

Company & Commercial - Hungary

Simplified company registration provides alternative to normal procedure

Contributed by **Nagy és Trócsányi**

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On March 1 2012 the rules for simplified company registration⁽¹⁾ were amended. The changes were driven by the need to coordinate creditor protection and safety rules with the key interests of small and medium-sized businesses in order to register such companies more quickly. The simplified registration procedure thus provides a speedier alternative to the normal registration procedure (for further details please see "[Company registration in Hungary](#)").

The simplified procedure calls for the use of templates set forth in the annex of Act 5/2006 on Public Company Information, Company Registration and Winding-up. Only general partnerships, limited partnerships, limited liability companies, privately held share companies and sole proprietorships can be established through the simplified procedure.

Companies must indicate that they wish to use a template by marking the relevant box on the company registration request form, which in practice binds the court to use the simplified procedure.

The distinctive feature of simplified registration is that the court does not check the content of either the instrument of construction or the accompanying documents. Rather, the data to be recorded in the Company Register is checked and verified by the entity's legal representative and some of the required documents even remain in his or her custody. The legal representative must declare that he or she has checked the accompanying documents from a judicial standpoint and deems them valid. As affirmed in a divisional decision of the Metropolitan Regional Court on April 28 2008, an electronic signature will suffice for the entire request form; a separate signature for the legal representative's declaration is unnecessary.

The court will then examine whether:

- the legal representative's power of attorney and declaration meet legal requirements;
- the completed registration form meets legal requirements;
- all necessary documents pursuant to Annex 3 of Act 5/2006 were provided;
- the company name (if the name was not pre-booked) accords with the law; and
- the company's intended members, executive officers and managing director have any legal boundaries that would keep them from fulfilling their duties.

The registration request can be solely examined by a court clerk,⁽²⁾ who also has authority to reject the request. In theory, the decision on registration or rejection will be reached within one hour of issuance of the company's tax number. However, under Section 48(9) of Act 5/2006, if the court fails to decide within this timeframe, the head of the court will undertake measures on the decision within one working day of the missed deadline. If this deadline is also missed, the registration of the company will automatically take place on the following working day by course of law.

The registration request will be rejected if the company's application does not meet the statutory requirements or if the tax authority informs the court that the company's value added tax declaration (which is necessary for the issuance of a tax number) does not meet legal requirements.

No invitation for completion of documents will be issued in the simplified registration procedure; if the registration form is incomplete, it will be rejected. The rejected application may be resubmitted only once and within eight days of rejection. In case of rejection, the procedural fee cannot be reclaimed⁽³⁾ as rejection constitutes a decision on the merit of the request. However, in case of resubmission the confirmation of the previously paid procedural fee can be reused.

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- (1) Section 48 of Act 5/2006.
- (2) This includes court clerks, court aids and court secretaries.
- (3) BDT 2009/1953.

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