Doing Business in Hungary

2017

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1. General information

Attractions and drawbacks for foreign investors

In Hungary a high priority of the economic policy is to make further efforts to develop the economy as an integrated part of the European market. Hungary now provides a relatively stable legal framework and mostly European Union harmonised tax system for foreign investors.

Area and population

Hungary is a country located in Central Europe, in the Carpathian basin; it has no sea-coast, and covers 93,036 square kilometres. The country is bordered by Slovakia in the north, Ukraine in the north-east, Romania in the east and south-east, Serbia and Croatia in the south, Slovenia in the south-west and Austria in the west.

The population numbers about 10 million of whom about 2 million live in the capital, Budapest, which is the most populous city as well. Cities with more than 100,000 inhabitants are Debrecen, Szeged, Miskolc, Pécs, Győr, Nyíregyháza, Kecskemét and Székesfehérvár.

Constitution and political structure

Hungary is a parliamentary democracy. The Parliament consists of one chamber, members are directly elected and it has 200 members. Electors vote partly for individual deputies and partly for members delegated by the parties. Elections are held every four years; the next is due in April 2018.

The Head of State is the President, currently *János ÁDER*, elected for five years. The head of government is the Prime Minister, currently *Viktor ORBÁN*, who heads a majority government of *Fidesz - Hungarian Civic Union*.

Economic situation

Hungary has been a member of the United Nations since 1955, the OECD since 1996, the NATO since 1999, the European Union since 2004, and the Schengen Area since 2007.

Unemployment is moderately decreasing and in 2016 was 5.1%. However, in certain undeveloped regions (Eastern Hungary) it is above the average.

The inflation rate was 0.4%, and core inflation rate was 1.4% in 2016, and the inflation forecast for 2017 is officially expected to be less than 2%.

Domestic currency unit is the Hungarian Forint (HUF). Nowadays a policy of a floating rate of exchange exists, against the fixed devaluation of preceding years.

Central bank base rate since 25 May 2016 is 0.9%.

1 EUR is exchanged for 310 HUF, 1 CHF for 289 HUF, 1 GBP for 360 HUF and 1 USD is exchanged for 288 HUF.

Introducing euro as means of payment is not an issue in Hungary at present.

Banking and finance

The *Hungarian National Bank MNB* is Hungary's central bank. It regulates the money supply, and establishes general guidelines for monetary and credit policy with a view to government economic policy. The functions of the central bank and other specialised banks have been separated. The majority of Hungarian trade banks are controlled by the private sector, especially by foreign banks. In 2001 there was currency liberalization.

For more information please visit central bank's homepage: http://www.mnb.hu/en

Legal system

The legal system is based on written law as interpreted by the courts. The Parliament passes Acts. Ministries issue government decrees within their area of competence. In Hungary works a constitutional court.

2. Government incentives

The Economic Competitiveness Operational Programme in the context of the Széchenyi 2020 Development Plan

Hungary can use 12,000 billion HUF for development with support of the European Union and the Hungarian state budget until 2020. Operational programmes submitted by the Hungarian government and accepted by the European Commission are in line with the EU2020 strategy with the help of which the European Union is expected to become the most competitive economic and political community of the world after the crisis.

Hungary is among the first member states of the Union in respect of amount of support counted for one inhabitant, making 712 thousand HUF for each Hungarian citizen until 2020. This is by 50 thousand HUF more than in the previous development period.

Considering challenges the European Union faces, it is a question whether external funds will be available for the cohesion policy, for economic development of the member states in the Eastern–Central European region in the same quantity after 2020 too, therefore the Hungarian government decided to allocate 60% of these 12,000 billion HUF for direct economic development creating several hundreds of thousands workplaces and strengthening the small and medium size businesses.

Hungary plans to utilize the funds available within Széchenyi Development Plan 2020 between 2014 and 2020 within ten operational programmes.

Primary objective of the Integrated Transport Development Operational Programme (IKOP) is the development of transport network and infrastructure via the Trans-European Transport Network ranging from city transport until environmentally friendly solutions.

The Human Resources Development Operational Programme (EFOP) formulates its primary objective as contribution to meeting social catch-up and demographic challenges by improving human capital and social environment. In practice, EFOP will be usable not only in the fight against poverty but concentrates also on improvement of social cohesion, health investments, increasing quality of public education with special focus on diminishing early drop-off from school, boosting number of people with higher qualification as well as on research and development.

The Environmental and Energy Efficiency Operational Programme (KEHOP) aims at harmonizing economic growth linked with employment extension and high value-added production with protection of human life and environment elements – considering also long-run changes.

One of most important goals of the Economic Development and Innovation Operational Programme (GINOP) consists in raising employment rate to 75% in Hungary. This requires creation of new workplaces, on the one hand, and development of skills of people wanting to work, on the other. Additional targets of this programme include concentrated development of innovation competences and capacities as well as industry and service sectors of Hungary.

The District and Settlement Development Operational Programme (TOP) wants to provide frameworks for planning and realizing territorially decentralized developments. This programme comprises also developments with public sector, local society and environment in focus.

The Competitive Central Hungary Operational Programme (VEKOP) has been designed for enabling further development of the only "more developed" region of Hungary, enhancing its economic competitiveness and reducing development disparities within the region.

Primary objective of the Rural Development Programme (VP) is the improvement of competitiveness of agricultural businesses, sustainable development of the agriculture, strengthening rural regions and communities, improvement of life quality in rural areas and support of economic development.

For further details please visit
http://www.szechenyi2020.hu/

3. Setting up and running business organisations

Introduction

With the liberalization of foreign exchange act in 2001, full current account convertibility and nearly full capital account convertibility were introduced. Hungarian companies carrying on economic activities may freely exchange HUF for foreign currency. Foreign companies and individuals may open convertible foreign currency accounts as well as HUF accounts in Hungarian banks. Short-term and long-term loans can be granted freely by foreigners to Hungarian companies.

Foreigners can invest into existing Hungarian companies or may set up their own companies without any restriction. Foreign financial contributions must be paid in a convertible currency or as contribution in kind.

From 16 June 1998, foreign companies may carry on business activities in Hungary through branch offices as well. Foreigners can open commercial representative offices in Hungary without conducting trading activities. In general, foreigners can carry on business in Hungary, but they are obliged to do it in a registered form.

There are no restrictions on foreign participation; business entities may be wholly owned by foreigners.

The registration fee varies on entity type between HUF 50,000 for partnerships and HUF 600,000 for public limited companies.

All registered entities have to open at least one bank account at a *Hungarian* bank.

Limited liability company (Kft.)

Incorporation

The articles of association must be executed by a Hungarian attorney-at-law. A Kft. may have one or more owners who can be foreigners or Hungarians, private persons or companies. It is not allowed to solicit for members publicly.

The minimum capital is HUF 3 million (approx. EUR 10,000), which may be paid in cash or in kind. The liability of members of a Kft is limited to their paid registered capital.

A Kft. must be registered at the Court of Registration. The company exists in terms of law from the date of its registration; however, it may start limited activities before registration. The registration can take maximum 15 days.

Management

A Kft. is managed by one or more managing directors who are individuals. A Supervisory Board may be elected to control the activity and is compulsory if the number of employees exceeds 200.

Company general meeting

At least once in a year, the meeting of members must be summoned. The annual accounting report and the use of the profit after taxation must be approved by the members' meeting.

Company limited by shares (Rt.)

Incorporation

The articles of association must be executed by a Hungarian attorney-at-law. A company limited by shares may be a private limited company or a public limited company. A public limited company is registered at a stock exchange or the trade with their shares is public. From 16 June 1998, foreigners may acquire bearer share as well as registered share. Preference shares are limited to 50% of registered capital and interest-bearing shares are limited to a maximum 10% of the registered capital.

The minimum capital is HUF 5 million (approx. EUR 16,000) for private limited companies, and HUF 20 million (approx. EUR 65,000) for public limited companies, which may be paid in cash or in kind.

An Rt. must be registered at the Court of Registration. The company comes into legal existence upon its registration but it may start limited activities before registration. The registration procedure can last maximum 15 days.

Management

The managing body of the Rt. is the Board of Directors, consisting of at least three members. All public limited companies must have a Supervisory Board of at least three members.

Shareholders' meeting

At least once every year, the meeting of shareholders must be summoned. The annual accounting report and the use of the profit after taxation must be approved by the shareholders' meeting.

Partnership (Kkt.)

An unlimited partnership consists of two or more individuals or companies. Each member is fully liable for the Kkt′s debts. Kkt. may acquire rights, incur liabilities and be a party to a lawsuit. It is represented by its members.

A Kkt. must be registered at the Court of Registration. The Kkt. comes into existence upon its registration but it can start limited activities before registration. The registration procedure can take maximum 15 days.

Limited partnership (Bt.)

A limited partnership consists of at least one general partner with unlimited liability and at least one limited partner, whose liability is restricted to the amount of its contribution.

There is no minimum capital requirement. A Bt. is managed by the general partner.

As limited partnership is a special form of Kkt, general regulations of a Kkt. apply also to a Bt.

Branch offices of foreign companies

A foreign company may start business activities in Hungary in form of a branch office that can start its activity after registration by the Court of Registration.

Work permits for staff

The employment of foreign employees is subject to a work permit, which must be obtained before employment starts. There are exemptions from work permit obligation, covering managing directors of a Kft., members of board of directors of an Rt., and the members of a foreign majority owned company's supervisory board. Managing directors of branch offices have to apply for work permits, but it is granted them automatically.

Special registrations

Companies or branch offices have to be registered with tax authorities, made automatically during registration process.

Filing of accounts

Kfts, Rts and Branch offices from companies outside the EU have to make yearly an accounting and financing report to the date laid down in the articles of association (balance sheet key date). It's basically the 31st December, but it may be another date if the parent company's balance sheet key date differs from it. The annual report has to be disclosed electronically through Governmental Web Portal within 5 months after balance sheet key date. Reporting must be based on double-entry bookkeeping.

Hungarian holding companies must prepare consolidated financial statements that include their subsidiaries. Such a consolidated report must be prepared for a business year and must be published within 6 months after balance sheet key date.

Accounting has to be made in HUF, EUR or in USD. Other currency can be applied if at least 25% of the company's incomes, expenditures, financial assets and liabilities arise in that other currency.

From 2016, companies might opt for preparing annual financial statement based on IFRS instead of Hungarian GAAP.

Audit requirements

All companies with an annual turnover over HUF 300 million (approx. EUR 1 million) and having more than 50 employees have to appoint an auditor and must publish their annual financial report as well as the auditor's opinion. The same regulations apply to branch offices. When a foreign company outside the EU has a branch office in Hungary, the foreign company's financial report must be filed as well.

4. Corporate taxes, social security and other business taxes

Resident companies

Definition of residence

Companies established under Hungarian law are regarded as residents. Resident entities, partnerships and limited partnerships are subject to corporate income tax on their worldwide income. Foreign entities are liable to taxation based on their Hungarian branch income or on certain types of payments made by Hungarian residents.

Tax year

'Tax year' means the business year to which tax liability applies as well as the financial year for taxpayers falling within the scope of the Accounting Act as regards corporate taxes, dividend taxes, tourism contribution, and community tax on enterprises and local business taxes.

Capital taxes

There is no capital gains tax as such. Taxable gains are subject to corporate income tax. Municipalities may levy property tax on real estates.

Income taxes

Corporate income tax rate

Starting from 1 January 2017 9% flat rate rate shall be applied on profit regardless whether profits are distributed or not. Taxable income is calculated by adjusting accounting profit in accordance with prescribed rules, or if according to this calculation method tax base is less than 2% of the revenues; tax base shall be 2% of revenues (minimum corporate income base).

Tax allowances in corporate tax

Tax allowance for development purposes can be claimed for any predefined investment in a value from 100 million up to 3 billion HUF. Tax payers can use this allowance during 10 tax years after putting the investment into operation.

Supports given to spectacular team sports, movies or performing arts organizations can be used as tax allowance within six years (distributed according to the tax payers' decision) after providing the support.

Tax allowance for interests of an investment credit for the SME sector: 60% of interests paid in the tax year based on a credit agreement for a credit usable for asset purchase or creation taken from a financial institution, however, no more than 6 million HUF in each tax year can be settled as allowance.

Development tax allowance can be claimed up to 80% of the calculated tax, and any other tax allowance can be settled up to 70% of the calculated tax reduced this way. (There is no 100% tax allowance; the calculated tax cannot be reduced to zero.)

Depreciation percentage rates

Depreciation for an asset is deducted when computing taxable profits and is shown in the accounts and rates are prescribed under the corporate income tax law. The rate specified in corporate income tax law for buildings varies between 2% and 6% (leased buildings max. 5%). The general rate for machinery is 14.5% (leased machinery up to 30%), with higher rates for computer equipment (33%) and vehicles (20%). Depreciation on intangible assets is permitted for tax at the rates calculated for accounting purposes.

Losses

In general, tax losses can be carried forward for five years but carry back is allowed only for agricultural business. Losses deferred from previous tax years may be deducted from the pre-tax profit up to 50 per cent of the tax base. After change of ownership or after transformation (merger, division) the successor shall be entitled to claim deferred losses carried over only with limitations.

Interest payable

Thin capitalisation rule is applied to loans (except for loans granted by banks). The acceptable debt/equity ratio has been set at 3:1; equity means average stock of the registered capital plus capital reserve plus accumulated profit reserve plus non distributed reserve stated in the basis tax year.

Non-deductible expenses

All legible company expenses are deductible.

There are some expenses that are not relevant to the company's activity regarding the corporate tax law; most important ones include:

1. The book value of missing assets (adjusted recorded value of intangible assets and tangible assets), if it is determined beyond reasonable doubt that the shortfall would not have occurred if properly cared for (particularly, with regard to the physical attributes, value of the asset, and storage conditions) or if the taxpayer - in view of the requirements of reasonable management - failed to act within his powers to prevent losses and/or shortages;

2. The book value of a tangible asset recorded by value when retired from service, if the fact of sorting out and the reason for it are not credibly supported by documents;

3. The health insurance contribution paid on the basis of an agreement concluded in accordance with the provisions of the Act on Eligibility for Social Security Benefits and Private Pensions and Funding Such Services;

4. Payments to tax havens.

Transactions between related parties

Related parties can be direct shareholders of the company, or an enterprise associated with the Hungarian company. Direct or indirect control by more than 50% of voting rights or having same managing director causes a company to be treated as an affiliated enterprise.

The tax authority has the right to adjust taxable income where transactions between related parties are not settled at market price. Related parties have to conduct business based on arm's length prices. Accepted methods for calculation are CUP, RPM, CMP, TNMM and PSM.

Taxpayers have to document that prices charged correspond to the prices permitted under the transfer pricing rules and match arm's length price.

Dividends received

Dividends received by a Hungarian company are tax-exempt, except dividends from tax havens.

Dates for payment of tax and tax returns

Companies calculate their own tax liability and make advance payments. Advance payments are due monthly or quarterly based on the previous year's tax liability. In the case of a new company, no tax advances are payable during the first year of activity. Companies must file tax returns and pay final instalments of corporate income tax by 31 May of the following year. If the tax year differs from the calendar year, tax returns must be submitted and the final part of corporate income tax must be paid within 5 months from the balance sheet key date.

Double tax relief for foreign tax

A tax credit is available in respect of foreign taxes paid. This is limited to the amount of the Hungarian tax that would be due on the income.

Undistributed profit tax

The corporate income tax is the same whether the profit is distributed or not.

Foreign companies′ branches

A branch office is treated as a permanent establishment. The branch offices of foreign companies are subject to the same corporate income tax as companies 9% flat rate.

Withholding taxes

Dividends

From 2006, withholding tax is not applicable when dividends are distributed to residents or non-resident *companies*.

Dividends paid to resident or non-resident individuals are subject to 15% withholding tax and 14% heath contribution with upper limit of HUF 450,000.

Social security

Starting from 2017 employers pay 5% less, just 22% of the employees' gross income as social security contribution. Benefits in kind and representation costs (meal, drinks and entertainment services) provided to employees are subject of additional taxation (34%/44%).

The Hungarian social security system is compulsory, but it does not apply to foreign employees of companies with foreign participation (except if an agreement between Hungary and the sender country exists; for example, Hungary's agreement with Canada). Rules of the Council Regulation (EEC) No 883/2004 must be taken into consideration in the EC countries as well.

Vocational training fund

A levy of 1.5% on total annual wages may apply to businesses.

Rehabilitation fund

If companies with more than 25 employees fail to employ handicapped employees in the amount of at least 5% of the total number of employees, they are liable to pay HUF 1,147,500 per missing person to this fund. Employers may receive further subsidy and tax relief for employing handicapped persons.

Excise tax

Companies who import or sell alcoholic products, petrol or tobacco are subject to excise tax.

Company cars

Company car tax is imposed on all cars owned or leased by companies and on cars after which cost is expensed independently from the owner. The person subject to the tax is the owner or lessee of such a car.

The tax rate varies between HUF 7,700 and HUF 44,000 per month for cars based on engine performance and pollution grade.

The amount of the company car tax is deductible from the car tax payable to municipalities.

Gift tax

The tax applies to remitted liability, if a liability is remitted by another party. If both parties are companies, the remitting is tax-exempt. The tax rate is 18%.

Local taxes

Local business tax

Municipalities levy local business tax at rates up to 2% on net sales revenue. This amount may be reduced by the cost of goods sold, value of services sold and material costs. The calculation is different for banks.

Building tax

Structures located in the area of jurisdiction of a local government, residential dwellings, buildings and building sections not used for housing purposes (hereinafter jointly referred to as 'buildings') shall be subject to building tax.

Tax basis, depending upon the decision of the local government, shall be (a) the net floor space of the building as calculated in square meters, or (b) the adjusted market value of the building. The annual maximum rate of tax shall be (a) 1,852 HUF/sq. metre, or (b) 3% of the adjusted market value.

Land parcel tax

Undeveloped parcels of land situated in central areas within the area of jurisdiction of a local government (hereinafter referred to as "parcels") shall be subject to land parcel tax.

Portions of parcels levied by building tax (defined by building tax) are exempt from land parcel tax.

Depending upon the decision of the local government, the basis for the tax shall be (a) the actual area of the parcel as calculated in square meters, or (b) the adjusted market value of the parcel. The annual maximum rate of tax shall be (a) 337 HUF/sq. metre, or (b) 3% of the adjusted market value.

Tax authority

The main tax authority is the National Tax and Customs Administration of Hungary (NAV – Nemzeti Adó- és Vámhivatal in Hungarian). For further announcements, publications and details please visit http://www.nav.gov.hu/.

5. Personal taxation

Residents

Definition of resident

An individual is regarded as resident if he or she has Hungarian nationality, a permanent home in Hungary or if he or she habitually resides in Hungary. A person who stays in Hungary for at least 183 days in a calendar year is regarded as habitually resident there, if a double taxation agreement exists between Hungary and the other country.

Persons resident in Hungary are liable to pay personal income tax on their worldwide income. Non-residents are subject to personal income tax only upon their income from Hungarian sources.

General tax rates

The general tax rate is 15% of the annual income; general tax rate has been 16% until end 2015.

Business income

Incomes from business activities reduced by deductible costs are regarded as taxable incomes. If the taxpayer does not wish to itemize costs, 90% of the sales revenues may be regarded as taxable. Losses from the business activity cannot be set against other income. Personal income tax on business income is computed at a flat rate of 9%. Some types of small businesses may choose to have the tax liability calculated as a proportion of sales revenues.

Dividends, interests

Dividends paid to individuals are subject to a 15% withholding tax.

Resident individuals pay 15% tax on interests received from a bank or a bond.

Benefits in kind

A flat rate of 34%/44% on certain preferential benefits in kind or on certain other benefits in kind (holiday cheque; meal ticket etc.) is payable by the employer. When a foreign company provides benefits in kind to a resident person, the resident has to pay personal income tax.

Social security

Employees pay 18.5% contribution on earnings.

Capital gains

There is no capital gain tax as such. Capital gains are subject to personal income tax when capital gains are realised by selling different kinds of property. A flat rate of 15% on any capital gains arises on the disposal of shares or securities in a limited liability company.

Gains from transfers of property are taxed at a rate of 15%. When an individual sells an immovable property owned for more than five years, the normal tax base is reduced by 10% per year of ownership. Special rules apply to transfer of houses and flats.

Wealth tax

Municipalities have the power to levy property tax on the owners of buildings of all kind. The tax base is either the useful area of the building or the market value of it, depending on the municipality’s decision.

Gift tax

The tax applies to gifts of Hungarian property made in Hungary. Both residents and non-residents are subject to taxation with a tax rate of 18%. Linear inheritance or gifting is tax-exempt.

Transfer of ownership

A tax is payable on the transfer of property at a standard rate of 18%. The rate on dwelling houses is 4%. Some businesses in trade and financial leasing qualify for relieves.

Non-residents

Foreigners not resident in Hungary are taxed only on their Hungarian income. Such incomes include income from Hungarian employment, self-employment or other than self-employment activities in Hungary and from property located in Hungary.

Income tax on capital gains, wealth tax and gift tax apply to non-residents as regards their income from a Hungarian source or if they have real estates in Hungary.

6. Double taxation treaties

Hungary has concluded double taxation treaties with 84 countries until now and some are in discussion. These treaties are mainly based on the OECD model. The following schedule summarises the withholding tax rates applicable to dividends, interest and royalties paid by Hungarian entities.

Country of recipient	*Dividend %*	*Interest %*	*Royalties %*
Albania	5/10	0	5
Armenia	5/10	10	5
Australia	15	10	10
Austria	10	0	0
Azerbaijan	8	8	8
Bahrein	0/5	0	0
Belarus	5/15	5	5
Belgium	10	15	0
Bosnia and Herzegovina	5/15	10	10
Brazil	15	10/15	15/25
Bulgaria	10	10	10
Canada	5/10/15	10	10
China	10	10	10
Croatia	5/10	0	0
Cuba			
Cyprus	5/15	10	0
Czech Republic	5/15	0	10
Denmark	5/15	0	0
Egypt	15/20	15	15
Estonia	5/15	10	5/10
Finland	5/15	0	5
France	5/15	0	0
Georgia	0/5	0	0
Germany	5/15	0	0
Greece	10	10	10
Hong-Kong	5/10	5	5
Iceland	5/10	0	10
India	10	10	10
Indonesia	15	15	15
Iran		5	5
Ireland	5/15	0	0
Israel	5/15	0	0
Italy	10	0	0
Japan	10	10	10

Country of recipient	*Dividend %*	*Interest %*	*Royalties %*
Kazakhstan	5/15	10	10
Kosovo	0/5	0	0
Kuwait	0	0	10
Latvia	5/10	10	5/10
Lichtenstein	0/10	0	0
Lithuania	5/15	10	5/10
Luxembourg	5/15	0	0
Macedonia	5/15	0	0
Malaysia	10	15	15
Malta	5/15	10	10
Mexico	5/10/15	10	10
Moldavia	5/15	10	0
Mongolia	5/15	10	5
Montenegro	5/15	10	10
Morocco	12	10	10
Netherlands	5/15	0	0
Norway	10	0	0
Oman	10/0		8
Pakistan	15/20	15	15
Philippine	15/20	15	0/15
Poland	10	10	10
Portugal	10/15	10	10
Qatar	0/5	0	5
Romania	5/15	15	10
Russia	10	0	0
San Marino	0/5/15	0	0
Saudi Arabia	5	0	0/5/8
Serbia	5/15	10	10
Singapore	5/10	5	5
Slovakia	5/15	0	10
Slovenia	5/15	5	5
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
Taipei	10	10	10
Thailand	15/20	10/25	15
Turkey	10/15	10	10
Turkmenistan	5/15	10	10
Tunisia	10/12	12	12
Ukraine	5/15	10	5
United Arab Emirates	0	0	0
United Kingdom	5/15	0	0
United States	5/15	0	0
Uruguay	15	15	10/15
Uzbekistan	10	10	10
Vietnam	10	10	10

7. Value added tax

Basics

VAT is charged on domestic sale of goods and services and on imported goods. The basic principles of VAT in Hungary are based on the 2006/112/EC Directive and therefore it is similar to the VAT applied in most European countries.

From the perspective of the buyer, it is a tax on the purchase price. From the perspective of the seller, it is a tax only on the value added to a product, material, or service, from an accounting point of view, by this stage of its manufacture or distribution. The manufacturer remits to the government the difference between these two amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs.

The value added to a product by or with a business is the sales price charged to its customer, minus the cost of materials and other taxable inputs. VAT is a kind of sales tax as the end consumer is taxed. However, it differs from the sales tax in that, because, sales tax is collected and remitted to the government only once, at the point of purchase by the end consumer. With VAT, collection, remittance to the government, and credit for taxes already paid occur each time a business in the supply chain purchases a product.

Rates

There are three rates of VAT, a basic rate of 27%, which applies to most goods and services, a reduced rate of 5% which applies e.g. to books, medicine, district-heating, and another reduced rate of 18% which applies to hotel and some kind of basic food. Export sales are tax exempt.

Small businesses with a turnover below HUF 8 million (approx. EUR 25,000) may opt to be exempt from tax.

Businesses may recover VAT charged on purchases, except on fuel, food and beverage, entertainment. However, a business that opts to be exempt or renders tax-exempt services cannot recover input VAT.

Recovery

All EU established companies and businesses established in Switzerland, Lichtenstein and Norway are entitled to recover VAT based on reciprocity agreement with Hungary.

Fiscal representative

A fiscal representative has to be appointed by non-EU established businesses to carry out vatable business in Hungary.

MOSS

The Mini One Stop Shop (MOSS), as a European Community-level one stop shop system has been introduced from 1st January 2015. It offers simple, effective one stop shop electronic method of administration for taxpayers who provide remote services (i.e. telecommunications, broadcasting or electronic services) in the member states of the European Community for non-taxable consumers.

EKÁER

The Electronic Public Road Trade Control System is launched from 1 January 2015.

The objective of the system is to strengthen the market position of law-abiding business entities, to make circulation of goods more transparent, to eliminate fraud related to food products often endangering human health and, last but not least, to detect tax evaders. By using EKÁER the actual route of the goods can be tracked because transport related data (name and quantity of goods, consignee, consignor, registration number of vehicle, etc.) have to be registered in a central electronic system before starting the transport. For more details please visit https://ekaer.nav.gov.hu/.

8. Practical information

Traveling

The international airport in Budapest is the Liszt Ferenc International Airport in Ferihegy. Most European capitals are within two-hour flight.

Railway lines crisscross the country to connect most cities. For further details please visit: http://www.mavcsoport.hu/en. The "Inter-City" line provides first-class, express service to large cities.

Hydrofoil vessels take passengers on Danube to and from Vienna and Bratislava.

Hungary's highways are undergoing a major improvement to meet EU standards. All main roads lead to Budapest. Distances within the country are quite short, with a maximum of 300 kilometres from Budapest. Express toll highways connect Budapest west to Vienna (about 250 kilometres), south-west to Croatia and Slovenia, south to the Serbian border, south-east to Romania and east (almost) to the Ukrainian border. Headlights are compulsory outside of towns, even during the day. Petrol stations can be found easily. There is no problem with refuelling. Road signalization is in Hungarian and meets EU standards.

In Budapest there is an efficient public transportation system, based on four subway lines, supplemented by a comprehensive bus, tram, and trolley network. Taxis are also readily available.

Climate

Generally there are four seasons, with a very warm summer from June to August. Spring and autumn are mild, while winters are usually cold. Rainfall is distributed throughout the year with snowfalls in winter. Coldest month is January with average temperature of -2°C, and hottest month is July with average temperature of 28°C. April, May and September are the best months to visit the country.

Language

Official language is Hungarian. Most business people communicate in English or German.

Time relative to Greenwich Mean Time (GMT)

Hungary applies Central European Time and is one hour ahead of GMT. Daylight saving is applied from last Sunday of March until last Sunday of October.

Paying

Domestic currency is Hungarian Forint (HUF) since 1948. Debit and credit cards are usually accepted.

Business hours

Normal office hours are from 8 a.m. to 4.30 p.m. from Monday to Thursday and 8 a.m. to 2 p.m. on Friday.

Banking hours are 8.30 a.m. to 3 p.m. from Monday to Thursday and 8.30 a.m. to 1 p.m. on Friday.

Shops are usually open between 10 a.m. and 6 p.m. on workdays and between 10 a.m. and 1 p.m. on Saturday.

Public holidays

New Year's Day	1st January
Memorial Day of the War of Independence (1848-49)	15th March
Easter Monday	March-April
International Labour Day	1st May
Whit Monday	May-June
Saint Stephen's Feast	20th August
Hungarian Republic's proclamation	23rd October
All Saints' Day	1st November
Christmas Day	25-26th December