

Company & Commercial - Hungary

Corporate law overhaul amends company registration regime

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Seat services

Managing director's details and delivery agents

Simplified registration procedure

Involuntary dissolution

Act 197/2011 modified the main acts in relation to company law and registration - namely, the Company Act (4/2006), the Act on Public Company Information, Company Registration and Winding-Up Proceedings (5/2006) and the Act on Bankruptcy Proceedings and Liquidation Proceedings (49/1991). A number of significant amendments came into force on March 1 2012.

Seat services

The provisions regarding seat services - whereby the address of the company's registered seat may be the address of the registered office of the attorney retained by the company - are no longer in force. Thus, the property used as the address of the company's registered office, permanent establishment or branch must be owned by the company or, alternatively, the company must have other legal title to use the property as its seat. Furthermore, the company must provide documentary proof of its legal title of use (eg, a formal agreement or evidence of permission). This document must be attached to the company's registration documents. Such proof must be provided not only when registering new entities, but also when changes to an existing entity are first registered.

Managing director's details and delivery agents

The company register must show the managing director's date of birth, in addition to other mandatory details, such as the managing director's tax number and his or her mother's maiden name.

If the application for registration indicates a non-resident legal person or an organisation without legal personality, or if the foreign natural person indicated in the application does not have a residence in Hungary, a delivery agent must be appointed and designated in the registration application. The delivery agent may be an organisation or a natural person, with a registered office or permanent residence in Hungary. The company's shareholders, executive officers and members of the supervisory board may not function as delivery agents. If the appointment is terminated, the delivery agent must report the fact to the Court of Registry.

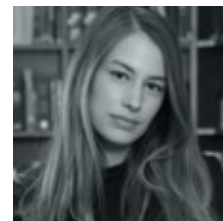
Simplified registration procedure

Since March 1 2012 only the registration process has been available under the simplified procedure; for parties wishing to record changes, the simplified procedure does not apply. Moreover, under the simplified procedure the Court of Registry must decide to register a company or refuse registration within one hour of receiving the relevant tax number from the tax authorities. Consequently, the one-hour deadline under the simplified procedure is calculated not from the filing of the request, but from receipt of the tax number.

In the case of transfers of shares held by a shareholder registered in the Company Register, the court must notify the tax authorities that an application to register changes has been submitted. The tax authorities have three working days in which to send an electronic notice to alert the court if the company has any outstanding public dues of over Ft15 million (minus any overpayment), as shown in the state tax and customs records. Upon receipt of such notice, the court must ask the company to submit an audited and certified statement of assets and liabilities for the period ending on the day of transfer.

Author

Kata Molnár



Involuntary dissolution

Act 197/2011 has renamed involuntary dissolution and extended its application. The Court of Registry may order involuntary deregistration, rather than involuntary dissolution, if the relevant conditions are met. Subsequently, during the involuntary deregistration procedure the company's (short) name must contain the indication 'kényszertörles alatt' ('kta'), meaning 'under involuntary deregistration'.

If registration of a company is mandatory, the application must be submitted within 30 days of the signature or approval of the instrument of constitution, unless exempt by law. The Court of Registry must impose a fine for failure to comply with this obligation (and has no discretion to do otherwise). The maximum fine has increased to Ft900,000; therefore, the court may impose a fine of between Ft50,000 and Ft900,000. The court must fine the attorney in question if, in the case of a simplified procedure, the prescribed mandatory data in the application is not provided or the instrument of constitution (or another required document) is not enclosed as stipulated in the relevant statutory provisions. The court must also fine the attorney if judicial oversight proceedings are commenced in respect of a company that was registered through the simplified procedure because of a failure to comply with these requirements in respect of data or documents.

For further information on this topic please contact [Kata Molnár](#) at Nagy és Trócsányi by telephone (+36 1 487 8700), fax (+36 1 487 8701) or email (molnar.kata@nt.hu).

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