

INCORPORATION OF A LIMITED LIABILITY COMPANY IN HUNGARY

(A) Who can set up a limited liability company in Hungary?

In principle, any person, no matter the nationality or residency can be a shareholder of a limited liability company (*in Hungarian: "korlátolt felelősségű társaság"*, abbreviated and hereinafter: "**Kft.**") in Hungary. Shareholders can be natural persons or legal entities. Should there be a person who has no domicile address or registered seat in Hungary, then it / he / she must have a Hungarian delivery agent nominated during the company registration procedure.

(B) How to set up a limited liability company in Hungary?

The *Kft.* is defined under Hungarian law as a private limited company in which the shareholders' liability is in principle limited to their contribution to the company. The private company can either be established by a private deed countersigned by a Hungarian attorney-at-law or established by a notarial deed. In Hungary, notaries have more expensive and not flexible solutions, thus, we suggest entrusting and empowering a Hungarian attorney-at-law with these. It is now also possible to sign during a video-identification procedure and in this way no Apostille or foreign notarial authentication is needed to the corporate documents, so there is not even a must to come to Hungary to swiftly establish a company with the help of the services of the Hungarian attorney-at-law and the law office.

(C) Which documents are needed for the incorporation of limited liability company?

1.) Articles of Association (or should it be a single-member limited liability company: Deed of Foundation

Firstly, to draft the Articles of Association (Deed of Foundation), it must be decided, which procedure the Client chooses (see below A.) and B.) versions). The Articles of Association (Deed of Foundation) contains primarily the name, registered seat (branches if any) and scope of activities of the company (based on NACE Rev.2. numbers), the identity of the shareholder(s), managing director(s), general manager(s) – if chosen, permanent auditor – if chosen, supervisory board – if chosen, duration of the operation of the company, initial capital of the company, capital contributions of the shareholders, obligatory supplementary payments if prescribed, the ratio of the business shares between the shareholders and their number of votes on the members' meeting, obligatory rules and restrictions on the transfer and division of business shares, rules on the distribution of profits, basic rules of the members' meeting and whether the company publishes its notices on its website or in the Hungarian Company Gazette.

A.) Simplified procedure of the registration of a limited liability company

The court will register the company in a simplified procedure within 1 working day reckoned from the tax number-registration (so technically, **within ca. 2-8 working days** if there is no suspension because of the registration of tax

number) if the Articles of Association (Deed of Foundation) of the company is based on the sample disclosed by the Hungarian Ministry of Justice (so it is not possible to have any changes on the text).

B.) Normal procedure of the registration of a limited liability company

The court will register the company in a normal procedure **within 15 working days** reckoned from the tax number-registration if the Articles of Association (Deed of Foundation) of the company is based on the free decision of the parties, in line with the requirements of the Hungarian Civil Code. In this way it can be also possible to choose EUR (or other foreign currency) for the accounting of the Hungarian Company and not HUF and to set up further company organs other than it is prescribed in the Hungarian Ministry of Justice Sample.

2.) Contribution – Bank certificate

The requirement of the minimum share capital in the case of Hungarian limited liability companies (*Kft.*-s) is HUF 3,000,000 (currently ca. EUR 8,600). A bank certificate issued by the financial institution which acknowledges that the amount of capital has been deposited into a blocked current account in the company's name will be required. Or the Managing Director may declare the payment of the contributions in the petty cash in front of the Hungarian attorney-at-law or notary public.

3.) Certifying the obligatory data that will be registered in the Companies' Registry

In case natural person Managing Directors, Shareholders, Supervisory Board Members: sending previously the copy of their *passport or ID card*, the data of their *domicile address*, *tax numbers* and the *birth name of their mother* (and then, at signature, presenting the original personal document).

Should the shareholder(s) be not Hungarian company(ies), then its / their authorized (notarial authentication and Apostille if needed based on bilateral treaties with Hungary) *foreign company registry extract* should not be older than 3 months and in its Hungarian *official translation*. The declaration on the ultimate beneficial owner with the above personal data and ID documents would also be necessary.

4.) Power of attorney and other necessary Managing Director's documents (declaration of acceptance, declaration on not standing under prohibition, declaration on the duration of his mandate, power of delivery agent (should the managing director not have a Hungarian domicile address), declaration on tax number, declaration on the lawful use of the registered seat).

Further information:

- there are these *two ways of the legal relationship of the management*: it has to be also decided that the managing director will be in employment relationship or in a company law mandate relationship during his mandate;
- *in case of single member limited liability companies*, should the managing director and the single member be the same natural person, then the managing director cannot be in an employment relationship, only in a mandate relationship with the company.

- 5.) *Specimen of Signature* – the Hungarian attorney-at-law can also make Specimens of Signatures if he / she drafts and countersigns the Articles of Association (Deed of Foundation) or any of its Amendment and the Specimen of Signature composes the Annex to the request for the registration of the company. If it is an Annex, then there will be a link to its digital PDF version in the Hungarian Official Companies Register, which the Hungarian Authorities accept as original (so called “one-window” procedures).
- 6.) Should there be a *permanent auditor* elected, the declaration of acceptance and declaration on the duration of the mandate of both the auditor company and the auditor personally in charge.
- 7.) Should there be *supervisory board* elected, then their declaration of acceptance and their declaration on the duration of their mandate and power of delivery agent, should one member have foreign domicile address.
- 8.) *Register of members*: Managing directors shall maintain a register on the members of the company. The following shall be indicated in the register of members (shareholders): a) the name, domicile address or registered seat and the capital contribution of each member; b) in connection with jointly owned business shares, the name and domicile address or registered seat of the owners and their joint representative, and the amount of their capital contribution; c) the amount of initial capital; d) the provisions of the Article of Association (Deed of Foundation) on any supplementary capital contributions and auxiliary services, as well as on the restriction or prohibition of the transfer of business shares.
- 9.) *VAT declaration* to the Hungarian Tax- and Customs Office (if the company requires EU VAT number and would like to be subject to VAT or would like to be exempted from VAT – a consultation with a Hungarian accountant in the knowledge of the purpose of the company might be necessary).

(D) Further required actions

- Opening a *bank account* and paying the initial capital. (It is possible to pay only a part of it, but this must be laid down in the Articles of Association.)
- *Creating a certified email address* (so called electronical delivery address).
- In addition to the above, however these will not be filed to the Hungarian Company Court, it is possible to prepare *Shareholders’ Agreements* (if needed) or employment contracts and the relating employment documentation (should the managing director be in an employment relationship with the company and not in a mandate relationship).
- It is also required to obtain the necessary licenses for the scope of activities if needed.
- It is required to have an accountant and file the announcement data sheet to the Tax- and Customs Office and pay the yearly fee towards the competent Chamber of Commerce and Industry.

(E) Incorporation timing and costs

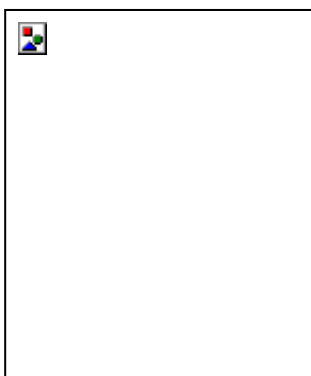
The incorporation procedure in Hungary is electronical and quite fast, see the above Section (C). For the incorporation of a Hungarian limited liability the Hungarian Authorities do not require duties, it is free of charge. Only the costs of the legal representative (attorney-at-law or notary public) can occur. Attorney-at-law fees can amount in a range between net EUR 800 to 2.500, depending on which procedure the Client chooses (“simplified” or “normal”) and the complexity of the case and the company’s structure. This does not contain the costs incurring during the registration procedure e.g., fee of the e-procedure, fee of the land registry sheet control (regarding the registered seat), fee of the translation of the company registry extracts of the members if any corporate entity member, fee of the fulfilment of delivery agency by a law office, etc.

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