GUIDE TO GOING GLOBAL
CORPORATE

Hungary
INTRODUCTION


GUIDE TO GOING GLOBAL SERIES

To compete and be successful today, companies need to develop and scale their businesses globally. Each country presents its own set of unique laws, rules and regulations and business practices that companies must understand to be successful. In order to help clients meet the opportunities and challenges of expanding internationally, we have created a handy set of global guides that cover the basics companies need to know when going into and doing business in new countries. The Guide to Going Global series reviews business-relevant corporate, employment, intellectual property and technology, executive compensation, and tax laws in key jurisdictions around the world.

CORPORATE

The Guide to Going Global – Corporate has been created based on our research, our experience and feedback we have received from clients in both established and emerging businesses that have expanded internationally. We hope it will be a helpful resource for you.

The Guide to Going Global – Corporate covers corporate basics in 54 key jurisdictions across the Americas, Asia Pacific, Europe and the Middle East. We touch on a wide range of corporate issues for companies expanding internationally, including establishing a corporate presence and choice of entity, liability considerations, tax presence and tax filings, capital requirements, the formation process, director, officer and shareholder requirements, registration processes, office lease processes and possible exit strategies.

With more than 600 lawyers, DLA Piper’s global Corporate group is one of the largest in the world, with one of the widest geographical footprints of any global law firm and experience across the legal areas companies need as they expand internationally. With both global experience and local knowledge, we partner with our clients wherever they do business to find solutions and manage their risk in relation to their challenges and objectives.

While this guide provides high-level guidance, it is not a substitute for legal advice, and we encourage you to seek advice regarding the specific matters that concern you. If you wish to speak to any of our contributors, you may find their contact details at the end of the guide.

We hope you find this guide valuable, and we welcome your feedback.
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HUNGARY

FORM OF ENTITY

Private company limited by shares (Zrt.)

Private company limited by shares (zártkörûen mköd részvénytársaság or Zrt.) is a separate and distinct legal entity.

A Zrt. is established with a predetermined amount of share capital. Such share capital is represented by shares with a face (par or nominal) value.

The owners of a Zrt. are the shareholders. Liability of the shareholders is limited to their respective share capital contributions.

Managed by a board of directors, which is responsible for making major business decisions and overseeing the general affairs of the Zrt.

Directors are elected by shareholders of a Zrt. Company managers may also be appointed by shareholders to assist the directors in day-to-day operations.

Limited liability company (Kft.)

Limited liability company (korlátolt felelsség társaság or Kft.) is a separate and distinct legal entity.

A Kft. is established with a predetermined amount of initial capital provided by its quotaholders. Equity contribution of such quotaholders is not – and must not be – embodied in any negotiable instrument (eg, share certificate). Liability of the quotaholders is limited to their capital contributions.

Managed by managing directors appointed by quotaholders. Company managers may also be appointed by quotaholders to assist managing directors in the day-to-day operations of the corporation.

Note: Further corporate forms are also available: general partnership (közkereseti társaság or Kkt.), limited partnership (betéti társaság or Bt.) and public company limited by shares (nyilvánosan mköd részvénytársaság or Nyrt.). However, these corporate forms are not very common in the Hungarian market.
ENTITY SET UP

Private company limited by shares (Zrt.)

- Unlimited number of shareholders.
- Generally, no personal liability of shareholders.
- Taxed on its worldwide income at a corporate level, and shareholders are taxed on any distributed dividends, both subject to conditions of double tax treaty provisions.
- Typical charter documents include the articles of association, stock certificates and stock ledger.
- Board of directors has overall management responsibility.
- At least 1 shareholders’ meeting must be held each year.
- Instead of cash or in-kind contributions, shareholders purchase either common or preferred stock in a Zrt.
- Annual financial statements to be filed with the Court of Registration.

Limited liability company (Kft.)

- Unlimited number of quotaholders allowed.
- Generally, no personal liability of quotaholders.
- Typical charter documents include the articles of association or deed of foundation and list of quotaholders.
- At least 1 quotaholders’ meeting must be held each year.
- Quotaholders contribute cash or in-kind contributions to Kft.
- Quotaholders may be required to provide a Kft. with supplementary capital contributions in order to cover losses.
- Taxed on its worldwide income at a corporate level, and quotaholders are taxed on any distributed dividends, both subject to conditions of double tax treaty provisions.

MINIMUM CAPITAL REQUIREMENT

Private company limited by shares (Zrt.)

At least HUF5 million (USD16,000).

Limited liability company (Kft.)
At least HUF3 million (USD$10,000).

**LEGAL LIABILITY**

**Private company limited by shares (Zrt.)**

Shareholders of a Zrt. are generally not liable for its debts; however, in extreme cases, such as in the case of insolvency, shareholders may be held liable. Liability of shareholders is limited to their respective share capital contributions.

**Limited liability company (Kft.)**

Quotaholders are generally not liable for the debts of a Kft.; however, in extreme cases, such as in the case of insolvency, shareholders may be held liable. Liability of quotaholders is limited to their capital contributions.

**TAX PRESENCE**

**Private company limited by shares (Zrt.)**

A Zrt., as a Hungarian resident company, is taxed on its worldwide income subject to conditions of double tax treaty provisions. A company is resident if it has been incorporated in Hungary or has its place of effective management in Hungary.

**Limited liability company (Kft.)**

A Kft., as a Hungarian resident company, is taxed on its worldwide income subject to conditions of double tax treaty provisions. A company is a resident if it was incorporated in Hungary or has its place of effective management in Hungary.

**INCORPORATION PROCESS**

A corporate entity is established by:

- Founding shareholders or quotaholder(s) executing, among other documents, the articles of association of a company; to be effective, the articles of association must be countersigned by a lawyer or must be incorporated into a notarial deed
- Filing an application for registration with the Court of Registration within 30 days from the date of execution of the articles of association and
- Registration of a corporate entity with the court of registration. The registration procedure is generally completed within 1 to 15 working days after the application is filed.

Representation by a Hungarian attorney at law is mandatory in the course of registration.

Registration has a constitutive effect (ie, a corporate entity is deemed to exist from the date of registration).
Note: The mandatory set of documentation differs between the corporate form. In addition, directors or managing directors and other officers (eg, statutory auditor or supervisory board members) must execute certain documents (eg, declaration of acceptance).

BUSINESS RECOGNITION

Private company limited by shares (Zrt.)

Well regarded and widely used.

Limited liability company (Kft.)

Most widely used corporate form in Hungary.

SHAREHOLDER MEETING REQUIREMENTS

Private company limited by shares (Zrt.)

A Zrt. is required to hold an annual meeting of shareholders to vote on certain items, such as acceptance of annual financial statements and payment of dividends. The shareholders’ meeting is convened by a board of directors.

Limited liability company (Kft.)

A Kft. is required to hold an annual meeting of quotaholders to vote on certain items, such as acceptance of annual report and payment of dividends. The quotaholders’ meeting is convened by managing directors.

BOARD OF DIRECTOR MEETING REQUIREMENTS

Private company limited by shares (Zrt.)

Annual meeting of a board of directors is required.

Limited liability company (Kft.)

Since managing directors do not act as a board but as individual officers (ie, directors) of a Kft., an annual meeting of the managing directors is not required. However, managing directors may still hold meetings informally at their convenience.

ANNUAL COMPANY TAX RETURNS

Private company limited by shares (Zrt.)
Corporate income tax is self-assessed. Annual corporate income tax return must be filed within 5 months following the end of a tax year.

Limited liability company (Kft.)

Corporate income tax is self-assessed. Annual corporate income tax return must be filed within 5 months following the end of the tax year.

BUSINESS REGISTRATION FILING REQUIREMENTS

Private company limited by shares (Zrt.)

- Court of Registration – initial registration
- Central Statistical Office – after initial (court) registration
- Chamber of commerce – after initial (court) registration
- Tax Authority – tax number is issued in the course of initial (court) registration
- Local municipality – for local taxes, after initial (court) registration
- Central clearing house – requesting ISIN code for the shares, after initial (court) registration

Limited liability company (Kft.)

- Court of Registry – initial registration
- Central Statistical Office – after initial (court) registration
- Chamber of commerce – after initial (court) registration
- Tax Authority – tax number is issued in the course of initial (court) registration
- Local municipality – for local taxes, after initial (court) registration

BUSINESS EXPANSION

No need to change as business expands

EXIT STRATEGY

Corporate entities must conduct a dissolution procedure (végelszámolás) to liquidate their assets and to settle their debts. Dissolution documentation must be filed with the Court of Registration after completion of the procedure. The tax authority usually conducts an audit of final tax returns.
ANNUAL CORPORATE MAINTENANCE REQUIREMENTS

Companies must prepare, submit and publish annual financial statements within 5 months following the end of the tax year. If the company fails to submit and publish its financial statements upon the request of tax authorities, default payment is assessed up to HUF 500,000. After that, if the company fails to submit and publish its financial statements, the tax authority deletes the tax number of the company.

DIRECTOR / OFFICER REQUIREMENTS

Basically, any natural person can be appointed as director provided that such person is of legal age and their legal capacity is not restricted.

A person may not serve as a director if they:

- Were sentenced by a final court decision to imprisonment, until the person is deemed relieved from the detrimental consequences related to the committed criminal act
- Are barred by a final court decision from accepting a director (or other executive officer) position or
- Are barred by a final court decision from exercising a regulated profession, which is in the scope of major business activities pursued by the Zrt.

In case of a Kft., legal entities (e.g., a Kft.) may also be appointed as managing director (i.e., corporate director). In this case, a natural person is appointed to represent a corporate director.

For more information on directors’ duties, see our Global Guide to Directors’ Duties.

LOCAL CORPORATE SECRETARY REQUIREMENT

Not applicable for this jurisdiction.

LOCAL LEGAL OR ADMIN REPRESENTATIVE REQUIREMENT

It is possible and lawful to establish a wholly foreign-owned and -managed company. Representation by a Hungarian attorney at law is mandatory in the course of the initial corporate registration and subsequent amendment registration procedures before the Court of Registration.

Due to professional qualification requirements, companies are recommended to engage local accountants or accountancy firms to perform day-to-day business, accounting and taxation tasks for the company.

LOCAL OFFICE LEASE REQUIREMENT
Corporate entity’s registered seat must be in Hungary. The seat of central administration (place of effective management) of a corporate entity may be located outside of Hungary. From a taxation perspective, this may result in dual tax residency and potential double taxation for Hungarian purposes which can be mitigated based on the provisions of a relevant double tax treaty.

OTHER PHYSICAL PRESENCE REQUIREMENTS

Hungarian tax law does not stipulate specific minimum substance requirements for companies, but general anti-avoidance rules are in effect concerning business transactions.

Accordingly, artificial structures that aim, exclusively or mainly, at tax avoidance may be disregarded, and the real substance of such transactions may be considered for taxation purposes based on the anti-avoidance principles:

- A contract, transaction or any other arrangement is assessed by the tax authorities for taxation purposes based on its actual substance (the legal substance of the transaction prevails over its legal form)
- Taxation rights must be exercised properly. Transactions and contracts that aim at tax avoidance are regarded as abuse of rights. In this case, tax liabilities must be assessed as if the parties had not abused rights and
- If, in respect to legal relationships affected by international treaties or income generated from such relationships, the available facts or the different interpretation of international treaty rules by the respective countries involve that the income realized from the legal relationship is not taxable in any country, then Hungary does not provide tax exemption in respect to that income.

SUFFICIENCY OF VIRTUAL OFFICE

A corporate entity's registered seat must be in Hungary.

A corporate entity must be available at the address of its registered seat and must mark it with a sign indicating the corporate entity’s name. A registered seat functions as the corporate entity’s:

- Headquarters

- Mailing address and

- Place where all business and official documents are received, filed, safeguarded and archived.

PROVISION OF LOCAL REGISTERED ADDRESS BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

Provision of a local registered address is strictly regulated in Hungary. Either a law firm or a third-party service provider may provide the registered address on the basis of a written contract.

If the local registered address is provided by a third-party service provider and an administrative penalty was
imposed on the corporate entity due to the hindrance of tax administration proceedings, then the corporate entity will qualify as a "risky taxpayer" resulting in, amongst other consequences, less favorable rules for VAT refunds and potentially higher default penalties in the case of tax audits conducted by the Hungarian tax authority.

As a general rule, only real estate that is in the sole ownership of the service provider or such service provider is entitled to use it under a right (eg, usufruct) which is registered in the land registry can be provided as a registered seat to corporate entities.

Exceptions to the general rule:

- Prior written consent is provided from an owner of a real estate and parties (ie, the service provider and the corporate entity) that are affiliated entities
- A service provider that is registered as a delivery agent (of a foreign shareholder or quotaholder or executive officer of a corporate entity) into the companies register kept by the Court of Registration or
- There is a bookkeeping mandate relationship between the parties (ie, the service provider and the corporate entity).

PROVISION OF LOCAL DIRECTOR OR CORPORATE SECRETARY BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

There are third-party service providers that offer corporate secretarial services, including:

- Directorship services to non-trading entities, including management services by rendering 1 or more individuals who act as director
- Holding shareholder meetings
- Preparing documentation annual filing
- Ensuring that statutory books are in order and
- Assistance during dissolution.

NATIONALITY OR RESIDENCY REQUIREMENTS FOR SHAREHOLDERS, DIRECTORS AND OFFICERS

Not applicable for this jurisdiction. It is possible and lawful to establish a wholly foreign-owned and -managed company.

RESTRICTIONS REGARDING APPOINTMENT OF NOMINEE SHAREHOLDERS OR DIRECTORS

Nominee managing directors are not possible.
Appointing a nominee quotaholder is possible in the form of a fiduciary asset management (bizalmi vagyonkezelés) relationship, which is similar to a trust.

In such relationship, the trustee undertakes to manage the assets, rights and receivables entrusted to it by the principal in its own name and on the principal’s behalf for an agreed fee.

**SUMMARY OF DIRECTOR’S, OFFICER’S AND SHAREHOLDER’S AUTHORITY AND LIMITATIONS THEREOF**

General meeting of shareholders or quotaholders of a corporate entity is the primary decision-making body of a corporate entity, deciding on major strategic issues (eg, amendment of articles of association, increasing or decreasing registered capital, approving financial statements, dividend payment, transformation and dissolution of a corporate entity) and personal matters (eg, appointing and recalling directors or managing directors) of a corporate entity.

Directors or managing directors are appointed by the shareholders or quotaholders of a corporate entity, and they run the day-to-day operations. Directors or managing directors are entitled to represent or act on behalf of a corporate entity vis-à-vis third parties.

Limitation on the right of representation of directors or managing directors is possible by applying a co-signature, where only the joint acts of 2 directors or managing directors will bind a corporate entity.

The representation right of a director or managing director may further be limited in the articles of association (eg, certain acts require approval of the shareholders’ or quotaholders’ meeting). However, such limitations are not effective vis-à-vis third parties (ie, acts of a director or managing director will bind the corporate entity regardless of limitations, but a director or managing director may be liable vis-à-vis the corporate entity for a breach of limitations).

**PUBLIC DISCLOSURE OF IDENTITY OF DIRECTORS, OFFICERS AND SHAREHOLDERS**

Private company limited by shares (Zrt.)

Identity of directors is publicly disclosed. The following personal data will appear in the companies’ register kept by the Court of Registration: name, mother’s maiden name, address, date of birth and tax number.

Identity of shareholders is only disclosed publicly. The following personal data will appear in the companies’ register kept by the Court of Registration: name, mother’s maiden name, address, date of birth and tax number; or, for corporates: company name, registered seat, registration number and registering authority, if the shareholder:

- Is the sole shareholder of the corporate entity or
- Has more than 50-percent ownership in a corporate entity.

Limited liability company (Kft.)
Identity of managing directors and quotaholders is publicly disclosed. The following personal data will appear in the companies’ register kept by the Court of Registration: name, mother's maiden name, address, date of birth and tax number; or, for corporates: company name, registered seat, registration number and registering authority.

**MINIMUM AND MAXIMUM NUMBER OF DIRECTORS AND SHAREHOLDERS**

**Private company limited by shares (Zrt.)**

Zrt. is set up by at least 1 shareholder. There is no upper limit on the number of shareholders.

The minimum number of directors on the board of directors is 3. There is no upper limit on the number of quotaholders of the board of directors.

**Limited liability company (Kft.)**

Kft. is set up by at least 1 quotaholder. There is no upper limit on the number of quotaholders.

The minimum number of managing directors is 1. There is no upper limit on the number of managing directors.

**MINIMUM NUMBER OF SHAREHOLDERS REQUIRED**

**Private company limited by shares (Zrt.)**

Zrt. is set up by at least 1 shareholder.

**Limited liability company (Kft.)**

Kft. is set up by at least 1 quotaholder.

**REMOVAL OF DIRECTORS OR OFFICERS**

Directors may be removed by a resolution of a shareholders' or quotaholders' meeting.

Directors may also resign from their position without reason at any time. If operation of a corporate entity is required to terminate upon their mandate, it will terminate on a 60th day after the resignation is submitted.

**REQUIRED AND OPTIONAL OFFICERS**

**Private company limited by shares (Zrt.)**

At least 3 directors are required for the board of directors.

In addition, company managers may be appointed by shareholders to assist directors in the day-to-day operations of a corporate entity.

Shareholders may also authorize employees of a corporate entity to represent it in certain dedicated matters.
The auditor and supervisory board may additionally be appointed by shareholders. Appointment is mandatory in certain instances.

**Limited liability company (Kft.)**

At least 1 managing director is required.

In addition, company managers may be appointed by quotaholders to assist managing directors in the day-to-day operations of a corporate entity.

The quotaholders' meeting may also authorize employees of a company to represent it in certain dedicated matters.

The auditor and supervisory board may also be appointed by shareholders. Appointment is mandatory in certain instances.

**BOARD MEETING REQUIREMENTS**

**Private company limited by shares (Zrt.)**

An annual meeting of the board of directors is required.

**Limited liability company (Kft.)**

Because managing directors do not act as a board, but as individual officers (ie, directors) of the Kft., an annual meeting of managing directors is not required. However, managing directors may hold meetings informally at their convenience.

**QUORUM REQUIREMENTS FOR SHAREHOLDER AND BOARD MEETINGS**

A quorum exists on shareholders’ or quotaholders’ meeting when more than 1/2 of shareholders or quotaholders with voting rights is present.

Shareholders or quotaholders adopt resolutions by a majority of votes needed for the purposes of quorum. Some matters (eg, amendment of articles of association, increase or decrease of registered capital, transformation or dissolution) require a qualified majority (ie, 3/4 of votes) or even unanimity (if the amendment to the articles of association would be detrimental for the rights of certain shareholders or quotaholders).

In a Kft., the board of directors adopts resolutions by a majority of directors present.

**MUST A BANK ACCOUNT BE OPENED PRIOR TO INCORPORATION, AND MUST THE BANK ACCOUNT BE LOCAL?**

Capital contributions of shareholders must be transferred to a bank account. A corporate entity must have at least 1 local bank account.
A company must open at least 1 Hungarian bank account for its operations. Foreign bank accounts of the company must be reported to the Hungarian tax authority. Information on the bank account, account number and date of opening and closure of the bank account must be reported to the Hungarian tax authority within 15 days from the date of an event.

AUDITING OF LOCAL FINANCIALS. IF SO, MUST THE AUDITOR BE LOCATED IN LOCAL JURISDICTION, AND MUST THE COMPANY’S BOOKS BE KEPT LOCALLY?

If the company has an auditor, or if appointment of an auditor is mandatory, the mandated auditor must own all necessary qualification requirements, which are determined by Hungarian laws.

In general, it is statutory in Hungary to appoint an auditor for a company operating on the basis of double-entry bookkeeping. Exemption is available if both of the following requirements are met:

- Annual net sales revenues did not exceed HUF300 million (USD1 million) on average for the 2 prior financial years and
- The average number of people employed did not exceed 50 people on average for the 2 prior financial years.

For newly established companies, because no data is available for prior financial years, the expected data of a given financial year is to be considered.

REQUIREMENT REGARDING PAR VALUE OF STOCK

Private company limited by shares (Zrt.)

A par value (ie, face value) and an issue price can differ for the same share. However, the share’s issue price cannot be less than its par value.

Limited liability company (Kft.)

Capital contributions of quotaholders, which are equal to the business quotas, must not be less than HUF100,000 (USD300).

INCREASING OF CAPITALIZATION IF NEEDED

Registered capital can be increased by a resolution of a shareholders’ or quotaholders’ meeting.

The effective date of the capital increase may be set out in the pertaining resolution, but it cannot be earlier than the date of the resolution.

In order to cover the losses of the Kft., the quotaholders’ meeting may order that the quotaholders provide supplementary contributions (pótbefizetés). The supplementary contributions must be repaid to the quotaholders if the Kft. no longer suffers losses.
SUMMARY OF HOW FUNDS CAN BE REPATRIATED FROM YOUR JURISDICTION (IE DIVIDENDS OR REDEMPTION)

Payment of dividends requires a resolution of a shareholders’ meeting and is subject to the Zrt.’s Kft.’s financial statements showing sufficient funds to pay dividends.

Decrease in a registered capital requires a resolution of a shareholders’ meeting. An intention to decrease registered capital must be published, and creditors of a Zrt. or Kft. may demand collateral. Payments to shareholders regarding capital decrease may only be made after the Court of Registration registers the capital decrease.

There is no withholding tax on accumulated profits distributed in the course of a capital decrease (ie, redemption) or with respect to dividends distributed to resident or nonresident corporate entities.

Accumulated profits distributed in the course of a capital decrease (ie, redemption) or dividends distributed to resident individuals are subject to personal income tax and health care tax. Withholding tax due on dividends paid or accumulated profits distributed in the course of a capital decrease (ie, redemption) to nonresident individuals must be withheld by the paying company. The withholding tax obligation may be mitigated on the basis of double tax treaty provisions, while there is no healthcare tax obligation in respect of payments made to an individual who does not qualify as a Hungarian resident for social security purposes.

RESTRICTIONS ON TRANSFERABILITY OF SHARES

Private company limited by shares (Zrt.)

Articles of association may stipulate that transfer of shares to a third party is restricted or subject to approval of the shareholders’ meeting.

Articles of association can stipulate right of first refusal or approval of the shareholders’ meeting as a needed condition for share transfer.

Limited liability company (Kft.)

Business quota may be transferred freely amongst quotaholders. Articles of association may stipulate right of first refusal for other quotaholders in case of a business quota transfer amongst quotaholders for cash consideration.

Business quota can only be transferred to a third party if a capital contribution of the transferring quotaholder is fully paid in. Other quotaholders of Kft., the Kft. itself or a person nominated by the quotaholders’ meeting – in this sequence – has statutory right of first refusal.

The right of first refusal may be exercised proportionally to the number of business quotas held by the quotaholders.

Articles of association may stipulate that approval of the quotaholders’ meeting is required for the transfer of a business quota to a third party.
Foreign investment control regulations

The minister of home affairs must be notified of certain covered transactions, and they have the right to block them if they deem them to be against the national security interests of Hungary. A transaction is covered if, among other things, (i) the investor is incorporated in, or resident of, a country that is not part of the EU, the EEA or Switzerland, (ii) a key industry sector (e.g., national defense, financial services or energy) is involved or (iii) the transaction pertains to, among others, the acquisition of more than 25 percent of the shares in a Hungarian entity.

Under recent COVID-19 regulation, the minister responsible for the domestic economy must be notified of certain transactions, and they have the right to block them if they deem them to be against the national interests of Hungary. A transaction is covered if, among other things, (i) the investor is incorporated in, or resident of, a country that is not part of the EU, the EEA or Switzerland or is incorporated in the EU, EEA or Switzerland in some instances, (ii) the target company conducts its business in a key industry sector (e.g., pharma, leisure or energy), (iii) the transaction pertains to, among others, the acquisition of at least 10 percent of the shares in a Hungarian strategic company or a controlling shareholding interest in case of buyers incorporated in the EU, the EEA or Switzerland, but only if the aggregate value of the transaction reaches HUF350 million (USD1.1 million), in both cases.

OBTAINING A NAME AND NAMING REQUIREMENTS

A corporate entity’s name cannot be similar to the name of any other corporate entity already registered in Hungary. A name can only contain reference to “state” or “national” if the Hungarian State holds a majority interest in the corporate entity. If a third party has a legal interest to a certain extent, a name can only contain such expression subject to consent of a beneficiary.

A name is picked by shareholders or quotaholders and is registered in the course of an initial court registration procedure. Shareholders or quotaholders may conduct a name reservation procedure before the initial court registration procedure. If the desired name is registerable, it will be reserved for 60 days.

SUMMARY OF "KNOW YOUR CLIENT" REQUIREMENTS

Service providers (e.g., inter alia, law firms, credit institutions, financial service providers, auditor companies, funds and tax advisers) must verify the identity of their clients for anti-money laundering purposes before entering into an engagement. Service providers must record the identification data of a client (in case of natural persons: name and surname, name at birth, nationality, date and place of birth, mother’s birth name, home address, number and type of identification document; in case of legal entities and unincorporated organizations: name, abbreviated name, registered office, main activities, name and position of authorized representatives, identification data of the agent for service of process, registration number and tax number).

For the purposes of identification and verification procedures, service providers must require the appropriate documents to be presented (in case of natural persons: an official document suitable for identification purposes and official address card for Hungarian citizens, and passport or personal identification document for foreign nationals; in case of legal entities and unincorporated organizations: personal identification documents of a natural person acting on behalf of a legal entity or unincorporated organization, documentary evidence of registration or that an application for registration has been submitted, and a constitutional document if an application for registration has not yet been submitted).
If the client is a natural person, it is required to provide a written statement as to whether the person is acting in the name or on behalf of a beneficial owner. The statement must indicate the following data of the ultimate beneficial owner:

- Name at birth
- Nationality
- Date and place of birth and
- Home address.

The service provider must additionally request a statement declaring whether the beneficial owner is a politically exposed person.

If a client is a legal entity or unincorporated organization, it is required to provide a written statement identifying its ultimate beneficial owner; the statement must indicate the following data of the ultimate beneficial owner:

- Name and surname
- Name at birth
- Nationality
- Date and place of birth
- Home address and
- The nature and extent of ownership interest.

The service provider must additionally request a statement declaring whether the beneficial owner is a politically exposed person.

**APPROVAL REQUIREMENTS FOR AMENDING CHARTER DOCUMENT**

A shareholders’ or quotaholders’ meeting may approve, with a qualified majority of 3/4 of the votes, amendment to the articles of association of the Zrt. or Kft. Amended articles of association must be submitted to the Court of Registry.

**LICENSES REQUIRED TO CONDUCT BUSINESS IN JURISDICTION**

There is no general business license requirement, but some business activities (typically financial services, but also certain forms of industrial, energy and public utility activities, among others) may only be conducted with a regulatory license.
PROCESS OF PURCHASING AND UTILIZING A SHELF COMPANY

Some service providers offer shelf companies for sale but the use of a shelf company is not common in practice.

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