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ÜGYVÉDI IRODA

SETTING UP A LIMITED
LIABILITY COMPANY

&

RESIDENCE OF THIRD-
COUNTRY NATIONALS

&

INVESTMENT IN REAL ESTATE

in Hungary

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ABOUT US

The law firm was founded in 2005 by Balázs Téglásy Dr., who is still the leading lawyer of the firm. The firm's activities cover various areas of civil law, criminal law, commercial law and corporate law. The scope of the law firm's activities includes, inter alia, the establishment, operation and dissolution of companies, as well as legal assistance in relation to real estate and civil litigation and non-litigation.

Our office also acts for business companies, both in connection with day-to-day business and in the drafting of medium and long-term contracts and in assisting our clients in the implementation of individual projects.

SETTING UP A LIMITED
LIABILITY COMPANY

IN HUNGARY

WHY HUNGARY?

I. SIMPLE COMPANY REGISTRATION (SEE P.)

- **General procedure for company registration:** 3 days for formal examination, 8 days for substantive examination, 15 days for decision on registration + 30 days for possible rectification
- **Simplified procedure for company registration:** 1 business day

II. TAXATION

- **Corporate tax rate:** 9% (lowest in the EU)
- **Tax benefits**
 - *Development tax allowance:* the calculated tax can be reduced up to 80%; available for the commissioning and operation of specific investments
- **Additional reductions of up to 70%** of the reduced tax for the following: support for spectator team sports, support for film production, training for cooperative community foundations, investment and renovation for energy efficiency purposes
- **Growth tax credit facility (NAHI):** the NAHI facility is a tax credit whereby eligible businesses are allowed to pay only a certain proportion of the tax for the current year and pay the remaining tax over the following two tax years, so that they can use their remaining financial resources for their further financial growth
- Automatic (and free) generation of an EU tax number, if requested by the company on the website of the tax authority (NAV)

Q&A I.

Who can set up a company?	One or several natural person or legal entity.
What is the minimum initial capital?	3.000.000 HUF (ca. 7100 EUR)*
What is the minimum contribution rate?	100.000 HUF
Management	<ul style="list-style-type: none">• Headed by a single managing director or board of directors• The person(s) authorised to represent the company are listed in the register of companies• Liability vis-à-vis creditors: liability in tort, only in the event of the company's dissolution without legal succession, if the creditor's claim remains unsatisfied
Liability of its members	The members are not liable for the debts of the legal person.

*The Hungarian system allows this amount not to be paid immediately and it is also possible to make it available to the company as a non-pecuniary deposit.

Q&A II.

Are there any restrictions on the transfer of shares?	Transferable between members without restrictions. Restrictions are only possible when they are included in the articles of association.
What special rights can be attached to a share?	A right of pre-emption may exist in the event of a sale of the share.
How can the share capital be increased?	By raising capital or by charge on assets other than share capital.
Supervision and Supervisory Board	Only recommended for larger companies.

Q&A III.

Annual audit	An audit is not required if the average net turnover of the company has not exceeded HUF 300 million the average number of employees has not exceeded 50 in the previous two financial years.
Members' meeting	The main body of the company, which must be convened at least once a year.
Capital-raising measures	There can be both monetary and non-monetary contributions.
Exclusion of members from the company	A member may be excluded if they jeopardise the aims of the company or their conduct is contrary to the interests of the company.

STEPS TO SETTING UP A COMPANY

	SIMPLIFIED PROCEDURE FOR COMPANY REGISTRATION	TIME REQUIRED
I. CONCLUSION OF CONTRACT	The conclusion of a company contract by the founding members.	Time depending on the procedure of the members.
II. SUBMISSION OF APPLICATION	Submission of the application for registration of the company to the court with jurisdiction for the company's registered office.	The time limit is 30 days from the date of the notarisation of the articles of association.

	SIMPLIFIED PROCEDURE FOR COMPANY REGISTRATION	TIME REQUIRED
III. COMPANY REGISTRATION	After receiving the application, the Court of Company Registration decides whether to register the company or reject it.	The deadline is 1 business day after the reception of the request.
	In the case of a missed deadline by the court, the head of the court will decide on the application.	The deadline is 1 business day from the missed deadline.
	In the absence of a decision by the head of the court, the company may, on the next working day, be registered by operation of law.	On the first business day after the missed deadline.

	SIMPLIFIED PROCEDURE FOR COMPANY REGISTRATION	TIME REQUIRED
IV. IF THE APPLICATION IS REJECTED POSSIBILITY OF EXEMPTION FROM THE LEGAL CONSEQUENCES OF REFUSAL	The application may be re-submitted once, using the documents previously submitted and the fee paid.	The deadline is 8 days from the date of notification of the refusal to register.

ALTERNATIVE SERVICE FOR FAST COMPANY ESTABLISHMENT:

In urgent cases, where it is necessary to set up a company as quickly as possible, our company provides fiduciary company incorporation service to our clients. In this case, at our client's instructions, we incorporate and register the company at the Court of Company Registration. After this has happened, we appoint a new management board of the company as indicated by the client; collect the documents required for the sale of shares; and eventually conclude the shares sale agreement.

COMPANY MANAGEMENT

The register of companies must contain the name (business name) and place of residence (registered office) of the trustee-on-delivery of the person not domiciled in Hungary, whether it is an EU citizen or a legal person, or a third-country person or company. Members of the company (shareholders), senior executives and members of the supervisory board are not allowed to act as trustee-on-delivery.

A foreign individual may be the managing director of a Hungarian company but they must have a trustee-on-delivery established or resident in Hungary.

Under the relevant legislation, the managing directors of the companies registered in Hungary must have a Hungarian address where they can be contacted by the courts and the authorities.

EXPENSES

COSTS

The procedure for registering a limited liability company is free of charge under the applicable Hungarian law.

OUR FEES

If regular incorporation option is chosen by our client, we incorporate the company and represent the client in the registration process for the fee (subject of specific agreement).

If fiduciary company incorporation is chosen by our client, we incorporate the company and represent the client in the registration process for the fee (subject of specific agreement).

VIRTUAL OFFICE

We may provide to you an address necessary for a company registration purposes this service is charged at a cost to be calculated every six months.

FURTHER SERVICES

We charge hourly for further services provided by our staff. Our Law Firm uses an electronic system which precisely records the time spent on case or particular project. The system also records expenses.

RESIDENCE
OF
THIRD-COUNTRY NATIONALS
IN HUNGARY

ABOUT THE RESIDENCE

A third-country national may pursue a gainful activity in Hungary if they obtain any of the following:

- a seasonal work visa,
- a residence permit issued for humanitarian purposes,
- a residence permit issued for the purpose of employment, gainful employment, intra-corporate transfer, family reunification, research or study
- a long-term researcher or student mobility residence permit,
- a short-term mobility certificate for researchers or a student mobility certificate
- or an EU Blue Card

Foreign businessmen who play an active role in the management of their company as managing directors can obtain a residence permit in Hungary. Immigration for business purposes requires the establishment of a company in Hungary, the preparation of a business plan and the fulfilment of the requirements necessary for the successful operation of the business. As soon as the managing director is granted a residence permit, their spouse and children can apply for it through family reunification. The scheme is open to anyone, regardless of nationality.

RESIDENCE PERMIT

A third-country national holding a valid residence visa or a national visa is entitled to stay in Hungary with a residence permit after the end of the period of stay stipulated in the visa. The permit entitles the holder to stay in the territory of Hungary for a fixed period of more than ninety days but not more than two years. The permit may be extended for two years, under the conditions defined by law.

PERMANENT RESIDENCE PERMIT

A permanent residence permit provides a broader range of rights than a residence permit; a third-country national in possession of a permanent residence permit has the rights granted by the Hungarian Fundamental Law and legislation and is entitled to stay in Hungary for an indefinite period of time.

EU BLUE CARD

The EU Blue Card is a work- and residence permit for non-EU/EEA nationals. The European Blue Card provides comprehensive socio-economic rights and a path towards permanent residence and EU citizenship.

An EU Blue Card is issued to third-country nationals who:

1. meets the legal conditions and there are no grounds for exclusion
2. his employment is supported on the basis of criteria laid down by law and in the interest of domestic employment policy,
3. is insured for the full range of health benefits or has applied for such benefits for all periods during which they are not insured by virtue of their employment relationship, and
4. has declared a real address as accommodation in the territory of Hungary.

The EU Blue Card must be issued for a minimum period of one year; if the employment contract is for a shorter period, the EU Blue Card must be issued for a period exceeding three months of the duration of the employment contract. The EU Blue Card shall be valid for a maximum period of four years, which may be extended by up to four years at a time.

When submitting the application, the applicant must present a valid travel document and attach the annexes required by law.

The application must be submitted at the consular officer or other place authorised to receive applications for residence permits in the country of the applicant's permanent or habitual residence or nationality. A third-country national residing in Hungary may also submit their application at the regional directorate competent for their place of residence in cases specified by law.

The consular officer shall forward the application to the regional directorate responsible for the third-country national's future place of residence in Hungary without delay after the application has been submitted.

A third-country national's application for a residence permit must be examined within fifteen days if the purpose of their stay is to look for a job or start a business.

The regional directorate shall determine the period of validity of the residence permit on the basis of the content of the documents accompanying the application, the purpose and intended duration of the stay and any other information available considering the circumstances of the stay, and the applicant's individual circumstances.

PROCEDURE FOR OBTAINING A RESIDENCE PERMIT

DOCUMENTS REQUIRED FOR THE APPLICATION

1. Valid travel documents
2. One facial photo not older than three months
3. Documents proving the fulfilment of the conditions of residence :
 - a) documentary evidence of the purpose of entry and stay,
 - b) documents proving the existence of accommodation in Hungary,
 - c) documents proving financial security for accommodation, maintenance and travel expenses for the whole duration of the stay,
 - d) a permit for return or onward travel and documents proving the existence of a valid ticket (or the means to buy it) or means of transport.
4. Declaration of voluntary departure from the territory of the Member States of the European Union in the event of refusal of the application.

The applicant may also be asked to provide additional documents to further clarify the circumstances of the stay.

PROCEDURE IN THE ABSENCE OF THE CLIENT

In cases, when our Client is unable or does not wish to be present in Hungary at the time of the procedure of applying for a residence permit, we may act on their behalf in their absence. In this case, all we need is a power of attorney from our client, on the basis of which we can represent them in the legal proceedings.

If the power of attorney is provided with an Apostille, neither its diplomatic authentication nor its reauthentication is necessary. The procedure for authenticating documents by apostille varies depending on the issuing body and the country of use.

OUR SERVICES

Our firm offers to represent our clients as an authorised representative in the application procedure following the conclusion of a contract of mandate.

We provide the complete preparation of the application and the necessary annexes as well as their submission to the authorities responsible for the application.

EXPENSES

COSTS

- The fee for submitting an application for a residence permit is 110 EUR, payable mainly in euros or other convertible currency, exceptionally in the legal tender of the country where the application is submitted
- In case of submission by personal appearance (at the customer service) in Hungary, the administrative service fee for the procedure is 39,000 HUF, which must be paid by electronic payment instrument (bank card) or bank deposit.

OUR FEES

Our lawyer's fee is subject of specific agreement.

FURTHER SERVICES

We charge hourly for further services provided by our staff. Our Law Firm uses an electronic system which precisely records the time spent on case or particular project. The system also records expenses.

INVESTMENT
IN REAL ESTATE
BY FOREIGNERS

IN HUNGARY

PERMITS AND APPLICANTS

A foreign legal or natural person may acquire ownership of real estate that is not classified as agricultural or forestry land under the Act on the Turnover of Agricultural and Forestry Land.

The application must be submitted to the Metropolitan and County Government Office competent according to the location of the property. The administrative deadline is 45 days.

The applicant may be a foreign natural person; a branch or commercial representation of a foreign legal person in Hungary; a diplomatic mission, consular post or an international organisation under the same authority.

From the 90th day after the date of acquisition of ownership, the owner is obliged to reside in Hungary and carry out economic activities falling within the scope of the business or sole proprietorship.

TAXES AND DUTIES

In the case of the purchase of an existing commercial property, the VAT Act generally **exempts from VAT** the sale of the "old" (i.e. more than two years old) built-up property and the land part of which it is part, as well as the sale of unbuilt property that is not a building plot.

Both domestic and foreign companies are liable to pay the **property transfer duty** on the acquisition of real estate. It is important to take into account the number of parcels in which the property to be acquired is registered, as the duty is levied per parcel (4% up to 1 billion HUF , 2% for the part of the market value exceeding 1 billion HUF , but maximum 200 million HUF).

It varies from municipality to municipality, but the foreign buyer may also be subject to **local business tax** on *buildings and land*, or local business tax on *the use of the property* (e.g. renting). With regard to business tax, it may be difficult to determine the exact starting date of the economic activity (e.g. letting), which, however, determines the date from which the tax is to be charged.

PROCEDURE

1. The Government Office decides whether to allow the acquisition of real estate.

2. The acquisition of real estate must be authorised if:

- it does not harm the public interest or the interests of the municipality,
- the applicant is a sole proprietor or a member of a sole proprietorship under the Act on Sole Proprietors and Sole Proprietorships, and
- intends to carry out economic activities in Hungary, and the property to be acquired is necessary for the pursuit of such economic activities,
- intends to reside in Hungary for a living,
- and the acquisition of the property does not harm public interests.

3. The administrative time limit for the licensing procedure is **15 days**, not including the time required for official requests (mayor) and legal assistance (BÁH, ORFK, KEKKH, KÜM, NAV) and the time required for the supplementing of documents.

4. There is no right of appeal against the decision of the Government Office on the merits, but a judicial review of the decision may be initiated on the grounds of an infringement of the law.

EXPENSES

COSTS

Fees and service charges in accordance with the applicable legislation depending on the procedure chosen

OUR FEES

Our lawyer's fee is proportional to the value of the property, at % of the property's market value

FURTHER SERVICES

We charge hourly for further services provided by our staff. Our Law Firm uses an electronic system which precisely records the time spent on case or particular project. The system also records expenses.

CONTACT US

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