

# Doing business in Hungary



## Are you a member of a UK company wishing to export overseas?

### Interested in entering or expanding your activity in the Hungarian market? Then this guide is for you!

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about Hungary; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in Hungary. Full contact details are available at the end of this guide.



#### Important Information - Sanctions and Embargoes

Some countries maybe subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the [Businesslink site](#)

---

The purpose of the Doing Business guides, prepared by UK Trade & Investment (UKTI) is to provide information to help recipients form their own judgments about making business decisions as to whether to invest or operate in a particular country. The Report's contents were believed (at the time that the Report was prepared) to be reliable, but no representations or warranties, express or implied, are made or given by UKTI or its parent Departments (the Foreign and Commonwealth Office (FCO) and the Department for Business, Innovation and Skills (BIS)) as to the accuracy of the Report, its completeness or its suitability for any purpose. In particular, none of the Report's contents should be construed as advice or solicitation to purchase or sell securities, commodities or any other form of financial instrument. No liability is accepted by UKTI, the FCO or BIS for any loss or damage (whether consequential or otherwise) which may arise out of or in connection with the Report.

## Content

<b><u>Introduction</u></b>	<b>4</b>
<b><u>Preparing to export to Hungary</u></b>	<b>8</b>
<b><u>How to do business in Hungary</u></b>	<b>9</b>
<b><u>Business etiquette, language and culture</u></b>	<b>14</b>
<b><u>What are the challenges?</u></b>	<b>16</b>
<b><u>How to invest in Hungary</u></b>	<b>17</b>
<b><u>Contacts</u></b>	<b>19</b>
<b><u>Resources/Useful Links</u></b>	<b>20</b>

# Introduction

Hungary is located at the heart of Europe. It occupies an area of 36,340 square miles (a little over one-third the size of the United Kingdom) and is bordered by seven countries – Austria, the Czech Republic, Slovakia, Ukraine, Romania, Serbia and Croatia. Hungary is a member of the EU and the Schengen Area since 2004 and it also aims at entering the Euro Zone although no exact target date is set at the moment.

Hungary is one of the UK's most significant EU trading partners. In 2010 combined trade between the countries exceeded £4.5 billion, an increase of 30% from the previous year, while the January-November 2011 figure stood at £3.9 billion.

Total direct investment by British companies since 1990 has been approximately £3.5 billion, while there is also a thriving local British Chamber of Commerce with some 180 members.

## Strengths of the market

- Strategic location in the heart of Europe
- Open and export-driven economy
- English accepted as a business language
- Investment incentives
- Western-style business culture
- Over €22 billion EU funding between 2007 and 2013.

## Opportunities in Hungary

Despite the recent economic difficulties, Hungary is set to remain an attractive business market for UK-based companies.

The reputation of British companies is high in Hungary and despite fierce competition in most sectors the country offers opportunities for innovative and cost effective products and solutions.

Between 2007 and 2013, Hungary will be able to use development resources equivalent to 4% of the country's GDP, i.e. a total of 22.4 billion Euros, within the framework of EU cohesion policy. Since January 2007 Sterling has weakened some 25% against the Hungarian currency, the Forint, however its value has been relatively stable over the last two years (1 GBP = ~310 HUF).

We believe the following sectors to be offering most opportunities for UK companies:

- Automotive
- Education
- ICT
- Railways
- Transport / Logistics
- Urban regeneration

## Trade between UK and Hungary

In 2010 combined trade between the two countries exceeded £4.5 billion across a wide range of business sectors. The currently available figure of £3.9 billion for the period January-November 2011 suggest overall stagnation for the year with around 10% expansion of UK export to Hungary.

Medicinal and pharmaceutical products, textiles, road vehicles and various machinery products provide the bulk of UK export to Hungary while telecommunication appliances, general industrial and power generating machinery, road vehicles and human and animal foodstuffs where the main products imported into the UK.

The UK is also responsible for significant direct investment in Hungary with many UK based multinationals having a presence here.

There is a thriving British Chamber of Commerce with some 180 members ([www.bcch.com](http://www.bcch.com))

## Economic Overview

In April 2010 the Opposition centre-right Fidesz party (in alliance with the Christian Democrats) won a landslide electoral victory with 68% of the vote. For the first time since 1989 a single party has the opportunity to reshape Hungary's political and legal landscape.

The Hungarian GDP increased by 1.4% in 2011. The main source of the increase was the agriculture but the reason was more a low basis. According to the Law on the budget of Hungary the government expects a 0.5% growth this year while on the market views are diverging whether there will be a recession a stagnation or a very slight growth.

Hungary expressed its intentions to renew negotiations with the IMF/EU last November on a new agreement. At first their target was a Precautionary and Liquidity Line (PLL) and they rejected the idea of a Stand-by Arrangement (SBA). After the beginning of this January yields on government debt (over 10%) and the exchange rate of HUF against major currencies (for 1 £ nearly 390 HUF, for 1 € over 320 HUF) hit record lows. The Hungarian PM Viktor Orban then extended the mandate of Tamas Fellegi for his informal talks with the IMF to an SBA too. The PM also promoted their willingness to achieve a deal internationally as well as domestically. The Hungarian government sent their response to the European Commission's concerns last Friday. (To clear the differences between Hungary and the European Commission is a precondition for the IMF to start the talks.)

Due to this change in the tone the Hungarian Forint appreciated more than 10% since and the yields of sovereign debt papers also fell to near 7%. The markets are, for the time being, clearly more interested in events regarding Greece and the future of the EuroZone. Despite recent unfavourable developments, the Hungarian banking system is stable and banks are well-capitalised (average capital adequacy ratio is above 10%). 90-95% of the banking sector is foreign owned in Hungary (even in the case of Hungarian bank OTP, 92% of the shares are owned by foreign investors). Foreign parent banks' exposure has been increasing even during the crisis and as far as we can tell no withdrawal is planned by any of the leading banks as a result of the introduction of the bank levy or the early repayment scheme recently introduced. The scheme allowed early repayment of foreign-currency mortgages in a lump sum at below-market exchange rates which up till now have cost banks some £600 million.

- Hungary's GDP per capita in 2010 was US\$ 18,738 (EIU) at purchasing power parity. Composition of GDP: agriculture: 3.2%; industry: 31.9%; services: 65% (2008 est., Central Intelligence Agency)
- The GDP growth rate 2011 - Hungarian GDP grew 1.7% y/y (Hungarian Central Statistics Office).
- Unemployment was 10.8% in November 2011. The employment rate in Hungary is 55.4% lower than the 63.4% average in the EU27. One of the most important reasons for this difference is the very low level of part time employment in Hungary.
- Real monthly wages increased by 1.9% y-o-y in 2010 while gross monthly wages were 1.4% higher y-o-y. In 2010 the average gross monthly wage was HUF 202,000 (~£645)
- Inflation rose to 4.9% y-o-y in 2010 and stood at 5.5% in January 2012.
- The state budget posted a deficit of HUF 1,734.4 billion for 2011, corresponding to 6.2% of the GDP.
- The current account surplus was €2.03 billion for 2010.
- Gross State debt rose to 80.3% of the GDP at the end of 2011 from 78% in 2009.
- The central bank's key interest rate is currently 7% (February 2012).
- Industrial output increased with 5.4% y-o-y in 2011.

## Population

Hungary has a population of just below 10 million (2010). 62% of Hungarians live in urban areas. Budapest, the political, administrative and commercial capital has 1.73 million inhabitants, and is by far the largest city in Hungary. Other main centres of population include Debrecen (212,000), Miskolc (196,000), Szeged (175,000), Pécs (170,000) and Győr (129,000).

## Political Overview

Hungary is a constitutional Republic with a pluralist democratic parliamentary government. From 1948 until 1989 Hungary was part of the former communist Soviet bloc. The communist party's dominant position was ended peacefully in October 1989 and free elections were held in March 1990.

In April 2010 the Opposition centre-right Fidesz party - in alliance with the Christian Democrats (KDNP) - won a landslide electoral victory with 53% of the vote. Fidesz-KDNP scored another sweeping victory in the October 2010 local elections. The Hungarian Socialist Party (MSzP) led by Attila Mesterházy and with 19% of the vote (59 out of 386; 15%) form a weak main opposition. Since then the Socialists have lost 10 MPs who followed former Prime Minister Ferenc Gyurcsány when he left the MSzP to found his new party, the Democratic Coalition, in October 2011. The extreme right-wing Jobbik (Movement for a Better Hungary) party led by Gábor Vona won 17% of the vote (47 seats; 12%) and new leftist-green party "Politics Can Be Different" (LMP) won 7% (16 seats; 4%).

The governing Fidesz - KDNP alliance currently holds 68% of seats in Parliament (263 out of 386 seats), which enables them to pass or amend key laws which require a 2/3 parliamentary majority, has set out to reshape Hungary's political and legal landscape with great resolve, pushing dozens of new and amended pieces of legislation through Parliament at great speed.

In April 2011 Parliament adopted a new Constitution (now called Fundamental Law) which came into force on 1 January 2012. Linked to the new Constitution, Parliament also passed a package of legislation affecting the judiciary system, the electoral system, the status of churches, the Central Bank and a wide range of other key areas. Prime Minister Orbán has described these changes as part of Fidesz-KDNP's efforts to sweep away the "last vestiges of communism" and to reassert the basic values of "family, order, home, work and health. But the government has come under strong criticism both at home and abroad. Criticism is directed partly at various pieces of new legislation – the European Commission has already launched infringement proceedings on Hungary over three new laws; partly at the cumulative effect of putting pro-government loyalists in key positions for long periods, tying the hands of future governments on crucial economic decisions and passing legislation without substantial consultation with other political parties and social partners."

This government is a committed EU partner - Hungary joined on 1 May 2004. It also aims at entering the Euro Zone although no exact target date is set at the moment. Hungary joined NATO in March 1999.

## Getting here and advice about your stay

### FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice [please visit the FCO Travel section](#)

### By air

Many international and several low cost airlines operate a service to Budapest's Liszt Ferenc International Airport (formerly called Ferihegy) which is situated about 12 miles from central Budapest, There are a dozen daily services between London and Budapest, operated by British Airways, Easy Jet, Ryanair and WizzAir. Direct flights are also available to Bristol, Edinburgh and Manchester.

## How to get to & from the Airport

The journey time between the airport and the centre of Budapest is approximately 30 minutes, depending on traffic, and costs HUF 2,100 by airport mini bus and HUF 5,000 by taxi.

## By road

Hungary may be reached by car via a large number of border crossings from all neighbouring countries. The Hungarian road network is being improved with the building of motorways, some of which are toll roads. There is a direct motorway connection from Budapest to the Austrian border. Budapest can be reached from Vienna in 2 hours.

Distances in Hungary are not great. Travel by car is usually the most convenient method. The road network radiates from Budapest. There is often serious traffic congestion in and around the capital. Most main roads between cities are in reasonable condition. The motorway network is currently being expanded.

## By train

There is a good network linking major cities. Prices are inexpensive compared to the UK, but running speeds are low.

## By Bus

Scheduled buses also link most major cities and are inexpensive if rather slow.

## Visas

Nationals of European Union member countries do not need a visa to enter Hungary although they are required by Hungarian law to be able to present their passports as identification at all times. No requirement of additional 6-month validity requirement exists in case of non-visa nationals.

For a longer than 3 months stay, please contact the local regional agency of the Hungarian Immigration and Nationality Office before the last two weeks of your stay and apply for a European Economic Area-citizen resident permit.

## Preparing to export to Hungary

Since its EU-accession on 1st May 2004, Hungary applies the Union's trade policy (antidumping, anti-subsidy measures...etc.) and trade between the UK and Hungary is free of customs duties.

Direct sales into the Hungarian market can be difficult and for most British companies it is more effective to approach the market through local business partners with the ability to distribute and provide technical support here. Licensing and franchising are also increasingly popular.

UKTI's team in Hungary can provide a range of services to British-based companies wishing to grow their business in the Hungarian market. Our services include the provision of market information, validated lists of agents/potential partners, key market players or potential customers; establishing the interest of such contacts in working with the company; and arranging appointments. In addition, they can also organise events for you to meet contacts or promote a company and its products/services.

You can commission these services under which are chargeable and operated by UK Trade & Investment (UKTI) to assist British-based companies wishing to enter or expand their business in overseas markets. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

To find out more about commissioning work, please contact your local UKTI office. See [www.ukti.gov.uk](http://www.ukti.gov.uk)

# How to do business in Hungary

## What companies should consider when doing business

Hungary is an open and increasingly transparent economy. It is an EU member country in the heart of geographical Europe which has attracted more FDI per capita than any other country in the region.

Major multinational companies have long been present in the country, competition is fierce in most sectors and the latest technologies, products and services are available almost at the same time as in more developed markets.

The UK and UK companies in general have a good reputation in Hungary. Durability, reliability and quality are often associated with British products, and a large number of Hungarians are prepared to pay a premium for these qualities. This is an invaluable advantage most UK companies will enjoy by default. The UK "brand" and the Union Flag are viewed positively.

## Gateways/Locations – Key areas for business

Due to the country's relatively small size and its well-developed motorway network, distances do not present a major problem within Hungary. However, the country is divided up in seven official regions and each region has certain advantages and disadvantages companies need to consider carefully before choosing a location.

Hungary is very much capital-focused, with most international companies based or having an office in or near Budapest. In general, the western part of the country and the Central Hungarian region are more developed and salaries, together with disposable levels of income, are higher. Unemployment rates are significantly lower than in the East and finding suitable workforce in some highly-sought after professions, such as software development, can be more time consuming.

High quality industrial parks, office premises and warehouse facilities can be found all over the country, and each region and major local municipality has developed their own incentive program to attract both local and foreign businesses.

In cases of significant foreign direct investment, the Hungarian investment promotion agency, ITD Hungary, can identify suitable locations and collects and co-ordinates regional responses.

## Market entry and start up Considerations

UK businesses wishing to enter the Hungarian market are advised to come well-prepared and consider staying for the long term. Underestimating potential threats and failing to understand local circumstances, which the UKTI team in Budapest is well-placed to advise on, can lead to costly mistakes.

Most UK companies are advised to consider entering the market through a local representative, distributor or agent. Hungarian customers prefer doing business face to face and having someone available locally to deal with possible complaints or unexpected issues arising.

Personal (often political) connections also play an important role in successfully doing business in the country. A suitable local partner with the right existing business network can go a long way facilitating market entry.

## Customs and regulations

Capital and earnings can in almost all instances be freely repatriated. The National Bank of Hungary retains some exchange controls, particularly on large capital movements in order to guard against speculative attacks on the currency, but for most purposes the Forint is freely exchangeable. There is a well functioning double taxation agreement.

Hungary is a member of the EU, WTO and OECD. Hungary also has bilateral investment protection (1) or double taxation (2) agreements or both (3) with: Argentina (1), Luxembourg (1), Brazil (2), South Africa (2), Croatia (2), India (2), Japan (2), Yugoslavia (2), Mongolia (2), Pakistan (2), Tunisia (2); Albania (3), Australia (3), Austria (3), Belgium (3), Bulgaria (3), Cyprus (3), Czech Republic (3), Dania (3), Egypt (3), Indonesia (3), Israel (3), Canada (3), Kazakhstan (3), China (3), Republic of Korea (3), Kuwait (3), Malaysia (3), Moldova (3), Norway (3), Russia (3), Romania (3), Switzerland (3), Singapore (3), Thailand (3), Turkey (3), Ukraine (3), Uruguay (3), USA (3), Vietnam (3).

There are no industries which, on the whole, are closed to private enterprise. Restrictions exist on the level of private and/or foreign ownership permitted in certain state-owned and former state-owned companies. These restrictions are laid down in the Privatisation Law. It is expected that these remaining restrictions will be gradually lifted in the coming years.

The most wide reaching barrier to foreign ownership is in the agricultural sector, where productive agricultural land may not be purchased by foreign companies or individuals. There are, however, many foreign investors in this sector, operating on agricultural land leased from MNV Zrt., the Hungarian State Holding Co.

### **Documentation**

Goods for export and import must be accompanied by customs declaration containing details of the goods, the means of transportation, and a request for customs clearance. Documentation such as invoices, consignment notices, permits and certificates must be attached. The documents required vary according to the means of transportation. The basic document is the EUR1 form.

### **Legislation and Local Regulations**

Hungary's legal system accepts the universally recognized rules and regulations of international law, harmonizing the country's internal laws and statutes with its international obligations. Acts of Parliament, governmental, ministerial and local government decrees are the sources of Hungarian law.

Although Hungarian legislation is largely harmonized with EU requirements, revisions, amendments corrections take place regularly. Consulting one of the international law firms established in the country is, therefore, highly recommended for UK companies considering larger scale transactions.

### **Labelling and Packaging Regulations**

Labelling should be in Hungarian. Advice should be sought on the extent to which labelling should comply with Hungarian domestic legislation on advertising, health and safety, etc from the registration/certification organisations listed in the Standards and Technical Regulations section.

### **Standards and Technical Regulation**

Harmonisation with the EU legislation and practice has been completed, however, in some areas special rules might apply for the registration and certification of products, for example:

ORSZÁGOS GYÓGYSZERÉSZETI INTÉZET, OGYI  
(National Institute of Pharmacy)

Budapest Zrínyi u. 3.

H-1051

Tel: +36-1-886-9300

Fax: +36-1-886-460

Web: [www.ogyi.hu](http://www.ogyi.hu)

Email: [ogyi@ogyi.hu](mailto:ogyi@ogyi.hu)

OGYI is the Hungarian authority for the registration of pharmaceutical products. OGYI has joined MCA (Medical Control Agency) and PIC (Pharmaceutical Inspection Convention). Certificates from MCA and PIC can speed up the registration procedure, which is otherwise expensive and very time consuming.

Gyógyszerészeti és Egészségügyi Minőség- és Szervezetfejlesztési Intézet  
Eszközminősítő és Kórháztechnikai Igazgatóság  
(National Institute for Quality and Organizational Development in Healthcare and Medicines  
Directorate of Medical and Hospital Engineering)

Budapest XII.

Diósárok u. 3.

H-1125

Tel: +36-1-356-1522

Fax: -36-1-375-7253

Email: [gyemszi@gyemszi.hu](mailto:gyemszi@gyemszi.hu)

Web: [www.gyemszi.hu](http://www.gyemszi.hu)

All medical hardware products and supplies used in healthcare institutions are subject to obligatory safety approval and licensing procedures by ORKI. Relevant certificates issued in the EU can speed up and simplify the approval procedure, though CE mark is not yet accepted.

ÉMI-TÜV SÜD Kft.

(Engineering quality control)

Budapest Office:

1043 Budapest

Dugonics u. 11.

Tel: +36-1/399-3601

Fax: +36-1/399-3603

Web: [www.emi-tuv.hu](http://www.emi-tuv.hu)

Managing Director: Mr Gábor Madaras, email: [gmadaras@emi-tuv.hu](mailto:gmadaras@emi-tuv.hu)

Országos Élelmezés- és Táplálkozástudományi Intézet  
(OÉTI National Institute for Food and of Nutrition Science)

Gyáli út 3/a

Budapest

H-1097

Tel: +36-1-476-1100

Fax: +36-1-215-5369

Web: [www.oeti.hu](http://www.oeti.hu)

Építésügyi és Minőségellenőrzési Innovációs Nonprofit Kft.  
(Non-profit ltd quality control and innovations in building)

Budapest

Diószegi út 37.

H-1113

Tel: +36-1-372-6100

Fax: +36-1-372-6128

Web: [www.emi.hu](http://www.emi.hu)

Email: [info@emi.hu](mailto:info@emi.hu)

Responsibility: registration of building materials.

Nemzeti Média- és Hírközlési Hatóság  
(National Media and Infocommunication Authority)

Budapest

Ostrom u. 23-25.

H-1015

Tel: +36-1-457-7100

Fax: +36-1-457-7359

Web: [www.nhh.hu](http://www.nhh.hu)

Email: [info@nhh.hu](mailto:info@nhh.hu)

Responsibility: registration of telecommunication equipment.

TÜV Rheinland InterCert Kft.

Budapest

Váci út 48/A-B

H-1132

Tel: +36-1-461-1100

Fax: +36-1-461-1199

Web: [www.tuv.com](http://www.tuv.com)

Email: [info@hu.tuv.com](mailto:info@hu.tuv.com)

Responsibility: registration of electrical and electronic equipment. CE mark is accepted in some cases.

## Taxes

### VAT (ÁFA)

In general, all enterprises supplying goods or services within the territory of Hungary must register for and charge VAT. Small businesses can choose to be VAT exempt under certain conditions.

There are four VAT rates in Hungary. The standard rate is 27%, while there is a preferential rate of 18% for central heating, bakery and dairy products, and providing commercial accommodation services.

There are some goods and services which are subject to tax at a reduced rate of 5%, e.g. certain pharmaceutical products, books, daily papers. Some transactions, such as public radio and TV, postal and financial services are exempt from VAT.

### Getting your Goods to the Market

Almost 95% of products and services may be imported freely into Hungary (the liberalised list of products). Certain strategic items require special import or export licences. Lists of these items are published by the Hungarian Ministry of Economic Affairs.

Commercial samples with no commercial value will not normally be subject to import duties or taxes. Documentation should be clearly marked to this effect, i.e. a Pro Forma commercial invoice must accompany the goods stating a small amount in GBP with the remark "Value for customs purposes only".

Since its EU-accession on 1st May 2004, Hungary applies the Union's trade policy (antidumping, anti-subsidy measures...etc.) and trade between the UK and Hungary is free of customs duties.

### Responding to Tenders

The regulation of public tenders in Hungary is harmonized with EU directives since 2004. In 2010 some HUF 1,496 bln (~£4.78 bln) was spent on public tenders in Hungary (a 17.3% drop compared to 2009) while the number of tenders reached 10,685 which is a 61.5% growth compared to 2009. Although every EU based enterprise is entitled to compete for these orders, in 2010 merely 1.6% of the tenders were won by foreign tenderers, highlighting the rather closed nature of the national public procurement system.

Hungarian tender regulations are based on the Act CXXIX of 2003 on Public Procurement, which can be downloaded from here in English.

The act ensures compliance with EU directives, which means that those tenders, the estimated contract value of which exceeds the amounts defined by the EU, are subject to Community procurement procedure. These tenders must be published in the Official Journal of the European Union and in the **Tenders Electronic Daily (TED)**.

Threshold	Goods	Services	Public works (construction)
National	8.000.000 HUF-206.000 EUR	8.000.000 HUF-206.000 EUR	15.000.000 HUF-5.150.000 EUR
Community	206.000 EUR and above	206.000 EUR and above	5.150.000 EUR and above

\*(Regulation 1422/2007/EC of the European Commission)

EU based enterprises are entitled to participate in all thresholds, only the procedures differ. It must be noted however, that nearly all tenders have to be submitted in Hungarian, even though the invitation to tender is published in all community languages.

### **Recruiting and Retaining Staffing**

Hungary is very well served by British, international and Hungarian recruitment agencies. These operate in all market sectors from chief executive to non-skilled support staff level.

Unemployment across the economy is currently just under 11%. The figure in Budapest is somewhat lower, but there is still little shortage of labour generally in the capital. In the most rapidly developing industries such as telecoms, internet services, CAD there are some skill bottlenecks, but these are rare. The huge inflows of foreign investment into the manufacturing sector in Western and North-Western Hungary has led to some localised shortages of unskilled and semi-skilled labour, but this is balanced by relatively high unemployment in Northern and Eastern Hungary where all categories of labour are generally plentifully available.

Wage rates in the economy as a whole are low by EU standards. The average gross monthly wage was HUF210,000 (~£610) in 2011. This figure hides wide differentials: highly trained professionals in multi-national companies can expect something approaching international level salaries, while unskilled workers in economically depressed areas may receive little more than the minimum wage. From 1 January 2011 Hungary has a flat-rate personal income tax, however the tax base is equal to 127% of the income. Further simplification of the tax system will involve the phasing out of the tax base supplement and from 2013 it will no longer exist. The employer's social security contributions stand at 28.5% while the employee's contribution is 18.5%. But even with these relatively high non-wage costs, the cost of employment remain low relative to the EU average.

### **Intellectual Property Rights**

Hungary is a party to several international treaties on the protection of intellectual rights.

Domestic legislation provides for a 20 year protection period for product patents.

A 10-year protection period for trade marks is available after registration with the National Patent Office and may be renewed for additional 10 year periods.

Other intellectual property such as know-how is protected under Hungary's civil law.

## Business etiquette, language and culture

Hungarian business practice is similar to that in the United Kingdom. There are no special rules to be followed, but it should be noted that people shake hands with each other on every occasion, and business visiting cards are used extensively. Hungarians are generally very friendly, and hospitality is generous. Prices, even in Budapest, are generally lower than in the UK, but given the much lower salary ranges in Hungary it is probably better to avoid commenting to your Hungarian hosts on how “cheap” things seem.

There is a formality to Hungarian business life. Appointments should normally be made in advance. Most Hungarian business people wear normal UK business attire. Formal professional or academic titles are still used especially amongst the older generation.

### Language

Hungary is a cultural and linguistic island in the centre of Europe. As a matter of courtesy, it pays to learn a little of Hungarian history and to know that the Hungarian language is completely dissimilar from the languages spoken in neighbouring countries (German, Romance and Slavic). All Hungarians over the age of 30 learned Russian at school for many years, but few retain any ability to speak the language and fewer still like to do so.

German is the most widely spoken foreign language in Hungary, but this is being rapidly caught by English, which is already the principal business language, particularly in the capital Budapest. Hungarians who do not speak English, or who do not share another foreign language with you, will not expect you to speak Hungarian. It always pays in advance to find out whether an interpreter will be needed, and, if so, whether one will be provided or if you should bring one with you. Most companies will have an ability to correspond in English, even if the appropriate person does not speak the language.

A full range of translation and interpretation services are now available on normal commercial terms in Budapest.

### Meetings and Presentations

The prevailing western business culture makes meetings and presentations less of a challenge in Hungary.

Both in Hungary and in the wider Central European region introductions and first time meetings tend to be more formal than in the UK. Last names and titles are used until permission is given or it is requested to switch to less formal first names.

Shaking hands is followed by the exchange of business cards (when meeting for the first time only). It is worth noting that Hungarians often place their surnames first on business cards printed in Hungarian.

### Negotiations

Although, in general, negotiations are rather similar to what companies can expect in the UK, Hungarians tend to be more result-oriented and down-to-the-point even during the first meeting.

Hungarian companies expect to be familiar with technical details, terms and conditions and especially pricing information from the very beginning. Vague and ambiguous information is treated with suspicion, and a beating around the bush approach can easily lead to a quick loss of confidence.

Working lunches and dinners, together with meetings outside working hours, are less frequent in Hungary. However, once an agreement is reached and/or business has been made, inviting your business partner (often with their spouses) to a less formal meal is a generally accepted form of cementing the deal. In general, the person proposing such an outing is expected to pay the bill.

## Who Should I Send?

In the first instance, it is important to send someone who will be seen as a credible representative of the business, and with some decision making authority. It can sometimes take time to build a personal relationship with Hungarian partners. Once that important relationship is established, the key is to appoint appropriate staff who can focus entirely on the Hungarian operation. In setting up a new company, patience, and a degree of flexibility and imagination is required. British companies investing in Hungary should not be frightened of appointing somebody relatively young to a "Chief Executive" position. Hungarian business is increasingly dominated by young professionals, who have spent most or all their working life in the post-Communist period.

Many foreign investors in Hungary have successfully appointed Hungarian staff to senior positions in the Hungarian subsidiary at an early stage of its operation.

## What are the challenges?

Hungary ranks 51st on the World Bank's (ease of) Doing Business 2011 report, out of the 183 economies compared. Paying taxes (117th) and protecting investors (122nd) are areas where the country performed less well, while enforcing contracts (19th) is seen as one of its strengths.

Despite Hungary's recent EU membership and its increasingly westernised business culture, from time to time UK companies can encounter certain difficulties, including: lack of clarity and transparency and bureaucracy, corruption and language difficulties (especially with smaller companies and outside Budapest).

### Getting Paid - Terms of Payment

Irrevocable Letters of Credit (L/C) and cash in advance are common although payment on open account terms is increasingly used once a trading relationship has been established. Other short-term financing can be obtained from Hungarian commercial banks and foreign banks with offices in Budapest, as well as from the major UK clearing banks, all of whom offer trade finance facilities for trade with Central Europe, and from the Hungarian International Finance Co. Ltd. (London) who specialises in trade finance and forfeiting.

Although the British Embassy in Budapest cannot intervene directly in commercial disputes on behalf of UK companies, if payment terms are not met we can provide details of debt collection agencies and legal offices who can be consulted on the procedures for debt collection

## How to invest in Hungary

Since the end of Communism in 1989, Hungary has rapidly made the change from one party state and a largely command economy to a fully functioning multi-party democracy and market economy. In fact on economic reform Hungary had something of a head start, having approved the first tentative joint ventures in the early 1970s. Hungary is a market of 10 million increasingly affluent consumers with relatively good, constantly improving, logistics infrastructure linking it with seven neighbouring Western, Central, Eastern and South-East European markets whose populations number well in excess of 100 million.

Successive Hungarian governments have adopted a highly open approach to foreign direct investment, with the result that Hungary has attracted more FDI per capita than any other Central and East European country, some 50 bn Euros to date. More than 80% of the Hungarian economy has now been returned to the private sector, with many major enterprises in total or partial foreign ownership. Substantial tax and other investment incentives are available at national and local level.

Direct British investment in Hungary stands around £3.5 billion.

The largest British investors are Tesco -one of the leading retail companies in the country- and Vodafone -Hungary's third largest mobile phone service operator. Other major investors include CP Holdings, who have major investments in hotels, food processing and agricultural product trading, property and other sectors, Shell, Unilever, BAT, Associated Newspapers and Intercontinental Hotels.

Virtually every approach to investing in Hungary is open to British companies. There are more than 100 industrial parks, many with attractive incentives to new greenfield investors. There is no limit to the proportion of existing companies' capital which may be acquired by foreign companies (with the exception of a few strategic state-owned companies). Investing in an existing company or establishing a joint venture with an existing Hungarian or foreign-owned company is also relatively simple.

In order to test the market before making a major investment, some companies have negotiated contract manufacturing or licensing arrangements with Hungarian companies, often under arrangements whereby the investing company has supplied specialist equipment and/or know-how and has retained ownership of that equipment and control over the manufacturing process, while the premises and workforce remain the property and responsibility of the local partner. Other companies have established distribution and specialist after-sales/engineering services to run and support a distribution operation for products manufactured in the UK or elsewhere. In all cases the key is sound market research. The Commercial Section of the British Embassy in Budapest is able to provide much basic information to help decide on a possible entry strategy and to signpost companies towards specialist advice available in the market including from the familiar range of international market research and consultancy companies.

Hungarian company law allows a wide variety of business structures. Branch offices are allowed as are wholly or majority-owned limited companies, limited partnerships and closed or open joint-stock companies (the latter quoted on the Stock Exchange). The Companies' Act guarantees a decision on an application to establish a company within two months. In the intervening period a so-called "pre-company" can carry out many activities of a registered company.

A wide variety of support services is available to companies first establishing in the Hungarian market, from expatriate help agencies to "instant office" space with all services laid on including multi-lingual receptionists and secretarial/support staff.

### Financial Assistance

The Hungarian banking system is 80% in the private sector and more than 60% of assets are owned by foreign banks. There is fierce competition for the business of foreign investors and a wide range of banking services is available, particularly to medium and large scale companies.

Smaller companies have traditionally found it more difficult to access affordable credit, but a number of banks are now working with the Government to make available working and investment capital at reasonable rates.

A number of investment banks are present in the Hungarian market and there is considerable knowledge among London-based merchant banks of the Hungarian market. There is therefore no shortage of reliable advice available on corporate finance matters, acquisitions, restructuring, raising capital, IPOs and project finance. The venture capital and private equity markets are also developing rapidly, led by US and European funds.

A range of incentives is available to inward investors in the form of both subsidies and tax incentives. Full details are available from the Hungarian Investment and Trade Agency (HITA) Hungary on [www.hita.hu](http://www.hita.hu).

Manufacturing investments over \$ 13 m or, if in a special development area, \$4.3 m, can qualify for a 10-year corporation tax holiday. Investors may negotiate exemptions from local taxation with local authorities and in some instances it is possible to secure local government support for infrastructure developments such as roads and public utilities. Many local governments will consider providing land for brown or green field investments free or at reduced rates.

## Contacts

If you have a specific export enquiry about the Hungarian market which is not answered by the information on this report, you may contact:

### UK Trade & Investment Enquiry Service

Tel: +44 (0)20 7215 8000

Fax: +44 (0)141 228 3693

Email: [enquiries@ukti.gsi.gov.uk](mailto:enquiries@ukti.gsi.gov.uk)

You will be signposted to the appropriate section on our website or transferred **at local call rate** to the British Embassy in Budapest.

If you prefer to contact the team in Budapest direct, contact:

### UKTI Team Budapest

1051, Budapest, Harmincad u. 6.

Tel: +36 1 266 2888

Fax: +36 1 429 6360

Email: [Commercial.Budapest@fco.gov.uk](mailto:Commercial.Budapest@fco.gov.uk)

[UK Trade & Investment](#) can help you make the most of these opportunities and help you plan your approach to the market. You may find out more about the range of services available to UK companies trading internationally through your local International Trade Team.

**We hope that you have found this guide useful. For further information, please contact your International Trade Adviser or one of the UKTI team in Hungary.**

# Resources/Useful Links

## Country Information:

### BBC Website

[http://news.bbc.co.uk/1/hi/country\\_profiles/default.stm](http://news.bbc.co.uk/1/hi/country_profiles/default.stm)

### FCO Country Profile

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

### EU Points of Single contact

[http://ec.europa.eu/internal\\_market/eu-go/index\\_en.htm](http://ec.europa.eu/internal_market/eu-go/index_en.htm)

### Culture and communications

CILT – National Centre for Languages - Regional Language Network in your area:

[http://www.cilt.org.uk/workplace/employer\\_support/in\\_your\\_area.aspx](http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx)

Kwintessential culture guides:

<http://www.kwintessential.co.uk>

### Customs & Regulations

HM Revenue & Customs:

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Economic Information:

Economist

<http://www.economist.com/countries/>

### Export Control

Export Control Organisation:

<http://www.businesslink.gov.uk/exportcontrol>

### Export Finance and Insurance:

UK Export Finance

<http://www.ecgd.gov.uk/>

### Intellectual Property

Intellectual Property Office:

[www.ipo.gov.uk](http://www.ipo.gov.uk)

### Market Access

Market Access Database for Tariffs (for non-EU markets only):

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

SOLVIT – Overcoming Trade Barriers (EU Markets only)

[www.bis.gov.uk/EUMarketAccessUnit](http://www.bis.gov.uk/EUMarketAccessUnit)

### Standard and Technical Regulations:

British Standards Institution (BSI):

<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory:

<http://www.npl.co.uk/>

Intellectual Property:

<http://www.ipo.gov.uk/>

## Trade Statistics

National Statistics Information:

<http://www.statistics.gov.uk/hub/index.html>

UK Trade Info:

<https://www.uktradeinfo.co.uk/>

## Travel Advice

FCO Travel:

<http://www.fco.gov.uk/en/travel-and-living-abroad/>

NHS:

<http://www.nhs.uk/nhsengland/Healthcareabroad/>

Travel health:

<http://www.travelhealth.co.uk/>

### **Business Link: International Trade**

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

#### **Essential reading for exporters!**

Find out more at:

<http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544>

---

Produced by the UKTI Team in Budapest

Contact: Laszlo Toth

Email: [Laszlo.Toth@fco.gov.uk](mailto:Laszlo.Toth@fco.gov.uk)

Last Updated: February 2012

Content featured in this publication is subject to Crown Copyright protection unless otherwise indicated.

© Crown copyright, 2012.

If you do re-use any material from this publication you MUST acknowledge the source with the following attribution: