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Accountants &
business advisers

Doing business in Hungary

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The purpose of this guide is to provide an overview of doing business in Hungary. It is not intended to be comprehensive but is designed to inform investors of the issues that need to be considered when investing in Hungary. Hungary has an excellent reputation as a favourable headquarters location for businesses wishing to expand into Europe and other markets. Its own local markets also continue to give substantial opportunities to foreign investors.

Every care has been taken to ensure that the information presented in this edition is correct and accurate in relation to the legislation effective on 1 January 2011.

As one of the leading firms of accountants in Hungary, PKF in Hungary provides audit, tax and advisory services for Hungarian and multinational companies, government entities and inward investors. We are a member of PKF International Limited, an association of legally independent firms, which operates in over 100 countries worldwide.

Please contact us. We look forward to helping you build your business and meet the challenges of the future.

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Introduction

Geography and Climate

Hungary is located in the Carpathian Basin of Central Europe, within easy reach of Western Europe. It covers 93,000 square kilometers (36,000 square miles). About two thirds of its territory is flat the highest peak is 1015 meters. Hungary has two important rivers, which also serve as waterways – the Danube and the Tisza – and three major lakes – Balaton, Velence and Ferto (the greater part, of Ferto belongs to Austria). In addition to the rivers and lakes, the country is rich in thermal and medicinal waters and springs. The continental climate, the high annual sunshine hours and the quality of the soil ensure favorable conditions for agriculture.

As a truly Central European country, Hungary has borders with Austria, Croatia, Romania, Serbia, Slovakia, Slovenia, and Ukraine. Hungary joined the Schengen Agreement in 2007, taking full responsibility for EU borders.

Population and Language

Hungary has a population of approximately 10 million. Population density is about 100 persons per square kilometer. This population is declining as a result of the low birth rate and the high death rate, which are amongst the lowest and highest in Europe, respectively. The capital, Budapest, has approximately 2 million inhabitants. The population of the other 10 major cities ranges between 100,000 and 200,000 people. The official language is Hungarian, but English and German are also frequently used for business.

Infrastructure

The transportation infrastructure is currently undergoing a major reconstruction. Additional highways are being built in government-supported projects, while the widely used, state-owned domestic railway system is also under reconstruction.

Hungary has an extensive road system, centered around Budapest, with highways extending in most directions. Public transport in Budapest is well developed and consists of a comprehensive network of trams, buses, a subway system and railways.

The main airport is Ferihegy (Budapest); other major Hungarian cities have reopened and modernized their airports, as a sign of the increasing importance of domestic air services.

The telecommunications sector in Hungary has gone through a major development. The Telecommunications Act, which came into force in January 2004, created more competition in fixed line networks. Broadband Internet is widely used in Hungary.

Labor Force

The Hungarian labor force is highly skilled and educated, particularly in engineering, IT, pharmacy, economics, mathematics and physics. Around two-thirds of the work force has completed some form of secondary, technical or vocational schooling.

Foreign investments of the recent decade also brought know-how and technology into the country, thus increasing the productivity of the labor force considerably. The unemployment rate is slightly higher than the European Union average. The unemployment rate is higher in the eastern and southern regions and lower in the central and western areas. Wages still lag behind those of Western Europe.

The Political System

Hungary has been politically stable since its transformation process began in 1989. The political arena is currently bipolar – the conservative right consists of two parties, FIDESZ forms the government with the Christian Democratic People's Party (KDNP), while the Hungarian Socialist Party (MSZP), the Movement for a Better Hungary (Jobbik) and the 'Politics can be different' (LMP) are currently in opposition. The last general elections were held in April 2010, the next will be held in 2014.

International Memberships

Hungary has been a member of the United Nations and some of its associated institutions (ILO, UNESCO, FAO, WHO, etc.) since 1955. Hungary became a member of the IMF, the World Bank and the IFC (International Finance Corporation) in 1982. Additionally, Hungary is a signatory to the GATT (General Agreement on Tariffs and Trade), a member of the WTO (World Trade Organization) and the OECD, as well as the International Bank for Reconstruction and Development (IBRD), the World Intellectual Property Organization (WIPO) and the Central European Free Trade Association (CEFTA). Hungary became a member of NATO in 1999 and a member of the European Union on 1 May 2004.

Hungary and EU Accession

On 1 May 2004 Hungary became a full member of the European Union. All the laws that may potentially concern foreign investors have already been brought in line with the EU regulations, with the exception of certain environmental protection issues. With the EU's financial assistance, Hungary aspires to close the gap between its level of development as a new member country and the EU average.

The Economy

Hungary has seen a successful transformation from a centrally planned economy to a free, fast-growing and robust market economy in the past 20 years. A successful privatization process has been completed in most sectors, bringing foreign strategic investors as well as know-how, technology and best international practice into the country. As a result, the private sector accounts for over 80% of GDP today, and Hungary has made significant progress in recent years in creating sustained economic growth.

Inflation has declined continuously, from about 30% in the mid-90s the inflation rate has fallen below 4% in 2005. In 2006 and 2007 the inflation rose above 8%, but it has been decreasing since, the rate is currently 4.2% (as of November 2010).

Foreign Investment In Hungary

General information

Foreign individuals and legal entities may set up new companies or acquire shares in existing ones in Hungary without limitation. Wholly or partly foreign owned companies can, in practice, operate in all business areas (although there are restrictions in the agriculture sector). Where the chosen activity requires a permit (e.g. for banking activity) the same rules apply regardless of whether the owners of the entity are resident in Hungary or abroad.

Returns on investment

There are no legal restrictions on the payment of returns on investments (e.g. dividends, interest, repayment of loans, returns of capital) to foreign shareholders. The tax system and current tax rates are discussed in the chapter on taxation.

Branches and Representative Offices

A foreign company may establish a registered company branch or a representative office in Hungary. Neither a branch nor a representative office is regarded as a legal entity. Representative offices are relatively easy to administer and their activities may be ceased immediately without consequence or requirement for deregistration.

Branches: Non-residents can conduct business in Hungary through branches registered with the Hungarian Court of Registration; the same business licenses must be obtained as are required for Hungarian legal entities. The assets required for the operation of the branch must be provided by the non-resident entity and the non-resident entity has an unlimited obligation for the liabilities of its Hungarian branch. The branch must keep its books and prepare annual financial statements in accordance with Hungarian accounting law. The same rules are applied to branches as apply to resident legal entities (e.g. they are subject to Hungarian VAT, corporate income tax, local taxes etc.). The acquisition of real estate by a branch – similarly to any other non-resident company – is subject to the Act on Acquisition of Real Estate by Non-Residents.

Representative Offices: Representative offices must be registered at the Hungarian Court of Registration. A representative office of a non-resident company is permitted to assist in the preparation of contracts and to supply advertising services on behalf of the entity it represents. They are not allowed to engage in any other kind of commercial activity. Although the accounting for Hungarian representative offices is not governed by Hungarian accounting legislation, most of the rules (e.g. double-entry bookkeeping, valuation rules etc.) should be followed by these entities if they are subject to Hungarian corporate income taxes. In other respects, the same rules apply to representative offices as to other domestic business entities (same administrative, personal tax and social security obligations for employment contracts).

Summary

	Minimum capital	Operation
Branch	none	for conducting business, taxable, no independent legal entity, if international treaty allows the establishment
Representative office	none	no commercial activity, only marketing or mediation and preparation of contracts, etc.
Both are non-legal, but registered entities, same accounting and tax rules apply as to resident entities.		

Company Law

The primary legislation governing the form and regulation of companies is Act IV of 2006 on Business Associations (the Companies Act), which came into effect on 1 July 2006.

Most of the types of companies and the associated regulations found in Hungary are similar to those used in other European Union countries. As a result of the accession of Hungary to the European Union as of 1 May 2004, new forms of business associations have also been integrated into the Hungarian company law legislation:

Based on Act XLIX of 2003 the European Economic Interest Grouping (EEIG; in Hungarian: Európai Gazdasági Egyesülés – EGE) resident in the Hungarian Republic is a legal entity, which shall be formed, organized and operated upon the terms laid down in the Council Regulation (EEC) No 2137/85 on EEIG, except those aspects regulated otherwise by the EGE Act, when the regulations of the Companies Act shall be applied.

The other new type of business association which may be founded in Hungary is the European public limited-liability company or Societas Europea (SE; in Hungarian: Európai Részvénytársaság). Based on Act XLV of 2004 (the SE Act), an SE resident in the Hungarian Republic has legal personality and shall be formed, organized and operated upon the terms laid down in the Council Regulation (EEC) No 2157/2001 on SE. The capital of an SE is divided into shares, shall be expressed in euro, and must not be less than EUR 120,000. Employee involvement in an SE shall be governed by the provisions of Directive 2001/86/EC and Chapter II. of the SE Act. Registration of incorporation and registry proceedings of both the EGE and SE are similar to the companies listed in the Hungarian Companies Act.

Possible legal forms of business associations listed in the Companies Act:

Legal forms of business association:	**Legal status**	**Share capital min. (HUF)**	**Share capital min (EURO, app.)**	**Liability of members**
Company Limited by Shares (Részvénytársaság – zrt or nyrt)	Legal entity	5,000,000.- or 20,000,000.-	18,200.- or 72,700.-	limited liability
Limited Liability Company (Korlátolt Felelősségű Társaság – Kft.)	Legal entity	500,000.-	1,800.-	limited liability
Unlimited Partnership (Közkereseti Társaság – Kkt.)	Non-legal entity	None	None	unlimited liability of all members
Limited Partnership (Betéti Társaság – Bt.)	Non-legal entity	None	None	unlimited liability of at least one member

The Kkt. and Bt. forms have elements which resemble partnerships in some ways, but not to such an extent that they would be treated as such in all EU countries. The other two are clearly recognized as legal entities.

The most preferred legal forms of business associations are the limited liability company (Kft.) or a company limited by shares (nyrt or zrt). These legal entity forms correspond to the company forms most commonly used by businesses in the European Union.

Articles of Association

An initial step in funding a business venture is the preparation of written Articles of Association (or Deed of Foundation), which must be signed by all members and countersigned by an attorney or notary public.

The Articles must contain:

the corporate name and the registered office of the company;

the name and the registered office (address) of the founders (and registration number in case of companies);

the scope of the company's activities;

the registered capital of the company, and the method (cash or in-kind) and date of contribution by the founders;

authorities for signing on behalf of the company;

name and address of executive officers, supervisory board members and the auditor;

duration of the company, if it was established for a definite period;

other matters required by the Companies Act for the different forms of business associations.

The recorded value of any in-kind contribution cannot exceed the valuation accepted by the statutory auditor of the company. A member providing an in-kind contribution remains liable for five years to the company that the contribution was not worth less than the value stated in the Articles of Association.

Single-member Companies

The contributions in kind of a company founded by a single-member must be paid up in full prior to the submission of the application for registration.

Pre-company Status

A new business association may begin to operate (e.g. enter into contracts, etc) from the date of the countersignature of the Articles of Association. However, the business association will not be able to pursue any activities which require a licence until the Court of Registration has registered it, since licences are only granted to registered companies.

Until the business association is registered, it has a special interim legal status as a 'pre-company'; this status has to be indicated on all company documents. The rules applicable for the business association to be established apply to its pre-company period, with some exceptions (no changes in the members, the Articles of Association, etc).

If the application for registration of a new business association is refused, the business association may not acquire further rights or assume new obligations, and must terminate its operations. The members (shareholders) are liable for debts arising from the undertakings of the executive officers up to the proposed registered share capital. The executives are personally liable for debts exceeding the proposed registered share capital.

Registration

The foundation of a business association must be reported to the Court of Registration within 30 days of the countersignature of the Articles of Association. The pre-company status ends as of the date of registration. Companies can also be established by simplified registration procedure using standard forms.

Directors

A director of a company must be an individual; it is not possible for a company to be a director. Directors are elected by the Members' Meeting (General Assembly) for a fixed term (max. five years) and may be re-elected or recalled at any time.

Supervisory Board

A Supervisory Board is comprised of non-executive directors. A supervisory board must be established by all nyrts and it can be requested by shareholders or prescribed by law. The Articles of Association may assign authority to the supervisory board to elect and remove the executive directors, establish their remuneration and approve particular transactions.

Auditor

The auditor must be named in the Articles of Association, can be appointed for a period of five years and can be re-appointed. The company's members may not make a decision to approve any report prepared pursuant to the Accounting Act in the absence of a written opinion from the auditor. Further, the auditor is expected to review all substantial business reports submitted to the members' meeting and report whether they contain correct data and comply with the law. The auditor must take part in meetings of the company's members.

Transformation of Business Associations

Transformation can result from a change from one corporate form to another (e.g. a Kft. can reregister as an nyrt or zrt, or vice versa), or from corporate reorganizations such as mergers and de-mergers (division into two or more new companies or separation of part of the activities into a new company).

Equity

In case net equity falls below the statutory limit (66% of registered share capital of an nyrt's or zrt's or 50% of a Kft.'s registered capital), a members' meeting must be convened in order to take decisions necessary to ensure that the position will be rectified, otherwise the auditor must inform the Court of Registration.

If a business association's equity shown in its annual report is less than the minimum capital required for its form of business association for two consecutive years, the business association will be required to reregister as a different form of business association unless the members of the business association provide the necessary equity within a period of three months after the approval of the annual report for the second year. The new form of business association chosen must be one for which the entity meets the minimum registered capital requirement or for which the Companies Act does not specify a minimum registered capital.

Limited Liability Company (Kft.)

The Limited Liability Company is a very popular form of company for small and medium sized enterprises in Europe. The Hungarian Kft. form is very close to the German and Austrian GmbH (Gesellschaft mit beschränkter Haftung) and similar to the British Ltd (private company limited by shares). It is possible to establish a single-owner Kft.

The capital of the company is comprised of the capital contributions of the individual members, which can be contributions in cash and in kind. Only those objects, intellectual works or rights, which can be subject to foreclosure and which can be transferred by the business association without the consent of a third party, may be taken into account as contributions in kind. The amount of initial capital may not be less than HUF 500,000.

Each member has an identified percentage share of the total capital and a single share may be owned by more than one person. Each share cannot be less than HUF 100,000 and it has to be exactly divisible by 10,000. The administration of the company's affairs and representation of the company is carried out by the managing director (or directors).

Company Limited by Shares (Rt.)

A company limited by shares is the other popular corporate form for medium-sized or larger companies all over Europe. The Hungarian nyrt or zrt is very similar in form to the German and Austrian AG (Aktiengesellschaft) and similar to the British PLC (Public Limited Company). A zrt is a private company if its shares are not issued publicly. A nyrt is a public company if at least some of its shares are issued to the public.

The share capital of an nyrt must not be less than HUF 20 million, and that of a zrt must be at least HUF 5 million. Shares are securities embodying membership rights and can be bearer shares or registered shares. Different classes of shares can be issued, such as ordinary shares, preference shares, employees' shares, interest-bearing shares and convertible shares.

The supreme body of a company limited by shares is the general meeting of shareholders. An Rt. must have a Supervisory Board and a Board of Directors (except that the Deed of Foundation of a private Rt. (zrt) may provide that there will be no board of directors and that the rights of the board of directors are to be exercised by a general director). The Supervisory Board supervises the management of the company. The board of directors must consist of at least three and at most 15 members who must be natural persons one of them elected as chairman.

Working in Hungary

Work Permits

Foreign persons can usually be employed in Hungary only if they hold a valid stay visa or residence permit and work permit.

Stay visas: foreign persons who wish to work in Hungary must apply for a stay visa unless there is an agreement between Hungary and their country of citizenship. The stay visa is issued for one year. A stay visa is granted by any Hungarian embassy in the home country of the applicant.

Residence permits: if the foreign person intends to work in Hungary and the stay visa has expired, a residence permit is required. The person must register and apply for a residence permit at the relevant police station for the place of residence. The registration procedure is subject to a fee.

Work permits: an application must be submitted by the employer to the relevant local Labour Center prior to applying for a stay visa. Chief executives appearing in the Company's documents filed with the Court of Registration are not subject to work permit requirements. The work permit is granted for a maximum period of one year but may be extended.

Employment Law

The basic elements of employment contracts are regulated by the Hungarian Labour Code, which is broadly similar to employment law in other European Union countries.

There is a national minimum wage. As of 2011, the minimum gross monthly wage is HUF 78, 000. Minimum base of social security contribution is HUF 78,000 per month as well.

Taxation: for taxes on dependent/independent personal services please refer to the chapter “taxation of individuals”.

Accounting and Auditing

Introduction

Hungarian accounting regulations and the annual reporting requirements for companies are set out in Act C of 2000 on Accounting (‘the Act’), introduced as part of the legal harmonization process in advance of EU Accession. The Act also establishes rules for independent auditing.

There are additional Acts and government decrees which affect accounting in specific industries such as banking and insurance, based upon the European Union Bank Accounting Directive.

The requirements of the Act extend to all business organizations, including branches of foreign organizations but not representative offices.

The Act incorporates accounting assumptions and principles, which are predominantly the same as those approved by the International Accounting Standards Board (‘IASB’). There can still be significant differences between financial statements prepared in accordance with HAS and IFRS; some of these differences arise due to different recognition and measurement principles but normally most result from different presentational and disclosure requirements.

The Act adopts basic principles such as going concern, accruals, consistency and prudence. It requires annual financial statements to be prepared on the assumption that the entity will be a going concern. The principles of substance over form and materiality have been introduced to achieve a fair presentation. Corporate liability to taxation is still closely dependent on the recording of financial transactions in accordance with the detailed accounting rules set out in the Act.

The accounting records are generally closed off at 31 December each year. However, subsidiaries and branches of foreign entities can account to another balance sheet date if the foreign entity's balance sheet date is not 31 December. The accounting records are kept in Hungarian, descriptions of the accounting policies and the chart of accounts must be prepared.

All economic organizations must issue a financial report following the end of each business year. The Annual Report consists of a balance sheet, a profit and loss account, a supplement (including a summary of accounting policies applied, notes to the accounts and a cash flow statement) and the business report. The balance sheet and the profit and loss account must be based on and supported by, bookkeeping records; comparative figures must be shown, all in Hungarian.

Accounting Rules

Transactions are normally recorded at historical cost, inflation accounting is not permitted, and contributions in kind are recorded at valuation. General revaluations of assets are only permitted in exceptional circumstances (such as on merger or the transformation of a company).

Filing Requirements

All legal entities must file their Annual Report to the company information service electronically through the Government website within 150 days after the balance sheet date. The managing director of the entity must sign the Report. It should contain the auditor's report, where an audit is required, as well as the proposal or resolution pertaining to the utilization of the after-tax profit. The business report need not be filed but must be available for inspection at the registrant's own head office.

Auditing

The general rule is that all companies must appoint independent auditors. Exemptions: companies with less than HUF 100 million average annual sales over the past two years (pro-rata annual sales in the first accounting year) and no more than 50 employees do not have to appoint an auditor.

Other Matters

Specific rules and legislation apply to certain types of entities:

Banking and other financial institutions are legislated under the Act CXII of 1996 on Financial Institutions and Financial Institutional Activities and associated rules and regulations. Special accounting rules require banks to establish a risk reserve to cover the risks associated with off balance sheet commitments and contingencies.

Insurance companies are legislated for under Act XL of 2003 on Insurance Companies and Insurance Activities.

Brokerage firms are regulated by Act CXX of 2001 on Capital Markets. Brokerage firms must also meet the requirements of several sets of rules and regulations established by the BSE.

Accounting in foreign currencies

If the functional currency of a company is a currency other than Hungarian Forint, the company may choose to prepare its annual reports in that currency. The condition of this is that at least 25% of its

income, expenses and costs; and

financial assets and financial liabilities

occurred in that currency in the previous two years.

From 2010, all companies may choose to prepare their annual reports in euros. Companies must change the accounting policy and deed of foundation accordingly before the first day of the business year.

Corporate Tax

The basic principles for the taxation of business profits are detailed in the Corporate Tax Act. The tax is charged at a standard rate of 19%. A 10% discount rate is available up to a tax base of 500 million HUF, without any further criteria (the 10% rate will be extended to the whole of the tax base as of 2013).

Tax is charged on the maximum of the profit and the expected profit at the effective CIT-rate. The expected profit is 2% of the difference between the total revenue and the cost of goods and services sold in the business year.

No withholding tax arises on dividends payable to other corporations.

Non-Business Expenses

In general, expenses not considered to be for business purposes are not recognized for tax purposes. The tax legislation provides a list of various costs and expenditure that are not seen as incurred in the interest of the business, and hence, not deductible. All services exceeding HUF 200,000 must be documented in writing, the nature of the service must be determined and the business purpose must be proven.

Depreciation

The Act on Accounting relates depreciation rates to the expected useful life of the asset.

The rates stated in the Corporate Tax Act, deductible for corporate tax purposes:

Machinery and equipment:	14.5%
Computers:	33%
Vehicles:	20%
Buildings:	2% / 3% / 6% (Depending on type)
Intangibles:	Accounting Life
Leased Buildings:	5%
Leased tangible assets:	30%

There have been some incentives introduced in the CIT law, which allow accelerated tax depreciation for the following assets:

50% depreciation on IT machinery and on motion picture and video production equipment

50% depreciation on new tangible assets which would otherwise be subject to a 33% or 14.5% rate; (also on intangible properties purchased or produced and to the capitalized value of experimental development)

A taxpayer is permitted to deduct a development reserve, i.e. amounts expected to be spent on capital expenditure in the four years following the creation of the reserve (maximum 50% of taxable profits or HUF 500 million). Development reserve may not be utilized for an investment or an asset purchased which may not or should not be depreciated (e.g. land) based on the accounting regulations (double deduction is not allowed). Development reserves made before 2009 can be released within six years instead of the standard four years.

Debts Written down

Hungarian Accounting Law requires a provision to be made for doubtful debts. A tax deduction can only be claimed when the debt is a bad debt. 20% of receivables expired for more than a year is deductible from the tax base for each of the next five years.

Thin Capitalization

The debt to equity ratio is 3:1 for thin capitalization calculation purposes. The thin capitalization rules apply to interest on loans granted by both related and unrelated parties and also bonds and other loan securities issued exclusively to one party, while loans made through banking institutions are exempt.

Research & Development ('R&D') expenses

Generally, a double deduction can be claimed for the expenses of R&D carried out by the company itself. Exception: R&D activities supported by governmental subsidies to the extent of the subsidies, or R&D activities rendered by other taxpayers directly or indirectly.

Transfer Pricing

Transfer pricing rules allow the tax authorities to adjust taxable profits where transactions between related parties are not at arm's length. The current legislation prescribes the methods applicable for determining a fair market price and also the way in which these must be applied. The taxpayer may also calculate the fair market price using any alternative method, provided they can prove that the market price cannot be determined by the methods included in the Act, and the alternative method suits the purpose. OECD transfer pricing principles are generally accepted in Hungary. Taxpayers are obliged to prepare detailed transfer pricing documentation (Exceptions: small businesses).

Loss Carryforwards

Losses can be carried forward without time limitation. However, losses generated before 2009 can only be carried forward with Tax authority permission under some circumstances. In the event of a transformation, a legal successor is permitted to use the losses of a predecessor. Loss carryforward is also permitted for financial institutions from 2010.

Tax Incentives

As a result of Hungary's EU accession, the incentivization by the state of the private sector has had to be limited.

Tax Allowance for Small and Medium-sized Enterprises (effective as of 1 January 2001): Small and medium sized companies, as defined by the Act on Small and Medium Sized Companies and on subsidies to these, may apply for a tax incentive with regard to the interest payable on loans borrowed from a financial institution for the purpose of purchasing or manufacturing tangible assets (including a second loan obtained to refinance an existing one). The company must qualify as a small or medium sized company on the last day of the tax year when the loan contract is entered into and the contract must have been entered into on or after 1 January 2004.

The tax incentive equals 40% of the interest paid on the loan in a tax year.

Tax Incentives Related to Investments started after 31 December 2002. The Ministry of Finance grants tax incentives for a maximum 10-year period for the following investments started after 31 December 2002, which are executed within the framework of the development program published by the government.

1) For investments of at least HUF 3 billion present value or in case of investments in certain special regions in value of at least HUF 1 billion present value, which meet any of the following requirements during the four years following the first year in which the tax allowance is utilized:

the average number of persons employed should be increased by at least 150 (or 75 in certain special regions), or

the taxpayer's annual wage costs should be increased by at least six hundred times the minimum wage calculated for the tax year (three hundred times in certain special regions), or

2) For investments of at least HUF 500 million present value carried out by a small or medium enterprise, which meet any of the following requirements during the four years following the first year in which the tax allowance is utilized:

the average number of persons employed should be increased by at least 50 or 20 in case of small enterprises, or

the taxpayer's annual wage costs should be increased by at least hundred times the minimum wage calculated for the tax year (fifty times in case of small enterprises).

3) For investments of at least HUF 100 million present value for:

projects bringing an existing food facility producing foodstuffs of animal origin into compliance with the requirements laid down in legal regulation concerning food hygiene, or

independent environmental protection or rehabilitation projects, or

broadband Internet service projects,

motion picture and video production, or

projects founding or expanding R&D activities in certain places.

4) For investments creating new jobs for the initial year and the following five years if the project in question is for the creation of a new facility, the expansion of an existing one, or involving a significant improvement in the product that is manufactured or in production technology. This allowance can be utilized if certain additional conditions are met. For example at least 20% of the total workforce hired for the new jobs created under the development program is "first-time employee".

The investment must be reported to the Ministry of Finance. The benefit of this incentive is a tax relief of up to 80% of the corporate tax liability, however in total no more than a certain percentage of the capital invested (depending on the particular industry).

Tax Benefit on Software Development Wage Costs

10% of payroll costs booked as direct R&D costs and 10% of the payroll costs of software developers may be deducted from the corporate income tax payable in the respective tax year and in the next three years in equal instalments, provided that the taxpayer has corporate income tax payable in the respective periods. Small and medium-sized enterprises can deduct an additional 15% of the payroll costs of software developers. As the maximum amount of tax benefits is capped at 70% of the calculated tax liability, any remaining amount can be carried forward to be utilized in the following year.

Tax Credit on donations

A tax saving of either 110% or 119% will be available for companies on donations given to film productions, performing arts and certain sport clubs and associations after the European Committee approves this tax credit (football, handball, basketball, hockey and water polo). This can be achieved through a 100% tax credit and a tax base decrease.

Relief from Tax

Foreign Tax Credit

A domestic tax credit system is available for corporations in order to avoid double taxation on foreign-source income other than dividends (which are exempt). Hungarian tax treaties apply either the exemption or the credit method to prevent double taxation.

Reduction of Withholding Taxes

Hungary has concluded a comprehensive network of bilateral tax treaties for the avoidance of double taxation, based mainly on the OECD Model Convention. Among other things, these treaties set reduced rates of withholding taxes in respect of dividends, royalties and interest income. Nevertheless, for royalties and interest paid from Hungary, domestic legislation gives a general exemption, irrespective of the double tax treaties. There is no withholding tax on dividend paid to companies.

Measures against tax evasion

Controlled foreign companies (CFC)

A company not resident in Hungary only qualifies as a CFC if there is a Hungarian beneficial shareholder (with at least 10% share), so most multinational companies will be excluded from this legislation. A foreign entity is considered a CFC if the rate of corporate income tax in the country of residence is below 10%. Companies with residence in EU or OECD states or countries with a double taxation treaty do not need to fulfil the above conditions if they can prove real economic presence in that country.

Real economic presence means that at least 50% of its revenue is derived from manufacturing, processing, agriculture, supply of services, investment or commerce, if these activities are performed with own asset and employees.

Investing activity is defined as “obtaining and holding of participation or security of debt”.

The pre-tax profit will be increased by the after-tax profit of the controlled foreign companies (CFC) less the dividend paid, in proportion to the ownership share. Companies can reduce their corporate income tax base by the dividend received from CFC that is accounted as revenue (but this may not exceed the above increase of tax base).

Property owning companies

From 2010, if a foreign shareholder sells or otherwise disposes of its share in a property owning company, it will be deemed as subject to corporate income tax, and will be taxed on the transaction. The profits on the sale of a property owning company will be taxed at the standard rate. Companies will qualify as property owning companies if 75% of the market value of their assets is property.

Taxation of Individuals

Summary

Payroll taxes	**Tax payable by the employee**	**Tax payable by the employer**
Personal income tax*	16%	-
Social security contribution	17,5%	27%
Contribution to training fund	-	1,5%
Personal Income Tax for other income	**Tax payable by the person who received the income**	**Tax payable by the person from whom the income originates**
capital gain	16%	-
dividend	16%	-

*See below the calculation of the PIT base

Personal Income Tax

Residence

Individuals with Hungarian citizenship and foreign nationals with a valid permanent residence permit and stateless persons are treated as tax residents. In case of other natural persons, the residence status can be determined firstly by permanent residence, secondly by their center of vital interests and thirdly by habitual abode. Individuals are considered to have a habitual abode in Hungary if they stay in the country for more than 183 days during a calendar year (in practice it is understood to be a physical presence test).

Non-resident individuals are subject to income tax on their income from Hungarian sources under the same rules as residents. Hungarian resident individuals are subject to individual income tax on their worldwide income.

Income derived from Hungarian sources is in particular:

income derived from employment with a domestic employer;

income derived from a legal relationship where the party that orders the work is resident in Hungary;

income from activities exercised in Hungary; and

income from assets situated in Hungary.

The provisions of double taxation treaties could be relevant in determining tax residence for certain purposes and which country has the taxing rights over different forms or income.

Individuals are subject to tax on the aggregate amount derived from different types of income unless the income is specified as benefit in kind, which is taxed separately. Income is defined as "any increase in wealth or value obtained in any manner and form".

The personal income tax is levied on the aggregate tax base according to a linear scale. Tax on employment income from a Hungarian employer is withheld at source by the employer. When calculating the income comprising the consolidated tax base, a tax base addition must be applied. In the case of revenues from capital, no tax base addition is applied. The tax base addition is 27% in 2011, will be halved to 13.5% from 2012 and will be abolished from 2013.

Taxation of Certain Specific Benefits

Fringe benefits are treated as taxable income. There is a 16% personal income tax (with a 19% tax base addition) on fringe benefits, and a 27% healthcare contribution or social security contribution is payable as well. Benefits specified in the law include the value of meals provided at the workplace exceeding HUF 18,000 per month per person, childcare services and certain accommodation facilities provided and operated by the employer.

A certain range of fringe benefits are taxed at a rate of 16% (with a 19% tax base addition) and neither healthcare nor social security contribution is payable on them. These fringe benefits include vacation vouchers, local travel passes, hot meal vouchers, etc.

Housing provided by a Hungarian entity both in cash and in-kind is taxed as a part of employment income if supported by an employment contract or as benefit in-kind under certain circumstances. In the case of foreign employees, who are only seconded to Hungary and do not possess an employment contract with a Hungarian entity, housing is treated as a non-taxable benefit-in-kind.

Should the interest charged on an employee loan be less than the Hungarian National Bank prime rate plus 5 percentage points – or the standard market rate if the taxpayer is able to prove that the standard market rate is lower –, then the difference is taxable as income interest rate discount at a rate of 16%. Salary advance payments exceeding five times the minimum wage are treated as below market rate loans as well.

Business travel and accommodation expenses are business expenses if properly documented and supported by invoices. If the invoices do not name the employer (i.e. the actual payer of the expense), or if invoices are not provided to the employer, the costs reimbursed by the company are treated as employment or other income of the individual.

The private use of telephone services will be considered as a taxable benefit in kind as of the same date. If the private use cannot be separated, 20% of the costs are considered as taxable benefit in kind.

Exemptions

Various types of income are exempt or not taxed under the tax legislation. These include:

income from the disposal of real estate if the real estate was purchased more than 15 years (5 years in case of dwellings) prior to the sale;

capital gains on certain publicly traded bonds;

certain housing subsidies;

educational, health and social welfare benefits in kind, insurance compensation, compensation for meals and work clothes provided by the employer;

certain scholarships.

Deductions

In general, expenses incurred for the purpose of pursuing business activity are deductible in order to determine the tax base from independent or other activities. The tax legislation provides two options for the deduction of such expenses: either the deduction of actual expenses or the deduction of a lump sum allowance of 10% of gross revenues.

No expense deductions from employment income are allowed. Foreign mortgage and other interest are not deductible, nor are contributions to foreign pension or insurance schemes.

Relief from Tax

Elimination of double taxation

Under its double tax treaties, Hungary usually gives relief by way of exemption with progression. This means that income taxed abroad does not form part of taxable income, though it is included in the taxable base in order to determine the tax rate applicable to the taxpayer's other income. The wording of each double tax treaty should be considered on its own merits.

Other Tax Credits

Allowances and other deductions from taxable income are granted in the form of tax credits; contributions paid to Hungarian voluntary private pension schemes, or to voluntary private health funds and for income used for paying back housing related loans (with limitations). There is a monthly personal income tax credit up to HUF 12,100, fully available for individuals earning less than a HUF 2,750,000 annual salary and partly available up to an annual income of HUF 3,960,000.

A generous tax allowance scheme is available from 2011. 62,500 HUF per child is deductible from the monthly consolidated tax base if the employee has one or two children, and 206,250 HUF per child is deductible if the employee has at least three children, under some circumstances.

Social Security Contributions

The contribution to health insurance and employment fund payable by employees is 7.5%.

There is a combination of a two- and a three-pillar pension scheme in Hungary. Private individuals can choose whether they want to pay the 10% pension insurance contribution to the state pension fund, or to pay 8% to a private pension fund and 2% to the state pension fund. The people who choose to pay to a private pension fund will not be entitled to any pension from the state pension fund.

A total of 27% social security contribution is payable by the employer, of which 24% is paid to the state pension fund, 2% to the health fund and 1% to the employment fund.

For 2011, the ceiling for the payment of the contributions under the state pension scheme and under the private schemes remains HUF 7,665,000 for individuals.

Employers are required to pay a contribution calculated on the basis of the wages and salaries of their employees.

Employees: the contribution is withheld from their salaries or wages by the employer.

Social security contributions are mandatory for Hungarian employees, foreign employees employed by Hungarian entities, foreign employees under certain Social Security Totalization Agreement provisions and in certain other cases, including employment by another EU company. Employees not subject to, but wishing to benefit from the Hungarian social security system are allowed to contribute to the system based on an agreement.

From 2010, a 27% healthcare contribution charge is due on a broad range of types of income including:-

remuneration and benefits-in-kind not subject to the 27% social security contribution;

discounted rates of interest on loans;

A 14% health care charge is due on other several types of income including:

dividend received by private individuals

profit on exchange rate difference

incomes from real estate rental if the annual income exceeds HUF 1,000,000.

Indirect Taxes

Value Added Tax

The new Hungarian VAT legislation came into effect on 1 January 2008, and it is fully harmonized with the EU Directive 112/2006/EC.

VAT applies to all natural persons, legal entities and associations of individuals and partnerships, which supply goods or services on a regular basis or business-like manner for profit. Foreign entities performing VAT-able business activities in Hungary are obliged to register for VAT and fulfil their VAT obligations under the Hungarian legislation.

All taxable entities that have a registered seat or permanent establishment in Hungary and belong to the same group can choose VAT grouping. The members of the group will be recognised as a single taxable person and they will file one consolidated VAT return.

VAT is levied on supplies of goods and services performed in Hungary, on intra- Community acquisitions and on importation of goods (for VAT purposes the territory of Hungary includes the customs free and transit zones as well as bonded warehouses).

The VAT base covers not only tangible goods and services, but also intangibles. Certain kinds of goods and services are exempt from VAT.

Generally, the Hungarian VAT law applies the destination principle to cross-border transactions. Therefore, exports of goods, certain services and intra-Community supplies of goods are zero-rated. In other words, these transactions are not subject to Hungarian VAT. The supplier in such transactions, being a VAT registrant, can claim input tax credits to recover the VAT paid on its own business related purchases.

Reverse charges

VAT is to be paid by the taxable person acquiring the goods or services in connection with construction and similar works, provided that the alteration of the property is subject to authorisation by a building authority.

There are three VAT rates:

25% is the general rate and is applied to most products and services;

18% is the rate applicable to milk, dairy products, bread, pastry and commercial accommodation services;

5% is the reduced rate is largely restricted to books, basic medicines and district heating.

The basis of assessment is the sales value of the goods or services, although an adjustment is possible if the sales value is substantially below market price.

VAT Refund for Non-residents

Non-resident taxpayers of any EU Member States and from countries that have concluded bilateral agreements for the avoidance of double taxation on VAT may obtain a VAT refund under certain circumstances in their country of residence.

Exporting to and from Hungary

Hungary belongs to the Customs Union of the European Union (EU). Customs duties are payable on most goods imported across the EU external borders, but do not apply to goods in free circulation moving across internal EU boundaries. All references to imports are to imports from outside the EU.

Customs duties are mainly charged on the value of goods and VAT is also charged at importation. Any VAT paid at import may be recovered as input tax, provided that the importer is registered for VAT and the goods are for use in its VAT-able business activities.

The acquisition of goods into Hungary from other EU Member States by a person registered for VAT in Hungary is known as an intra-Community acquisition. A person making an intra-Community acquisition in Hungary is required to self-account for Hungarian VAT on their VAT return at the rate of VAT applicable to the goods by reference to the consideration paid. Provided that the goods are acquired for a VAT-able purpose, that person may make a simultaneous matching deduction on their VAT return for the VAT arising on the intra-Community acquisition.

Once all import duties have been paid, goods are in free circulation in the EU and may pass to any other EU member state without further payment of customs duty.

From a VAT perspective, the export of goods to a destination outside the EU can be zero rated, provided that the exporter can produce the necessary evidence of export.

For goods destined for other EU member states, the supply may be zero rated for VAT purposes, provided that the customer's VAT number is quoted on the sales invoice and the evidence of ‘export’ is retained. Zero rating for VAT purposes does not apply to ‘exports’ of goods to customers in other EU member states which are not registered for VAT. In such circumstances the supplier may be required to register for VAT in the member state to which the goods are supplied, depending on the level of sales to that state.

Excise Duties

The legislation follows the concepts laid down in the relevant EU legislation.

Excise duty is charged on a variety of goods including alcohol, tobacco products, motor vehicles' hydrocarbon oils and their derivatives, and goods containing any of these products. Excise duty is usually related to weight or quantity rather than to value.

The general foundation of the excise duty requires that the tax liability be computed at the time the excisable goods enter the country or when produced in Hungary.

Other Taxes and Duties

Gift and Inheritance Duties

Hungarians and foreign persons who inherit property in Hungary are liable to pay inheritance duty. The applicable rate of the inheritance duty depends on the relationship between the disposer and the beneficiary and the value of the base of the duty. A person who receives a gift in Hungary is subject to gift duty. The rates of gift duty are largely similar to inheritance duty. However, the rates of both types of duty are lower in the case of real property.

Both gift and inheritance is exempt from duty in the case of direct relatives.

There are other exemptions from inheritance and gift duties as well, for example: inheritance/acquisition of ownership (ownership share) of a plot of land suitable for the construction of a residential house, and rights of pecuniary value in respect of such real property, if the beneficiary builds a residential house on such inherited/acquired real property within four years. Inheritance of property with a value up to 20 million HUF is exempt from duty, as well as inheritance of Hungarian State securities.

Registration Fees and Stamp Duties

There are a number of types of fees and duties that may also apply to business associations. The registration fee at the Court of Registration amounts to HUF 600,000 for public limited liability companies and HUF 100,000 for other legal entities. In the case of registration of a Hungarian branch of a foreign legal entity, the fee is HUF 50,000. The duty payable for the registration of companies under simplified proceedings is 15,000 HUF.

Motor Vehicle Tax

The operators of road vehicles (cars, trucks, etc.) are subject to a differential annual tax payment. In case of cars, the tax is based on the wattage and age of the car (it varies between 140 and 345 HUF/kW). For other vehicles, the tax is based on the weight.

Company car tax is HUF 7,000 per month on cars under 1600cc and HUF 15,000 per month on cars over 1600cc. The Personal income tax act no longer includes provisions for the private use of company cars.

Property Transfer Duty

Individuals and legal entities are subject to property transfer duty levied on the transfer of Hungarian real estate or any rights related to such property and motor vehicles. The acquisition of shares in a company that owns property in Hungary is also subject to the duty . The duty is payable by the transferee and is levied on the market value of the property transferred at the following rates:

2% for apartments and houses on the first HUF 4 million of their value and 4% on the remaining value;

4% for all other real estate and any taxable right up to 1 billion and 2% on the remaining value, but no more than 200 million;

2% on commercial real estate if the buyer is a property trading company (with specific requirements);

HUF 18 or 24 /cm3 depending on the engine capacity of motor vehicles.

Contribution to the Rehabilitation Fund

This fund provides assistance to disabled employees. Disabled people should comprise a minimum of 5% of an employer's headcount. Any employer not meeting this criterion is obliged to pay a contribution of HUF 964,500 per disabled person not employed per annum in 2011. The contribution is not levied if the total number of employees does not exceed 20.

Contribution to the Vocational Training Fund

Employers are required to contribute to this fund, which supports various vocational schools in Hungary. The contribution is at a rate of 1.5% of the social security contribution base.

Environmental Protection Charge

This single-stage tax is imposed on the domestic manufacturer, importer or intra- Community acquirer of certain listed products used within the Territory of Hungary, which could prove to be harmful to the environment. These products include certain oil products, rubber tyres, cooling equipment and refrigerants, wrapping materials, batteries, commercial printed papers and electric and electronic equipment. The amount of levy is specifically set out for each type of product and is generally computed as an amount per kilogram of product.

Environmental Pollution Charge

From 2004, anyone emitting pollutants into the environment (air, water, soil) is liable for environmental pollution charge payment. The basis for this charge is the total amount of the pollutant emitted annually, expressed in its relevant unit of measurement. The amount of the pollution charge is determined in the Law by the unit charge of the pollutant.

Each charge is paid quarterly in the form of a tax advance, the difference between the actual pollution emission charge and the tax advances paid should be settled not later than 31 March of the following year. In certain instances, exemptions or allowances can be available to those which fulfill certain conditions.

Innovation Contribution

Innovation contribution is payable by every entity subject to the Accounting Law, however micro- and small enterprises are exempted. The contribution is derived from the local business tax base; the applicable tax rate is 0.3%. The annual amount of innovation contribution payable can be reduced by the cost of R&D activity carried out by the taxpayer itself (state subsidies received for this purpose are excluded).

Energy Tax

The energy tax is payable based on megawatts for electricity and on gigajoules for natural gas. The rate of energy tax is defined as 295 Ft/MW for electricity, and 88,5 Ft/GJ for natural gas. This tax is related to national and administrative institutions and energy intensive producer sectors. Tax must be paid by public utility providers, energy traders, eligible consumers purchasing energy directly from a producer, or directly from another EU member state, or directly from a third country, producers of energy for own use and end-users purchasing previously non-taxed energy.

The tax liability arises on the day of performance as defined by the VAT law or on the day of customs clearance or on the day of private utilization respectively. The monthly tax return is to be filed by 20th of the following month. This tax falls under the responsibility of the Customs Authority.

Registration Tax

Registration tax payment liability arises on the sale of cars and motorcycles through which cars are put into Hungarian circulation. The tax is borne by the seller, importer, and the party acquiring the vehicle from another member state or the one transforming the vehicle. The amount of flat rated tax varies between HUF 250,000 and 9,622,000 depending on the engine capacity and the environmental classification, and forms part of the VAT base.

Contribution of the credit institutions

This new tax was introduced on 1st January 2007. Credit institutions and financial companies must pay 5 per cent contribution for the interest on the loans in case of state subsidiary.

Credit institutions are liable to another special tax based on their modified balance sheet total of 2009. The tax rate is 0.15% of the tax base up to 50 billion HUF, and 0.53% of the tax base above 50 billion HUF. Insurance companies, financial enterprises and investment manager companies are also liable to a special tax based on their revenues. Credit institutions also pay 30% surtax on their pre-tax profit, but this can be deducted from the special tax.

Sector specific surtaxes

The affected sectors are store retailing, telecommunication and energy supply. The tax liabilities of the companies of each sector are determined on a progressive scale. These tax liabilities can be accounted against the pre-tax profit, so they decrease the corporate income tax base.

Simplified Entrepreneurial Taxation (EVA)

Private entrepreneurs and small businesses can choose the simplified entrepreneurial taxation if their total annual revenue did not exceed HUF 25 million in the past two years. EVA has a flat rate of 30%, and it replaces corporate tax, VAT, dividend tax, solidary surtax and personal income tax. The tax base is the modified gross revenue.

Simplified Contribution to Public Revenues (ekho)

Any private individuals can apply to choose simplified contribution to public revenues (including pensioners) under certain conditions. The applicant needs to work in a field such as journalism, film, music, editing, creative arts or sports, and the annual revenue must not exceed HUF 25 million (HUF 100 million in the case of professional sportsmen). The tax base is the net income, private individuals pay 15% ekho (11.1% for pensioners) and the payer is liable to a 20% tax rate.

Local Taxes:

There are a number of local taxes, which may be (and usually are) imposed at the discretion of the various local authorities:

Local Business Tax

Enterprises pay local business tax on all business performed on a permanent or temporary basis in municipal areas. The base of this tax is an enterprise's gross sales revenue less cost of goods acquired for resale and the value of mediated services and subcontractors' fees. Material costs are also fully deductible. The maximum rate of tax is 2% of the tax base, which can be lower depending on the particular municipal area where the company is undertaking its business. Service providers get very limited relief and are required to compute their local tax based almost wholly on gross revenues.

Since the national law provides no minimum levy, it is up to each municipality to determine whether it will impose this tax and if so, the rate it will charge. Therefore, it may be increasingly important to consider municipalities that offer the lowest rates.

If the taxpayer hires new employees, it is possible to obtain a local business tax base decrease of HUF 1 million for each new individual (provided that the employees are taken over from non-related parties). However, if the number of the employees decreases by more than 5%, the tax benefit should be repaid.

The local business tax is payable to the local government.

Property Taxes

A property tax can be imposed on a company each year. For buildings, the tax is based on square meters (maximum HUF 1100 per m2 per year) or on the market value of the building (maximum 3.6%). Similarly for land, the tax is based on square meters (maximum HUF 200 per m2 per year) or on the market value of the land (maximum 3%).

Appendix: treaty and non treaty withholding taxes rates

	Dividends (%)	*Interest (%)*	*Royalties (%)*
Non-treaty countries:			
Corporations	0	0	0
Individuals	16	16	16
Treaty countries[1]*:*			
Albania	5/10	0	5
Armenia	5/10	10	5
Australia	15	10	10
Austria	10	0	0
Azerbaijan	8	8	8
Belarus	5/15	5	5
Belgium	10	15	0
Brazil	15	10/15[2]	15/25[3]
Bulgaria	10	10	10
Canada	5/10/15	10	0/10[4]
China	10	10	10
Croatia	5/10	0	0
Cyprus	5/15	10	0
Czech Republic	5/15	0	10
Denmark	5/15	0	0
Estonia	5/15	10	5/10[5]
Egypt	15/20	15	15
Finland	5/15	0	5
France	5/15	0	0
Germany	5/15	0	0
Greece	10/45[6]	10	10
Hongkong	5/10[7]	5	5
Iceland	5/10	0	10
India	10	10	10

	Dividends (%)	*Interest (%)*	*Royalties (%)*
Indonesia	15	15	15
Ireland	5/15[7]	0	0
Israel	5/157	0	0
Italy	10	0	0
Japan	10	10	0/10[8]
Kazakhstan	5/15	10	10
Kuwait	0	0	10
Latvia	5/10	10	5/10[5]
Lithuania	5/15	10	5/10[5]
Luxembourg	5/15	0	0
Macedonia	5/15	0	0
Malaysia	10	15	15
Malta	5/15	10	10
Moldova	5/15	10	0
Mongolia	5/15	10	5
Montenegro[9]	5/15	10	10
Morocco	12	10	10
Netherlands	5/15	0	0
Norway	10	0	0
Pakistan	15/20	15	15
Philippines	15/20	15	15[10]
Poland	10	10	10
Portugal	15/10[11]	10	10
Romania	5/15[12]	15	10
Russia	10	0	0
San Marino	0/5/15	0	0
Serbia[9]	5/15	10	10
Slovakia	5/15	0	10
Slovenia	5/15	5	5
Singapore	5/10	5	5

	Dividends (%)	*Interest (%)*	*Royalties (%)*
South Africa	5/15	0	0
South Korea	5/10	0	0
Spain	5/15	0	0
Sweden	5/15	0	0
Switzerland	10	10	0
Thailand	20/15[13]	10/25[14]	15
Tunisia	10/12	12	12
Turkey	10/15	10	10
Ukraine	5/15	10	5
United Kingdom	15/5	0	0
United States	15/5[15]	15	0
Uruguay	15	15	10/15[16]
Uzbekistan	10	10	10
Vietnam	10	10	10

NOTES:

The above rates under the heading 'Treaty' apply only to individuals. There is no withholding tax on corporations.

The 10% rate applies to interest from loans and credits granted by a bank for at least eight years in connection with the selling of industrial equipment or the installation of industrial or scientific units and with public works.

'Royalties' include technical fees. The higher rate applies to trademarks.

The lower rate applies to cultural royalties, excluding films.

The lower rate applies to:

(a) industrial, commercial and scientific equipment rentals

(b) royalties for transmission by satellite, cable, optic fibre or similar technology.

The 10% rate is applied if the dividend is paid by a company resident in Hungary, and 45% is withheld in case of a Greek resident company.

This rate applies if the recipient company owns directly at least 10% of the capital in the Hungarian company.

The lower rate applies to copyright royalties including films.

The treaty of 2001 concluded between Hungary and the former Federal Republic of Yugoslavia.

The tax rate may be lower if the lowest rate of Philippine tax that may, under similar circumstances, be imposed on royalties derived by a resident of a third State is less than this.

This rate applies if the recipient company has owned directly at least 25% of the capital in the Hungarian company for at least two years.

This rate applies if the recipient company owns directly at least 40% of the Hungarian company.

This rate applies if the recipient company owns directly at least 25% of the capital in the Hungarian company, which is engaged in an industrial undertaking.

The lower rate applies to interest received by any financial institution.

This rate applies if the recipient company holds at least 10% of the voting stock in the Hungarian company.

The 10% rate applies to technical services.