

1. National Trade-related Legislation

Since Hungary's accession to the European Union on 1 May 2004, trade with other Member States is governed by the EU's internal market rules. Trade with third countries is regulated by EU legislation, within the framework of the EU's common commercial policy.

The EU's common commercial policy concerns all matters of international trade with third countries, e.g., EU customs law, tariffs and trade defence measures such as anti-dumping measures. These EU laws must be applied by the Hungarian customs authorities. EU laws with regard to regulatory measures concerning international trade, e.g., product safety and standards, labelling requirements and environmental regulations, are required to be implemented in all the EU Member States.

EU legislation with regard to the protection of the health and safety of consumers and the environment is set out in detail in the relevant EU sections above. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements.

1.1 Product Standards

By virtue of the Law No. XXVIII of 1995 on national standardisation, the Hungarian Standards Institution is the national standards body of the Republic of Hungary. The activities of this non-profit organisation of public interest concern all stages of standardisation.

The MSZT develops national standards; it is responsible for their approval and publication, withdrawal and amendment as well as the preparation of the respective methodology and rules of procedure. It is the competent body for the publication of EU standards in the Hungarian language.

The MSZT participates in the work of the international and European standardisation organisations and the coordination of the participation by stakeholders. The MSZT represents Hungary via its membership in the following international and European standardisation organisations:

International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), European Committee for Standardization (CEN), European Committee for Electrotechnical Standardization (CENELEC) and European Telecommunication Standards Institute (ETSI).

The MSZT also provides guidance and advice on national standardisation issues, e.g., by preparing and publishing studies, as well as on the implementation of EU Directives in Hungary.

Once a standard is established, the MSZT determines the use of national and international standards labelling and manages a certification system to assess conformity of products and services. Furthermore, the MSZT provides information on the standards, which can be purchased via its website¹ or consulted in its library (Address: 1082 Budapest, Horváth Mihály tér 1., on Tuesdays from 11 a.m. to 4 p.m. and Thursdays from 8 a.m. to 2 p.m.).

1.2 Labelling Requirements

The primary requirement for consumer goods in Hungary is that the product information must be made available in the Hungarian language. This may be observed by placing a sticker containing the relevant information on the existing packaging.

European law defines specific labelling requirements for products such as food, household appliances, textiles, and other consumer goods, which are applicable in Hungary.

For example, cosmetics labels must list the following information:

- name or business name and address of the manufacturer, packager or importer established in the European Union;
- country of origin or provenance (if outside the EU);

¹ See: <http://mszt.hu/web/guest/shopping-at-mszt>

- name and intended function of the product and instructions for use;
- quantity of mass or volume in metric units;
- date of minimum durability and specifications of storage conditions, when needed for quality maintenance;
- precautions required in the case of consumer or professional use.

Food labels must contain the following information:

- name or business name and address of the manufacturer, packager or importer established in the European Union;
- country of origin or provenance (if outside the EU);
- product type;
- full list of ingredients and additives in descending order of weight, clearly indicating allergens (i.e. ingredients likely to cause allergic reactions or intolerances);
- quantity in metric units;
- date of minimum durability and special conditions for storage or use (if necessary);
- alcohol content for beverages containing more than 1.2% by volume;
- mention of genetically modified organisms, if applicable.

1.3 Environmental Protection and Waste Treatment Requirements

In order to improve waste management and reduce negative effects on the environment, Hungarian legislation imposes a special tax, the environmental product fee (discussed below in the section on tax) on certain product categories that have or may have an impact on the environment, such as

batteries, electric and electronic equipment, certain chemical products and packaging.

It is important to note that, besides the payment obligation, the Environmental Product Fee Act (Act No. LXXXV of 2011) requires companies to register within 15 days of starting their activities (in the case of non-Hungarian companies, this is most likely the first sale to Hungary – the requirement also applies to online sales) with the National Tax and Customs Administration of Hungary (NTCA). The obligation applies to all companies which import packaged products to Hungary for sale or for their own use or which manufacture packaged products for sale in Hungary.

Companies which fail to register within the above deadline lose the right to opt for the flat rate product fee and must submit data on the amount of packaging placed onto the market and pay a product charge per kilo on a quarterly basis.

2. Currency Exchange and Regulations

The national currency of Hungary is the forint (HUF). Although by its Treaty of Accession to the European Union Hungary committed to adopting the euro, as of the date of preparing this guide there is no official date indicated yet by the Hungarian government for Hungary to become a member of the Economic and Monetary Union (the EMU).

The National Bank of Hungary/ Magyar Nemzeti Bank (MNB) is the foreign exchange authority. The MNB publishes the official daily exchange rates² for every working day which varied between 310 and 315 forint for one euro in January and February 2018.

On its website³, the MNB also provides links to the English versions of various instruments of Hungarian financial legislation.

Although many stores accept payment in euro, payment obligations to the Hungarian state in respect of tax, contributions and other fees must be fulfilled in forint. For that reason, it is common practice that invoices issued in currencies other than forint indicate the official exchange rate applicable on the invoice date, which serves as a basis for the calculation of the forint values for taxes, contributions and other fees.

For further information, please refer to the section concerning Taxes below.

² See: <https://www.mnb.hu/en/arfolyamok>

³ See: www.mnb.hu/en/supervision/regulation/legislation

3. Common Payment Methods

Although Hungary is not part of the Eurozone, it adheres to the Single Euro Payments Area (SEPA). SEPA is a payment-integration initiative of the European Union which simplifies bank transfers denominated in euro.

The MNB annually publishes a payment systems report⁴ since 2014, which provides an assessment of the operation and functioning of the domestic payments and securities overseen by the MNB. The 2017 report⁵ focuses on the introduction of an instant payment system and the impact of technological developments on payments.

The most frequent payment method is payment by transfer order. In order to place a transfer order, it is necessary to indicate the 16-digit International Bank Account Number (IBAN). The Business Identifier Code (BIC) is automatically retrieved.

Other commonly used methods of payment include letters of credit, credit cards, and cash. A letter of credit is often used for more significant and high-value transactions, especially if it is the first transaction or for overseas transactions. Credit cards are mostly used for individual purchases.

For payments in cash, it is important to note that the Act on the Rules of Taxation sets a limit of HUF 1.5 million which applies to resident legal persons, unincorporated business associations and private individuals who are liable to pay value added tax. Payments in excess of this limit are subject to a fine of 20%. This limit is not applicable to consumers.

⁴ See: <https://www.mnb.hu/en/publications/reports/payment-systems-report>

⁵ See: www.mnb.hu/letoltes/mnb-payment-systems-report-2017.pdf

4. Commercial Representatives

A commercial representative office is an organisational unit of a foreign company without legal personality. The commercial representative office has to be registered in the Company Registry by the Hungarian Court of Registration.

The scope of activities of commercial representative offices is limited. The commercial representative may not conduct business activities which yield profits or other proceeds; however they may prepare and conclude contracts in the name and for the benefit of the foreign company which they represent, and perform informative, advertising and promotional tasks on behalf of that foreign company.

The corporate name of the commercial representative office shall indicate the name of the foreign parent company.

The following documents are required for the registration of a commercial representative office:

- the foreign parent company's resolution on the foundation of the representative office and designation of the authorised representative (e.g. in the minutes of the general meeting);
- the foreign parent company's instrument of constitution (e.g. the articles of association);
- the foreign parent company's document of proof of being entered in the commercial register in the home country (e.g. a certificate of incorporation).

The above documents may need to be legalised in the country where the documents are produced in order to certify their authenticity. This certification is called "Apostille" and can be applied for at the Hungarian Consulate or Embassy or at the Registrar of the High Court in Hong Kong.

Additionally, an official translation of the documents is required.

5. Establishment of Branch Offices

The establishment of a branch office is mainly governed by the provisions of the Act on Branches and Commercial Representative Offices of Foreign Enterprises and the Court Procedures Act. Any legal person, organisation without legal personality, or other entrepreneurs registered abroad may operate a branch in Hungary.

A branch of the home company is a legally separate organisational unit without legal personality. It has to be registered in the Company Registry by the Hungarian Court of Registration.

The foreign parent company may conduct business activities through its branch office, which represents it to authorities and third parties. It is important to note that prior to its registration in the trade registry, the branch may not engage in any activities, including preparatory activities relating to purchase and lease of business premises.

The foreign parent company has to provide the assets necessary for operating the branch. The acquisition of real estate property for the business operations of the branch requires a permit for the purchase, unless the company is registered in an EEA Member State.

The foreign parent company and the branch are jointly and severally liable for debts incurred during the activity of the branch. When judicial enforcement to collect debts is initiated against the foreign company, all its assets in Hungary become subject to enforcement.

The following documents are required for the registration of a branch:

- the foreign parent company's resolution on the foundation of the branch (e.g. in the minutes of the general meeting);
- the foreign parent company's instrument of constitution (e.g. the articles of association);

- the foreign parent company's document of proof of being entered in the commercial register in the home country (e.g. a certificate of incorporation).

The above documents may need to be legalised in the country where the documents are produced in order to certify their authenticity. This certification is called "Apostille" and can be applied for at the Hungarian Consulate or Embassy or at the Registrar of the High Court in Hong Kong.

Additionally, an official translation of the documents is required.

6. Incorporation of a Business

Regulation of the main types of Hungarian business entities is contained in the Hungarian Civil Code (PTK). The procedures for incorporating, amending the statutes and winding up Hungarian companies are primarily governed by the Act on Public Company Information, Company Registration and Winding-up Proceedings.

Business organisations can only be established in regulated company forms. Currently, the following types of business organisations can be established under the Civil Code:

6.1 Types of Business Organisations

a) General Partnership

A general partnership is made up of at least two members. Members of the general partnership are jointly engaged in business operations.

General partnerships do not have legal personality. In terms of business relations, this means that contracts are entered into not with the partnership as such, but with the collective of partners.

In principle, profits and losses shall be distributed among the members in proportion to their capital contribution. Members must provide the partnership with the assets necessary for the activities of the partnership. If the assets do not cover the obligations of the partnership, members of the partnership have unlimited, joint and several liability with regard to their private property.

The supreme body of a general partnership is the meeting of members. The general partnership shall be managed by one or more managing directors, elected from among the members.

If no managing director has been elected, all members are considered as managing directors. Appointing a non-member to be a managing director is not possible.

If the number of the members of the partnership decreases to one, the partnership must report at least one new member to the court of registration within 6 months. Failure to do so will result in the termination of the partnership.

b) Limited Partnership

The limited partnership, like the general partnership, is made up of at least two members. The main difference from the general partnership is that while general partners are jointly and severally liable, liability for at least one member (the limited partner) can be limited as long as there is at least one other member (the general partner) whose liability is unlimited.

The general partner is liable for the obligations not covered by the assets of the partnership; the limited partner is only obliged to provide capital contribution and, in principle, is not liable for the obligations of the partnership.

A general partner who becomes a limited partner shall remain liable for the obligations of the partnership not covered by its assets for 5 years from the change of his position. This is with regard to the limited partnership's liabilities against third parties, if they originated during the time the partner was general partner of the limited partnership.

c) Limited Liability Company

A limited liability company is established with a predetermined amount of initial capital provided by the members. In principle, the liability of company members extends only to the provision of their initial contributions, and to other contributions set out in the articles of association.

The minimum capital required to establish a limited liability company is HUF 3 million.

The registered capital consists of the capital contributions, which can be a contribution in cash or in kind or both. 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.

d) Limited Company

A limited company is a business organisation established with a predetermined amount of share capital, represented by shares of a predetermined number and nominal value. The liability of the shareholders of a limited company is limited to the value of their contribution to the joint stock company's share capital, i.e. to the value of their share(s).

Two types of joint stock companies can be distinguished: the public limited company and the private limited company.

A limited company whose shares are not listed on any stock exchange is a private limited company.

The minimum capital for a private limited company is HUF 5 million. It can also be established with contributions in cash and in kind, but the amount of cash contributions at the time of foundation may not be less than thirty per cent of the issued share capital.

A private limited company is established upon the signing of the articles of association by the founders of the company and the commitment of the founders to subscribe for all shares issued by the company.

A public limited company is a company whose shares are listed on a stock exchange and therefore available to the general public.

The minimum capital for a public limited company is HUF 20 million. Since March 2014, public limited companies may no longer be founded. However, the shares of private limited companies may still be admitted for trading on a regulated market, following which the company will continue to operate as a public limited company.

6.2 Procedure for Setting up a Business

Businesses may choose between the alternatives set out in the above sections: they may:

- establish a company under Hungarian law which will have full legal personality (the most common company forms in Hungary are the limited liability company and the limited company),
- found a branch office of their foreign parent company, which is considered a separate organisational unit without legal personality, but entitled to carry out business activity in Hungary,
- opt for a commercial representative, whose scope of activities is limited to information, advertising and promotional activities and the preparation of contracts on behalf of the company.

The choice depends on the specific requirements and goals of the business. For setting up a business, there are several steps to follow.

The first step is the preparation of the corporate documents, which requires legal assistance by a Hungarian attorney.

An enterprise is founded by the signing of its articles of association by its members. The articles (the enterprise's statutes) are 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. The articles of association must include the following for all enterprises:

- the corporate name and registered office of the enterprise,
- the enterprise's purpose or main activity,
- the name and address or seat of the person or persons establishing the enterprise,
- the financial contributions to be provided to the enterprise, their value, and how and when the contributions are made available,

- the subscribed capital of the enterprise, the financial contribution of each member, and how and when the subscribed capital is made available,
- the enterprise's first executive officer.

The second step comprises the opening of a bank account. Companies doing business in Hungary are required to open a current bank account at a Hungarian bank.

The three largest commercial banks in Hungary based on their 2016 turnover are: OTP Bank (National Savings Bank) UniCredit Bank and K&H Bank (Commercial and Credit Bank).

The third step comprises the submission of an application for registration of the company at the Hungarian Court of Registry. The formation of a business association shall be notified to the court of registry within thirty days from the date when the instrument of constitution is executed in a notarised document or countersigned by a lawyer or legal counsel.

This is done by electronic submission by a legal representative. The usual duration of the registration is 15 working days. There can be a registration fee, the amount of which differs according to the company form.

Registration of a limited company gives rise to a fee of HUF 100,000, while registration of a limited liability company is free of charge.

General partnerships, limited partnerships, limited-liability companies, and private limited companies may be registered 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 these cases, the deed of foundation is required to be prepared in a notarised deed and countersigned.

In the case of this simplified procedure, the enterprise is registered by the Court of Registration within one working day of the receipt of the notice regarding the issue of the tax identification number.

The business will then be assigned a tax number by the tax administration and has to register with the tax administration and the statistical office. The Court of Registration obtains the company's tax number and statistical code directly for the applicant (one-stop-shop).

Finally, the company must electronically submit the data relating to their employees.

7. Taxes and Accounting

In Hungary, a distinction can be drawn between central taxes which constitute the revenues of the state budget and local taxes, e.g., business tax, building tax, land tax, and tourist tax that municipalities may levy in their area of jurisdiction.

Based on their intended purpose, taxes can be grouped into general and special categories.

General taxes include corporate income tax, value added tax and personal income tax.

Special taxes include tax types levied on specific industries or sectors, e.g., income tax of energy utilities, levies on financial organisations and credit institutions, credit institution contributions, energy tax, public utility tax, telecommunication tax, advertisement tax, and public health product tax.

The main tax authority is the National Tax and Customs Administration of Hungary (NAV).

7.1 Corporate Income Tax

The corporate income tax rate is 9% as of 1 January 2017. Companies incorporated in Hungary or with their place of management in Hungary are taxed on their worldwide income. Companies carrying on business through a branch or permanent establishment are only taxed on the income of the branch or establishment.

Companies are required to file a corporate tax return for each business year until 31 May of the following year. Depending on whether or not the company's tax liability for the previous tax year reaches HUF 5 million, it is required to make advance payments of corporate tax, payable monthly or quarterly. The advance payments are based on the preceding year's tax results.

7.2 Value Added Tax

The general VAT rate is 27%. Value added tax is levied on the supply of goods and the provision of services in Hungary, as well as on intra-EU acquisitions and imports that are made by a taxable person. For certain products, the rate is reduced to 18%, e.g. for bread, milk and dairy products, or to 5%, e.g. for journals, books, medicines, live cattle, swine, sheep and goats, for certain forms of beef, pork, lamb and goat meat, and poultry products, eggs and certain types of milk. Certain community, health, social, education and sports activities are entirely exempt from the payment of value added tax.

Any tax subject who established his business or residence in Hungary is entitled to choose individual exemption, if the aggregate value of the supplies of products and services performed by him in the tax year before applying for exemption and the reasonably expected and actual income in the year of the application do not exceed the amount limit allowed for individual exemption.

The limit for individual exemption in 2018 is HUF 8 million for the previous year (2017).

If electing for individual exemption, as a general rule the tax subject will not need to file tax returns or make tax payments. However, it will not be possible to deduct taxes imposed on acquisitions.

7.3 Other Relevant Taxes

a) Excise tax

In line with EU-legislation, certain product categories are subject to excise tax.

Tax liability arises when goods subject to excise tax are manufactured or when goods subject to excise tax are imported from third countries into the territory of the EU. The tax payment obligation becomes due at the time of release of excise goods for consumption. Excise goods are, e.g., energy products, alcoholic beverages and tobacco products.

b) Environmental product fee

The environmental product fee aims to reduce polluting emissions, to facilitate the sustainable management of natural resources by contributing to the recycling of packaging, and to enhance the implementation of waste management objectives based on domestic and international regulations.

The fee is payable at the first release for domestic circulation or the first use of products such as batteries, packaging, electric and electronic equipment, tyres, or office paper. The fee is generally payable by the company which issues the first invoice with a Hungarian VAT number concerning the product.

The amount of the fee is defined for each type of product in the Environmental Product Fee Act. Individual rates apply to the various types of packaging materials.

The fee is calculated based on the net weight in kilograms of the materials. The Environmental Product Fee Act also enables companies to opt for a flat rate, in which case they can perform their obligations on an annual basis, provided that they do not exceed the relevant statutory thresholds.

c) Financial transaction duty

As of 1 January 2013, most bank transfers made from bank accounts in Hungary are subject to a financial transaction duty which is levied at 0.3% of the transaction value and is capped at HUF 6,000 per transaction.

Transaction duty for cash payments from payment accounts is 0.6%, without a cap.

d) Advertisement tax

Publishing or commissioning advertisements in print media that are published or distributed in Hungary, or in online media in Hungarian, is subject to an advertisement tax in Hungary. For the publisher, the tax is

calculated based on the adjusted net sales revenue derived in the tax year from the taxable activity. The tax rate is 7.5%. For the party who commissioned the publication, the tax is calculated based on the monthly advertising spending at a rate of 5%.

7.4 Accounting and Invoicing

Accounting records and the financial report need to be prepared in each business year in the Hungarian language and in accordance with accounting principles. The form of the report depends on different factors such as the net turnover and the number of employees.

Businesses are required to retain an accountant or hire an employee with accounting qualifications to keep the company's books, to comply with the tax liabilities and to prepare the company's financial statements.

It is mandatory to have the books audited, provided that the company's annual net sales exceed HUF 300 million or the number of employees exceeds 50.

A tax subject has to issue an invoice for any supply of goods or services which he has made in the domestic territory for consideration, within a reasonable period of time.

Mandatory contents of the invoice are identification data of the invoice (date of issue and sequential number), identification data of the supplier, and the customer (tax number, full name and address), as well as a description of the goods or services supplied, the taxable amount, the unit price exclusive of VAT, as well as the VAT rate and amount payable in HUF, and, if applicable, reference to special taxation schemes or arrangements.

If the invoice is denominated in another currency, the amount of VAT has to be included in HUF converted at the foreign exchange rate in effect.

As of 1 July 2018, provisions on live invoicing and online data reporting will become effective. All businesses registered for VAT in Hungary will be required to submit domestic business-to-business sales invoices to the NAV.

For electronically issued invoices with a VAT amount equal to or exceeding HUF 100,000, the data transmission is required in real time. For paper based invoices, the time limit depends on the VAT amounts: in the case of invoices with VAT amounts which reach or exceed HUF 100,000 but do not reach 500,000 forints, the data have to be disclosed within 5 calendar days following the issue of the invoice; in the case of invoices with VAT amounts which reach or exceed HUF 500,000, the data have to be disclosed within the calendar day following the issue of the invoice.

It is mandatory to submit data in XML format through the government web portal, the test version of which is available at onlineszamla-test. Use of Microsoft Excel, Word or PDF submissions is not acceptable.

Failure to report invoices in real-time may result in significant penalties of up to HUF 500,000 per invoice.

7.5 Communication with Authorities

As of 1 January 2018, when communications need to be made, all companies are obliged to keep contact electronically with authorities (including the tax authority). Electronic contact means communication via an official electronic portal provided to companies by authorities. All official documents from authorities are transmitted directly through that portal.

8. Employment

8.1 Contract and Salary

Employment contracts should be established in writing and must contain the names and important employment-related information of the parties, the basic salary of the employee, the job profile of the employee and the employee's place of work.

An employment relationship can be established for a definite or for an indefinite period of time. In Hungary, indefinite contracts are the rule. The maximum term of a definite employment contract is 5 years.

A probationary period of a maximum of 3 months can be stipulated during which the employment relationship can be terminated by either party with immediate effect and without justification.

The employment contract must specify the salary of the employee. It can be either a fixed or a performance-related salary.

The Labour Code specifies minimum salary levels according to the skill level and degree of responsibility. For unskilled labour, the minimum wage is HUF 137,860 per month and for skilled labour HUF 180,600 per month. As a general rule, the salary must be paid at the latest by the tenth day of the month following the relevant month.

An employment contract may be terminated by giving notice; by giving notice with immediate effect in specific circumstances; or by mutual consent. The minimum notice period for dismissal depends on the duration of employment of the employee (30 to 90 days).

A termination notice by the employer must include a specific justified reason. Employees have the right to sue for damages in cases of unjust dismissal if the reason given is untrue or unclear.

8.2 Working Hours

The standard daily working hours are 8 hours per day and 40 hours per week. Exceptionally, employees may be requested to perform additional work beyond the regular working hours. Such increase may however not exceed 12 hours per day and 48 hours per week and the employee is entitled to compensation by means of extra time off or a salary supplement, or both, for the extra hours.

During any given working day, the employee is entitled to a break of at least twenty minutes if the daily working time exceeds six hours, and to an additional twenty-five minutes at least after nine hours of work. The employee is entitled to two days off weekly.

8.3 Employee Rights and Benefits

An employee is entitled to a minimum of 20 days of annual leave, which increases taking into account factors such as the age of the employee or if the employee has children, and to 15 days of sick leave per calendar year. The employee is required to submit a medical certificate for the duration of the inability to work.

Employees are furthermore entitled to parental leave. Mothers may take up to 24 weeks of maternity leave and fathers may take 5 days off within 2 months following the birth of their child.

Trade unions, i.e. employee organisations aiming to promote and protect employees' interests in matters concerning labour and employment may be established within the company of the employer. A trade union may inform its members of their rights and obligations concerning their material, social, and working conditions and represent them vis-à-vis their employer and/or before the state authorities.

For all company forms, a supervisory board of at least three members must be established if the number of employees exceeds 200. One third of the members of the supervisory board is to be elected by the employees.

Likewise, a workers' representative or workers' council must be elected if the number of employees exceeds a certain number, which varies according to the company form.

Hungary has a two-pillar pension system which consists of a Mandatory State Social Security Pension and a Voluntary Mutual Pension Fund. Pensions are funded by contributions from both the employer and the employee.

The employer pays 22% of the gross wages of an employee to social insurance, which covers healthcare and pension insurance. The employee's part is 10% for pension and 7% for healthcare, as well as 1.5% for an unemployment fund. Employee's contributions are assessed and withheld by the employer.

8.4 Employment of Foreigners

EU/EEA citizens do not need a work permit for employment in Hungary. However, the employer has to notify the competent labour centre no later than the start date of the employment. In case of termination, the employer has to report on the day following the termination.

Third-country nationals generally need a combined work and residence permit, which is issued by the Office of Immigration and Nationality.

9. Visas and Immigration

As a general rule, all third-country nationals need a visa to enter Hungary. However, citizens of countries/entities listed in Annex II of Council Regulation 539/2001/EC (the so-called “positive list”) may travel to Hungary without a visa. This includes holders of a “Hong Kong Special Administrative Region” passport, for whom a visa is not required for “short-term visits” of up to 90 days (continuous or interrupted within a 180 day period) which counted from the date of the first entry for business or tourist purposes.

A visa is therefore required for citizens from a non-exempted country (such as the Chinese mainland), or if citizens from an exempted country (such as the Hong Kong Special Administrative Region) wish to stay for longer than a “short-term visit” (defined in the previous paragraph) or wish to take up employment. Hong Kong traders may apply at the Consulate General of Hungary in Hong Kong.

Hungary is part of the Schengen Area since 21 December 2007. In 2018, the Schengen Area has 26 Members: 22 EU Member States (Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden) as well as Iceland, Liechtenstein, Norway and Switzerland.

Visas issued by one of the Members of the Schengen Area are valid also for Hungary, and visas issued by the Hungarian authorities are - as a general rule - also valid for the entire Schengen Area. The Schengen regulations are applicable for a stay not exceeding 90 days.

9.1 Short Term Stay

Citizens from a non-exempted country (such as the Chinese mainland) have to submit a visa application for a short stay at the Consulate of Hungary in their country of residence.

The applicant has to fulfil the following conditions:

- The application must be lodged no more than three months before the intended entry;
- The application form must be legibly completed and signed. The application form may be acquired free of charge at the consulates of Hungary or downloaded from the website of the Consular Services of the Hungarian Ministry of Foreign Affairs;
- The applicant must own a valid travel document which contains at least two blank pages, has been issued within the previous 10 years, and is valid for at least three months after the intended date of departure from the territory of the Member States;
- The application must be submitted with a passport-size colour photo (not older than 6 months);
- Together with a fee for obtaining the visa (this fee amounted to 60 EUR in 2018).

In addition, the visa applicant needs to provide proof of a valid travel medical insurance, and be able to certify the financial coverage of expenses and the purpose of the visit.

The travel medical insurance with a minimum coverage of 30,000 EUR needs to be valid for the territory of the Schengen Member States and cover the entire period of the intended stay or transit.

The medical insurance has to cover any expenses which might arise in connection with repatriation for medical reasons, urgent medical attention and/or emergency hospital treatment or death, during the stay on the territory of the Member States.

The financial coverage of expenses can be certified with one of the following documents:

- an original income certificate of the employer, or
- a bank account statement on the account turnover during the last three months, or

- a pension slip, or
- a certificate of registration in the case of an individual entrepreneur or one-man firm, or
- a valid airline ticket, a certificate of a reserved and prepaid journey, accommodation, or
- a letter of invitation issued and endorsed by the Office of Immigration and Nationality.

The purpose of entry can be certified with one of the following documents:

- for the purpose of a tourist visit: the certificate of the travel agency;
- for the purpose of an individual visit: the prepaid reservation of accommodation;
- for the purpose of an educational or other scientific or professional training purpose: the certificate of the receiving institution, or the certificate of the envisaged place of accommodation in Hungary;
- for business purposes: in case there already exists a business partner in Hungary, then a letter of invitation from the business partner, proof of the existence of commercial business relations, or the certificate of the local chamber of commerce of the existence of business relations, and the certification of the address of the envisaged place of accommodation in Hungary;
- for the purpose of attending a conference: an invitation letter issued by the host organisation, confirmation of participation issued by the host organisation, and/or certification issued by the delegating organisation; and receipt on payment of the registration fee;
- for other purposes of entry not listed in any of the above categories: a declaration presenting the purpose of the entry and stay, made in full awareness of the criminal liability that may arise should the declaration be deemed fraudulent.

9.2 Residence Permit

For the purpose of employment⁶ or the pursuit of gainful activity⁷ in a self-employed capacity, third-country nationals must have a residence permit to lawfully perform work. This activity may be as owner or manager of a business association, cooperative or some other legal entity, or as a member of the executive, representative or supervisory board of such entity. On the other hand, the permit may be sought in respect of a contract for an employment relationship.

The requirements for the application of a work permit include a completed form and the prescribed enclosures (e.g., a prior agreement concluded with a view to entering into an employment relationship or a business plan for economic activities), together with the payment of an administrative fee.

Highly qualified third-country nationals may apply for a combined work and residence permit, i.e. the EU Blue Card⁸.

The maximum validity period for a residence permit that is granted for the pursuit of gainful activity is three years, and it may be extended by a maximum of three additional years at a time. The validity period of the residence permit shall be set in consideration of the date of expiry of the applicant's passport, while the applicant's travel document must be valid for at least 3 additional months beyond the date of expiry of the residence permit.

After three years of continuous lawful residence in Hungary, a third country national can apply for a national residence permit valid for an indefinite period of time.

⁶ www.bmbah.hu/index.php?option=com_k2&view=item&layout=item&id=62&Itemid=816&lang=en#

⁷ www.bmbah.hu/index.php?option=com_k2&view=item&layout=item&id=943&Itemid=1564&lang=en#

⁸ www.bmbah.hu/index.php?option=com_k2&view=item&layout=item&id=58&Itemid=812&lang=en#

10. Sales Promotions

Sales promotions, including promotions on the internet, are governed by the Hungarian Code of Advertising Ethics. The legislation stipulates that all advertising must avoid behaviour that may cause disappointment or give grounds for reasonable complaint. In particular, the terms and conduct of all sales promotions should be equitable to all participants, and fair to competitors. Moreover, the conditions must be clear and easily understandable for the consumer.

The communication of a sales promotion may not be misleading or exaggerated and has to contain all important information which is likely to influence a consumer's purchasing decision. These include:

- the conditions for participation,
- the availability of the participation policy,
- the main characteristics of any additional benefits being offered,
- the deadline for participation,
- any possible restrictions to participation,
- any limitation on stocks,
- any possible costs for obtaining the items being promoted,
- and the full name and contact details of the promoter, as well as an address to which complaints can be directed.

11. Investing in Hungary

There are a number of tax allowances for new investments and R&D. Hungary provides tax exemptions on holding structures, capital gains on shares and intellectual property. Under certain conditions these are tax free, and a 50% tax allowance is applicable on royalty incomes.

Foreign investment in particular is seen as an opportunity; therefore Hungary provides a variety of incentives to investors and subsidy schemes to SMEs. Both EU subsidies and national incentives are available to investors through government schemes.

Under the Széchenyi Development Plan, Hungary's economy development programme was launched on 14 January 2011. It is the declared aim of the Hungarian government to improve Hungary's competitiveness and to create one million new jobs within ten years.

11.1 Reduced Tax Liability

Under the development tax allowance, up to 80% of corporate income tax in a given tax year may be deducted for up to 10 years within the 12-year period starting from the filing of the relevant notification with the Ministry for National Economy once the development is completed. For investments which started after 31 December 2016, this period increases to 16 years. There is a ceiling for the total amount which may not exceed the state aid intensity.

The conditions for the development tax allowance depend on the scope, location and job creation potential of the investment. The allowance may be granted subject to the following conditions:

- Investments with a value of at least HUF 3 billion: the company must increase the number of employees by at least 50 (or 25 in underdeveloped regions), or increase the wage costs by at least 300 times (or 150 times in underdeveloped regions) the annual minimum wage within a five-year period following the first incentive year.

- Investments in promoted areas with a value of at least HUF 1 billion: the company must increase the number of employees by at least 50 (or 25 in underdeveloped regions), or increase the wage costs by at least 300 times (or 150 times in underdeveloped regions) the annual minimum wage within a five-year period following the first incentive year.
- Investments by SMEs with a value exceeding HUF 500 million: the enterprise must increase the number of employees by at least five (small enterprises) or 10 (medium-sized enterprises) within the following four years or increase its wage costs by at least 10 times (small enterprises) or 25 times (medium-sized enterprises) the annual minimum wage.

There are further incentives for specific sectors, e.g. investments with a value of at least HUF 100 million that promote environmental protection or film and video-making projects or basic research, applied research and environmental development. Environment projects, for instance, become eligible for incentives if their initial energy-efficiency goals are met according to a certificate issued by energy auditors or auditing organisations listed by the Hungarian Energy and Public Utility Authority.

Allowances may also be granted to investments promoting the process and distribution of agricultural products or investments of at least HUF 100 million in a free enterprise zone.

Applications for tax incentives must be submitted to the Ministry for National Economy on a case-by-case basis. For investments exceeding HUF 100 million, which are in accordance with EU regulations, subsidies are available through a permit issued by the Ministry for National Economy. If the investment is below this threshold, taxpayers need only notify the Ministry for National Economy before starting the investment.

11.2 Public Tenders

As a member of the European Union, Hungary has access to EU funds for a number of development goals, such as asset acquisition, infrastructural development, new construction, renovation, service development, job

creation and financing of human resources costs. Until 2020, Hungary can use HUF 12,000 billion for development with the support of the European Union and the Hungarian state budget.

Hungary plans to use the available funds in accordance with the Széchenyi Development Plan 2020 between 2014 and 2020 on several different operational programmes:

- Integrated Transport Development Operational Programme⁹ designed for the development of transport networks and infrastructure ranging from city transport to environmentally friendly solutions;
- Human Resources Development Operational Programme¹⁰ designed for meeting demographic challenges by increasing human capital and improving the social environment;
- Environmental and Energy Efficiency Operational Programme¹¹ designed for smart and sustainable economic growth, the protection of natural habitats and species and the use of renewable energies;
- Economic Development and Innovation Operational Programme¹² designed for the economic stimulation of the less developed regions, competitiveness of SMEs and innovation;
- Territorial and Settlement Development Operational Programme¹³ designed for the support of decentralised economic development.
- Competitive Central-Hungary Operational Programme¹⁴ designed for enhancing the economic competitiveness of the "more developed"

⁹See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu16m1op003

¹⁰See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu05m2op001

¹¹See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu16m1op001

¹²See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu16m0op001

¹³ See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu16m2op001

region of Central Hungary and reducing development disparities within the region;

- Public Administration and Civil Service Development Operational Programme¹⁵ designed for increasing the efficiency of public administration and reducing administrative burdens.

The above operational programmes submitted by the Hungarian government and accepted by the European Commission are in line with the Europe2020 strategy. A number of tender calls are available from EU Funds.

The conditions for applying, the timing, and the total amount of the subsidy available vary from tender to tender. Current calls for tender are announced on the relevant website¹⁶.

11.3 Country Risk Profile

Hungary does not levy withholding tax on dividends, interest or royalties paid to foreign companies. Payments to resident or non-resident individuals can be subject to income tax at the personal income tax rate of 15%, unless the tax is reduced under a bilateral tax treaty.

Hungary concluded bilateral double taxation agreements (DTAs) with more than 80 countries, including Hong Kong. The DTA between Hong Kong and Hungary was signed on 12 May 2010 and entered into force on 23 February 2011.

Under the Hong Kong – Hungary DTA:

- Hungary commits to providing exemptions to Hungarian residents or companies for any income which is subject to Hong Kong tax.

¹⁴ See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu16m2op002

¹⁵ See: http://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/hungary/2014hu05m3op001

¹⁶ See: <https://www.palyazat.gov.hu/>

- Hungary commits to reducing the withholding tax on dividends earned by Hong Kong residents in Hungary to 10%. If the recipient holds 10% or more of the share capital of the paying company, the withholding tax rate is further reduced to 5%;
- Hungary commits to reducing the withholding tax on interest and the withholding tax on royalties earned by Hong Kong residents in Hungary to 5%. The HKSAR Government, the Hong Kong Monetary Authority and appointed financial establishments are exempted from the withholding tax on interest.
- Profits from international shipping transport earned by Hong Kong residents in Hungary enjoy full tax exemption.

Hungary has a sanctions regime in place which implements sanctions imposed by the UN Security Council and the EU. The relevant legislation is laid down in Act No. LII of 2017 on the Implementation of Financial and Asset-Related Restrictions Ordered by the EU and the UN Security Council, as well as several government decrees.

12. Useful Contacts

12.1 Consulate General of Hungary in Hong Kong

The Consulate General of Hungary in Hong Kong is the point of contact for visa applications.

<https://hongkong.mfa.gov.hu/eng>

Address: Suites 1208-09, 12/F, ICBC Tower, Three Garden Road, Central

Phone: + 852 2878-7555

Emergency: + 852 9353-1132

Fax: + 852 2878-7010

12.2 Hungarian Chamber of Commerce and Industry (MKIK)

The HCCI fosters the development of the Hungarian economy, promotes fair market practices and represents the joint interests businesses. It provides economic analyses and forecasts.

www.mkik.hu/en

Address: 1054 Budapest, Szabadság tér 7

Phone: +36 1474-5141

Fax: +36 1474-5105

12.3 National Tax and Customs Administration (NAV)

The website of the National Tax and Customs Administration provides useful information, announcements and publications about the Hungarian tax and customs system.

<http://en.nav.gov.hu/>

<http://nav.gov.hu/cn>

12.4 Hungarian Investment Promotion Agency (HIPA)

The Hungarian Investment Promotion Agency (HIPA) is an organisation of the Hungarian Government committed to promoting Hungary as an investment location and business partner. HIPA provides up-to-date information about the Hungarian business environment (legal, economic and taxation issues) through a one-stop shop service model, recommends investment support and locations, carries out site visits, organises professional events and B2B meetings, helps to find and identify domestic suppliers, and fosters the development of business and governmental relations within the country. Besides these, HIPA participates in the preparation of government decisions and the organisation of negotiations.

<https://hipa.hu/main>

Address: 1055 Budapest, Honvéd u. 20.

Phone: +36 1 872 6520

Fax: +36 1 872 6699

12.5 Hungarian Chamber of Agriculture (HCA)

The Hungarian Chamber of Agriculture (HCA) covers the entire domestic food production chain through its members.

All operators of the Hungarian agricultural production and food industry sector from primary producers to business organisations are members of this public body, thus the HCA is responsible for more than 350,000 members. The main tasks of the Chamber are the efficient representation of the agri-food sector as well as the establishment and operation of services which greatly contribute to increasing the competitiveness of members.

www.nak.hu

12.6 National Research, Development and Innovation Office (NRDI Office)

The NRDI Office of Hungary is a national strategic and funding agency for scientific research, development and innovation (RDI), the primary source of advice on RDI policy for the Hungarian Government, and the primary RDI funding agency. The NRDI Office handles the National Research, Development and Innovation Fund (NRDI Fund), which provide state support for RDI and can be used solely for this purpose.

<https://nkfih.gov.hu/english>

Address: 1077 Budapest, Kéthly Anna tér 1.

Post address: 1438 Budapest, Pf. 438.

Phone: (+36 1) 795 9500

Email: nkfihivatal@nkfih.gov.hu

12.7 Registrar of the High Court

According to the Hague Conference on Private International Law, the World Organisation for Cross-border Co-operation in Civil and Commercial Matters, the Registrar of the High Court is the designated competent authority for apostille services.

www.judiciary.gov.hk/

Address: High Court Building, 38 Queensway, Hong Kong (Room LG115, LG1)

Phone: +852 2825 4226

Fax: +852 2524 2034

Email: apostilleserviceenquiry@judiciary.gov.hk

13. Web Resources

Hungarian Government

www.kormany.hu/en

Governmental portal

<https://magyarorszag.hu/>

Hungarian Competition Authority

www.gvh.hu/en/

Hungarian Central Statistical Office

<https://www.ksh.hu/?lang=en>

National Tax and Customs Administration

general information on customs matters and excise

http://en.nav.gov.hu/taxation/inromation_leaflets/Booklets_with_actual_2016_0503.html

http://en.nav.gov.hu/contact/Tax_and_Customs_Directorates_of_the_NTCA/Central_Customer_Serv20160412.html

Consular Services of the Hungarian Ministry of Foreign Affairs – Visa application forms

<http://konzuliszolgalat.kormany.hu/visa-application-forms>

Immigration and Asylum Office

www.bmbah.hu/index.php?lang=en

European customs duties (TARIC consultation)

http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp

National Tax and Customs Administration

<http://en.nav.gov.hu/>

Hungarian Standards Institution

www.mszt.hu/homepage