

Doing Business in Hungary

www.practicallaw.com/0-500-4031



Péter Berethalmi
Nagy és Trócsányi Ügyvédi Iroda (Lex Mundi Member Firm)

LEGAL SYSTEM

1. What is the legal system (civil law, common law or a mixture of both)?

Hungary has a statute-based civil and criminal law system. The main sources of law are:

- The constitution.
- Acts of parliament.
- Government and ministerial decrees.
- EU law.

FOREIGN INVESTMENT

2. Are there any restrictions on foreign investment (including authorisations required by central or local government)?

There are no general restrictions on foreign investment. However, in some highly regulated sectors, such as real estate acquisition or agriculture, licences may be required.

3. Are there any exchange control or currency regulations?

There are no exchange control or currency regulations.

4. What grants or incentives are available to investors? Are any of these aimed specifically at foreign investors?

Certain grants and incentives are available to both resident and foreign investors to, among other things:

- Encourage tourism.

- Improve infrastructure.
- Encourage competitiveness.
- Protect the environment.

Incentives are also available for tenders invited by the state and in the form of state subsidies.

BUSINESS VEHICLES

5. What is the most common form of business vehicle used by foreign companies to conduct business in your jurisdiction? In relation to this vehicle, please provide details on:

- Registration formalities (including timing).
- Minimum (and maximum) share capital.
- Whether shares can be issued for non-cash consideration, such as assets or services (and any formalities).
- Any restrictions on the rights that can attach to shares.
- Any restrictions on foreign shareholders.
- Management structure and any restrictions on foreign managers.
- Directors' liability.
- Parent company liability.
- Reporting requirements (including filing of accounts) and cost of compliance.

The most common forms of business vehicle used by foreign companies are:

- Limited liability companies (*Korlátolt Felelősségű Társaság (Kft)*).



- Companies limited by shares, either:
 - public (*Nyilvánosan működő Részvénytársaság* (Nyrt));
 - private (*Zártkörűen Működő Részvénytársaság* (Zrt)).
- **Registration formalities.** Business associations as well as branches and commercial representative offices are registered by the competent court of firms. The registration application must be submitted in electronic form.

Registration takes either:

- one business hour in the simplified registration procedure, which may be requested only if the business association uses a sample deed of foundation (available in Act V of 2006 on the Registration of Business Associations for general partnerships, limited partnerships, Kfts and Zrts);
- 15 business days if the business association does not use a sample deed of foundation.
- **Share capital.** A Kft must have a minimum share capital of HUF500,000 (as at 1 October 2010, US\$1 was about HUF203) unless higher limits have been set by legislation. A Zrt must have a minimum share capital of HUF5 million, and a Nyrt must have a minimum share capital of HUF20 million. There is no maximum share capital.
- **Non-cash consideration.** Shares (quotas) can be issued for non-cash consideration. Non-cash consideration can include any:
 - marketable thing of value;
 - intellectual work;
 - intangible property;
 - claim that is recognised by the debtor or that has been granted by a final and definitive court decision.

Commitments by the founders or shareholders for performing work (or for any other personal involvement or service) are not treated as non-cash considerations.

In a Kft, non-cash consideration is paid in accordance with the articles and not necessarily at the time of establishment. If on establishment the non-cash consideration exceeds half of the registered capital, then all the non-cash consideration must be paid up. If all the non-cash consideration is not paid up upon establishment, the remaining amount must be paid in accordance with the articles, but within a maximum of three years from registration.

For Zrts and Nyrts non-cash consideration must be paid before the registration request is filed, unless the amount of the non-cash consideration is less than 25% of the registered capital. The articles can provide for a higher threshold. The amount of the non-cash consideration not paid up on registration must be paid as defined in the articles, but no later than the end of the fifth year from registration.

- **Rights attaching to shares.** If permitted by the Kft's articles, different rights can attach to different types of quota. An Nyrt or Zrt can issue preference shares, which may grant more rights (for example, voting rights, or rights to appoint directors and/or members of the supervisory board) than ordinary shares.
- **Foreign shareholders.** There are no restrictions on foreign shareholders.
- **Management structure.** Kft is managed by at least one managing director, appointed by the quotaholders. If there are several managing directors, their representation right can be joint or individual.

If the number of the company's managing directors falls below the number set out in the articles of association, the managing director(s) must convene a members' meeting within 30 days. If a company is left without a managing director, any member can convene a members' meeting. If a members' meeting is not convened within 30 days following the change, or it cannot be convened, a members' meeting must be convened by the court of registry at the request of any member or creditor.

A Zrt or an Nyrt can be managed by a board of directors, or in the case of a Zrt by only one general director if provided in the articles. The Nyrt's articles can also exclude that a board of directors manage the company. In this case the members of the board of directors are treated as executive officers.

- **Directors' liability.** Executive officers are liable for all damage suffered by the company as a result of failing to perform their duties under any of the following:
 - general civil law rules;
 - the articles;
 - company resolutions;
 - their management obligations.

Executive officers bear joint and several liability to the business association for any damage resulting from either:



- incorrect data, rights or facts notified;
- any delay in filing or failure to file a notification.
- **Parent company liability.** A parent company's liability for a Kft, Zrt or Nyrt is limited to the extent of its shareholding. However, under some circumstances, the court may determine that the parent company has unlimited liability, if:
 - the owner of a qualifying holding makes a series of poor business decisions on behalf of the controlled company, therefore imposing substantial strain on the controlled company in meeting its liabilities, the competent court of firms can either (at the request of any of the controlled company's creditors):
 - instruct the owner to provide collateral security;
 - impose the judicial supervisory sanctions on the owner under Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings.
 - the controlled company is going into liquidation, the owner of a qualifying holding must bear unlimited liability for all liabilities of the company that the debtor controlled company cannot pay if the court has declared (in an action filed by the creditors during the liquidation proceedings) that the owner is fully and unlimitedly liable due to its history of making unfavourable business decisions in the debtor company;
 - in the winding-up of the Kft, Zrt or Nyrt, any shareholders who abused their limited liability or the company's legal personality to the detriment of creditors must bear unlimited, joint and several liability for the unsatisfied obligations of the terminated company.
- **Reporting requirements.** Companies must file an annual report with the Court of Firms complying with the Accounting Act (C:2000). Any changes to the corporate data of a company must be reported to the Court of Firms.

EMPLOYEES

6. What are the main laws regulating employment relationships?

Employment issues are regulated by Labour Code (XXII:1992). Hungarian labour law applies to:

- All employees working in Hungary.
- Employees working abroad for a Hungarian employer for a temporary period of time.

If the governing law is not specified, employment relationships are governed by the law of the country in which employees habitually work or the place in which the employers' business is located. The parties can choose the governing law where there is an international element of the employment. This choice of law must not result in less favourable terms than those available under Hungarian law.

7. Is a written contract of employment required? Are any agreements and/or implied terms likely to govern the employment relationship?

The employment relationship must be based on a written contract (*Labour Code*). Certain provisions of the Labour Code are mandatory and bye-laws, internal rules of the employer and collective bargaining agreements can also apply. The parties to an employment contract can settle any issues in the contract. The employment contract must not be contrary to the law or collective agreement, unless it stipulates more favourable terms for the employee.

8. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals)?

Employees as a group are entitled to participation rights, which must be exercised on behalf of the group of employees by the workers' council or by a workers' representative elected by the employees.

A workers' council must be elected at all of the employer's facilities and independent operational facilities (divisions) with more than 50 employees.

A workers' representative must be elected at an employer or at an employer's division with at least 15 but no more than 51 employees.

If there is more than one workers' council or workers' representative at one employer, a central workers' council must be formed.

The number of workers' council members differs depending on the number of employees.



Workers' councils have co-determination rights in relation to:

- Welfare funds specified in the collective agreement.
- Welfare institutions and property.

Employees are entitled to be consulted on the following proposals and plans:

- Setting up a personnel records system, the data to be recorded, plans for the contents of specified data sheets, and staff policy plans.
- Employee training, proposals for the appropriation of job assistance subsidies for improving employment conditions, and drafts of plans for early retirement.
- Occupational rehabilitation.
- Annual vacation schedule.
- New work organisation methods and performance requirements.
- Internal regulations affecting the employees' substantive interests.
- Tenders announced by the employer offering financial reward or recognition of exemplary performance.
- Occupational rehabilitation of persons who suffered some degree of health impairment or whose capacity to work has diminished.

9. How is the termination of individual employment contracts regulated?

An employment relationship may be terminated:

- By mutual consent of the employer and the employee.
- By ordinary or extraordinary dismissals (*see below, Dismissal*).
- With immediate effect during the trial period.

Dismissal

The Labour Code governs employment relationships and allows for two types of dismissal:

- **Ordinary dismissal.** This is the termination of the employment contract with the requisite notice period. Either party can terminate the contract, but if the employer does so he must justify the dismissal. An employer cannot lawfully dismiss an employee in certain circumstances, for example

if the employee is pregnant or on sick leave.

Employees are entitled to severance pay and the notice period must be observed (*see below, Notice*).

- **Extraordinary dismissal.** This is the immediate termination of the employment contract and is rarely permitted. An extraordinary dismissal only occurs where either party wilfully, or through gross negligence, violates a substantive obligation or engages in conduct that makes the employment impossible to continue. Cases of extraordinary dismissals may be stipulated in the collective agreement or employment contract.

The employer must exercise the extraordinary dismissal right within 15 days of gaining knowledge of the grounds for dismissal, but this can be no more than one year after the date when the grounds occurred (or, in the event of a criminal offence, up to the statute of limitation). If a committee exercises the right of extraordinary dismissal, the date of gaining knowledge is the date when the committee, acting as the body exercising employer's rights, is informed of the grounds for the extraordinary dismissal.

Fair or justified and unfair or unjustified dismissals are not listed in the Labour Code. Any dismissal that does not comply with the Labour Code can be deemed unfair or unjustified by the relevant court. An employee can challenge a notice of dismissal in court within 30 days.

If a dismissal is declared unfair or unjustified the following remedies are available for the employee (*Labour Code*):

- Reinstatement at the employee's request (this may not be ordered if it is not acceptable to the employer).
- Between a minimum of two to 12 months' average salary and any other remuneration normally payable under the employment contract.

- Damages.

If the employee was dismissed by extraordinary dismissal, the employer must also pay the employee:

- His average earnings for the notice period.
- A severance payment.

Notice

The minimum statutory notice period is 30 days, up to a maximum of one year. The 30-day period is extended by:

- Five days, after three years' employment.
- 15 days, after five years' employment.

- 20 days, after eight years' employment.
- 25 days, after ten years' employment.
- 30 days, after 15 years' employment.
- 40 days, after 18 years' employment.
- 60 days, after 20 years' employment.

10.Are redundancies/mass layoffs regulated? If so, please give details.

An employer must inform affected employees, the Labour Centre (the government authority dealing with employment issues) and any relevant trade unions or works council if, within a 15-day period, redundancies are proposed concerning at least:

- Ten employees, in an establishment employing between 20 and 100 employees.
- 10% of employees, in an establishment employing between 100 and 300 employees.
- At least 30 employees, in an establishment employing more than 300 employees.

To reach an agreement, the consultations must include:

- The possible ways of avoiding collective redundancies.
- The reasons for the redundancies.
- Ways to mitigate the effects.
- Ways to reduce the number of employees affected.

Failure to inform makes the redundancies invalid and open to challenge.

11.Do foreign employees require work permits and/or residency permits? If so, how long does it take to obtain them and how much do they cost?

Foreign employees require a work permit, unless they meet one of the following requirements:

- They are persons with the right of free movement and residence (that is, persons from EU member states and their relatives). However, the employer of such persons must report their employment as well as the termination of the employment.
- They benefit from certain legal provision where a work permit is not required for foreign employees. When work permit is not required, the employer must notify the competent Labour Inspectorate.

- They are executives of an organisation (for example, managing directors, board members or members of the supervisory board).

When authorisation is required, the employer must have received it before the employment agreement is completed. Permits take about ten days and cost about HUF25,000.

TAX

12.In relation to employees, what constitutes tax residency in your jurisdiction?

The Hungarian government has publicly announced its intention to launch a major reform of the Hungarian taxation system. The exact details of the reform are not known to date.

Resident private individuals are subject to personal income tax on their worldwide income. A person is deemed a resident private individual if:

- His only permanent residence is in Hungary.
- His centre of vital interest is in Hungary (this is determined by family ties and business relations).
- His customary residence is in Hungary, if his centre of vital interests is unknown, and if either:
 - there is no permanent residence in Hungary;
 - Hungary is not the only country where he has permanent residence.

A resident private individual also includes:

- Any citizen of Hungary (except for dual citizens without a permanent or customary residence in Hungary).
- Foreign nationals holding a valid permanent residency permit.
- Stateless persons.

Non-resident private individuals are subject to personal income tax (*see Question 13, Tax resident employees*) on income originating in Hungary as either:

- The place of gainful activity.
- The result of an international agreement or reciprocity.

13. What income tax or social security contributions must the following pay:

- Tax resident employees?
 - Non-tax resident employees?
 - Employers, in relation to their employees?
-

Tax resident employees

Employees make the following contributions out of their gross monthly wage:

- Personal income tax: 17% and 32%, depending on the amount of income earned.
- Healthcare: 6% (in kind: 4%; financial: 2%).
- National insurance: 1.5%.
- Pension: 9.5%.
- Fee for obligatory membership in a private pension fund: 8%.

Non-tax resident employees

Non-tax resident employees pay the same taxes as tax resident employees (*see above, Tax resident employees*) but only on income originating in Hungary.

Employers

Employers make the following contributions, calculated according to an employee's gross monthly wage:

- Pension: 24%.
 - Healthcare: 2% (in kind: 1.5%, financial: 0.5%).
 - National insurance (paid to the Labour Fund): 1%.
 - Professional training: 1.5%.
-

14. In relation to business vehicles, what constitutes tax residency in your jurisdiction?

Tax resident companies are those incorporated and registered under Hungarian law. Non-tax resident companies are those that are not incorporated and registered under Hungarian law and that carry out business operations through branches in Hungary.

Issues regarding persons subject to corporate tax, and all-inclusive and limited tax liability, are regulated by the Corporate Tax Act (*LXXXI: 1996*) (CTA).

15. Please give details of the main taxes that potentially apply to a tax resident business vehicle (including rates).

Corporate tax

Tax resident companies must pay corporate tax of 19% on worldwide income (CTA). However, under an annual income of HUF500 million, the corporate tax is 10%. Several tax allowances are regulated by the CTA.

Value added tax (VAT)

VAT must be paid on the supply of goods and services at the general rate of 25%. Special rates of 5% and 18% may apply to certain goods and services listed in the annexes to the VAT Act (*CXXVII: 2007*).

16. How are the activities of non-tax resident business vehicles taxed?

Non-tax resident companies (*see Question 14*) are subject to corporate tax at the same rate as tax resident companies (*see Question 15, Corporate tax*) but only on their Hungarian source income.

17. Please explain how each of the following is taxed:

- **Dividends paid to foreign corporate shareholders.**
 - **Dividends received from foreign companies.**
 - **Interest paid to foreign corporate shareholders.**
 - **Intellectual property (IP) royalties paid to foreign corporate shareholders.**
-
- **Dividends paid.** Corporate shareholders (foreign or Hungarian) are not subject to tax on dividends.
 - **Dividends received.** An individual shareholder must pay income tax of 25%, unless a double tax treaty applies. A corporate shareholder does not have to pay income tax on dividends received, unless a double tax treaty applies.
 - **Interest paid.** Interest and royalties paid to a foreign company by its Hungarian permanent establishment are deemed to be part of the permanent establishment's profits arising from its business activities and corporate tax must be paid on them, unless a double tax treaty applies.
 - **IP royalties paid.** The same taxes apply as for interest (*see above, Interest paid*).
-



18. Are there any thin capitalisation rules (restrictions on loans from foreign affiliates)? If so, please give details.

Thin capitalisation rules apply if the undertaking subject to corporate tax has obligations in relation to any of the following:

- Outstanding loans.
- Outstanding debt securities offered privately.
- Bills payable.

Pre-tax profits must be increased by a pro-rated portion of all interest paid on any of these obligations that amount to more than three times the equity capital of the company, with the exception of interest paid to financial institutions. Interest paid must be shown under expenses or recorded as part of the prime cost of an asset during the tax year.

19. Must the profits of a foreign subsidiary be imputed to a parent company that is tax resident in your jurisdiction (controlled foreign company rules)?

There are no controlled foreign company rules. The profits of a foreign subsidiary cannot be imputed to a parent company that is tax resident in Hungary.

20. Are there any transfer pricing rules? If so, please give details.

If two or more undertakings are deemed to be joint undertakings under the CTA and do not use the usual market price in the course of their dealings, the pre-tax profit of the joint undertaking is modified to reflect the arm's-length value.

21. How are imports and exports taxed?

Exports are zero-rated for VAT purposes. Imports are subject to VAT. Relevant EU directives are implemented.

22. Is there a wide network of double tax treaties? If so, please give details.

Hungary has entered into double tax treaties with about 50 countries including all of the pre-1 May 2004 EU member states and most of the accession member states.

COMPETITION

23. Are restrictive agreements and practices regulated by competition law in your jurisdiction? If so, please give brief details.

Restrictive agreements (including horizontal and vertical agreements) and restrictive practices are generally prohibited under the Act on the Prohibition of Unfair and Restrictive Market Practices (*LVII:1996*). However, block exemptions exist for agreements that:

- Qualify as an agreement of minor importance.
- Fall under Government Decree 55/2002 (*III 26*).
- Fall under Government Decree 19/2004 (*II 13*).

The Hungarian Competition Authority may, on request, issue an individual exemption if:

- The agreement contributes to any of the following:
 - a better organised production or distribution process;
 - the promotion of technical or economic development;
 - the improvement of environmental protection or competitiveness.
- Most of the agreement's terms benefit consumers.
- The clause restricting or excluding economic competition is reasonable and necessary for an economically justified common goal to be achieved.
- The agreement does not exclude competition completely for the goods concerned.
- In addition, the relevant EU laws are to be applied and are implemented.

INTELLECTUAL PROPERTY

24. Please outline the main intellectual property rights that are capable of protection in your jurisdiction. In each case, please state:

- Nature of right.
 - How protected.
 - How enforced.
 - Length of protection.
-

Patents

- **Nature of right.** For an invention to be patentable, it must:
 - be new;



- involve an inventive step;
- be capable of industrial application.

A patent owner has moral and economic rights to his work.

- **How protected.** Patents must be registered with the Hungarian Patent Office (HPO).
- **How enforced.** The patentee can file actions for claims set out in the Civil Code (*Act IV: 1959*):
 - a judicial finding;
 - discontinuation of the infringement;
 - satisfaction by a declaration of the infringer;
 - information on the manufacturers or distributors of products;
 - seizure of the means or equipment used for infringement;
 - compensation.
- **Length of protection.** Protection lasts for 20 years from the date of application to the HPO and the right is not renewable.

Trade marks

- **Nature of right.** To be registered, a trade mark must be capable of both:
 - graphic representation;
 - distinguishing the goods or services of one undertaking from those of another.

The trade mark holder is entitled to use the protected trade mark exclusively.

- **How protected.** Trade marks must be registered with the HPO.
- **How enforced.** In addition to the sanctions available to patent owners (*see above, Patents*), trade mark owners can demand:
 - a court ruling establishing that trade mark infringement has occurred;
 - cessation of the trade mark infringement or threat of infringement and prevention of the infringer from further infringement;
 - that the infringer provide information on parties taking part in the manufacture of, and trade in, goods or performance of services which infringe on the trade mark, as well as on business relationships established for the use of the infringer;

- that the infringer make amends for his action (by declaration or in some other appropriate manner) which, if necessary, are made public by and at the expense of the infringer;
- restitution of the economic gains achieved through infringement of the trade mark;
- seizure of those assets and materials used exclusively or primarily in the infringement of the trade mark, as well as of the goods infringing the trade mark or their packaging. The owner can also demand that they are delivered to a particular person, recalled and definitively withdrawn from commercial circulation, or destroyed.
- **Length of protection.** Protection lasts for ten years from the date of application to the HPO. This can be extended indefinitely for further ten-year periods.

Registered designs

- **Nature of right.** Designs can be protected either:
 - as the realisation of an establishment, structure and co-ordination of parts of an object (design);
 - as the external outlook of an object (industrial design).

The design owner has moral (rights of integrity and authorship) and economic rights (for example, the exclusive right to exploit and license the exploitation) to his work.

A registered design confers on its holder the exclusive right to use it and to prevent any third party from its unauthorised use.

- **How protected.** Designs must be registered with the HPO. An industrial design is also protected under copyright law (*see below, Copyright*) if it has an original element, without registration.
- **How enforced.** The same sanctions apply as for patents (*see above, Patents*).
- **Length of protection.** Designs are protected for a maximum of ten years from the date of application for registration. Industrial designs are protected for five years from the date of application for registration and can be renewed for up to four additional five-year periods.

Unregistered designs

- **Nature of right.** The nature of unregistered design rights is the same as for registered designs (*see above, Registered designs*). An unregistered design confers on its holder the right to prevent third parties from unauthorised use of the design if the use

results from copying the protected design (*Regulation (EC) No. 6/2002 on Community designs (Community Designs Regulation)*).

- **How protected.** An unregistered design is not protected unless it is an industrial design capable of protection under copyright law (*see below, Copyright*).
- **How enforced.** In the case of infringement, the following sanctions can be imposed:
 - an order prohibiting the infringer from proceeding with acts infringing the design;
 - an order to seize the infringing products or material, or means used to manufacture such goods;
 - an order imposing other sanctions appropriate under circumstances provided for by Hungarian law.
- **Length of protection.** An unregistered design is protected for three years from the date on which the design was first made available to the public (*Community Designs Regulation*). The right is not renewable.

Copyright

- **Nature of right.** Copyright is a right attached to the following original works:
 - literary;
 - scientific;
 - artistic.

The owner has moral and economic rights to his works.

- **How protected.** Copyright is protected by law automatically without registration from the time the work is created.
- **How enforced.** The sanctions available are the same as for patents (*see above, Patents*). The copyright holder can also claim compensation for gains achieved by the infringer through the infringement.
- **Length of protection.** Protection lasts for the life of the author plus 70 years; the right is not renewable.

Confidential information

- **Nature of right.** Any fact, information, conclusion or data is confidential if its publication by, release to, or use by, unauthorised persons is likely to cause damage to the owner of that information. The right holder has the exclusive right to disclose the information.

- **How protected.** The protection of confidential information is regulated by:

- acts concerning the protection of state and business secrets;
- the Constitution;
- the Civil Code;
- the Criminal Code (*1978:IV*).

The protection arises automatically, without a registration obligation.

- **How enforced.** The sanctions under civil law are:
 - a judicial finding;
 - discontinuation of the infringement;
 - satisfaction by a declaration of the infringer;
 - compensation.

Criminal sanctions (in the case of serious breaches) include:

- fines;
- community service;
- imprisonment.

- **Length of protection.** There is no defined period of protection but it must be reasonable. What is reasonable will depend on the type of confidential information.

MARKETING AGREEMENTS

25. Are marketing agreements regulated in your jurisdiction? If so, please give brief details in respect of the following arrangements:

- **Agency.**
- **Distribution.**
- **Franchising.**

-
- **Agency.** Agency is regulated by the Independent Commercial Agency Contract Act (*CXVII:2000*). Under the Act:

- independent agency activities must be governed by a written commercial agency contract;
- an agent is usually authorised to sign contracts in the name of the principal;
- both principal and agent are strictly liable for any breach of contract;
- the contract can contain a non-compete clause for up to two years after termination, provided the agent is given an additional fee.



- **Distribution.** Distribution agreements are regulated by general contract law and supply agreement provisions in the Civil Code. As distribution agreements are often subject to competition investigation, competition law should also be considered when entering into an agreement.
- **Franchising.** Franchising agreements are currently only regulated by general contract law. As with distribution agreements, competition law should be considered when concluding an agreement.

E-COMMERCE

26. Are there any laws regulating e-commerce (such as electronic signatures and distance selling)? If so, please give brief details.

Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the internal Market has been implemented by the Act on Electronic Commerce and on Information Society Services (*CVIII:2001*).

The creation, verification, validity of, and rights and obligations attached to, electronic signatures are governed in accordance with Directive 99/93/EC on electronic signatures (*Act XXXV:2001 on Electronic Signature*).

DATA PROTECTION

27. Are there any data protection laws? If so, please give brief details.

Hungary has several data protection laws, in conformity with the relevant international treaties of the UN, EU and Council of Europe, including:

- The Act on Protection of Personal Data and Access to Data of Public Interest (*LXIII:1992*).
- Laws protecting data in public registries.
- The Act on Electronic Commerce and on Information Society Services (*CVIII:2001*).

These laws contain several principles that must be observed by companies when processing data. The main principle is the protection of personal and sensitive data. Such data cannot be transferred or used without the prior consent of the person concerned, and its use should be limited to the narrowest possible scope. There is a prohibition on the transfer of data to countries outside the EU which do not have adequate protection for personal data.

PRODUCT LIABILITY

28. Are there any laws regulating product liability and product safety? If so, please give brief details.

The manufacturer of a product is liable for damages caused by any defect in the product (*Act X:1993 on Product Liability*). If the manufacturer cannot be identified, all distributors of the product are deemed manufacturers until they inform the injured party of the identity of the manufacturer or distributor from whom the product was obtained. This provision also applies to imported products where the manufacturer is indicated but the importer cannot be identified.

An injured party must prove that the defective product caused the injury.

Damage claims must be made within three years of the damage occurring. However, manufacturers remain liable for ten years from the date of placing the given product on the market.

CONTRIBUTOR DETAILS

PÉTER BEREHALMI

Nagy és Trócsányi Ügyvédi Iroda

T +36 1 4878700

F +36 1 4878701

E berethalmi.peter@nt.hu

W www.nt.hu

Qualified. Hungary, 1997

Areas of practice. M&A; property transactions; project finance.

Recent transactions

- Representing a multinational chemicals enterprise in connection with the sale of a fertiliser plant.
- Advising a US manufacturing company on its green field development to continue production in Hungary.
- Advising a Finnish chemical company with respect to a potential acquisition of a target business pursued by a Hungarian chemicals company.

