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SETTING UP A LIMITED  
LIABILITY COMPANY

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.

# 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"><li>• Headed by a single managing director or board of directors</li><li>• The person(s) authorised to represent the company are listed in the register of companies</li><li>• 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</li></ul>
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

	<b>SIMPLIFIED PROCEDURE FOR COMPANY REGISTRATION</b>	<b>TIME REQUIRED</b>
<b>I. CONCLUSION OF CONTRACT</b>	The conclusion of a company contract by the founding members.	Time depending on the procedure of the members.
<b>II. SUBMISSION OF APPLICATION</b>	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.



	<b>SIMPLIFIED PROCEDURE FOR COMPANY REGISTRATION</b>	<b>TIME REQUIRED</b>
<b>IV. IF THE APPLICATION IS REJECTED</b>  <b>POSSIBILITY OF EXEMPTION FROM THE LEGAL CONSEQUENCES OF REFUSAL</b>	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.

# CONTACT US

## CONTACT DETAILS OF OUR LAW FIRM:

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