



# HUNGARIAN WATCH

Winter 2017



Masters of Collaboration

## Hungarian Watch Winter 2017

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Hungarian Watch is a quarter yearly issued brochure. It contains comprehensive, up-to-date information about Hungary, focusing on breaking news in the fields of law, economics, business and other situations which could have a major impact on the course of Hungarian events.

Hungarian Watch is primarily prepared for those who are thinking about Hungary from an investment point of view. The investment perspective runs through this brochure by leading the reader through the actual Hungarian business climate including current business and investment opportunities.

We hope that Hungarian Watch will keep you regularly informed on relevant Hungarian news, enabling you to know how and when to seize a business opportunity before it vanishes.

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# Summary



## [Hungary introduced the lowest corporate tax rate in the EU](#)

### [Single digit tax rate since January 2017](#)

Hungary introduced the lowest corporate tax rate in the EU which will likely give a boost to further Hungarian investment opportunities. [Read more...](#)



## [New game rules in the Hungarian merger control](#)

### [Be careful in M&A deals](#)

The Hungarian Parliament has recently amended the Competition Act which brought completely new rules to merger control. The aim of the legislation is clearly to make the merger control faster and more flexible. But it also brought uncertainties to the market players, as it introduces an “investigation threshold” where it is not necessarily clear-cut when a business should ask for clearance. [Read more...](#)



## [Last-minute chance to join the Hungarian Residency Bond Program](#)

### [Hungary announces end to the most popular Residency-by-Investment Program](#)

The Hungarian government will stop accepting requests for residency bonds on 31 March 2017. While applications submitted before that date will still be processed, new requests for Hungarian permanent residence permits will not be accepted after the end of March 2017. This the last-minute chance to join one of the most popular residency-by-investment programs in Europe. [Read more...](#)

# Hungary introduced the lowest corporate tax rate in the EU

## Single-digit tax rate since January 2017

*Hungary introduced the lowest corporate tax rate in the EU which will likely give a boost to further Hungarian investment opportunities.*

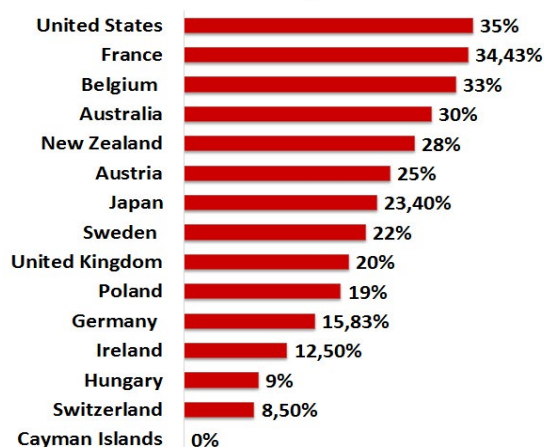


In January 2017 Hungary introduced a new flat, corporate tax rate of 9%. This will be the lowest rate among the 28 member states of the EU and one of the lowest worldwide level, as well. This is a significant change, compared to the former progressive corporate taxation where up to the tax base of HUF 500 million (approx. EUR 1.6 million) 10% and above that threshold a rate of 19% applied.

By the introduction of the single-digit rate together with corporate tax incentives and the decrease of several public dues (like the social security tax and contributions) Hungary could create a better tax and investment climate for multinationals as well as local companies of small and mid-size. This development will likely give a boost to further Hungarian investment opportunities.

Creating a better investment climate

## Corporate income tax rates



Source: OECD

For further information about how this change could affect Hungarian businesses, please contact:

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# New game rules in the Hungarian merger control

## Be careful in M&A deals

*The Hungarian Parliament has recently amended the Competition Act which brought completely new rules to merger control. The aim of the legislation is clearly to make the merger control faster and more flexible. But it also brought uncertainties to the market players, as it introduces an “investigation threshold” where it is not necessarily clear-cut when a business should ask for clearance. Also, the Hungarian Competition Authority (“HCA”) got the power to conduct dawn raids on companies’ premises even in merger control. Overall, businesses will have to exert more caution in M&A deals. Of course, VJT & Partners will continue to assist in careful deal planning.*



### Fast and flexible process

In the future, businesses will only need to submit notification (instead of the former clearance request). As a general rule, within 8 days from receiving the notification, the HCA will decide whether to investigate further or not. If the HCA concludes that no significant competition issue is present, it will issue a certificate (practically this is a clearance decision).

Only notification in the future

If the HCA concludes that a potential competition issue could arise, the HCA will launch a formal procedure. The aim of this amendment is to expedite the clearance of merger transactions whenever possible.

### Increase of the general threshold

The general merger threshold has been increased, so fewer transactions should clear in the future. Whereas, the aggregate threshold of HUF 15 billion (approx. EUR 48 million) remain unchanged, the threshold to be met by at least two involved undertakings has been doubled from HUF 500 million (approx. EUR 1.6 million) to HUF 1 billion (approx. EUR 3.2 million).

Threshold doubled

### Special “investigation threshold”

In the future, transactions may require merger clearance even if the above general threshold is not met. Namely, clearance will also be required if the parties’ aggregate turnover exceeds HUF 5 billion (approx. EUR 16 million) and potentially it could restrict competition. This brings a greater level of uncertainty as the burden of assessment of the restrictive effect weighs on the parties. Hence, it is expected that the parties will notify the transaction whenever it exceeds the HUF 5 billion threshold.

Legal uncertainty

### **Dawn raids in merger control?**

New powers of the  
HCA

The power of the HCA has been extended to conduct unannounced inspections (dawn raids) on merger control (for example to check whether the parties closed the transaction prior clearance or whether the merger notification is based on accurate data). Among others, this means that in the merger process the HCA can enter the premises without the consent of the owner/tenant and seize data carriers or other confidential materials.

### **What should companies take away?**

Stricter discipline

Although, the new merger control will be faster and more flexible, the new rules also demand stricter discipline from parties. Businesses will need to take care in M&A deals. Of course, VJT & Partners will continue to assist in meticulous deal planning.



## Last-minute chance to join the Hungarian Residency Bond Program

### Hungary announces end to the most popular Residency-by-Investment Program

*The Hungarian government will stop accepting requests for residency bonds on 31 March 2017. While applications submitted before that date will still be processed, new requests for Hungarian permanent residence permits will not be accepted after the end of March 2017. This is the last-minute chance to join one of the most popular residency-by-investment programs in Europe.*



#### Highly attractive program

As we reported in our previous editions, the Hungarian Parliament adopted a regulation about investor residency in Hungary in 2012. The program offers a life-long Hungarian permanent residence permit for non-EU nationals willing to invest in government bonds.

Hungary stands out from the crowd with its easy, fast and safe program. An investment of EUR 300,000 into government bonds will result in a permanent residence permit within two months for the whole family. As Hungary is a member state of the EU and also a Schengen country, people having a Hungarian residence card may freely travel within the Schengen zone without visa and may also live and work in Hungary.

Also, the investment of EUR 300,000 will be returned after 5 years, at the maturity of the government bond. Practically speaking, the administrative fee is the only actual cost of participation (currently EUR 60,000).

The program has become very popular. More than 4,700 applicants entered the program. Nearly ten thousand people (including family members) have received Hungarian residence permits. These figures outperform the success of other European residency and citizenship programs.

#### Why is the program ending?

The program generated a significant revenue for the state. Residency bonds were sold for more than EUR 1 billion in the last 3 years.

However, the Hungarian Government Debt Management Agency announced that the government will stop selling residency bonds after 31 March 2017 due to the country's strong financial conditions do not justify any more this type of state funding.

More than 4,700 applicants entered the program

The Government will stop selling residency bonds

“Selling of residency bonds, previously played an important role, will not be necessary in the future.” wrote the Hungarian Government Debt Management Agency.

### Now or never

This is the last call. If potential investors file their application before the end of March 2017, their application will still be processed and they will get the Hungarian residence permit (including their family members). But, if they miss this deadline, their application will not be accepted.

### How can VJT & Partners help?

VJT & Partners advises and assists applicants and their family with all aspects of immigration to Hungary through this program. Our efforts have been recognised by the Best Immigration Law firm Hungary award. As the program is only open to be joined for a very limited time (until 31 March 2017) smooth and quick administration of applications by long-term experts is crucial.

Key benefits
Return of investment
Free travel to the Schengen area
Fast track to life-long Hungarian permanent residence permit (approx. two months)
Access to Hungarian schools and health care
Right to work in Hungary
Easy procedure (minimum number of documents are required)
Family members (spouse, minor children, dependent parents and dependent children above 18 are also included)
Special exemption from physical residence requirement
Special exemption from tax obligations

File the application  
by the end of March  
2017

VJT & Partners  
received the Best  
Immigration Law  
Firm award

## About VJT & Partners

### The Firm

VJT & Partners is a Hungarian commercial law firm advising international and domestic corporate clients and entrepreneurs. The firm was founded by dr. János Tamás Varga, who has created a highly successful team based on values including inspiring leadership, striving for perfection, commitment, courage and harmony.

VJT & Partners is recognised as one of Hungary's leading commercial law firms and also as an excellent collaborative partner, working hand-in-hand with its clients. Clients value the firm's absolute commitment, leading to effective and enduring relationships. The firm combines the highest degree of professionalism, the efficient delivery of legal services with dynamism, flexibility, responsiveness and personal attention.

Lawyers in the firm have developed an in-depth understanding of both the legal and the commercial realities of business. The firm prides itself in giving direct, honest and practical advice, tailored to its clients' needs. The shared values of VJT & Partners are at the very core of the creativity and 'fresh thinking' approach of the firm.

As a member of the EU, but not the single currency, Hungary has a unique language and business culture and a complex legal system bringing particular challenges. All lawyers at VJT & Partners have extensive experience of working with international and domestic companies alike, to help navigate these challenges and to achieve their objectives in Hungary, and to ensure appropriate regulatory approvals.

The leading legal directories rank VJT & Partners highly across a range of practice areas.

VJT & Partners is a full-service law firm that satisfies the needs of clients across a broad range of industries and professions. The firm's legal services include aviation, commercial contracts, competition, corporate M&A, data protection, dispute resolution, finance, immigration, employment, intellectual property, outsourcing, private equity, real estate, regulatory, restructuring and insolvency, and technology.

## Practice Areas

The firm is especially active and highly ranked in the following areas:

### Corporate mergers and acquisitions

VJT & Partners believes that advising on M&A transactions is to provide more than just legal advice. Understanding the logic and dynamics of the industry sector in which the client and other participants operate is a prerequisite for success.

We advise clients on international and Hungarian M&A transactions including acquisitions, disposals, mergers and demergers, from deal inception through due diligence and negotiations to post completion. The expertise of our multi-disciplinary team in the areas of corporate, commercial, competition, real estate, employment and regulatory enables us to provide excellent service.

### Employment

The highly-rated employment lawyers at VJT & Partners have a wealth of experience in all aspects of contentious and non-contentious employment matters. Fully appreciated for understanding their clients' business goals, lawyers design structures and procedures that are watertight and defensible in many court proceedings.

We regularly advise employers on general employment matters including drafting employment agreements, internal policies, termination agreements, termination notices and complex mass dismissal structures as well as employee incentive schemes. We have particular expertise in managing work permit and business immigration applications as well as advising on the different employment and labour related issues which arise with commercial transactions such as outsourcing.

Our team has successfully represented employers and executive employees in all types of court proceedings in Hungary. In particular, we represent clients in disputes concerning issues which include unlawful termination, overtime payment and bonus claims.

### Technology

Understanding our clients' underlying technical and technological ideas and objectives, while providing clear, concise and practical advice lies at the heart of our work. The phenomenon of convergence and the rapid proliferation of innovative services inspire our Information, Communications & Technology (ICT) team to continue to build unique expertise in a wide range of technology matters.

Our lawyers have particularly strong track record in commercial IT arrangements such as software licensing, call centre and hosting services as well as hardware procurement, online and e-commerce matters such as setting up web-shops. We also regularly advise on sector-specific regulatory issues concerning communications services such as licensing, interconnection and carrier-pre selection.

## How We Work

Lawyers at VJT & Partners are encouraged to develop, to enjoy their work and to become real 'Masters of Collaboration'. Clients comment on the firm's cooperation, communication and its absolute commitment to what they are trying to achieve.

In turn, we find that this leads to effective and enduring relationships. We combine the highest degree of professionalism and the efficient delivery of legal services with dynamism, flexibility, responsiveness and personal attention.

## Our Values

The values that lie at the heart of our business ethos are the building blocks of our business. Nurturing the following values brings the 'hearts and minds' of VJT & Partners' lawyers together as one successful team. We would be happy to talk you through them, what they mean to us, to our business and our clients:

- Inspiring leadership
- Striving for perfection
- Commitment
- Courage
- Harmony

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