



Company registration in Hungary: limited liability company (KFT)

We offer company registration in Hungary, a country with one of the lowest corporate tax rates in Europe. The most attractive form of business in Hungary is a limited liability company (KFT). Company registration procedure, corporate structure, taxes and accounting, collection of necessary documents and annual administration.

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Main advantages of doing business in Hungary

Positive image of a European jurisdiction;

Not included in blacklists of offshore zones;

Stable banking system;

Possibility to work with US dollars;

Quick company incorporation;

Possibility to quickly open an account with a local bank – from 1 day;

Quick and affordable creation of substance in the country of incorporation;

9% corporate tax (a company's maximum tax burden, including the municipal tax, is up to 11%);

0% tax on dividends and capital gains;

VAT number in the EU upon company incorporation;

Large network of international double taxation treaties;

Possibility to obtain a residence permit in the Schengen Area (further information is available upon request).

Budget for the creation of business in Hungary

| Service | Cost (EUR) |
|---|----------------|
| Total cost of incorporation of a company with one shareholder and the standard articles of association, including a registered address for the first year | 5 780 |
| Opening an account with a local bank | 3 500 |
| Total: | 9 280 |
| Payment of the authorized capital (HUF 3 000 000) | ~ 7 800 |

Important: the amount of the authorized capital may be used for trading or other expenses of the company!

Period of the creation of business in Hungary

Incorporation of a company takes 2 weeks;

Opening an account with a local bank takes at least 1 day.

COMPANY INCORPORATION

The procedure of incorporation of a company in Hungary:

1) The following has to be determined

name of the company to be checked for uniqueness (at least two options):

- it must not be identical or similar to the name of an existing company;
- it must end with an indication of the form of incorporation: in the case of a private limited company, it is KFT (Korlátolt Felelősségű Társaság);

- characters of the Latin alphabet may be used;
 - it must not contain the following words: 'Hungarian', 'Budapest', 'national', 'state', etc.
- structure of the company (directors, members);
- amount of the authorized capital and distribution of shares among members (minimum is HUF 3 000 000 = ~ EUR 7 800 at the current exchange rates);
- activity and regions.

2) Payment for services

3) The following directors' / members' / attorneys' documents (originals or notarized copies) have to be provided

- passport;
- document confirming the address (if it is not stated in the passport).

4) Preparation of a set of documents for the incorporation of a company

signing of the documents by directors and members:

Signatures on corporate documents may be executed before the Hungarian attorney at law via a virtual meeting (Skype, Google Meet, Teams). The attorney at law countersigns those signatures upon receipt of the originals;

Articles of association of the company (signed by members / shareholders);

Documents signed by director:

- list of members;
- specimen signature card;
- confirmation of receipt of funds as payment of the authorized capital;
- agreement for provision of a registered address;
- local representative's letter of consent to receive correspondence (for non-resident members

and directors);

— GSL lawyer's letter of consent.

Due Diligence documents: service contract, questionnaire, and AML declaration.

The original documents are sent to Hungary for subsequent registration.

Documents made not in Hungarian must be provided with a notarized translation into Hungarian (apostille is also subject to translation).

We recommend appointing a local director, given that the director needs to be in Hungary to open the company's bank account. He can be replaced later by a foreign director

The cost of any necessary translation of documents, notarization, legalization and apostille shall be paid separately.

5) Submission of an application for company incorporation to the Register (Company`s Court)

After the application has been received and processed the Register issues a Resolution of Registration containing the company's name, address, temporary tax, statistical and registration number (analog of a Certificate of Incorporation).

6) Registration of the company with tax authorities

The Tax Office checks whether an application for company incorporation has been filed with the Register and there are no obstacles to issue a tax number.

Concurrently with the incorporation process the Register registers the company with the Tax Office to pay VAT and profit tax and the Statistical Office online.

7) Registration of the company with the Social Security Administration

8) Opening an account with a Hungarian bank

within 15 days after the official registration of the company. A Hungarian company must have at least one account in Hungary. It is necessary to state where the funds will come from (individual / legal entity, bank); give full information on the origin of the funds; business description, regions, main contracts that explain the receipt of the funds.

The total average period required to incorporate a company in Hungary is 2 weeks.

Upon incorporation the Company`s Court provides the company`s electronic file that includes:

- resolution to register the company;
- articles of association of the company (Corporate Contract);
- list of members;
- specimen signature card;
- confirmation of receipt of funds as payment of the authorized capital;
- agreement for provision of a registered address;
- local representative's letter of consent to receive correspondence (for non-resident members and directors);
- GSL attorney at law's letter of consent.

If necessary, an apostilled set of documents with an English translation may be prepared (from three workdays). Apostille, notarization or another certification is not required to open an account with a local bank.

STRUCTURE

Directors

An individual as well as a legal entity may be a director; the minimum number of directors is 1. There are no requirements regarding directors' residency, but it is recommended to appoint a local director. Information on directors is publicly available.

Members

The minimum number of members / shareholders in a company is 1; individuals and legal entities are allowed; there are no requirements regarding residency.

Authorized capital

The minimum amount of the authorized capital is HUF 3 000 000 (~ EUR 7 800); it must be paid once the company's bank account is open.

In case the founders make such a resolution, members may pay 50% of their contribution before the company's incorporation. Until the full payment of the authorized capital, the company has no right to distribute dividends, and a member whose share has not been fully paid has no right to dispose of it. It is however technically difficult to make payment before the company's account is open, therefore, we recommend executing payment by transfer to the bank account. **The paid authorized capital may be used for the company's needs as the funds are not frozen in the account.**

Registered office

Each company in Hungary must have a registered office at which there is a sign with the company's name and the register of shareholders, minutes of meetings, accounts and other

documents are kept.

Bank account

At least one bank account must be opened in Hungary. The number and location of other bank accounts are not limited; however, some transactions must be made through the main account with a Hungarian bank (for example, payment of duties and taxes).

Information on a bank account is publicly available in the Register of Companies; the bank itself sends this information to the tax office.

SUBSEQUENT WORK WITH A COMPANY

A Hungarian company must keep accounting records. Financial statements shall be signed by a director and accountant and filed with the tax authority annually. A company in Hungary must be audited if either

the company's annual turnover exceeds HUF 300 000 000 (~ EUR 779 000); or
the number of salaried employees exceeds 50 persons per year.

Invoices

Invoices have to be issued in electronic format using programs approved by the tax authorities of Hungary. These programs are linked to the system of the Hungarian tax authority. We provide training how to use such a program.

Profit tax

Hungary offers the lowest profit tax rate in the EU, which is 9%. The rate is unique; it applies irrespective of the amount of profit.

At formation of a company its director forecasts expected profit, based on which quarterly advance payment of the profit tax is made. If no such payments are made, the company will pay a fine, as a result of which the profit tax will be 10% instead of 9%.

50% of royalty income may be deducted from the company's tax base, resulting in an effective corporate tax rate of 4,5%.

Municipal tax

Hungary has a municipal tax, which ranges from 0% to 2% of the profit depending on the place of the company's business. In Budapest and large cities, the tax is 2%. The tax is paid annually.

VAT

By default, companies in Hungary get a VAT number in the course of incorporation, which is a big advantage of this jurisdiction. In most European countries, getting a VAT number is quite a long procedure connected with the fulfilment of a number of conditions whereas in Hungary there are no special conditions of its obtaining.

We recommend receiving consultation from a tax consultant to determine tax burden of the company (we can arrange it upon request)

Cost of services^[1]

| Service | Cost (EUR) |
|---------|------------|
|---------|------------|

| | |
|---|---|
| Total cost of incorporation with one shareholder and the standard articles of association (including a registered address for the first year without postal services, preparation and provision of the company's original founding documents) | 5 780 |
| Opening an account with a local bank | 3 500 |
| Provision of a registered address (without postal services[2]), from the second year | 2 200 |
| Provision of a registered address (with postal services) | 3 300 |
| Lease of an office: organization of lease, selection, preparation of a lease contract | 1 650 + monthly rent (depending on the size and location of the office) |
| Services of a local director: | |
| Option 1 • Signing documents (when necessary); • Making payments via online banking (up to 10 payments per year) | 5 500 |
| Option 2 • Signing documents (when necessary); • Making payments via online banking (up to 10 payments per month) | 9 900 |

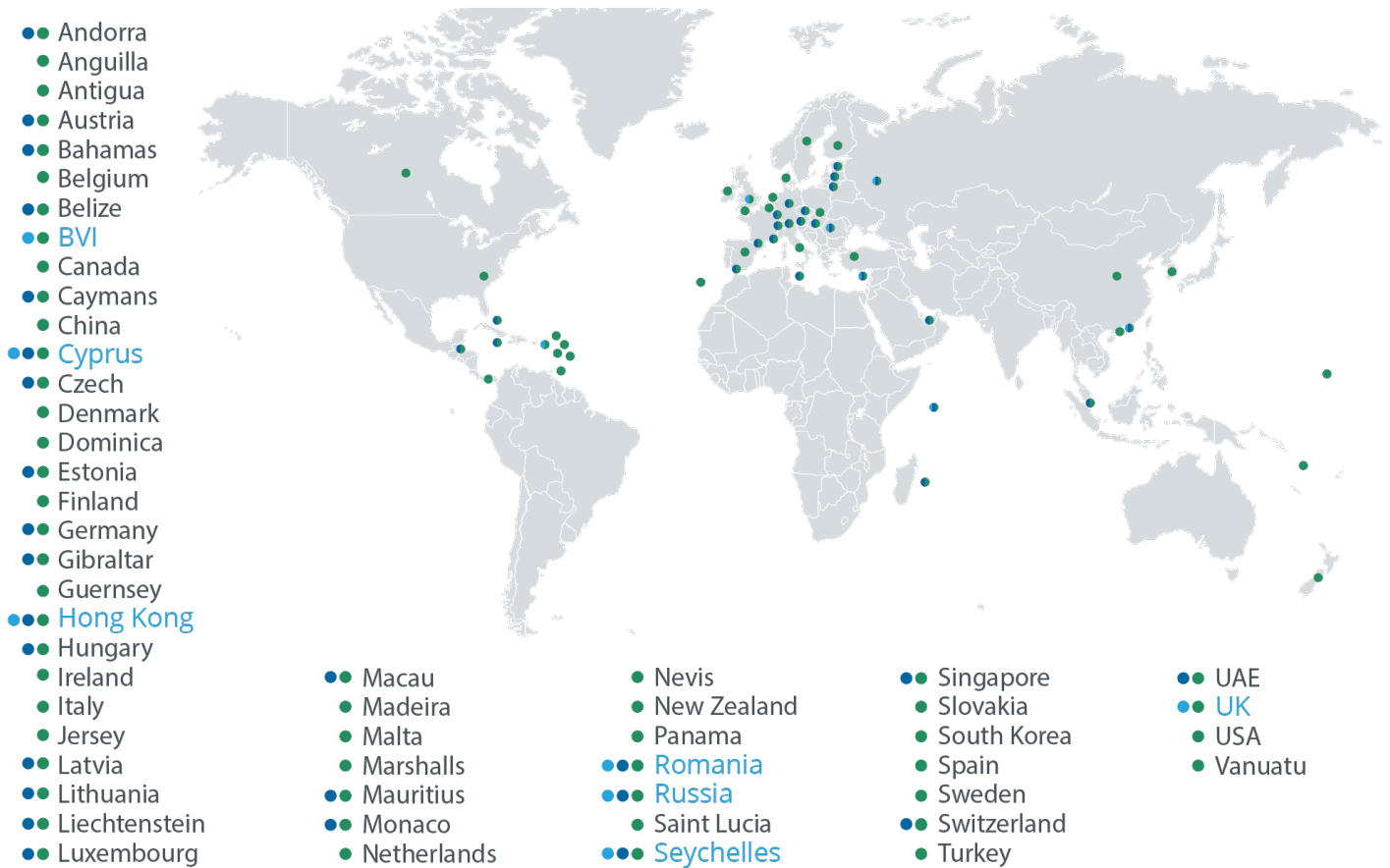
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|--|-----------------|
| <p>Option 3 • Signing documents (when necessary);</p> <ul style="list-style-type: none"> • Available by phone 8 hours per day. Present in the office upon request; • Sending correspondence to related parties: forwarding email (up to 10-20 emails per month), forwarding mail to a specified address (on occasion), forwarding messages by fax (on occasion); • Invoicing counterparties (up to 5 invoices per month); • Making payments via online banking (up to 15 payments per month): administrative expenses, current expenses, other payments; • Keeping records in the office (invoices, contracts, bank statements, etc. in electronic and physical form) and, probably, cooperation with auditors during the preparation of an annual report. <p>A director can attend negotiations with counterparties (not included in the cost). If a unique director is needed (with no appointments in other companies), it may be agreed separately as part of Option 3</p> | <p>17 600</p> |
| <p>Preparation and filing of accounts</p> | <p>from 820</p> |

| | |
|---|---|
| <p>Compliance fee.</p> <p>Paid in case of:</p> <ul style="list-style-type: none"> - incorporation of a company, - company's renewal, - company's liquidation, - transfer to another agent, - issue of a power of attorney for a new attorney, - change of director / shareholder / beneficiary, except for a change to a nominee director / shareholder, - signing of documents. | <p>350 (standard fee – includes check of 1 individual)</p> <p>+ 150 for each additional individual (director, shareholder or beneficiary) or legal entity (director or shareholder) if legal entity is serviced by GSL</p> <p>+ 200 for each additional legal entity (director or shareholder) if legal entity is not serviced by GSL</p> <p>350 (check for High Risk companies, including check of 1 individual)</p> <p>100 (signing of documents)</p> |
|---|---|

[1] The cost of services is effective as of July 2024

[2] Postal services: receiving and sending correspondence. The cost of dispatches is paid separately.

Global presence



● GSL offices ● Banks and payment systems where GSL opens accounts ● Jurisdictions where GSL registers companies

Key facts

50+

jurisdictions where GSL registers companies

120+

banks and EMI where GSL opens accounts

7

countries in which GSL offices are open

20+

years in business

170+

employees work at GSL

16

languages spoken by GSL employees