

The VAT portion of the following products is not tax-deductible:

- engine fuel;
- other fuels necessary to operate passenger cars;
- preliminarily charged tax on other products and services necessary for the operation and maintenance of passenger cars;
- passenger cars;
- motorcycles above 125 cm³ cylinder capacity;
- yachts;
- residential properties; products and services for the building and renovation of residential properties;
- food and beverages;
- taxis;
- parking service;
- road use service;
- catering service;
- 30 percent of the VAT of phone service.

3.4.5. Other special rules

Simplification of call of stock

Hungary has introduced the simplification regarding call of stock. Goods supplier who do not qualify as domestic taxpayers are not required to register under the VAT scheme if it transports the goods from the EU to the warehouse of a domestic taxpayer as long as certain conditions apply.

VAT group

Domestic affiliated companies may create a taxpayer group. The members of this VAT group are no longer deemed to be taxpayers in their transactions with each other. VAT group taxable status may be created with authorisation from the tax authority and the consent of both parties.

Property related rules

The general rule is that the sale and lease of property is exempt from tax (without the right to a tax deduction). A different taxation method may be selected. If a private individual in no taxable status sells four properties within two years, the fourth transaction results in the person becoming a taxable person.

Domestic reverse VAT

If certain conditions are fulfilled, the person procuring the product or the person using the service from among domestic taxpayers will become the person liable to taxation. These include the following:

- services related to properties requiring a building permit, and building construction and other construction work aimed at the expansion or remodelling of properties;
- outsourcing for the above services;
- sale of waste;
- sale of real estate, which is tax free according to the general rule, but the vendor opted for taxable status.

3.4.6. Intrastat report

Business associations with economic ties to other EU member states are required to file monthly Intrastat returns if their procurements or sales reached HUF 100 million within the Community. The deadline is the 15th day of the following month.

3.4.7. Deadlines for filing tax returns and paying taxes (VAT return, consolidated statement)

As a general rule, taxpayers are required to file a tax return every quarter, except for the following:

- the tax return is to be filed monthly if the annual consolidated sum of the difference between the total tax payable in the second year preceding the relevant year and the tax deductible during the same year is positive and at least HUF 1 million;
- the tax return is to be filed annually if the aforementioned difference was less than HUF 250,000 (either positive or negative) and the taxpayer has no community tax number;
- the taxpayer is required to change from annual filing to quarterly filing of the tax return if the difference between the consolidated tax payable and the deductible preliminarily charged VAT of the relevant year reached HUF 250,000, or the tax authority issued a community tax number to the taxpayer during the tax year;
- the taxpayer is required to change from quarterly to monthly filing if the consolidated tax accounted from the beginning of the year is positive and has reached HUF 1 million.

Deadlines for filing tax returns and paying the tax:

- monthly VAT filing: the 20th day of the following month;
- quarterly VAT filing: the 20th day of the month following the quarter;
- annual VAT filing: 25 February of the year following the relevant year.

Recapitulative report

Taxpayers are required to file a consolidated statement regarding the products sold and the services rendered within the European Community and the products procured and services used from the European Community. The recapitulative report is to be filed with the same frequency as the VAT returns, i.e. taxpayers obligated to file their VAT returns every month, file their consolidated statements monthly; taxpayers obligated to file their VAT returns quarterly, file their consolidated statements quarterly.

3.4.8. VAT return

As of 1 January 2010, taxpayers with established residence in another EU member state are entitled to reclaim the charged Hungarian VAT by electronically submitting application to the tax authority of their homeland. Taxpayers established in reciprocity third countries, however, can submit their applications directly to the Hungarian tax authority either on paper or electronically.

As of 2010, taxpayers with a registered office or permanent site in Hungary no longer apply to the foreign tax authority for the reclaim of the value added tax paid in another member state of the European Community (foreign VAT), but to the National Tax and Customs Administration (NAV). NAV only has a preliminary filtering role in the procedure if the applicants fulfil the requirements of the law. The office is required to forward applications to the foreign authorities within 15 days of their receipt.

The deadline for receiving applications is 30 September of the year following the relevant year.

3.5 Other taxes and contributions

3.5.1 Social security, healthcare and employment contribution

Contributions are payable as follows:

To be paid by the employer:

- 24 percent pension insurance contribution
- 3 percent social security, healthcare and employment contribution
- be paid by the employee:
- 10 percent pension contribution
- 7.5 percent social security, healthcare and employment contribution

Private individuals are not required to pay pension contributions if their income exceeds HUF 7,665,000 gross; there are no similar restrictions on the employer's side.

In Hungary, as in other EU countries, Directive no. 883/2004/EC is in effect, which regulates the social security status of migrant employees.

As a general rule, employees are insured in the state where they work. An exception to this rule is short-term foreign assignments, when the employee may remain insured in the country of origin.

Hungary has signed social-political or social security treaties with a few countries to define insurance obligations and avoid double payment of contributions. These countries include some of the member states of the former Soviet Union, Yugoslavia, Croatia, Montenegro, the Republic of Korea, Canada and Switzerland.

As a general rule, the tax return is to be filed and the tax paid by the 12th day of the month following the relevant month.

3.5.2. Healthcare contribution

Healthcare contributions are to be paid on certain incomes not subject to social security contributions.

The 27 percent healthcare contribution is payable in the following cases:

- income within a combined tax base not subject to social security contributions;
- certain contributions not qualifying as fringe benefits
- income from subsidisation of interest rates.

The 14 percent healthcare contribution is payable in the following cases:

- income withdrawn from business;
- income from securities lending;
- dividends, entrepreneur's dividend base;
- income from exchange rate gain;
- income over HUF 1 million from the lease of property.

The maximum annual amount of the mandatory 14 percent healthcare contribution is HUF 450,000 (which may be reduced if certain circumstances exist).

As a general rule, the tax return is to be filed and the tax paid by the 12th day of the month following the relevant month.

3.5.3. Vocational contribution

Business associations and individual entrepreneurs, among others, are required to pay a 1.5 percent vocational contribution. The tax base of the vocational contribution is the same as that of the social security contribution. Under certain conditions, the amount of the contribution may be reduced by organising practical training for students and employees and by development funds granted for special purposes.

Taxpayers liable to pay this contribution are required to make an advance tax payment by the 20th day of the seventh month of the tax year and to file their annual return by the 25th day of the second month of the year following the tax year. At the same time, they are also required to top up the advance tax payment to the declared level of their contribution obligation.

3.5.4. Company car tax

Company car tax is payable on the following passenger cars:

- passenger cars whose owners are not private individuals, regardless of whether or not the car is used for private purposes;
- passenger cars on which the private individual accounted revenues above a certain limit.

The monthly amount of tax:

- HUF 7,000 for passenger cars with engines below 1,600 cm³ or chamber volumes of less than 1,200 cm³;
- HUF 15,000 for other passenger cars.

The tax return must be filed and the tax paid by 20th day of the month following the relevant quarter.

3.5.5. Car tax

Car tax is payable on motor vehicles with Hungarian licence plates. The amount of tax depends on the year of manufacture and the power of passenger cars, and the weight of lorries and buses.

The tax varies between HUF 140 and 345 per kilowatt for passenger cars.

The annual car tax is due in two instalments: by 15 March and 15 September of the relevant year.

3.5.6. Registration tax

Registration tax is payable on motor vehicles registered in Hungary. The tax is payable for import, purchase within the Community, and conversion of the vehicle. The tax amount for passenger cars ranges between HUF 190,000 and 9,622,000 depending on the age, emission class and power of the vehicle.

3.5.7. Innovation contribution

Mid-size companies and large corporations are required to pay an innovation contribution in Hungary. The tax base for the innovation contribution is the same as that of the local business tax. The rate of the innovation contribution is 0.3 percent. The costs of research and development of the relevant year may reduce the amount of innovation contribution.

Taxpayers liable to pay this contribution have to pay a tax advance by the 20th day of the month following each quarter. The tax return has to be filed annually by the last day of the fifth month of the year following the tax year.

3.5.8. Environmental product fee

An environmental product fee has to be paid for the domestic production, Community purchase and import of certain products. These products are the following:

Products subject to product fee	Amount of the product fee (HUF/kg)
Oil products	97
Tires	110
Packing	6-44
Retail packaging	30-2.200
Batteries	112-156
Commercial printing paper	26
Electronic equipment	83-1.000

Taxpayers liable to pay the environmental product fee are liable to file a return form depending on the frequency of their paying of taxes (monthly, quarterly or annually).

3.5.9. Simplified entrepreneurial tax

Among other business forms, private entrepreneurs, single member companies, general partnerships and limited liability companies have the option of the simplified entrepreneurial tax (EVA).

Criteria for selecting the EVA taxation scheme:

- the average of the total annual turnover of the second tax year before the relevant tax year did not exceed HUF 25 million;
- the annual gross revenue of the company is reasonably not expected to exceed HUF 25 million during the tax year before the relevant tax year;
- all members of the business association are natural persons and the business association owns no shares in other legal entities,
- a positive revenue was reported for the preceding two tax years.

The EVA tax base is the revenue increased by VAT and modified by certain items that increase and decrease the tax base. The tax rate is 30 percent.

As a general rule, EVA replaces the following taxes: value-added tax, entrepreneurs' personal income tax, tax on entrepreneur's dividend base, corporate tax and personal income tax on dividends.

Taxpayers not subject to the Accounting Act (e.g. private entrepreneurs) are required to file their returns by 25 February of the year following the relevant year, whereas the deadline for taxpayers subject to the Accounting Act is 31 May of the year following the relevant year. On the basis of revenues realised, taxpayers are required to make an advance tax payment by the 12th day of the month following the relevant quarter. The quarterly advance payments are required to be topped up to the expected tax amount by 20 December of the relevant year.

3.5.10. Simplified contribution to public revenues (EKHO)

Private individuals of professions specified by the law may use the simplified contribution to public revenues. These professions include journalist, writer, artist, director, actor, musician, sportsmen and women, and coaches.

The EKHO taxation scheme can only be used by private individuals whose annual income is less than HUF 25 million (HUF 100 million for sportspeople), has income from employment or other legal relationships on which the income tax and the social security contribution are payable according to the general rules.

The EKHO contribution is 20 percent for the payer and 15 percent for the private individual.

For private individuals with insurance policies in an EU member state, the EKHO rate is 9.5 percent.

Private individuals are required to declare their EKHO income on their personal income tax returns.

3.5.11. Robin Hood tax

Energy-supplying companies, including the Hungarian branch offices of foreign corporations, are required to pay the 8 percent Robin Hood tax. The tax base is the earnings before tax modified by certain items that increase and decrease the tax base.

With certain exceptions, taxpayers are required to file their returns and pay 90 percent of the expected tax by the 20th day of the last month of the relevant year. The rules governing corporate tax apply to the payment of the tax and filing of the tax return.

3.5.12. Special taxes levied on specific economic sectors

Retail sale in stores, telecommunications and energy-supplying activities are subject to this tax. Therefore, taxpayers are legal entities, other organisations, private entrepreneurs, foreign-based organisations and private individuals conducting these taxable activities in Hungary.

The tax base is the net revenues generated from retail sale in stores, telecommunications and energy-supply activities accounted in accordance with the Accounting Act. The tax base is to be consolidated for associated companies and the calculated tax amount is to be paid by the businesses proportionate to their revenues.

Retail sale in stores: the tax rate is 0 percent of the portion of the tax base up to HUF 500 million, 0.1 percent between HUF 500 million and HUF 30 billion, 0.4 percent between HUF 30 billion and 100 billion, and 2.5 percent above HUF 100 billion.

Telecommunications activities: the tax rate is 0 percent of the portion of the tax base up to HUF 100 million, 2.5 percent between HUF 100 million and 500 million, 4.5 percent between HUF 500 million and HUF 5 billion, and 6.5 percent above HUF 5 billion.

Energy supply activities: the tax rate is 0.3 percent of the portion of the tax base up to HUF 5 billion, and 1.05 percent above that.

As a general rule, the tax advance has to be defined and declared by the 150th day of the tax year and paid in two equal instalments. Businesses operating in the same organisational form during the year before the tax year are required to pay the tax advance by the 20th day of the seventh month and the 20th day of the tenth month of the tax year. Other rules apply to businesses starting during the tax year. Taxpayers are required to determine their taxability and file the tax returns by the 150th day of the year following the tax year.

3.5.13. Bank tax

Hungary has introduced a special tax commonly referred to as the bank tax but actually affecting a wide range of financial organisations. Financial organisations are likely to be required to declare and file the special tax return till 2013. The affected financial organisations are banks, specialised credit institutions, insurance companies, financial businesses, investment businesses, the stock exchange and businesses managing investment funds.

The method for calculating the tax (the tax base and the tax rate) will be different for the various financial institutions.

Credit institutions: the tax base is the adjusted balance sheet total based on the annual report. The tax rate is 0.15 percent of the portion of the tax base up to HUF 50 billion and 0.53 percent of the remaining part.

Insurance companies: the tax base is the adjusted fee calculated from the data in the annual report. The tax rate is 1.5 percent of the portion of the tax base up to HUF 1 billion, 3 percent up to HUF 8 billion and 6.4 percent of the remaining part.

Financial organisations are required to calculate the special tax by 10 March 2011, declare it on a separate form as per the due date and pay it in four equal parts by the 10th day of the last month of the quarter.

3.5.14. Energy tax

With consideration to the objectives of energy management and environmental protection and for the purpose of integrating external environmental damage into energy prices, promoting energy saving and creating the conditions supporting these criteria in the taxation of electric power, natural gas and coal, this energy tax is payable on certain energy trade services.

The tax rates are as follows:

- HUF 295/MWh electric power;
- HUF 88.50/Gigajoule natural gas;
- HUF 2,390/1,000 kg coal.

The order of payment and declaration of the tax is regulated on the basis of the various types of energy sales and purchase, and the exact order of procedure may only be defined on the basis of individual cases.

3.5.15. Excise tax

The following products are subject to excise tax in Hungary:

- mineral oil,
- alcoholic products, beer, wine, champagne and intermediary products with alcohol content,
- tobacco products.

3.5.16. Duties

Inheritance and gift duties

The inheritance and gift duty is a tax on wealth acquired as a result of a person's death or a gift. The duty rate depends on the family relationship between the parties. The general inheritance duty rate is between 11 percent and 40 percent, but is between 2.5 percent and 21 percent for residential properties. The gift duty rate is generally between 11 percent and 40 percent, but is between 5 percent and 30 percent for residential properties. As of August 2010, inheritance and gifts between lineal kin are exempt from this duty.

Duty on acquisition of wealth

Acquisition of real estate, valuable rights and interest and tangible assets specified by law is subject to property transfer tax. The following valuable rights and interests and tangible assets are subject to this duty:

- a) acquisition of valuable rights and interests related to real estate and the acquisition of assets resulting from the termination of such rights and interests;
- b) transfer of the right of usufruct for real estate;
- c) acquisition of tangible assets at public auctions;
- d) acquisition of the title or valuable right of a motor vehicle or a trailer;
- e) acquisition of the title or valuable right of a superstructure not qualifying as property and located in a public area;
- f) acquisition of the right to operate as an independent physician;
- g) acquisition of securities by a contract of inheritance;
- h) acquisition of capital contribution (stocks, business shares, co-operative shares, investor's shares, converted investor's shares) of a business association that owns real estate in Hungary.

The regular rate of property transfer tax is 4 percent of the market value of the acquired property or the acquired capital contribution in a business association owning real estate in Hungary if the value is below HUF 1 billion per real estate, and 2 percent on the remaining part but no more than HUF 200 million per real estate. The tax base of the property transfer tax for residential properties is the market value of the real estate. The tax rate is 2 percent up to HUF 4 million per apartment, and 4 percent for the remaining amount.

When acquiring the title to a motor vehicle, the tax is the engine size in cm³ multiplied by HUF 18 or HUF 24.

3.6. Withholding tax

Hungary levies no withholding tax on dividends, interest or royalties.

3.7. Treaties on the avoidance of double taxation

Hungary has signed treaties with a number of countries on the avoidance of double taxation. See annex for a list of these countries.

3.8. Regulation on transfer pricing

The Hungarian transfer price regulations have been prepared in harmony with OECD regulations.

Related parties are required to set prices in their contracts that are used in contracts signed with independent parties under the same conditions. If the transfer price used is different from the fair market price, it increases the tax base if the difference reduces the pre-tax earnings, and may reduce it if the difference increases the pre-tax earnings, provided that certain conditions are met.

A transfer pricing documentation is required for each contract signed between the associated partners. No transfer pricing documentation is required from taxpayers who qualify as micro and small businesses.

The usual market price is to be determined using one of the following methods:

- a) comparable uncontrolled price method;
- b) resale price method;
- c) cost plus method;
- d) transactional net margin method;
- e) profit split method;
- f) based on any other method if the usual market price cannot be determined using the information in items a)-e).

If requested, the Tax Authority defines the usual market price that the associated businesses will be required to use with each other in the future. The cost of procedure is between HUF 500,000 and 10,000,000 depending on the type of transaction.

3.9. Costs to employer – wage and fringe benefits

Tax burdens on wages

Employers are required to pay the following taxes and contributions on the gross salaries of their employees:

To be paid by the employer:

- 24 percent pension insurance contribution
- 3 percent social security, healthcare and employment contribution
- 1.5 percent vocational contribution

To be paid by the employee:

- 16 percent personal income tax (based on the tax base plus 27 percent)
- 10 percent pension contribution (up to HUF 7,665,000 contribution base)
- 7.5 percent social security, healthcare and employment contribution

Rules on fringe benefits effective from 2011

As of 25 percent until 2010, the tax on fringe benefits was lowered to 19.04 percent. These benefits are the following:

- vacation vouchers;
- subsidy for the beginning of the school year;
- local travel passes;
- vouchers for hot meals and takeaway meals;
- Széchenyi holiday card;
- Internet use;
- amounts transferred to voluntary reciprocal healthcare funds and pension funds;
- amounts transferred by the employer to pension service institution.

Fringe benefits replacing taxable in-kind allowances

As of 1 January 2011 the term “in-kind allowances” is no longer used but some continue to exist as property rights to be granted in addition to the tax payable by the payer. The payer is required to pay 51.17 percent public dues for these benefits.

These benefits include meals and other services related to official and business travels, phone use for private purposes, group life insurance, the taxable portion of representation and business hospitality, the cost of hospitality not qualifying as representation if the amount of income by the person receiving the benefit cannot be determined, gift of small value no more than three times a year, and products or services provided for private individuals free or at discounted price as per the law.

3.10. Offshore companies

The allowance system for offshore companies in Hungary was discontinued as of 2006. The offshore legal status of these companies was cancelled on 31 December 2005. After this date the earlier offshore companies could continue their operations as Hungarian business associations under general rules.

4. Accounting and auditing

4.1. General information

Accounting and bookkeeping in Hungary are regulated by the Accounting Act and the statutes issued by the Ministry for National Economy. In addition to the Accounting Act, some special rules apply to financial institutions, insurance companies, state budget organisation and municipalities. Hungarian accounting regulations are harmonised with Directives 4 and 7 of the European Union and other international accounting principles. The Act applies to all business associations, but does not apply to individual entrepreneurs, companies without a legal personality, building communities or Hungarian commercial representations of businesses registered abroad.

4.2. Main accounting rules

Accounting records and the financial report have to be prepared in Hungarian and in accordance with accounting principles.

Business associations are required to prepare a business report on each business year, the form of which depends on the net turnover, the balance sheet total, the number of employees and the limits thereof.

Types of report:

- a) annual;
- b) simplified annual;
- c) consolidated annual;
- d) simplified.

Businesses have to support their reports with double-entry bookkeeping.

Double-entry bookkeeping requires a structure of the bookkeeping system harmonised with the effective requirements on the chart of accounts. International enterprise resource planning systems may be used in Hungary but they have to comply with local rules.

Required structure of the chart of accounts:

- Account classes 1-4 contain balance sheets, and within this, classes 1-3 for assets accounts and class 4 for liability accounts. These classes of account ensure that the data to prepare the balance sheet are available.
- Account classes 5 and 8-9 contain the data for profit and loss statement and retained earnings for the year. Account classes 5-8 contain costs and expenses; class 9 is where sales and other revenues, proceeds from financial transactions and extraordinary revenues are reported.

When preparing the report and bookkeeping, certain accounting principles have to be applied, the most important being the principle of business continuation, the principle of completion, the principle of truth, the principle of clarity, the principle of consistency, the principle of continuity, the principle of comparability, the principle of caution and the principle of accrued income.

The business organisation is required to store the report on the business year, the business report, all supporting inventories, assessments and general ledger statement, chief account book and any other record fulfilling the requirements of the law in a legible format for a minimum of 10 years.

The records directly or indirectly supporting bookkeeping accounting (including general ledgers, analytic and detailed records) must be stored in a legible form for a minimum of 8 years in a format retrievable on the basis of the bookkeeping comments.

Documents may be forwarded for bookkeeping and processing purposes to other locations but have to be presented within 3 workdays if requested by the tax authority.

If the accounting record necessary for the authority's review is only available in a foreign language and the facts of taxation may not be clarified otherwise, the taxpayer is required to present the tax authority with certified Hungarian translations of the documents. The general formatting requirement of the accounting record is references to the relevant bookkeeping accounts, the date when they were recorded in the bookkeeping system and proof thereof. These items of information may be printed out of the accounting software.

The business year is the period about which the report has to be prepared. In general cases, the period of the business year is the same as the calendar year.

The business year may differ from the calendar year in the following cases:

- a) the Hungarian branch office of the company registered abroad if the foreign registered office also uses a different business year;
- b) with the exception of credit institutions, financial businesses, insurance companies, the affiliates involved in the consolidation of the foreign parent company, the affiliates of these affiliates if the business year is different from the calendar year for the foreign parent company and in the consolidated report of the foreign parent company;
- c) European limited companies, European co-operatives with the exception of those that qualify as credit institutions, financial businesses or insurance companies;
- d) international type institutions of higher education.

As part of the accounting policy, the following has to be recorded in writing:

- the rules, requirements and methods for the business organisation that determines what it considers essential, important, not important and non-essential in terms of bookkeeping accounting and assessment and also defines which selection and qualification options provided under the law to use and under what conditions and why the practice used has to be changed;
- Inventory and stocktaking rules for assets and liabilities;
- evaluation regulations for assets and liabilities;
- the internal regulation for calculating net cost;
- the regulation on management of funds.

The accounting policy has to be incorporated in writing within 90 days of the establishment of the business association.

4.3. Requirements for reports

Business associations are required to prepare a report on every business year in Hungarian. The annual report must give a true and fair view of the holdings of the economic entity and its contents (assets and liabilities), its financial standing and profit or loss.

The form of the report depends on the net turnover, the balance sheet total, the number of employees and the limits thereof.

Types of report:

- a) annual;
- b) simplified annual;
- c) consolidated annual;
- d) simplified.

A company using double-entry bookkeeping may prepare a simplified annual report if any two values of the following three limits are not exceeded in two consecutive years on the balance sheet date:

- a) balance sheet total: HUF 500 million;
- b) annual net revenue: HUF 1,000 million;
- c) average number of employees during the business year: 50.

As of 2011, private limited companies, businesses involved in a consolidation carried out in accordance with international accounting standards, companies opting for a business year different from the calendar year and Hungarian branch offices of businesses with their registered offices abroad may prepare simplified annual reports.

A consolidated annual report and a consolidated business report are required by any business that qualifies as a parent company in its association with one or more businesses, except if any two values of the following three limits are not exceeded in two consecutive years on the balance sheet date prior to the business year:

- a) balance sheet total: HUF 2,700 million;
- b) annual net revenue: HUF 4,000 million;
- c) average number of employees during the business year: 250.

A business qualifies as a parent company if it has a controlling influence on another business either directly or indirectly through a subsidiary because it has one of the following:

- a) the majority (over 50 percent) vote of the owners (shareholders) on the basis of its property share, or
- b) owns the majority of the votes on the basis of agreements with other owners (shareholders), or
- c) as an owner (shareholder) of the company, it is entitled to elect or recall the majority of the executive officers or the members of the supervisory board, or
- d) regardless of the property share, the proportion of the votes or the right to elect or recall high officers, it has a decisive control in the company.

The consolidated report has more detailed data on the balance sheet and profit and loss statement than the annual report. The consolidated annual reports consist of the consolidated balance sheet, the consolidated profit and loss statement and the consolidated annexes. The consolidated annual report has to represent the property, financial and income situation of the businesses involved in the consolidation as if they operated as a single company.

No consolidated annual report and consolidated business report are required from a parent company that is a subsidiary of another parent company and its parent company prepares its consolidated annual report (and consolidated business report) in accordance with the Accounting Act, Council Directive no. 83/349/EEC of 13 June 1983 and Decree no. 1606/2002/EEC of 19 July 2002 of the European Parliament and the Council. In this case, however, the consolidated annual report and the consolidated business report of the superior foreign parent company, as well as the relevant auditing report, must be published in Hungarian. The exempt parent company is required to have the above documents published within 60 days of the approval of the consolidated annual report of the superior foreign parent company.

4.4 Publication of the report

As of 1 May 2009, businesses obligated to publish their report can fulfil their obligation by sending the following to the Ministry of Justice and Law Enforcement Company Information and E-Registration Service (hereinafter: Company Information Service) within 150 days of the balance sheet date:

- the annual report, the simplified annual report or the special simplified annual report,
- the decision on the utilisation of the profit/loss after taxation,
- the receipt issued by the Hungarian State Treasury confirming payment of the HUF 3,000 publication charges, and
- the independent auditor's report by businesses obligated to perform auditing
- the completed electronic form downloaded from the website of the Company Information Service.

Businesses obligated to prepare a consolidated annual report have to publish their report within 180 days of the balance sheet date in a way indicated above.

The electronically compiled report package has to be submitted to the Company Information Service by a person authorised to represent the business already registered at Ügyfélkapu, the Hungarian public administration portal. Therefore, one of the authorised representatives of the business association has to request Ügyfélkapu registration at one of the certificate offices or has to issue a power of attorney to one of the following persons already registered with Ügyfélkapu:

- legal counsel, attorney at law, law office, Community lawyer;
- tax expert, certified tax expert, tax consultant;
- accountant;
- employee or member of a business association authorised to provide accounting, bookkeeping or tax consulting services or any other organisation.

The person submitting the report package has to certify that the enclosed documents are identical to those prepared on paper and to undertake the obligation to store one copy of each paper-based document for a period of 10 years.

The Company Information Service then sends the submitted electronic form, the enclosed sheet, the profit and loss statement and the annexes to the national tax authority. On the basis of the electronic form received, the national tax authority verifies the publication of the report and the date thereof, and if the authority concludes on the basis of the electronic forms that the business failed to publish the report or, on the basis of the notification received by the Company Information Service, to pay the publication charges, it issues an order to the business to fulfil the missing requirements by a 15-day deadline. After the above deadline, the national tax authority has to suspend the tax number of the business for 60 days and if the company fails to fulfil its obligation to publish its report, it has to initiate the termination of the business by the court of registration.

The national tax authority uses the sanction to suspend the tax number and initiate the company's removal from the company register firstly for businesses whose balance sheet dates fall on the day after 30 April 2009.

4.5. Auditing obligations

Business associations operating on the basis of double-entry bookkeeping are required to appoint an auditor. In accordance with the Accounting Act, the appointment on an auditor is not mandatory if both of the following conditions are met:

- The company's average net turnover for the two preceding business years did not exceed HUF 100 million (calculated for one year); and
- the company's average workforce for the two preceding business years did not exceed 50.

In case of companies established without legal predecessor the above limits must be observed based on estimates and based on the results of the first business year or on the annualized results of the first business year.

Businesses that are obligated by law to prepare and file audited financial statements such as financial institutions, companies limited by shares, mutual savings banks, consolidated companies, the Hungarian branches of foreign entities and companies who in order to reflect the true and fair picture of their operations opt to exercise the freedom to diverge from the regulations of the Accounting Act cannot be exempted from a financial audit even if they meet the two main conditions. In certain special cases Hungarian legal regulations may extend the audit obligation beyond the above described and beyond the annual audit report requirement. Even if a business association is not obligated by the Accounting Act or any other law to appoint an auditor, it may still do so. If the company opts to appoint an auditor it is in the capacity of its main managing body. The auditor's key data is added to the Memorandum of Association and registered with the court of registration. The auditing activity has to be carried out in line with Hungarian legal regulations and in accordance with the Hungarian National Auditing Standards (effective since 1 January 2001) approved and issued by the Hungarian Chamber of Auditors in harmony with International Auditing Standards.

Audits may only be conducted in Hungary by individuals who are current members of the Chamber of Auditors. The Chamber determines specific qualifications for the auditors of business associations in certain areas of activities. A special audit license is required for auditing financial-, investment-, insurance- and pension funding institutions.

4.6. EU Directive no. 8

In 2006, twenty-five EU member states agreed to certain mandatory steps to clarify and strengthen the role of the auditor. On the basis of Directive no. 8, on 1 January 2008 a new act regulating auditing was approved.

5. Annex

List of countries with double taxation treaties

Country	Applicable from	Dividends	Interests	Royalties
Albania	Jan 1, 1996	5; 10	-	5
Armenia	Jan 1, 2011	5; 10	10	5
Australia	Jan 1, 1993	15	10	10
Austria	Jan 1, 1976	10	-	-
Azerbaijan	Jan 1, 2009	8	8	8
Belarus	Jan 1, 2005	5; 15	5	5
Belgium	Jan 1, 1985	10	15	-
Bosnia and Herzegovina	Jan 1, 2003	5; 15	10	10
Brazil	Jan 1, 1991	15	10; 15	15; 25
Bulgaria	Jan 1, 1996	10	10	10
Canada	Jan 1, 1995	5; 10; 15	10	10
China	Jan 1, 1995	10	10	10
Croatia	Jan 1, 1999	5; 10	-	-
Cyprus	Jan 1, 1983	5; 15	10	-
Czech Republic	Jan 1, 1995	5; 15	-	10
Denmark	Jan 1, 1980	5; 15	-	-
Egypt	Jan 1, 1995	15; 20	15	15
Estonia	Jan 1, 2005	5; 15	10	5; 10
Finland	Jan 1, 1982	5; 15	-	5
France	Jan 1, 1982	5; 15	-	-
Germany	Jan 1, 1980	5; 15	-	-
Great Britain	Jan 1, 1979	5; 15	-	-
Greece	Jan 1, 1986	10; 45	10	10
Hongkong	Jan 1, 2011	5; 10	5	5
Iceland	Jan 1, 2007	5; 10	-	10
India	Jan 1, 2006	15	15	18
Indonesia	Jan 1, 1994	15	15	15
Ireland	Jan 1, 1997	5; 15	-	-
Israel	Jan 1, 1993	5; 15	-	-
Italy	Jan 1, 1981	10	-	-
Japan	Jan 1, 1981	10	10	10
Kazakhstan	Jan 1, 1997	5; 15	10	10
Korea	Jan 1, 1991	5; 10	-	-
Kuwait	Jan 1, 1995	-	-	10
Latvia	Jan 1, 2005	5; 10	10	5; 10
Lithuania	Jan 1, 2005	5; 15	10	5; 10
Luxemburg	Jan 1, 1990	5; 15	-	-
Macedonia	Jan 1, 2003	5; 15	-	10
Malaysia	Jan 1, 1993	10	15	15
Malta	Jan 1, 1993	5; 15	10	10
Moldova	Jan 1, 1997	5; 15	10	-
Mongolia	Jan 1, 1999	5; 15	10	5

Country	Applicable from	Dividends	Interests	Royalties
Morocco	Jan 1, 2000	12	10	10
Netherlands	Jan 1, 1988	5; 15	-	-
Norway	Jan 1, 1982	10	-	-
Pakistan	Jan 1, 1995	15; 20	15	15
Philippines	Jan 1, 1998	5; 20	15	15
Poland	Jan 1, 1996	10	10	10
Portugal	Jan 1, 2000	15	10	10
Romania	Jan 1, 1996	5;15	15	10
Russian Federation	Jan 1, 1998	10	-	-
San Marino	Jan 1, 2011	0; 5; 15	-	-
Serbia and Montenegro	Jan 1, 2003	5; 15	10	10
Singapore	Jan 1, 1999	5; 10	5	5
Slovakia	Jan 1, 1996	5; 15	-	10
Slovenia	Jan 1, 2006	5; 15	5	5
South Africa	Jan 1, 1997	5; 15	-	-
Spain	Jan 1, 1988	5; 15	-	-
Sweden	Jan 1, 1983	5; 15	-	-
Switzerland	Jan 1, 1983	10	10	-
Taipei	Jan 1, 2011	10	10	10
Thailand	Jan 1, 1990	15; 20	10; 25	15
Tunisia	Jan 1, 1998	10; 12	12	12
Turkey	Jan 1, 1996	10; 15	10	10
Ukraine	Jan 1, 1997	5; 15	10	5
Uruguay	Jan 1, 1996	15	15	10; 15
USA	Jan 1, 2011 (Jan 1, 1980)	5; 15	-	-
Uzbekistan	Jan 1, 2009	10	10	10
Vietnam	Jan 1, 1996	10	10	10

6. Contact

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