

A World Bank Group Flagship Report



# Doing Business 2018

## Reforming to Create Jobs



Comparing Business Regulation  
for Domestic Firms in **190** Economies

## Economy Profile of Hungary

Doing Business 2018 Indicators  
(in order of appearance in the document)

<b>Starting a business</b>	Procedures, time, cost and paid-in minimum capital to start a limited liability company
<b>Dealing with construction permits</b>	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
<b>Getting electricity</b>	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
<b>Registering property</b>	Procedures, time and cost to transfer a property and the quality of the land administration system
<b>Getting credit</b>	Movable collateral laws and credit information systems
<b>Protecting minority investors</b>	Minority shareholders' rights in related-party transactions and in corporate governance
<b>Paying taxes</b>	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
<b>Trading across borders</b>	Time and cost to export the product of comparative advantage and import auto parts
<b>Enforcing contracts</b>	Time and cost to resolve a commercial dispute and the quality of judicial processes
<b>Resolving insolvency</b>	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
<b>Labor market regulation</b>	Flexibility in employment regulation and aspects of job quality

## About Doing Business

The Doing Business project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures features of labor market regulation. Although Doing Business does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business, it does present the data for these indicators.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

In addition, Doing Business offers detailed [subnational reports](#), which exhaustively cover business regulation and reform in different cities and regions within a nation. These reports provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 190 economies that Doing Business has ranked.

The first Doing Business report, published in 2003, covered 5 indicator sets and 133 economies. This year's report covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, except for 11 economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) where Doing Business, also collected data for the second largest business city. The data for these 11 economies are a population-weighted average for the 2 largest business cities. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business around the world.

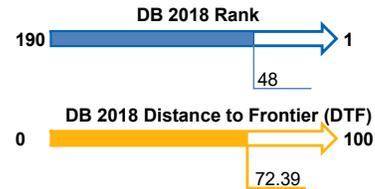
The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190. The ranking of 190 economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals.

More about [Doing Business](#) (PDF, 5MB)

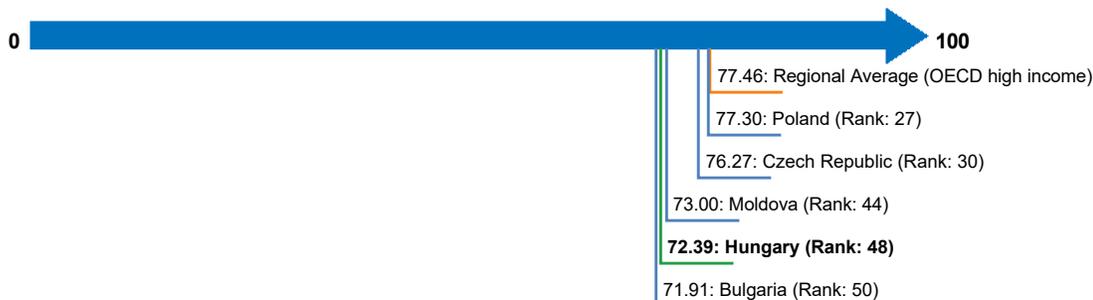
Ease of Doing Business in Hungary



Region	OECD high income
Income Category	High income
Population	9,817,958
GNI Per Capita (US\$)	12,570
City Covered	Budapest

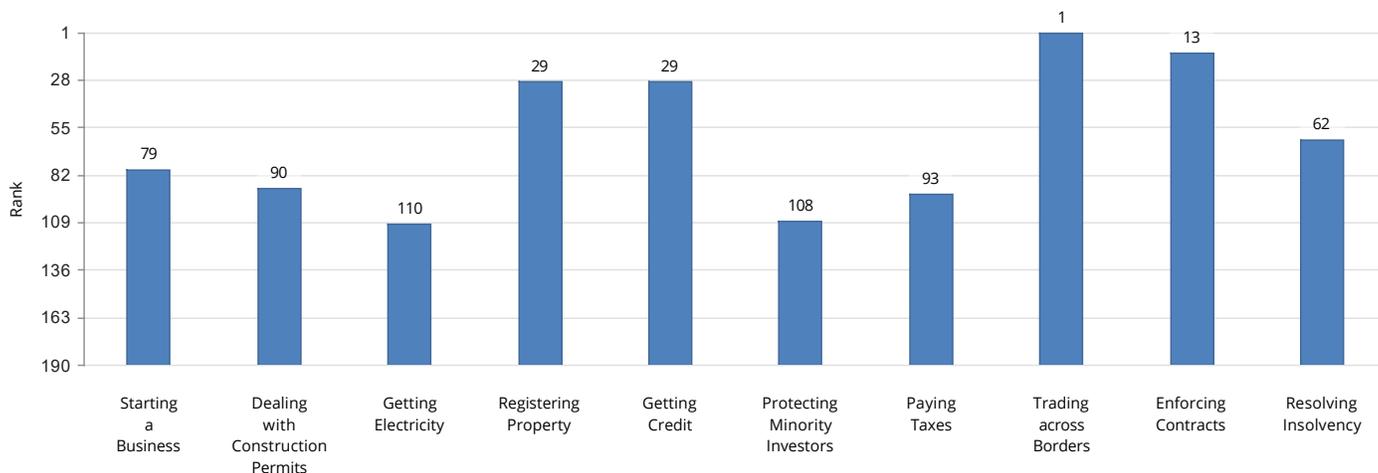


DB 2018 Distance to Frontier (DTF)



Note: The distance to frontier (DTF) measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190.

Rankings on Doing Business topics - Hungary



Distance to Frontier (DTF) on Doing Business topics - Hungary



## Starting a Business

This topic measures the paid-in minimum capital requirement, number of procedures, time and cost for a small- to medium-sized limited liability company to start up and formally operate in economy's largest business city.

To make the data comparable across 190 economies, Doing Business uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people one month after the commencement of operations, all of whom are domestic nationals. Starting a Business considers two types of local limited liability companies that are identical in all aspects, except that one company is owned by 5 married women and the other by 5 married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators.

The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally start and operate a company (number)

- Pre-registration (for example, name verification or reservation, notarization)
- Registration in economy's largest business city
- Post-registration (for example, social security registration, company seal)
- Obtaining approval from spouse to start business or leave home to register company
- Obtaining any gender-specific permission that can impact company registration, company operations and process of getting national identity card

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day)
- Procedures fully completed online are recorded as ½ day
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

#### Paid-in minimum capital (% of income per capita)

- Funds deposited in a bank or with third party before registration or up to 3 months after incorporation

### Case study assumptions

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes.

#### The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city and the entire office space is approximately 929 square meters (10,000 square feet). For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five owners, none of whom is a legal entity; and has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale of goods or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It does not use heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate and the amount of the annual lease for the office space is equivalent to 1 times income per capita.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of whom are domestic nationals.
- Has a company deed 10 pages long.

#### The owners:

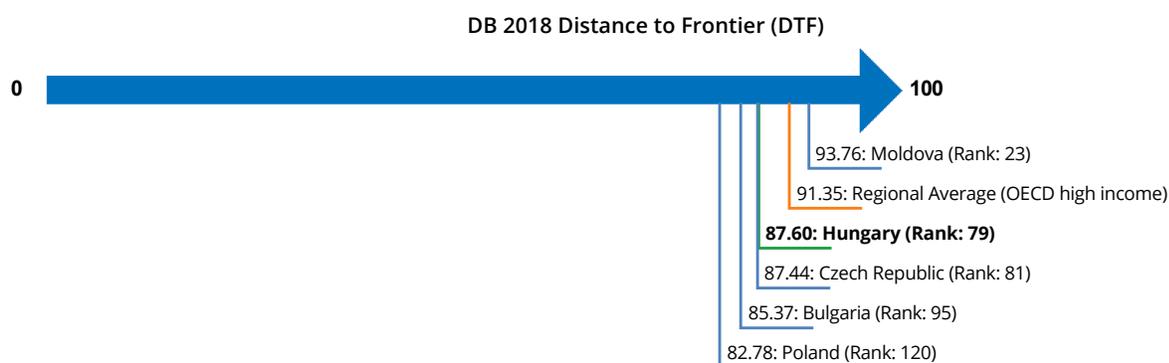
- Have reached the legal age of majority. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married and the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

Standardized Company

Legal form	Korlatolt Felelossegu Tarsasag (KFT) - Limited Liability Company
Paid-in minimum capital requirement	HUF 1,500,000
City Covered	Budapest

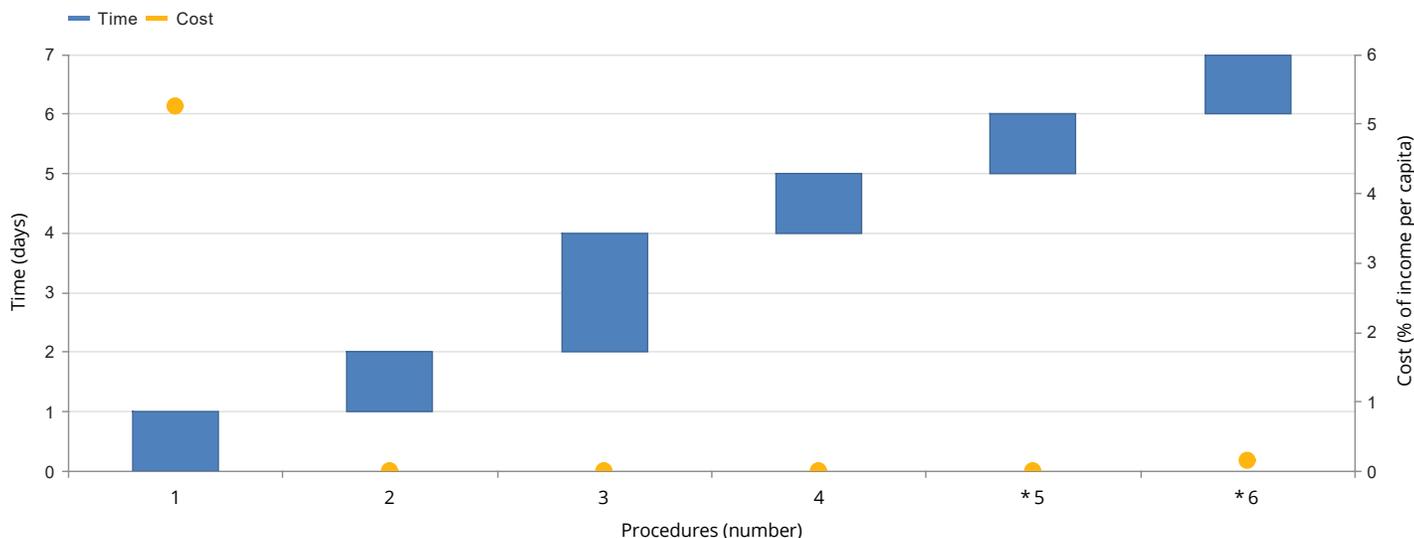
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Procedure – Men (number)	6	4.9	4.9	1.00 (New Zealand)
Time – Men (days)	7	8.5	8.5	0.50 (New Zealand)
Cost – Men (% of income per capita)	5.4	3.1	3.1	0.00 (United Kingdom)
Procedure – Women (number)	6	4.9	4.9	1.00 (New Zealand)
Time – Women (days)	7	8.5	8.5	0.50 (New Zealand)
Cost – Women (% of income per capita)	5.4	3.1	3.1	0.00 (United Kingdom)
Paid-in min. capital (% of income per capita)	43.8	8.7	8.7	0.00 (113 Economies)

Figure – Starting a Business in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Starting a Business in Hungary – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

## Details – Starting a Business in Hungary – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Hire a lawyer who will represent the company; create the company deed and prepare any other necessary legal document</b></p> <p>Agency : Lawyer</p> <p>The company must be represented by a lawyer during the registration process. The lawyer's commission fee is subject to free agreement, and it depends on the complexity of the case.</p>	1 day	HUF 100,000-260,000 ; varies according to the complexity
2	<p><b>Open a bank account and deposit the capital</b></p> <p>Agency : Bank</p> <p>Companies must open a bank account and deposit their capital.</p> <p>The current legislation envisages certain restrictions that relate to dividend distribution and apply to those founders who pay less than 50% of the required minimum paid-in capital at the time of incorporation. Furthermore, such founders bear liability for the company's obligations in the amount of their outstanding obligations. These provisions are stipulated in the Section 3:162 of the Civil Code.</p>	1 day	no charge

<p><b>3 Apply for registration at the Registration Court (simplified electronic registration)</b></p> <p>Agency : Registration Court</p> <p>The Tax Authority examines if the request for company's registration was submitted to the Court of Registration. The Tax Authority can refuse to issue a tax number if a hindrance (e.g. tax debt exceeding HUF 15 million) exists regarding a managing director, an owner entitled to represent the company or an owner/majority shareholder. The Tax Authority also examines these circumstances and hindrances in case there is any change in the above enlisted persons.</p> <p>The Registry Court receives the application for registration, and after a certificate is issued with the company's name, address, temporary tax and statistical number and the number of reference of the registration. If the National Customs and Tax Authority consider that the founder or the managing director falls under suspicion according to the above detailed statutory obstacles, Tax Authority does not duly send the tax number of the company to the Registry Court within one working day and the registration process will be suspended for the period of the pending investigation.</p> <p>Companies can be incorporated in 2 ways:</p> <ol style="list-style-type: none"><li>1. By simplified electronic filing Incorporation: 2 business days (up to 8 business days) In the simplified electronic filing, the companies must use a standardized template for the articles of association.</li><li>2. By standard electronic filing: Incorporation: 15 business days</li></ol> <p>As of March 16, 2017, the fee for incorporation has been abolished.</p> <p>Along with the submission of the registration application, the court also registers companies with the State Tax Authority (for VAT and income tax purposes) and with the Statistical Office through an online system.</p>	2 days	Free of charge for incorporation.
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**4 Register with the National Office for Health Insurance** 1 day no charge

Agency : National Office for Health Insurance (done through the National Tax and Customs Authority)

The company needs to register with the Hungarian Social Security Office. Before commencing an employment, the employer has to file the employee's data to the Tax Authority, i.e. to notify the Tax Authority on the employment with that employee.

Once the filing is done, the notification is considered to be performed. Data required for each employee:

1. Name;
2. Birthdate and place of birth;
3. Tax and social security number;
4. Citizenship;
5. The start of the work-contract and the code of the type of employment (i.e., permanent, temporary);
6. Field of activity (FEOR statistical code for activity types);
7. Weekly working times;
8. Education, training or qualifications, as well as the certifications number and issuing entities name.

**⇒ 5 Registration for Municipal Business Tax** 1 day no charge

Agency : Tax Department of Municipality

Newly incorporated companies are obliged to register with the municipality for the municipal business tax (helyi iparüzési adó) within 15 days after registration at the company registrar. The information they need to provide includes: company name, seat, tax number, etc. In Budapest this can happen in three ways: 1. Download and print the registration form from the municipality's homepage ([https://ssl.budapest.hu/web\\_hair/ufo.do?\\_ID=2016-01](https://ssl.budapest.hu/web_hair/ufo.do?_ID=2016-01)) and submit filled out form by registered mail; or 2. In person at the municipal tax department; or 3. electronic filing of the registration form through the e-government system (ügyfélkapú) if one has access to it. The municipality issues a certificate of receipt for the online registration and, in the case of paper based registration, a stamped certification of receipt. Later on, the municipality issues a local taxpayer-number to the company. The number is sent by mail to the company address. The tax rate in Budapest is currently set at 2% (the maximum limit set by national law; from this downwards the municipality can decide on rebates), payable twice a year.

1 day  
(simultaneous with  
previous  
procedure)

no charge

⇒ 6 **Register with the Hungarian Chamber of Commerce and Industry**

Agency : Hungarian Chamber of Commerce and Industry

Economic actors whose registration in the register of companies is mandatory and private entrepreneurs shall within five working days after registration apply for registration in the regional chamber of economy of competence (Section 8/A of Act CXXI of 1999 on Chambers of Economy as amended on January 1, 2012).

Chamber registers shall contain the following particulars of economic operators:

- a) name;
- b) registered seat, establishment(s), branch(es);
- c) main activity, and the activity or activities actually performed;
- d) tax number;
- e) bank account number(s);
- f) classification according to the Act on Small and Medium-sized Enterprises and the Support Provided to Such Enterprises;
- g) electronic contact information (e-mail, website);
- h) name of legal representative, and - in the case of voluntary disclosure, upon the economic operator's specific request - name of the designated contact person, including contact information.

1 day, simultaneous with previous procedure      Annual contribution of HUF 5,000

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♀ Applies to women only.

⇒ Takes place simultaneously with previous procedure.

## Dealing with Construction Permits

This topic tracks the procedures, time and cost to build a warehouse—including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. The most recent round of data collection was completed in June 2017. [See the methodology for more information](#)

### What the indicators measure

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications and receiving all necessary inspections
- Obtaining utility connections for water and sewerage
- Registering and selling the warehouse after its completion

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of warehouse value)

- Official costs only, no bribes

#### Building quality control index (0-15)

- Sum of the scores of six component indices:
- Quality of building regulations (0-2)
- Quality control before construction (0-1)
- Quality control during construction (0-3)
- Quality control after construction (0-3)
- Liability and insurance regimes (0-2)
- Professional certifications (0-4)

### Case study assumptions

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

#### The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent) and operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned; has five owners, none of whom is a legal entity. Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

#### The warehouse:

- Will be used for general storage activities, such as storage of books or stationery.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high and will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo, and the warehouse is valued at 50 times income per capita.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year; will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

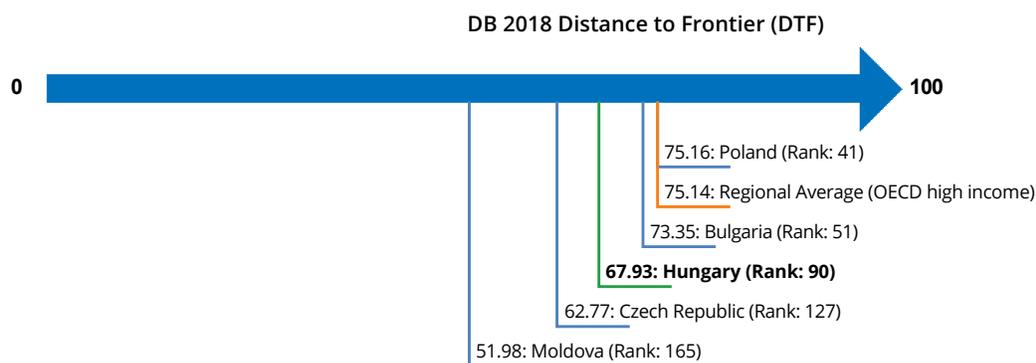
Standardized Warehouse

Estimated value of warehouse HUF 171,322,424.10

City Covered Budapest

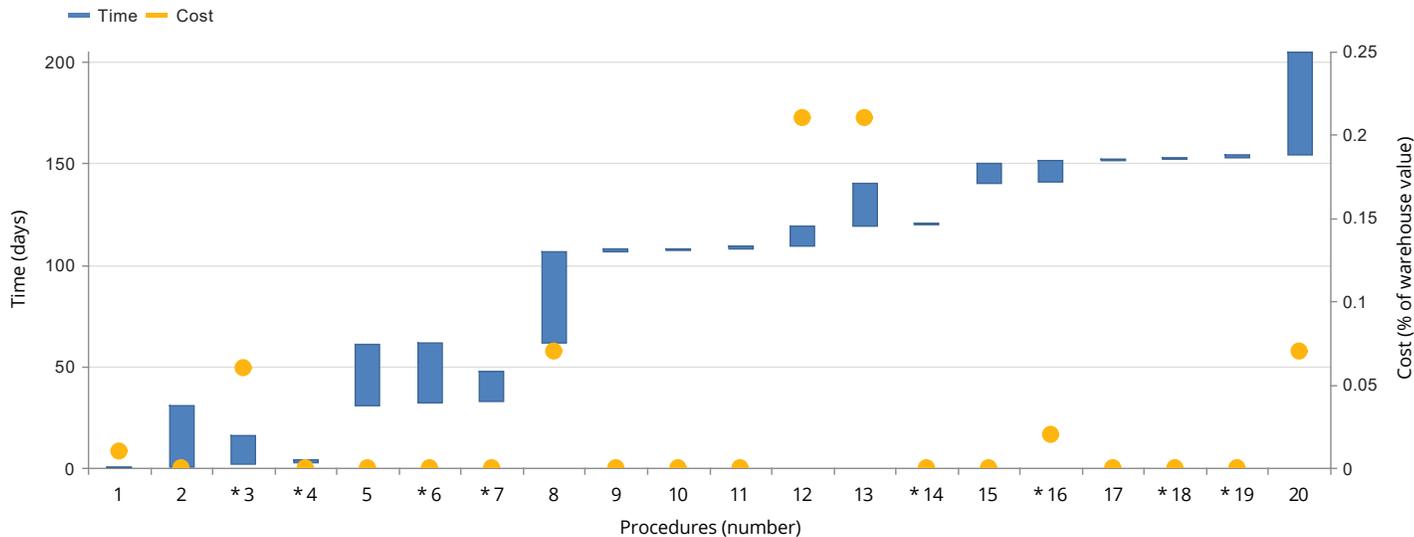
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Procedures (number)	20	12.5	12.5	7.00 (Denmark)
Time (days)	205.5	154.6	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value)	0.6	1.6	1.6	0.10 (5 Economies)
Building quality control index (0-15)	13.0	11.4	11.4	15.00 (3 Economies)

Figure – Dealing with Construction Permits in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

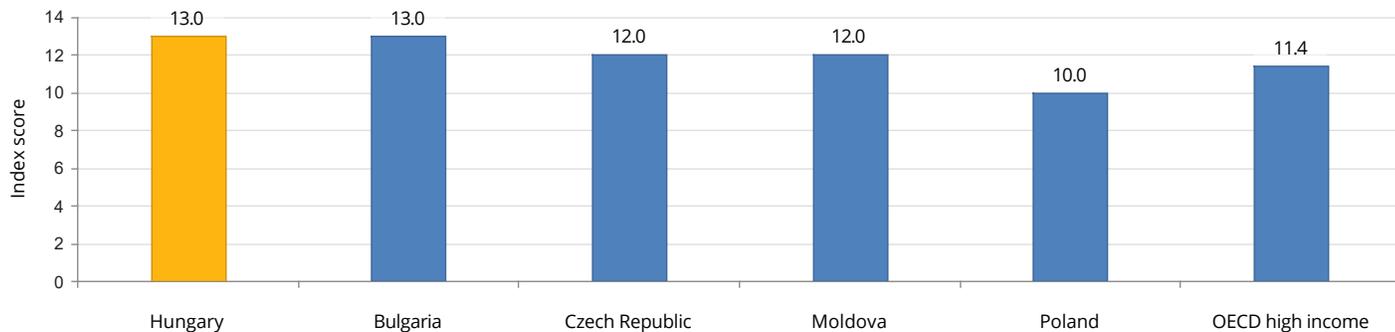
Figure – Dealing with Construction Permits in Hungary – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Dealing with Construction Permits in Hungary and comparator economies – Measure of Quality



## Details – Dealing with Construction Permits in Hungary – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Request and obtain certificate of site ownership and site map from the Földhivatal</b></p> <p>Agency : Land Administration Földhivatal</p> <p>The site map is obtained by BuildCo. The site ownership certificate can be obtained either by BuildCo or by the local construction authority. The authorities have introduced an electronic application and database and internal administrative processes have become more efficient. However, site ownership certificate and the site maps have to be obtained in a physical copy for the purposes of applying for a building permit.</p>	1 day	HUF 9,250
2	<p><b>Request and obtain urban planning approval</b></p> <p>Agency : Municipal Planning Board</p> <p>The Municipal Planning Board has to approve the basic project plan (not the detailed architectural plans) of the building. During this approval the Municipal Planning Board establishes whether the building will be far away from other neighboring buildings, how it fits into the landscape, and whether the envisioned construction project complies with the aesthetic standards of the region.</p>	30 days	no charge
⇒ 3	<p><b>Obtain a geo-technical report</b></p> <p>Agency : Private Licensed Company</p> <p>BuildCo hires an external geo-technician in order to study the land's capacity, quality, and its groundwater properties. The hired technician visits the site and digs the land at two or three points depending on the quality of the land. The cost recorded is based on two digging points. The technician submits the soil samples to a laboratory. The lab result defines the methods by which the foundation of the warehouse is laid. This information is also necessary in order for BuildCo's architect to draw the architectural plans. BuildCo is required to attach the geo-technician's report as part of the technical documentation for the construction license, pursuant to Regulation No. 312/2012. (XI. 8.).</p>	14 days	HUF 100,000

- ⇒ 4 **Request and obtain a utility statement from Budapest Waterworks Ltd.** 1 day no charge

Agency : Budapest Waterworks Ltd.

BuildCo completes a form and submits it to Budapest Waterworks Ltd. The form has to include the property's address, and the estimated water demand along with an attached site map. After the form is received by the utility it issues a utility statement. The statement states the water capacity: the external network water capacity for consumption and in case of fire, and at what pressure level the fire water can be provided in case of fire. The form is also submitted when applying for the water and sewage connection.

According to Regulation No. 312/2012 (XI.8.), BuildCo is no longer required to submit the utility's official statement to the construction license application. However, according to the same regulation, BuildCo is required to state that the technical conditions of the site will be able to facilitate the water connection. Therefore, a statement is requested from the utility, and attached to the construction license application. Moreover, the information provided in the statement is essential for BuildCo to draw the fire plans that are part of the construction license application.

- 5 **Request and obtain authorization from the water authorities** 30 days no charge

Agency : Budapest Waterworks Ltd.

BuildCo submits its application for water connection, along with the utility statement on water capacity, the average amount of water usage, a site ownership certificate, and a site map on which BuildCo identifies where the connection point on-site will be according to Regulation No. 58/2013 (II.27.). The utility reviews the application and sends out the Utility Permission document (which includes the project's technical details and the total cost, along with two copies of the contract).

- ⇒ 6 **Request and obtain fire protection authorization** 30 days HUF 3,000

Agency : Fire Protection Department

The architectural plans contain the fire protection statement, which must be approved by the Fire Department. The authorization must be obtained before the construction license is issued.

- ⇒ 7 **Request and obtain authorization from the sewage authorities** 15 days no charge

Agency : Budapest Sewage Works

BuildCo submits its application along a site ownership certificate, a site map, a site drawings, and the technical plans of the connection. The utility overviews the application and sends out the contract along with the utility permission document. The documents identify BuildCo's responsibilities to receive a sewage connection's approval.

<b>8 Request and obtain construction license</b>	45 days	HUF 113,700
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Agency : Mayor's Office of the District Municipality

The investor applies for the construction license through the ETDR online system, which was introduced on October 1, 2013. The construction license will be issued in 45 days if all documents are submitted properly.

When an application is submitted for a construction license, the Municipality is responsible for contacting the National Public Health and Medical Officer Service (ANTSZ) for their approval of the construction project, as well as other special authorities, as required in each specific project. This is done by the Municipality on behalf of the investor. The authorization from ANTSZ costs HUF 8,700, which is added to the cost of the construction license. Due to the fact that the Municipality reaches out to ANTSZ on behalf of the investor, this fee is included in this procedure.

<b>9 Receive on-site inspection from the Municipality</b>	1 day	no charge
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Agency : Mayor's Office of the District Municipality

Once BuildCo applies for the construction license, the Building Department informs BuildCo through the "ÉTDR" online application system of the date of the on-site inspection. The Building Department will inspect whether the submitted plans comply with the site, and whether any construction has taken place. If any construction has taken place prior to the issuance of the construction license, BuildCo is required to pay a penalty fee.

<b>10 Set up e-construction log</b>	0.5 days	HUF 7,000
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Agency : Lechner Knowledge Center (Lechner Tudásközpont)

Hungary introduced an e-construction log system in 2013 which improved the efficiency of the internal administrative process. In order to open an account on this system, BuildCo must first pay the account fee to Lechner Nonprofit Ltd. which can also be done electronically. To set up the log, BuildCo must submit the project's implementation plan, all of the work contracts and information on the workers. Moreover, BuildCo is required to update the log on a daily basis during construction with the following information:

- The type of work completed on the site
- The number of people who worked
- The updated certificates on the waste removals

The regulations regarding the implementation process, as well as the usage of the e-construction log is regulated in Regulation No. 191/2009 (IX. 15.).

<b>11 Receive unscheduled inspection from Building Control Authority.</b>	1 day	no charge
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Agency : Building Control Authority

The Building Control Authority of the Municipality comes to the construction site at least once to conduct an unscheduled technical inspection.

This is stipulated in the Government Regulation 313/2012, in force since June 30, 2013.

12 **Request and obtain water connection from Budapest Waterworks Ltd.** 10 days HUF 361,100

Agency : Budapest Water Works

BuildCo is responsible for setting up the water pit within one meter from the property line. The water pit is needed because the meter will be placed there by the utility. After the water pit is installed, BuildCo sends back the contract and pays the external connection fee along with the utility public development contribution fee (a fee for a new water connection). Then BuildCo informs Budapest Waterworks Ltd. in order to check that the installation of the water pit was properly installed. The utility then installs the pipes in order to connect the external and internal network, disinfects the pipes, ensures a pressure-, functional-, impermeability-, geodetic measure tests, and then installs the water meter.

The process of installing the connection can take place anytime prior, during or after the construction of the warehouse or the on-site pipes or even before granting BuildCo the construction license. However, it has to be completed before obtaining the occupancy permit.

13 **Request and obtain sewerage connection** 21 days HUF 363,659

Agency : Budapest Sewage Works

The connection work is done by BuildCo's hired technician. Until the water meter is installed by Budapest Waterworks Ltd., the sewage service cannot be used because the water meter monitors the monthly billing of the sewage usage as well.

BuildCo notifies the utility after the connection work is completed, and the utility subsequently inspects the site to verify whether the connection was done. After the connection has been successfully completed, and BuildCo has returned the signed contract and paid the inspection fee and the public utility development contribution fee (fee for any new sewage connection), the utility will issue the occupancy permit for the sewage network.

For more complex buildings, there is generally a requirement to obtain a utility statement on capacity from the sewage authorities, but for the Doing Business case study, this requirement does not apply because the sewage main is available.

⇒ **Close e-construction log** 0.5 days no charge

14 Agency : Lechner Knowledge Center (Lechner Tudásközpont)

BuildCo closes the e-construction log once all of the work is completed on-site and must upload the following documents:

- Daily, detailed updates on the type of work completed on the site
- Certificates on the waste removals
- Operational and maintenance instructions to the warehouse
- Warranty documents
- Report indicating that the site manager has handed the site over to BuildCo, which proves that the construction has been completed on the site

The closure of the log serves as BuildCo's notification to the Building and Heritage Protection Unit and to the Building Department of the completion of the construction.

15	<b>Submit the new geodetic map to the land Registry</b>	10 days	HUF 800
<p>Agency : Land Registry</p> <p>BuildCo must obtain a new geodetic map drawn by a hired surveyor any time after the construction is completed on-site. The hired surveyor submits the map to the Land Registry. According to the 2004. CXL. Law, the Land Registry reviews and authorizes the new geodetic map (the map includes the newly built warehouse) from a cartographic point of view. After the Land Registry approves the new geodetic map, the hired surveyor submits it to the "OÉNY" National Building Register online platform before or at the same time requesting the occupancy permit. This is an open source database, where anyone can obtain information on any property.</p> <p>During the authorization process of the occupancy permit, the Building Department also reviews the new geodetic map to verify whether it complies with construction license regulations.</p>			
⇒	<b>Receive on-site inspection to check on the quality of water</b>	10 days	HUF 29,000
16	Agency : National Public Health and Medical Officer Service (ANTSZ)		
<p>A representative from the National Public Health and Medical Officer Service (ANTSZ) comes to inspect the quality of water. The representative takes a sample of the water and sends it to the lab for testing. The approval is issued within 10 days.</p> <p>Obtaining approval on the cleanliness of water is one of the conditions that the Public Health Unit set before its approval for construction license. These condition must be completed prior to applying for the occupancy permit of the building since the Public Health Unit requires this document in order to approve the occupancy permit. It has to be done before the occupancy permit, and after the water and sewage network were installed.</p>			
17	<b>Receive final inspection from the Fire Protection Department</b>	1 day	no charge
<p>Agency : Fire Protection Department</p> <p>BuildCo must request the occupancy permit through the "ÉTDR" online platform system attesting that they complied with the standards concerning each of the specialized authorities. The Fire Protection Unit mandates that the fire alarm occupancy permit be issued before the construction occupancy permit can be requested.</p> <p>A specialist from the Fire Protection Unit visits the site and inspects whether the fire taps and the fire water system of the building comply with regulations. Once the on-site inspection is done, the Fire Protection Unit issues a declaration that the building has been completed in compliance with the technical plans.</p>			
⇒	<b>Receive final inspection from the Public Health Department</b>	1 day	no charge
18	Agency : Public Health Department		
<p>A specialist from the Public Health Unit visits the site and inspects whether the conditions for worker safety and private locations (i.e., locker rooms, restrooms, smoking zones, etc.) comply with the health regulations.</p>			

⇒ 19	<p><b>Receive final inspection from the Building Department</b></p> <p>Agency : Municipality</p> <p>There is an option for all of the authorities to visit the site together on the same day; however in practice the authorities inspect the building separately. The Building Department conducts its final inspection of the warehouse and its surroundings to ensure they comply with the technical and architectural plans and with the relevant laws and regulations.</p>	1 day	no charge
20	<p><b>Obtain occupancy permit and register the building with the Land Registry</b></p> <p>Agency : Municipality</p> <p>After receiving the final inspection, BuildCo applies for the occupancy permit through the ETDR online system, which was introduced on October 1, 2013. Once the occupancy permit is granted, the Building Department notifies the Land Registry directly in order for the Land Registry to update the site ownership certificate and the site map. The Land Registry will note the function of the newly built warehouse on the site ownership certificate, as well as the shape and the function of the new warehouse on the site map. After it is completed, the warehouse can be sold.</p> <p>BuildCo does not have to apply for the registration of the building. BuildCo just has to submit the new geodetic map prior to requesting the occupancy permit application/or the same time. After it is granted the Building Department notifies the Land Registry, so the process is automatic. However, BuildCo only has to pay the processing fee of HUF 6,600 as it is noted at "Register the building with the Land Registry Office".</p>	51 days	HUF 120,300

⇒ Takes place simultaneously with previous procedure.

## Details – Dealing with Construction Permits in Hungary – Measure of Quality

	Answer	Score
<b>Building quality control index (0-15)</b>		<b>13.0</b>
<b>Quality of building regulations index (0-2)</b>		<b>2.0</b>
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
<b>Quality control before construction index (0-1)</b>		<b>1.0</b>
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1.0
<b>Quality control during construction index (0-3)</b>		<b>2.0</b>
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Unscheduled inspections.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
<b>Quality control after construction index (0-3)</b>		<b>3.0</b>
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0
<b>Liability and insurance regimes index (0-2)</b>		<b>1.0</b>
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	Architect or engineer; Construction company; Owner or investor.	1.0

Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0
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**Professional certifications index (0-4)****4.0**

What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering; Passing a certification exam.	2.0
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What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer; Passing a certification exam.	2.0
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## ⚡ Getting Electricity

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Value added tax excluded

#### The reliability of supply and transparency of tariffs index (0-8)

- Duration and frequency of power outages (0-3)
- Tools to monitor power outages (0-1)
- Tools to restore power supply (0-1)
- Regulatory monitoring of utilities' performance (0-1)
- Financial deterrents limiting outages (0-1)
- Transparency and accessibility of tariffs (0-1)

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

\*Note: Doing Business measures the price of electricity, but it is not included in the distance to frontier score nor the ranking on the ease of getting electricity.

### Case study assumptions

To make the data comparable across economies, several assumptions are used.

#### The warehouse:

- Is owned by a local entrepreneur and is used for storage of goods.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located and is in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).

#### The electricity connection:

- Is a permanent one with a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located and requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

#### The monthly consumption:

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons) and the monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

Standardized Connection

Price of electricity (US cents per kWh)

23.4

Name of utility

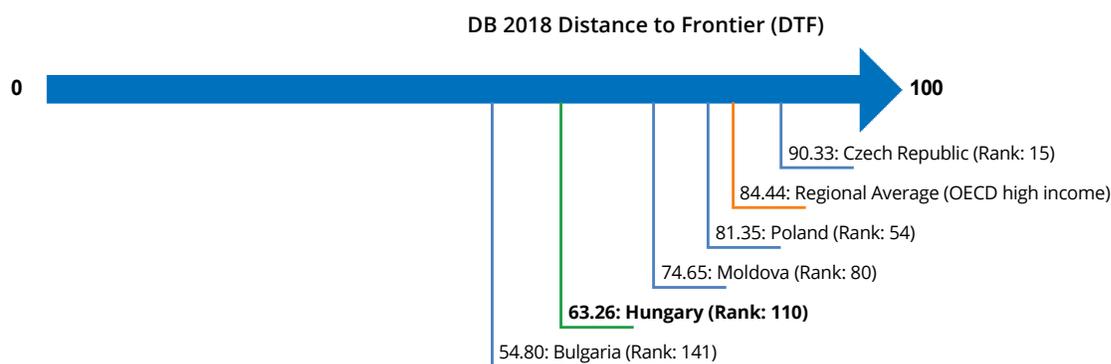
Budapesti Elektromos Művek Rt. (ELMű Rt)

City Covered

Budapest

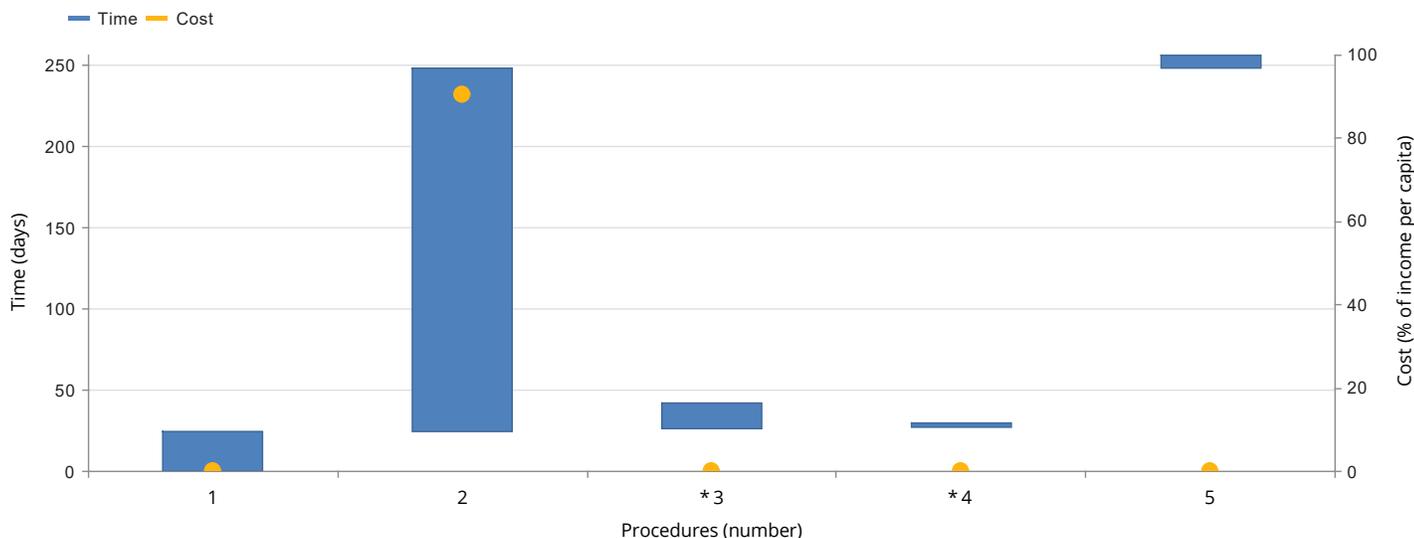
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Procedures (number)	5	4.7	4.7	2 (United Arab Emirates)
Time (days)	257	79.1	79.1	10 (United Arab Emirates)
Cost (% of income per capita)	90.3	63.0	63.0	0.00 (Japan)
Reliability of supply and transparency of tariff index (0-8)	7	7.4	7.4	8.00 (28 Economies)

Figure – Getting Electricity in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators.

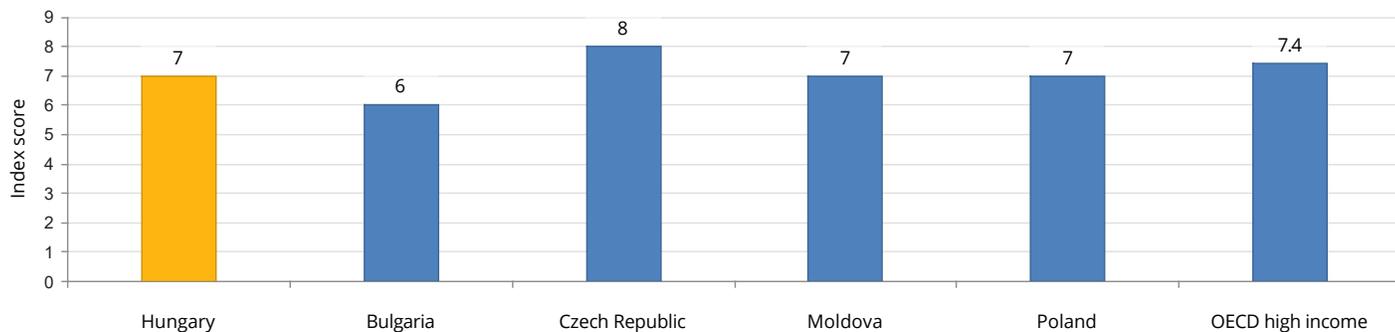
Figure – Getting Electricity in Hungary – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Getting Electricity in Hungary and comparator economies – Measure of Quality



## Details – Getting Electricity in Hungary – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Submit application to ELMŰ Hálózati Kft. and await estimate</b></p> <p>Agency : ELMŰ Hálózati Kft.</p> <p>The application can be submitted by e-mail, in-person or by mail. The application must provide a site map that shows the connection point, the requested voltage level, and a proof of the applicant's eligibility to request the external connection. The utility overviews the application and proposes an offer- the "technical-economic plan"- which includes the preliminary technical details, the time frame and the estimated cost of the grid connection. This document defines the utility's technical responsibilities on the expansion of the network, on the meter installation, and on the final connection. It also defines the customer's responsibility during the course of the project, such as the requirement of installing a meter box and to place equipment within the box.</p>	25 calendar days	HUF 0
2	<p><b>Obtain external connection works by ELMŰ Hálózati Kft.</b></p> <p>Agency : ELMŰ Hálózati Kft.</p> <p>The utility prepares the design and carries out the external connection works. The utility also obtains all necessary approvals on behalf of the customer.</p> <p>Based on the offer accepted by the customer after applying for connection, the utility prepares the grid connection contract which includes a detailed project plan and its timeframe, the invoice of the connection, the payment deadlines, and the deadline for placing the meter box. The applicant has to sign the grid connection contract and pay 10% of the total connection fee. Simultaneously, the utility hires an external electrical engineer to prepare an implementation plan and design the project for the external network. The electrical engineer obtains all the required maps from the gas, telecommunication, water and sewage utilities in order to examine whether there is any conflict with the existing underground networks. The electrical engineer draws the implementation plan and has it approved by the utility's project manager. Once this implementation map is cleared internally, it is submitted for approval by gas, telecommunication, water and sewage utilities.</p> <p>Authorizations have to be obtained from all interested public authorities, such as the notary from the Mayor's Office of the local Municipality and specialized authorities (Environment Protection Authority, local Road Department, Hungarian Road Authority, etc.). Each authority has maximum 30 days to review the plans. In practice, this can take longer. The authorization process is regulated by the governmental Regulation no. 382/2007 (XII.23.). Simultaneously, permission have to be obtained from the owners of neighboring lands whose properties are impacted by constructing the cables. Oftentimes, there are multiple interested parties that need to be notified.</p> <p>Once all approvals have been obtained, the new geodetic map with the underground cables has to be authorized for registration by the local Land Registry. The Land Registry overviews the map from a cartographic point of view. After the Land Registry registered the map, the utility requests a construction right from the Measurement and Technical Safety Authority (Budapest Capital City Government Office). The authority reviews the new</p>	224 calendar days	HUF 3,094,800

geodetic map to verify whether it complies with regulations. The construction right allows the utility to access the customer's and all of the relevant parties' properties to place the cables. It also gives right to the utility to access the installed cables in the future, should any further work be needed. The process of obtaining the cable right is regulated by the Electricity Law (2007. LXXXVI.). The Measurement and Technical Safety Authority has maximum 60 days to overview and authorize the plans. After the construction right is granted, the department informs the utilities (gas, telecommunication, water and sewage), the relevant specialized authorities, and the owners of the interested lands. These parties can appeal the decision within 15 days after receiving the notice from the department. Once the appeal period expires, the construction license of the cables is legally binding and ELMŰ Hálózati Kft. can start the connection works.

Once the construction license of the cables is legally binding, the Land Registry calculates the exact size of the area affected by the new cables. This calculation takes into account regulations on safety distances and on the size limits of the cables installed on public and private lands. The Land Registry adds the results of the calculations to all of the properties' site ownership certificate and the site map.

15 days before the connection works starts, the utility notifies all the relevant parties (the Measurement and Technical Safety Authority, the local notary, the neighbors) on the exact date of the power outage due to the construction on site. Before the construction can start, the applicant is required to pay the remaining 90% of the connection fee. The external connection works takes around 2-3 days. All the project related documents during the construction are submitted electronically to the e-construction log.

⇒ 3 **Request and obtain a permit to install the cables within the meter box from the utility** 16 calendar days HUF 0

Agency : Measurement Technology and Meter Controlling Department, ELMŰ Hálózati Kft.

The customer needs to obtain a permit from the Measurement Technology and Meter Controlling Department of the utility to install the cables within the meter box. These cables are connecting the external cables to the internal one. This step is required in order to connect the warehouse with electricity, and it can be done at any time after the grid connection application is obtained. Typically, the customer requests the approval once the starting date of the external connection work is given by the utility.

⇒ 4 **Request and obtain a statement on the agreement to provide electricity from a supplier** 3 calendar days HUF 0

Agency : Licensed electricity supplier

The customer chooses the most suitable electricity supplier from the market. The supplier sends to the customer the supply contract, which includes a statement on the agreement to provide electricity. The customer forwards the statement on the agreement to provide electricity to the utility. This statement is required before making a request for meter installation, and can be obtained at any time after grid connection application is obtained. Typically, the customer requests the agreement once the starting date of the external connection work is given by the utility.

**5 Sign contracts and obtain meter installation, final connection and electricity flow**

8 calendar days

HUF 0

Agency : ELMŰ Hálózati Kft.

The customer has to sign the grid usage contract, grid connection contract and supply contract. These three contracts are not necessarily signed in parallel. Upon connection, the grid charge becomes due and payable, while the date of conclusion of the supply contract is up to the customer. The first two contracts take only few hours (sample contracts to fill in) while the third one takes some days. The installation of the meter and the start of supply of electricity require all three contracts to be signed. The meter is not installed at the same time as when the connection is done. The utility (Measurement technology and meter controlling department) is installing the meter.

⇒ Takes place simultaneously with previous procedure.

## Details – Getting Electricity in Hungary – Measure of Quality

	Answer
<b>Reliability of supply and transparency of tariff index (0-8)</b>	7
<b>Total duration and frequency of outages per customer a year (0-3)</b>	2
System average interruption duration index (SAIDI)	3.1
System average interruption frequency index (SAIFI)	1.4
What is the minimum outage time (in minutes) that the utility considers for the calculation of SAIDI/SAIFI	3.0
<b>Mechanisms for monitoring outages (0-1)</b>	1
Does the distribution utility use automated tools to monitor outages?	Yes
<b>Mechanisms for restoring service (0-1)</b>	1
Does the distribution utility use automated tools to restore service?	Yes
<b>Regulatory monitoring (0-1)</b>	1
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes
<b>Financial deterrents aimed at limiting outages (0-1)</b>	1
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes
<b>Communication of tariffs and tariff changes (0-1)</b>	1
Are effective tariffs available online?	Yes
Link to the website, if available online	<a href="http://njt.hu/cgi_bin/njt_doc.cgi?docid=173040.286068">http://njt.hu/cgi_bin/njt_doc.cgi?docid=173040.286068</a>
Are customers notified of a change in tariff ahead of the billing cycle?	Yes

**Note:**

If the duration and frequency of outages is 100 or less, the economy is eligible to score on the Reliability of supply and transparency of tariff index.

If the duration and frequency of outages is not available, or is over 100, the economy is not eligible to score on the index.

If the minimum outage time considered for SAIDI/SAIFI is over 5 minutes, the economy is not eligible to score on the index.

## Registering Property

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally transfer title on immovable property (number)

- Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration procedures in the economy's largest business city.
- Postregistration procedures (for example, filling title with municipality)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day - though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of property value)

- Official costs only (such as administrative fees, duties and taxes).
- Value Added Tax, Capital Gains Tax and illicit payments are excluded

#### Quality of land administration index (0-30)

- Reliability of infrastructure index (0-8)
- Transparency of information index (0-6)
- Geographic coverage index (0-8)
- Land dispute resolution index (0-8)
- Equal access to property rights index (-2-0)

### Case study assumptions

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

#### The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

#### The property (fully owned by the seller):

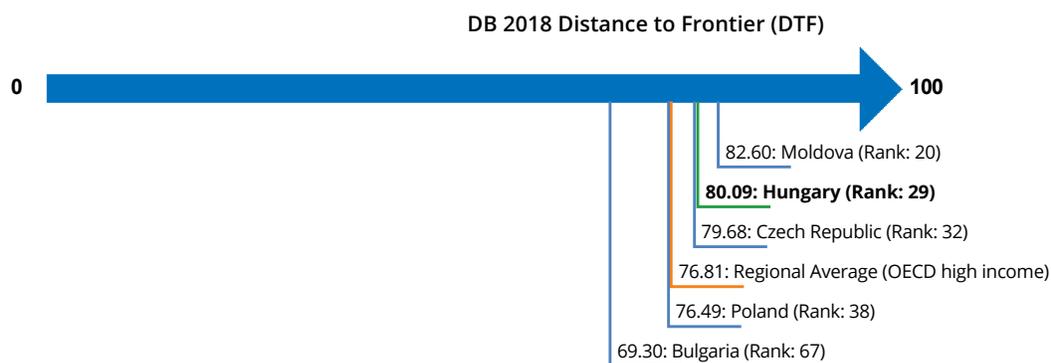
- Has a value of 50 times income per capita, which equals the sale price.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition, has no heating system and complies with all safety standards, building codes and legal requirements. The property, consisting of land and building, will be transferred in its entirety.
- Will not be subject to renovations or additional construction following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Standard Property Transfer

Property value	HUF 171,322,424.10
City Covered	Budapest

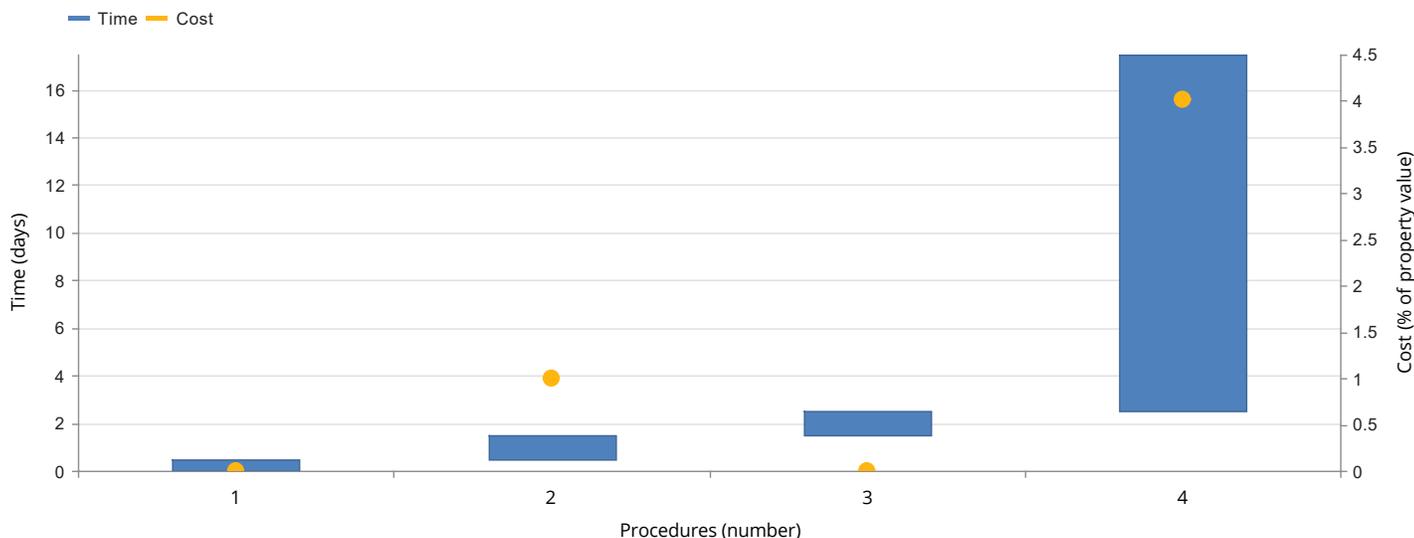
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Procedures (number)	4	4.6	4.6	1.00 (4 Economies)
Time (days)	17.5	22.3	22.3	1.00 (3 Economies)
Cost (% of property value)	5.0	4.2	4.2	0.00 (5 Economies)
Quality of the land administration index (0-30)	26.0	22.7	22.7	29.00 (Singapore)

Figure – Registering Property in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators.

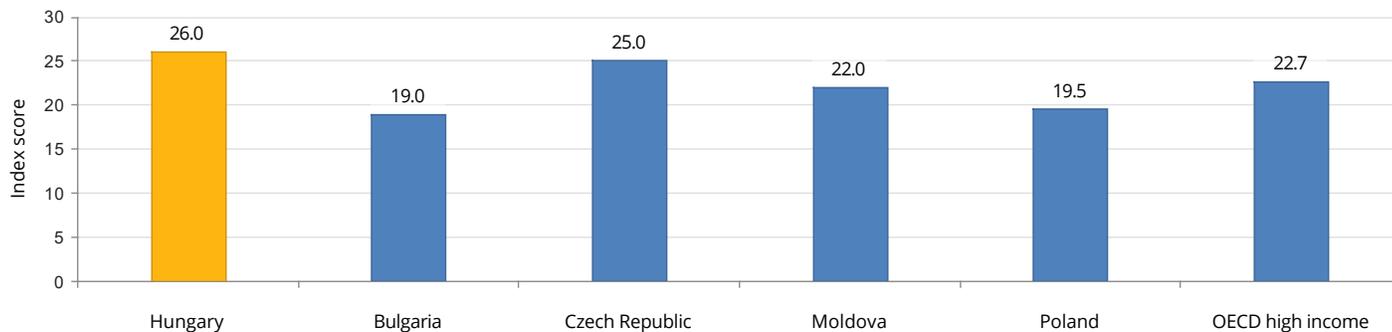
Figure – Registering Property in Hungary – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Registering Property in Hungary and comparator economies – Measure of Quality



## Details – Registering Property in Hungary – Procedure, Time and Cost

No.	Procedure	Time to Complete	Associated Costs
1	<p><b>Obtain a certified title record at the Land Registry Office</b></p> <p>Agency : Land Registry office</p> <p>Obtain an original certified title sheet at the Land Registry Office to check the current data of the property. The title sheet includes information on liens and outstanding taxes. According to the Hungarian law, the countersigning lawyer may use a title sheet which is issued within 30 days preceding the signing. Due to the amendment of the land registry rules, the fee of the hard copy of a certified title record was increased to HUF 6,250. Since January 1, 2010, the request for electronic land registry sheet is also possible for HUF 3,600 for certified sheet and for HUF 1,000 uncertified sheet. Please note that the printed form of the electronic certified sheet is not considered as certified land registry sheet.</p>	Less than a day (online procedure)	Hard copy certificate HUF 6,250; Electronic certificate HUF 3,600; and Uncertified sheet HUF 1,000
2	<p><b>The sale and purchase agreement is signed by a lawyer</b></p> <p>Agency : Lawyer</p> <p>After the negotiations between parties, a written sale and purchase agreement is required, and each page has to be initialed/signed by the parties. The contract becomes valid by the countersignature of a lawyer (signature, stamp and dry stamp on each page). The countersignature certifies the identity of the signing parties and that the content of the agreement is in accordance with the legal regulations and the will of the parties. The lawyers fees are subject to the parties agreement and may vary between 0.5 and 3% of the property value. Current market conditions have been pushing fees down to around 1% of the property value.</p>	1 day	1% of the purchase price (lawyer's fees) – subject to the parties' agreement
3	<p><b>Obtain the extract of the purchaser from the Court of Registry</b></p> <p>Agency : The Court of Registry, the Ministry of Administration and Justice, and notary public</p> <p>Since the parties of the property transfer are companies, they should obtain an extract from the commercial registry both for the buyer and the seller. The extract (as well as the specimen of signature) is to be filed for both parties to the Land Registry Office. With the data indicated in the extract the officer can check that the legal entity really exists and that the manager is really entitled to sign for the company. The commercial register is public, so anybody can go there and ask for a company extract. The extract has to contain the deleted and actual data of the company, and may not be issued earlier than 30 days preceding the sale. In case the data of the seller have not been amended as of the date of purchase (or any further filing), it is sufficient to refer to this fact on the standardized application form, together with the case number in which the required documents had been filed. If no such reference is made, the cost of the extract is payable both in relation to the seller and the buyer. The cost varies according to the issuing agencies and the length of the extract. Generally, the cost is between HUF 3,000 and 7,000.</p> <p>An electronic extract can be obtained via the e-mail (cegszolgalat@im.gov.hu) with pre-payment of the cost (HUF 1,980).</p>	1 day	HUF 5,000

**4 Register the title at the Land Registry Office**

Agency : Land Registry Offices of Capital Budapest Government Office

As of January 1, 2010 there are two Land Registry Offices operating in Budapest. The land registry offices accept specimen of signatures both from notary public and from attorney-at-law.

A new fast-track procedure has been introduced to reduce the registration time at the Land Registry for a higher registration fee of HUF 16,600. The registration fee for the regular procedure is HUF 6,600 according to Act 122 of 2006, effective February 4, 2007. As of January 2006, it is possible to retrieve a standardized application form online at: [www.takarnet.hu](http://www.takarnet.hu). The Registry office only accepts this standard form. Once the application has been submitted to the Land Registry Office, one set of the documents are forwarded to the stamp duty office. The purchaser then receives a letter from the stamp duty office and will pay stamp duty by postal check or bank transfer.

Note: Usually, if the purchaser does not pay the full purchase price at the signing of the contract, the vendor retains its ownership. (Such retention may be registered until the payment of the full purchase price). The application may request the registration of the sale with retention of ownership, or the registration of title. As of a regulation issued in January 2006, the seller may declare that he/she will request registration of the purchaser's title at a certain date, but no later than 6 months from the date of the agreement. During this time period the registration is pending and no other registrations or applications may be fulfilled regarding the property. In the event that the land registry office does not receive the consent from the owner of the property, the pending application is deleted. The fact of sale with retention of ownership is indicated on a side note within 24 hours from the submission. This means that some kind of application was submitted with regard to the property but it was not verified by the Land Registry Office yet (not registered, not refused). For sales with retention of ownership, a declaration has to be submitted stating that the title may be registered, simultaneously with the deletion of the retention of ownership. Following the submission of the declaration, a new side note will be indicated, and the title of the purchaser will be registered.

Transfers of property might be subject to a 27% VAT.

As of 2010, the general duty rate on the transfer of property for consideration was reduced to 4% from 10% on up to HUF 1 billion (1,000,000,000) of the property value.

The documentation shall include:

- (i) The standardized application form;
- (ii) Two original copies and one photocopy of the contract;
- (iii) Original extract of the purchaser from the commercial register;
- (iv) The company extract and the specimen of signature of both the seller and the purchaser are to be filed.

15 calendar days  
(expedited  
Procedure), or  
30 calendar days  
(regular Procedure)

4% of property value  
(Stamp duty) up to  
value HUF 1 billion  
(or 2% for values  
above with a cap of  
HUF 200 million)  
+ HUF 16,600  
(registration fee,  
expedited  
Procedure), or  
HUF 6,600  
(registration fee,  
regular Procedure)

⇒ Takes place simultaneously with previous procedure.

## Details – Registering Property in Hungary – Measure of Quality

	Answer	Score
<b>Quality of the land administration index (0-30)</b>		<b>26.0</b>
<b>Reliability of infrastructure index (0-8)</b>		<b>8.0</b>
What is the institution in charge of immovable property registration?	Land Registry Office of District XI of Capital Budapest Government Office and Land Registry Office of District XIV of Capital Budapest Government Office	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Land Registry Office of District XI of Capital Budapest Government Office and Land Registry Office of District XIV of Capital Budapest Government Office	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0
<b>Transparency of information index (0-6)</b>		<b>3.5</b>
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0

Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://www.complex.hu/jr/gen/hjegy_doc.cgi?docid=99700141">http://www.complex.hu/jr/gen/hjegy_doc.cgi?docid=99700141</a> . TV; <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99900109">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99900109</a> . FVM	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://www.foldhivatal.hu/content/view/82/119/">http://www.foldhivatal.hu/content/view/82/119/</a> ; <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99600085">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99600085</a> . TV; <a href="http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99000093">http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=99000093</a> . TV	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	Yes, online	0.5
Link for online access:	<a href="http://njt.hu/cgi_bin/njt_doc.cgi?docid=30824.254786">http://njt.hu/cgi_bin/njt_doc.cgi?docid=30824.254786</a> ; <a href="http://njt.hu/cgi_bin/njt_doc.cgi?docid=41465.259948">http://njt.hu/cgi_bin/njt_doc.cgi?docid=41465.259948</a>	
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0
Contact information:		
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0
Number of property transfers in the largest business city in 2015:		

Who is able to consult maps of land plots in the largest business city?	Anyone who pays the official fee	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://www.foldhivatal.hu/content/view/173/1/">http://www.foldhivatal.hu/content/view/173/1/</a>	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0
Contact information:		
<b>Geographic coverage index (0–8)</b>		<b>8.0</b>
Are all privately held land plots in the economy formally registered at the immovable property registry?	Yes	2.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	Yes	2.0
Are all privately held land plots in the economy mapped?	Yes	2.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0
<b>Land dispute resolution index (0–8)</b>		<b>6.5</b>
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	Yes	0.5
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar; Notary; Lawyer.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Notary; Lawyer.	

Is there a national database to verify the accuracy of identity documents?	Yes	1.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Metropolitan Court of Budapest (Fővárosi Törvényszék)	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Between 1 and 2 years	2.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0
Number of land disputes in the largest business city in 2015:		
<b>Equal access to property rights index (-2-0)</b>		<b>0.0</b>
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0

## Getting Credit

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Strength of legal rights index (0-12)

- Rights of borrowers and lenders through collateral laws (0-10)
- Protection of secured creditors' rights through bankruptcy laws (0-2)

#### Depth of credit information index (0-8)

- Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)

#### Credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest credit bureau as a percentage of adult population

#### Credit registry coverage (% of adults)

- Number of individuals and firms listed in credit registry as a percentage of adult population

### Case study assumptions

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. For each economy it is first determined whether a unitary secured transactions system exists. Then two case scenarios, case A and case B, are used to determine how a nonpossessory security interest is created, publicized and enforced according to the law. Special emphasis is given to how the collateral registry operates (if registration of security interests is possible). The case scenarios involve a secured borrower, company ABC, and a secured lender, BizBank.

In some economies the legal framework for secured transactions will allow only case A or case B (not both) to apply. Both cases examine the same set of legal provisions relating to the use of movable collateral.

#### Several assumptions about the secured borrower (ABC) and lender (BizBank) are used:

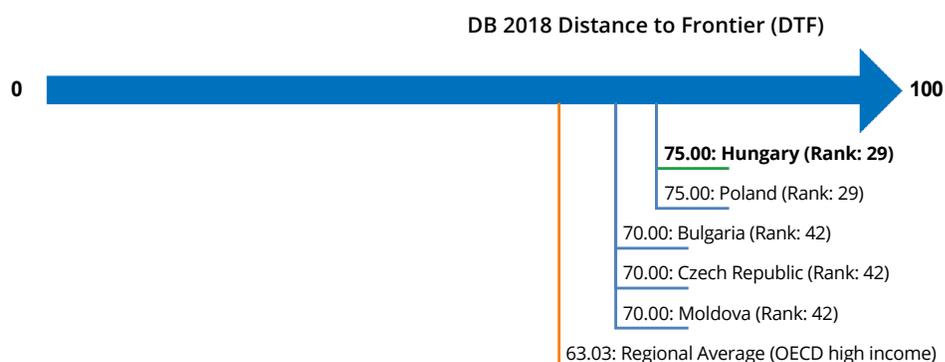
- ABC is a domestic limited liability company (or its legal equivalent).
- ABC has up to 50 employees.
- ABC has its headquarters and only base of operations in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Both ABC and BizBank are 100% domestically owned.

The case scenarios also involve assumptions. In case A, as collateral for the loan, ABC grants BizBank a nonpossessory security interest in one category of movable assets, for example, its machinery or its inventory. ABC wants to keep both possession and ownership of the collateral. In economies where the law does not allow nonpossessory security interests in movable property, ABC and BizBank use a fiduciary transfer-of-title arrangement (or a similar substitute for nonpossessory security interests).

In case B, ABC grants BizBank a business charge, enterprise charge, floating charge or any charge that gives BizBank a security interest over ABC's combined movable assets (or as much of ABC's movable assets as possible). ABC keeps ownership and possession of the assets.

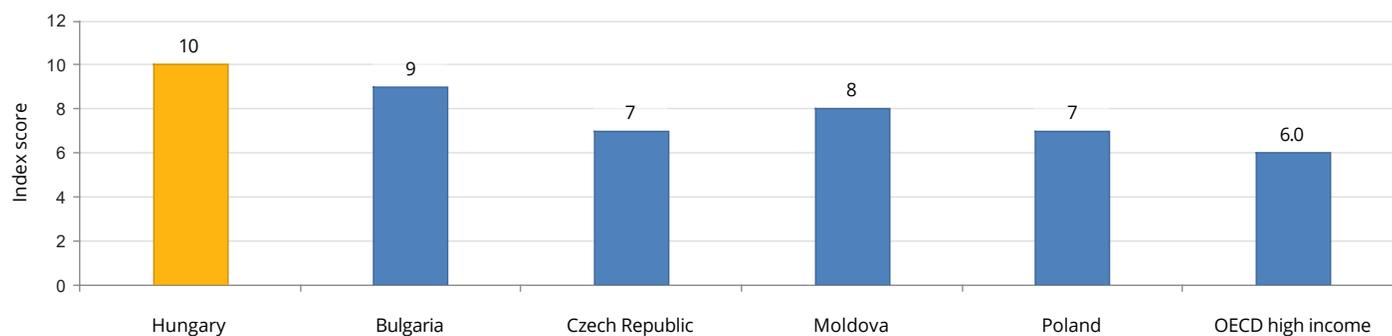
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Strength of legal rights index (0-12)	10	6.0	6.0	12.00 (4 Economies)
Depth of credit information index (0-8)	5	6.6	6.6	8.00 (34 Economies)
Credit registry coverage (% of adults)	0.0	18.3	18.3	100.00 (3 Economies)
Credit bureau coverage (% of adults)	89.8	63.7	63.7	100.00 (23 Economies)

Figure – Getting Credit in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the sum of the strength of legal rights index and the depth of credit information index.

Figure – Legal Rights in Hungary and comparator economies



Details – Legal Rights in Hungary

**Strength of legal rights index (0-12) 10**

Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy? Yes

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral? No

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral? Yes

May a security right extend to future or after-acquired assets, and does it extend automatically to the products, proceeds or replacements of the original assets? Yes

Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered? Yes

Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name? Yes

Does a notice-based collateral registry exist in which all functional equivalents can be registered? Yes

Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party? Yes

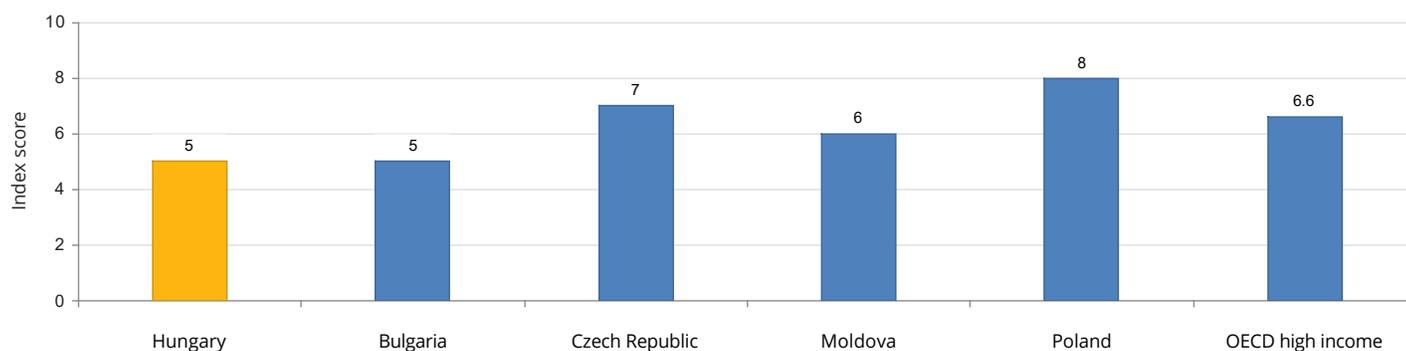
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure? Yes

Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated? Yes

Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it? No

Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction or private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt? Yes

Figure – Credit Information in Hungary and comparator economies



## Details – Credit Information in Hungary

Depth of credit information index (0-8)	Credit bureau	Credit registry	Score
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0
<b>Score ("yes" to either public bureau or private registry)</b>			<b>5</b>

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	5,710,240	0
Number of firms	219,658	0
Total	5,929,898	0
<b>Percentage of adult population</b>	<b>89.8</b>	<b>0.0</b>

## ↗ Protecting Minority Investors

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

- **Extent of disclosure index (0–10):** Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions
- **Extent of director liability index (0–10):** Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)
- **Ease of shareholder suits index (0–10):** Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses
- **Extent of conflict of interest regulation index (0–10):** Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices
- **Extent of shareholder rights index (0–10):** Shareholders' rights and role in major corporate decisions
- **Extent of ownership and control index (0–10):** Governance safeguards protecting shareholders from undue board control and entrenchment
- **Extent of corporate transparency index (0–10):** Corporate transparency on ownership stakes, compensation, audits and financial prospects
- **Extent of shareholder governance index (0–10):** Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices
- **Strength of minority investor protection index (0–10):** Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

### Case study assumptions

To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

#### The business (Buyer):

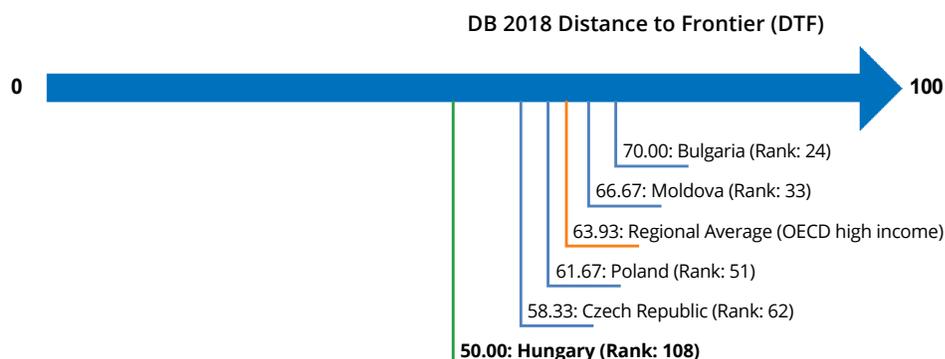
- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.
- Is a manufacturing company with its own distribution network.

#### The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

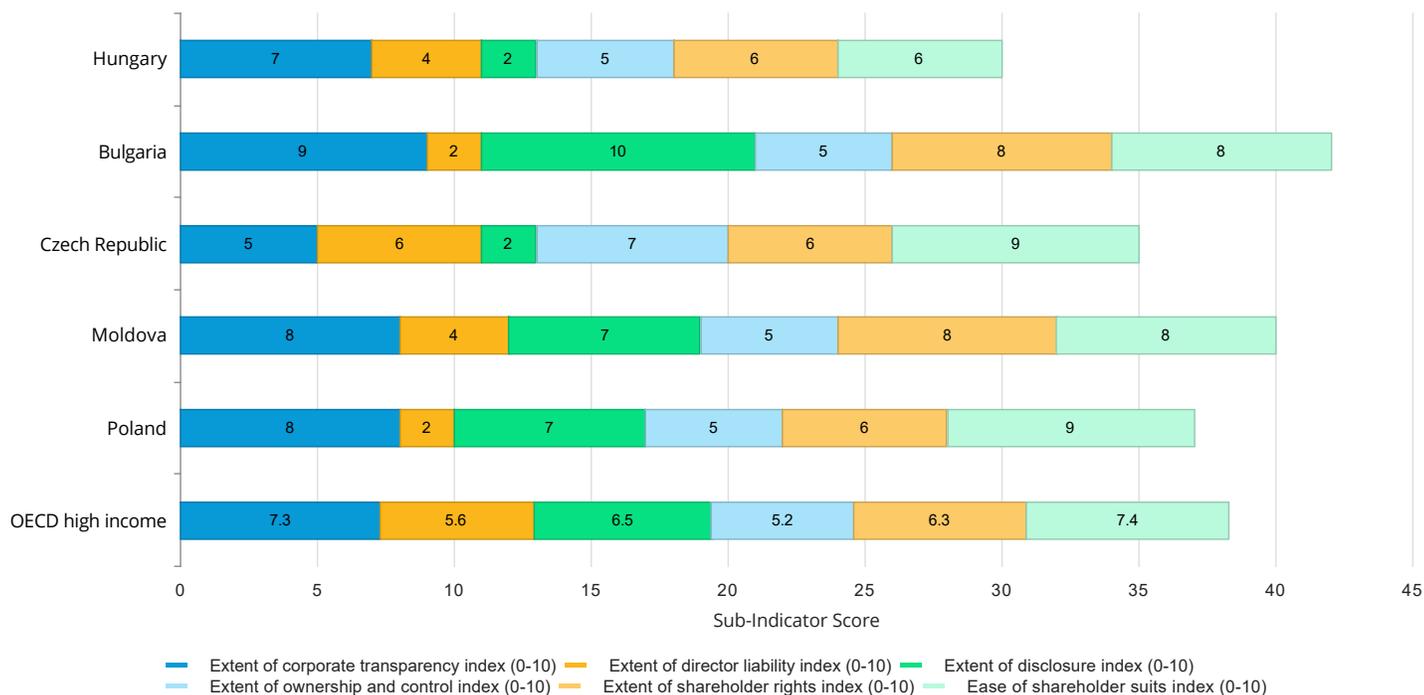
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Extent of conflict of interest regulation index (0-10)	4	6.4	6.4	9.3 (New Zealand)
Extent of shareholder governance index (0-10)	6	6.4	6.4	9.00 (Kazakhstan)

Figure – Protecting Minority Investors in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index.

Figure – Protecting Minority Investors in Hungary and comparator economies – Measure of Quality



## Details – Protecting Minority Investors in Hungary – Measure of Quality

	Answer	Score
<b>Extent of conflict of interest regulation index (0-10)</b>		<b>4</b>
<b>Extent of disclosure index (0-10)</b>		<b>2</b>
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	CEO alone	0.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	No disclosure obligation	0.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction only	1.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	Disclosure on the transaction only	1.0
<b>Extent of director liability index (0-10)</b>		<b>4</b>
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if negligent	1.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	No	0.0
Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Only in case of fraud or bad faith	0.0
<b>Ease of shareholder suits index (0-10)</b>		<b>6</b>
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Any relevant document	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	Yes	1.0

Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	No	0.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0
<b>Extent of shareholder governance index (0-10)</b>		<b>6</b>
<b>Extent of shareholder rights index (0-10)</b>		<b>6</b>
Does the sale of 51% of Buyer's assets require shareholder approval?	No	0.0
Can shareholders representing 10% of Buyer's share capital call for a meeting of shareholders?	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	No	0.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for a meeting of members?	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	No	0.0
Assuming that Buyer is a limited company, must a member first offer to sell their interest to the existing members before they can sell to non-members?	Yes	1.0
<b>Extent of ownership and control index (0-10)</b>		<b>5</b>
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	Yes	1.0
Must the board of directors include independent and nonexecutive board members?	Yes	1.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0
Must Buyer pay declared dividends within a maximum period set by law?	No	0.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	No	0.0

Assuming that Buyer is a limited company, must Buyer have a mechanism to resolve disagreements among members?	No	0.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law?	No	0.0
<b>Extent of corporate transparency index (0-10)</b>		<b>7</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0
Must Buyer disclose information about board members' primary employment and directorships in other companies?	No	0.0
Must Buyer disclose the compensation of individual managers?	No	0.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	Yes	1.0
Can shareholders representing 5% of Buyer's share capital put items on the general meeting agenda?	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	No	0.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0

## Paying Taxes

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures the administrative burden in paying taxes and contributions. The most recent round of data collection for the project was completed on June 30, 2017 covering for the Paying Taxes indicator calendar year 2016 (January 1, 2016 – December 31, 2016).

Last year (Doing Business 2017) the scope of data collection was expanded to better understand the overall tax environment in an economy. The questionnaire was expanded to include new questions on post-filing processes: VAT refund and tax audit. The data shows where postfiling processes and practices work efficiently and what drives the differences in the overall tax compliance cost across economies.

The new section covers both the legal framework and the administrative burden on businesses to comply with postfiling processes.

[See the methodology for more information.](#)

### What the indicators measure

#### Tax payments for a manufacturing company in 2016 (number per year adjusted for electronic and joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

- Collecting information, computing tax payable
- Completing tax return, filing with agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

#### Total tax and contribution rate (% of profit before all taxes)

- Profit or corporate income tax
- Social contributions, labor taxes paid by employer
- Property and property transfer taxes
- Dividend, capital gains, financial transactions taxes
- Waste collection, vehicle, road and other taxes

#### Postfiling Index

- Time to comply with a VAT refund
- Time to receive a VAT refund
- Time to comply with a corporate income tax audit
- Time to complete a corporate income tax audit

### Case study assumptions

Using a case scenario, Doing Business records taxes and mandatory contributions a medium size company must pay in a year, and measures the administrative burden of paying taxes, contributions and dealing with postfiling processes. Information is also compiled on frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting.

To make data comparable across economies, several assumptions are used:

- TaxpayerCo is a medium-size business that started operations on January 1, 2015. It produces ceramic flowerpots and sells them at retail. All taxes and contributions recorded are paid in the second year of operation (calendar year 2016). Taxes and mandatory contributions are measured at all levels of government.

#### The VAT refund process:

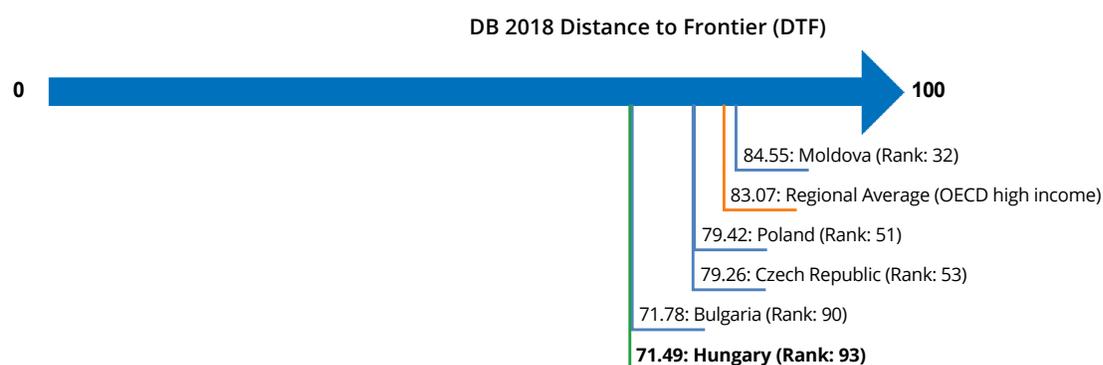
- In June 2016, TaxpayerCo. makes a large capital purchase: the value of the machine is 65 times income per capita of the economy. Sales are equally spread per month (1,050 times income per capita divided by 12) and cost of goods sold are equally expensed per month (875 times income per capita divided by 12). The machinery seller is registered for VAT and excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT rate is the same for inputs, sales and the machine and the tax reporting period is every month. Input VAT will exceed Output VAT in June 2016.

#### The corporate income tax audit process:

- An error in calculation of income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and a corporate income tax underpayment. TaxpayerCo. discovered the error and voluntarily notified the tax authority. The value of the underpaid income tax liability is 5% of the corporate income tax liability due. TaxpayerCo. submits corrected information after the deadline for submitting the annual tax return, but within the tax assessment period.

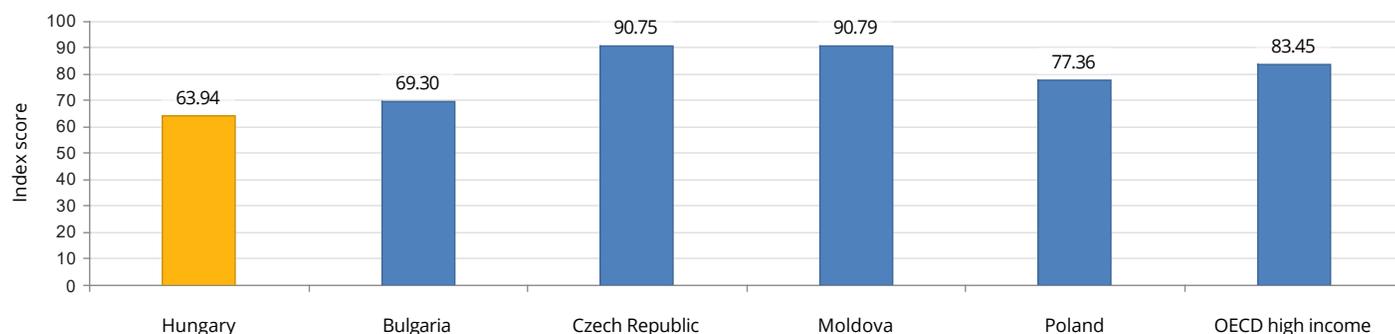
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Payments (number per year)	11	10.9	10.9	3 (Hong Kong SAR, China)
Time (hours per year)	277	160.7	160.7	55 (Luxembourg)
Total tax and contribution rate (% of profit)	46.5	40.1	40.1	18.47% (32 Economies)
Postfiling index (0-100)	63.94	83.45	83.45	99.38 (Estonia)

Figure – Paying Taxes in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate. The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including Doing Business 2015, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

Figure – Paying Taxes in Hungary and comparator economies – Measure of Quality



## Details – Paying Taxes in Hungary

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTR
Social tax	1	online	146	27%	gross salaries	30.46	
Local business tax	1	online		2%	adjusted net revenue	5.89	
Corporate income tax	1	online	35	10-19%	taxable profit	3.99	
Rehabilitation contribution	1	online		HUF 964,500	5% of the employees	1.83	
Training contribution	0	jointly		1.5%	gross salaries	1.69	
Property tax	1	online		HUF 1,842 per square meter	building area	1.08	
Innovation contribution	1	online		0.3%	adjusted net revenue	0.88	
Fringe benefit tax	0	jointly		15% plus (14% or 27% of 1.18 times value)	fringe benefit	0.36	
Land tax	1	online		HUF 336 per square meter	land area	0.24	
Vehicle tax	1	online		HUF 850 per 100kg	vehicle weight plus half load	0.11	
Value added tax (VAT)	1	online	96	27%	value added	0.00	not included
Fuel tax	1				included into the fuel price	0.00	small amount

Employee paid - Social security contributions	0	jointly	18.5%	gross salaries	0.00	withheld
Environmental tax	1	online	fixed fee	depends on nature and type of pollution	0.00	small amount
<b>Totals</b>	<b>11</b>		<b>277</b>		<b>46.5</b>	

#### Details – Paying Taxes in Hungary – Tax by Type

Taxes by type	Answer
Profit tax (% of profit)	9.9
Labor tax and contributions (% of profit)	34.3
Other taxes (% of profit)	2.3

#### Details – Paying Taxes in Hungary – Measure of Quality

	Answer	Score
<b>Postfiling index (0-100)</b>		<b>63.94</b>

#### VAT refunds

Does VAT exist?	Yes	
Does a VAT refund process exist per the case study?	Yes	
Restrictions on VAT refund process	None	
Percentage of cases exposed to a VAT audit (%)	50% - 74%	
Is there a mandatory carry forward period?	No	
Time to comply with VAT refund (hours)	15.0	70
Time to obtain a VAT refund (weeks)	15.2	76.9

#### Corporate income tax audits

Does corporate income tax exist?	Yes	
Percentage of cases exposed to a corporate income tax audit (%)	25% - 49%	
Time to comply with a corporate income tax audit (hours)	12.0	80.73
Time to complete a corporate income tax audit (weeks)	23.0	28.13

**Notes:** Names of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

## Trading across Borders

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

Given the importance of trade digitalization, in Doing Business 2018, the Trading across Borders questionnaire included research questions on the availability and status of implementation of Electronic Data Interchange (EDI) and Single Window (SW) systems. With this information, Doing Business built a comprehensive dataset on the adoption and level of sophistication of electronic platforms in 190 economies. These data are not used to compute the distance to frontier score or ranking of the ease of doing business. The new dataset on EDI and SW systems is available [here](#).

### What the indicators measure

#### Documentary compliance

- Obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy
- Obtaining, preparing and submitting documents required by destination economy and any transit economies
- Covers all documents required by law and in practice, including electronic submissions of information

#### Border compliance

- Customs clearance and inspections
- Inspections by other agencies (if applied to more than 20% of shipments)
- Handling and inspections that take place at the economy's port or border

#### Domestic transport

- Loading or unloading of the shipment at the warehouse or port/border
- Transport between warehouse and port/border
- Traffic delays and road police checks while shipment is en route

### Case study assumptions

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

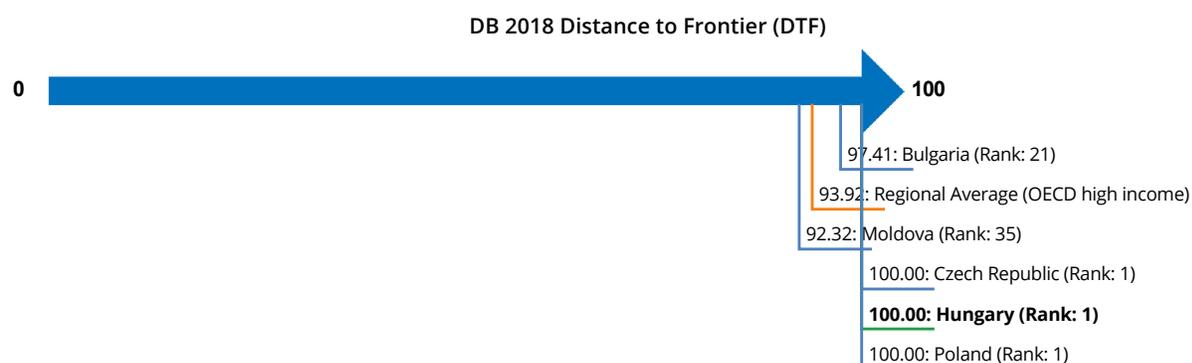
**Time:** Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose documents are submitted to a customs agency at 8:00a.m., are processed overnight and can be picked up at 8:00a.m. the next day. The time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

**Cost:** Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire. Contributors are private sector experts in international trade logistics and are informed about exchange rates.

**Assumptions of the case study:** - For all 190 economies covered by Doing Business, it is assumed a shipment is in a warehouse in the largest business city of the exporting economy and travels to a warehouse in the largest business city of the importing economy. - It is assumed each economy imports 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Shipment value is assumed to be \$50,000. - The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, or land border crossing. - All electronic information submissions requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process. - A port or border is a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy. - Relevant government agencies include customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

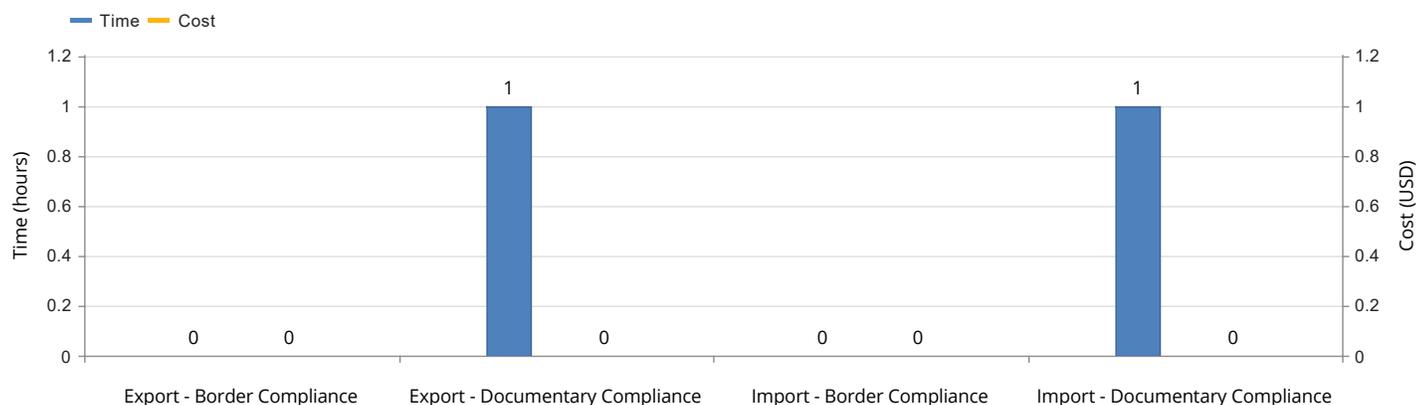
Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Time to export: Border compliance (hours)	0	12.7	12.7	0 (17 Economies)
Cost to export: Border compliance (USD)	0	149.9	149.9	0.00 (19 Economies)
Time to export: Documentary compliance (hours)	1	2.4	2.4	1.0 (25 Economies)
Cost to export: Documentary compliance (USD)	0	35.4	35.4	0.00 (19 Economies)
Time to import: Border compliance (hours)	0	8.7	8.7	0.00 (21 Economies)
Cost to import: Border compliance (USD)	0	111.6	111.6	0.00 (27 Economies)
Time to import: Documentary compliance (hours)	1	3.5	3.5	1.0 (30 Economies)
Cost to import: Documentary compliance (USD)	0	25.6	25.6	0.00 (30 Economies)

**Figure – Trading across Borders in Hungary and comparator economies – Ranking and DTF**



Note: The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

Figure – Trading across Borders in Hungary – Time and Cost



Details – Trading across Borders in Hungary

Characteristics	Export	Import
Product	HS 85 : Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	HS 8708: Parts and accessories of motor vehicles
Trade partner	Germany	Germany
Border	Hungary- Slovak Republic border crossing	Hungary- Slovak Republic border crossing
Distance (km)	200	200
Domestic transport time (hours)	3	3
Domestic transport cost (USD)	400	400

**Details – Trading across Borders in Hungary – Components of Border Compliance**

	Time to Complete (hours)	Associated Costs (USD)
Export: Clearance and inspections required by customs authorities	0.0	0.0
Export: Clearance and inspections required by agencies other than customs	0.0	0.0
Export: Port or border handling	0.0	0.0
Import: Clearance and inspections required by customs authorities	0.0	0.0
Import: Clearance and inspections required by agencies other than customs	0.0	0.0
Import: Port or border handling	0.0	0.0

**Details – Trading across Borders in Hungary – Trade Documents**

Export	Import
CMR waybill	CMR waybill
Commercial invoice	Commercial invoice
EKAER number	EKAER number
Packing list	Packing list
Intrastat	Intrastat

## Enforcing Contracts

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (-1-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

### Case study assumptions

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement.

To make the data comparable across economies, Doing Business uses several assumptions about the case:

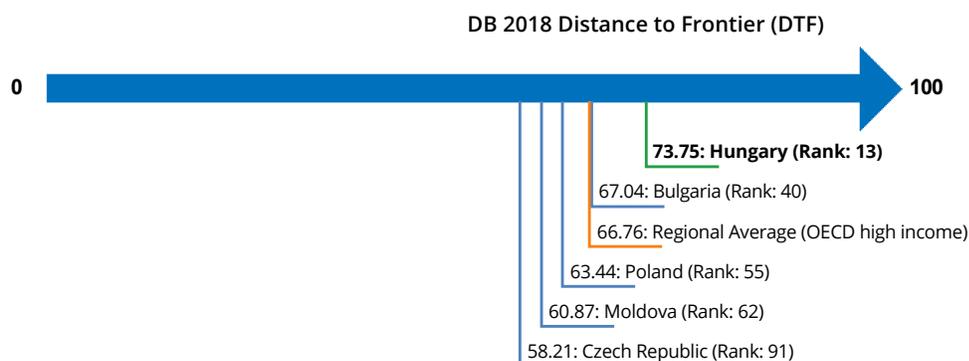
- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

### Standardized Case

Claim value	HUF 6,592,654.00
Court name	Pest or Buda Central District Court
City Covered	Budapest

Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Time (days)	605	577.8	577.8	164.00 (Singapore)
Cost (% of claim value)	15.0	21.5	21.5	9.00 (Iceland)
Quality of judicial processes index (0-18)	14.0	11.0	11.0	15.50 (Australia)

Figure – Enforcing Contracts in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Enforcing Contracts in Hungary – Time and Cost

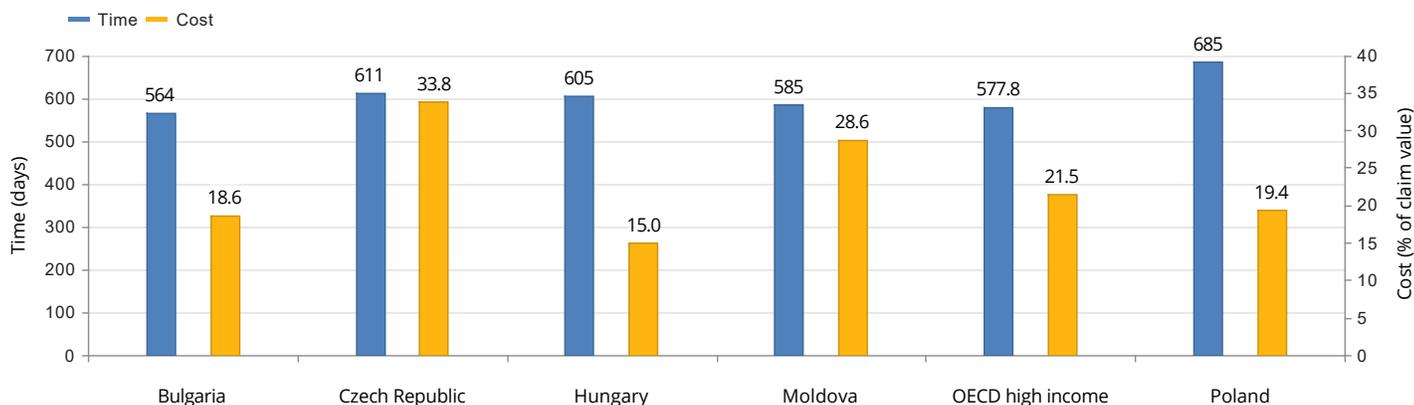
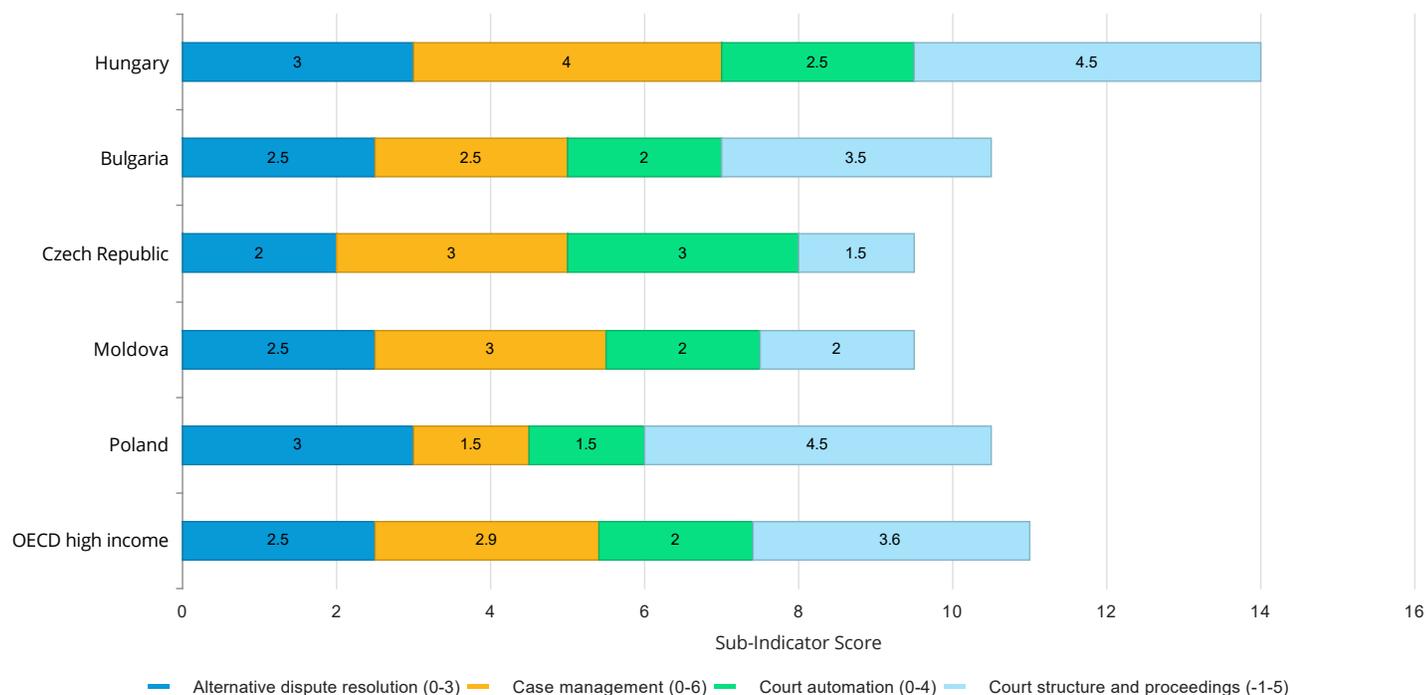


Figure – Enforcing Contracts in Hungary and comparator economies – Measure of Quality



Details – Enforcing Contracts in Hungary

	Indicator
<b>Time (days)</b>	<b>605</b>
Filing and service	60
Trial and judgment	365
Enforcement of judgment	180
<b>Cost (% of claim value)</b>	<b>15.0</b>
Attorney fees	5
Court fees	8
Enforcement fees	2
<b>Quality of judicial processes index (0-18)</b>	<b>14.0</b>
Court structure and proceedings (-1-5)	4.5
Case management (0-6)	4.0
Court automation (0-4)	2.5
Alternative dispute resolution (0-3)	3.0

## Details – Enforcing Contracts in Hungary – Measure of Quality

	Answer	Score
<b>Quality of judicial processes index (0-18)</b>		<b>14.0</b>
<b>Court structure and proceedings (-1-5)</b>		<b>4.5</b>
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5
2. Small claims court		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes	
2.b. If yes, is self-representation allowed?	Yes	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, but manual	0.5
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0
<b>Case management (0-6)</b>		<b>4.0</b>
1. Time standards		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes	
2. Adjournments		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court?	No	0.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	Yes	1.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	Yes	1.0
<b>Court automation (0-4)</b>		<b>2.5</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	Yes	1.0

2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0
4. Publication of judgments		0.5
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes	
<b>Alternative dispute resolution (0-3)</b>		<b>3.0</b>
1. Arbitration		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes	
2. Mediation/Conciliation		1.5
2.a. Is voluntary mediation or conciliation available?	Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	Yes	

## Resolving Insolvency

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, Doing Business uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- Other related fees

#### Outcome

- Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors

- Measures the cents on the dollar recovered by secured creditors
- Outcome for the business (survival or not) determines the maximum value that can be recovered
- Official costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Present value of debt recovered

#### Strength of insolvency framework index (0- 16)

- Sum of the scores of four component indices:
- Commencement of proceedings index (0-3)
- Management of debtor's assets index (0-6)
- Reorganization proceedings index (0-3)
- Creditor participation index (0-4)

### Case study assumptions

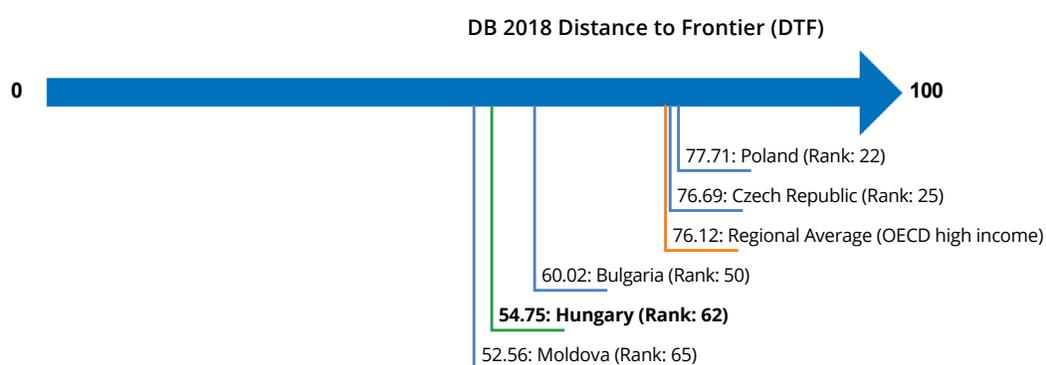
To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, Doing Business evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

Indicator	Hungary	OECD high income	OECD high income	Overall Best Performer
Recovery rate (cents on the dollar)	43.7	71.2	71.2	93.1 (Norway)
Time (years)	2.0	1.7	1.7	0.4 (Ireland)
Cost (% of estate)	14.5	9.1	9.1	1.00 (Norway)
Outcome (0 as piecemeal sale and 1 as going concern)	0	..	..	..
Strength of insolvency framework index (0-16)	10.0	12.1	12.1	15.00 (6 Economies)

Figure – Resolving Insolvency in Hungary and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index.

Figure – Resolving Insolvency in Hungary – Time and Cost

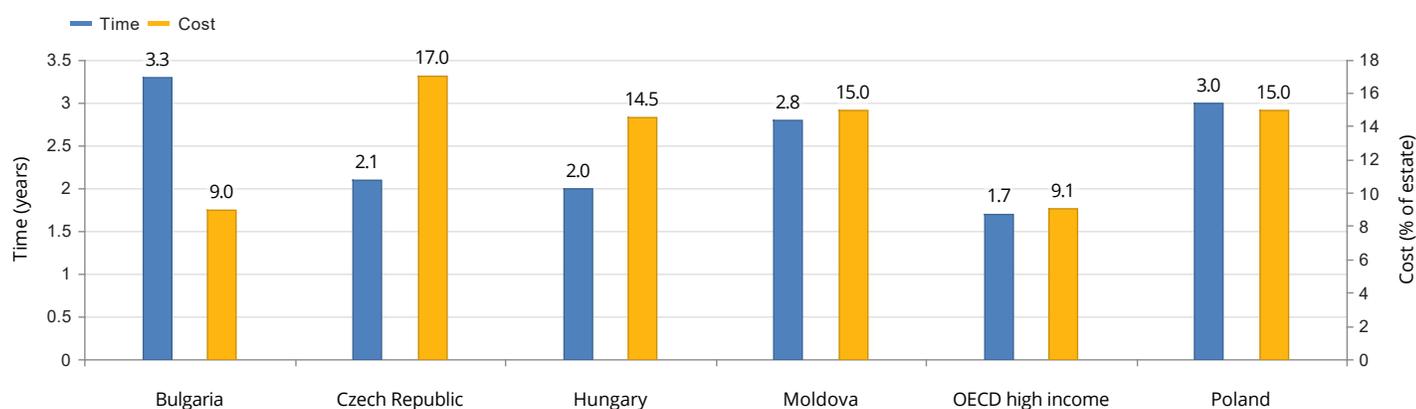


Figure – Resolving Insolvency in Hungary and comparator economies – Measure of Quality

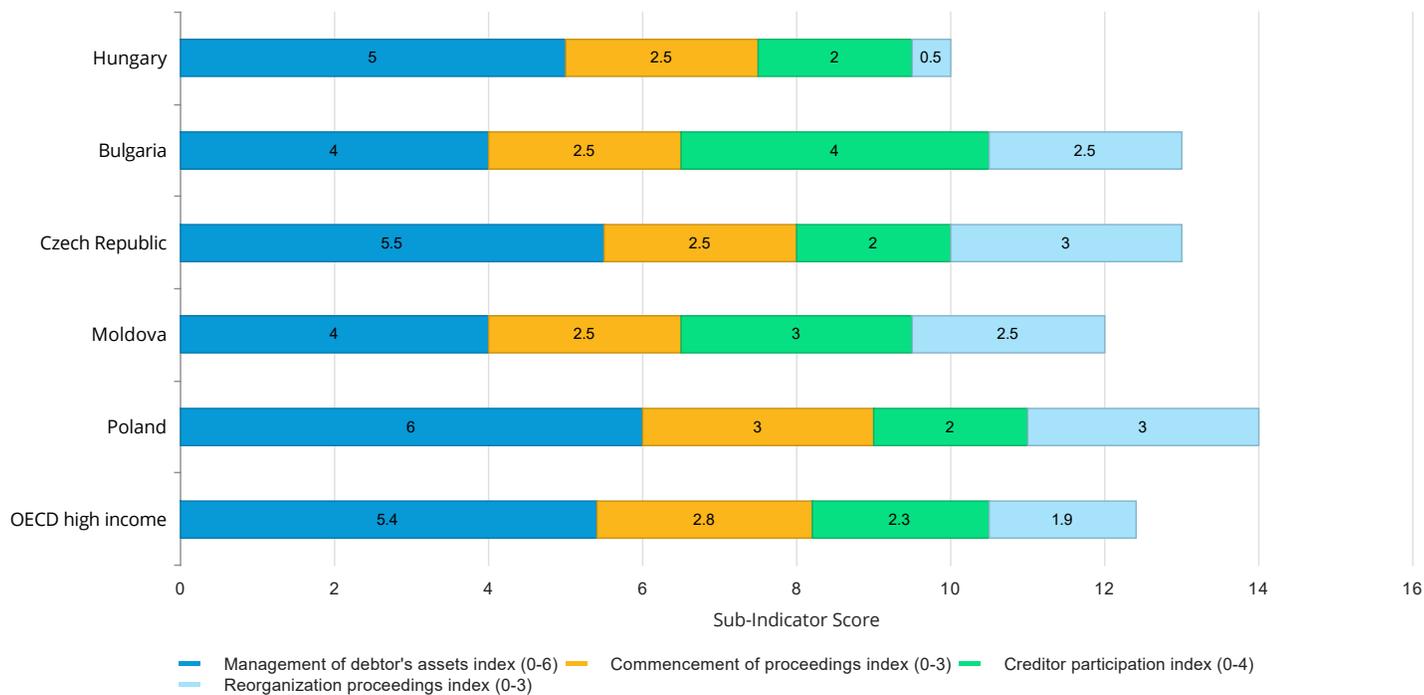
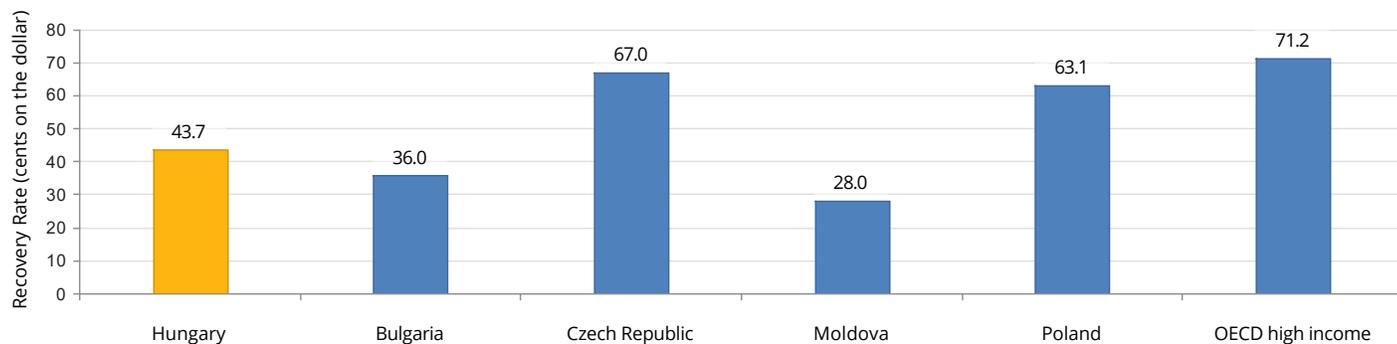


Figure – Resolving Insolvency in Hungary and comparator economies – Recovery Rate



## Details – Resolving Insolvency in Hungary

Indicator	Answer	Explanation
Proceeding	liquidation	Banks usually have a standard procedure to initiate liquidation, if a debtor defaults on a loan and remains in default for a certain period of time. Bizbank is not entitled to initiate reorganization, as it can only be filed by the debtor. As the most likely initial procedure is liquidation, it will not convert into any other procedure.
Outcome	piecemeal sale	The goal of liquidation proceedings is to provide satisfaction to the creditors of an insolvent debtor upon its winding-up without succession. Mirage has too much credits and, therefore, it will not be able to operate further.
Time (in years)	2.0	The court commences the liquidation proceedings of Mirage within 60 days upon receipt of BizBank's request. Once the order on the liquidation proceedings of Mirage becomes final, the court forthwith appoints the liquidator and orders the disclosure of such order in the Companies' Gazette. The creditors shall announce their claims within 40 days from the date of the above order. The creditors may also announce their claims after the 40 days' deadline but within 180 days, however, such claims will only be satisfied, once every other claim have been satisfied in accordance with the general waterfall rules. The first meeting of the creditors shall be held within 75 days after the disclosure of the liquidation order to form the creditors' committee or appoint the creditors' representative. In case the creditors established their committee, such may adopt a decision within 100 days from the publication date of the liquidation order to operate Mirage as a going concern during the insolvency proceedings (in case the creditors' committee has been established at a later stage, the decision on the operation of Mirage as a going concern during the insolvency proceedings may be adopted within 60 days from the establishment of the creditors' committee). The liquidator shall sell Mirage's assets through public sales. If the received amounts is sufficient to cover the claims of the creditors, the liquidator may prepare an interim financial statement following the deadline for the notification of claims and submit such to the competent court. The court may approve such interim financial statements within 30 days. The deadline for the submission of the final balance sheet is 24 months from the date of the publication of the order on liquidation proceedings.
Cost (% of estate)	14.5	The majority of the expenses are comprised of: - legal fees: up to 5%; - fees of the insolvency administrator: up to 5%; - fees of other professionals that may be hired by the insolvency administrator: up to 3%; - fees of the auctioneer: 1%; - registration fee: 1% of the value of the estate.
<b>Recovery rate (cents on the dollar)</b>	<b>43.7</b>	

## Details – Resolving Insolvency in Hungary – Measure of Quality

	Answer	Score
<b>Strength of insolvency framework index (0-16)</b>		<b>10.0</b>
<b>Commencement of proceedings index (0-3)</b>		<b>2.5</b>
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(c) Both (a) and (b) options are available, but only one of them needs to be complied with	1.0
<b>Management of debtor's assets index (0-6)</b>		<b>5.0</b>
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	Yes	1.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0
<b>Reorganization proceedings index (0-3)</b>		<b>0.5</b>
Which creditors vote on the proposed reorganization plan?	(a) All creditors	0.5
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0
<b>Creditor participation index (0-4)</b>		<b>2.0</b>

Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0

**Note:** Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

## Labor Market Regulation

Doing Business presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the Doing Business website (<http://www.doingbusiness.org/data/exploretopics/labor-market-regulation>).

The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Hiring

(i) whether fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the probationary period; (iv) minimum wage.

#### Working hours

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) whether nonpregnant and nonnursing women can work same night hours as men; (v) length of paid annual leave.

#### Redundancy rules

(i) whether redundancy can be basis for terminating workers; (ii) whether employer needs to notify and/or get approval from third party to terminate 1 redundant worker and a group of 9 redundant workers; (iii) whether law requires employer to reassign or retrain a worker before making worker redundant; (iv) whether priority rules apply for redundancies and reemployment.

#### Redundancy cost

(i) notice period for redundancy dismissal; (ii) severance payments due when terminating a redundant worker.

#### Job quality

(i) whether law mandates equal remuneration for work of equal value and nondiscrimination based on gender in hiring; (ii) whether law mandates paid or unpaid maternity leave; (iii) length of paid maternity leave; (iv) whether employees on maternity leave receive 100% of wages; (v) availability of five fully paid days of sick leave a year; (vi) eligibility requirements for unemployment protection.

### Case study assumptions

To make the data comparable across economies, several assumptions about the worker and the business are used.

#### The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

#### The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

**Details – Labor Market Regulation in Hungary**

	Answer
<b>Hiring</b>	
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	60.0
Maximum length of fixed-term contracts, including renewals (months)	60.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	467.7
Ratio of minimum wage to value added per worker	0.3
Maximum length of probationary period (months)	3.0
<b>Working hours</b>	
Standard workday	8.0
Maximum number of working days per week	5.0
Premium for night work (% of hourly pay)	15.0
Premium for work on weekly rest day (% of hourly pay)	50.0
Premium for overtime work (% of hourly pay)	50.0
Restrictions on night work?	No
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	No
Restrictions on overtime work?	Yes
Paid annual leave for a worker with 1 year of tenure (working days)	20.0
Paid annual leave for a worker with 5 years of tenure (working days)	21.0
Paid annual leave for a worker with 10 years of tenure (working days)	23.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	21.3
<b>Redundancy rules</b>	
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	No
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	No
Third-party approval if nine workers are dismissed?	No

Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No
<b>Redundancy cost</b>	
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	6.4
Notice period for redundancy dismissal for a worker with 10 years of tenure	7.9
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	6.2
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	13.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	7.2
<b>Job quality</b>	
Equal remuneration for work of equal value?	No
Gender nondiscrimination in hiring?	Yes
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	168.0
Receive 100% of wages on maternity leave?	No
Five fully paid days of sick leave a year?	Yes
Unemployment protection after one year of employment?	Yes
Minimum contribution period for unemployment protection (months)?	12.0

## Business Reforms in Hungary

In the year ending June 1, 2017, 119 economies implemented 264 total reforms across the different areas measured by Doing Business. Doing Business has recorded more than 2,900 regulatory reforms making it easier to do business since 2004. Reforms inspired by Doing Business have been implemented by economies in all regions. The following are the reforms for Hungary implemented since Doing Business 2008.

✓ = Doing Business reform making it easier to do business. ✗ = Change making it more difficult to do business.

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DB2018

✓ **Enforcing Contracts:** Hungary made enforcing contracts easier by introducing a system that allows users to pay court fees electronically.

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DB2017

✓ **Paying Taxes:** Hungary made paying taxes less costly for small and medium-sized businesses by allowing additional deduction for new acquisitions of land and buildings.

✓ **Enforcing Contracts:** Hungary made enforcing contracts easier by introducing an electronic filing system.

**Labor Market Regulation:** Hungary amended legislation to remove restrictions limiting the operating hours for retail shops.

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DB2016

**Labor Market Regulation:** Hungary adopted legislation limiting the operating hours for retail shops.

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DB2015

✗ **Starting a Business:** Hungary made starting a business more difficult by increasing the paid-in minimum capital requirement.

✓ **Getting Credit:** Hungary improved access to credit by adopting a new legal regime on secured transactions that implements a functional approach to secured transactions, extends security interests to the products and proceeds of the original asset and establishes a modern, notice-based collateral registry.

✓ **Paying Taxes:** Hungary made paying taxes easier and less costly for companies by abolishing the special tax that had been temporarily introduced in 2010 and by reducing the vehicle tax rate.

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DB2014

**Labor Market Regulation:** Hungary reduced the premium for night work and weekly holiday work and increased the minimum wage.

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DB2013

✗ **Starting a Business:** Hungary made starting a business more complex by increasing the registration fees for limited liability companies and adding a new tax registration at the time of incorporation and enforcing a requirement for mandatory registration with the Hungarian Chamber of Commerce and Industry.

✓ **Getting Credit:** Hungary improved access to credit information by passing its first credit bureau law mandating the creation of a database with positive credit information on individuals.

✓ **Paying Taxes:** Hungary made paying taxes easier for companies by abolishing the community tax. At the same time, Hungary increased health insurance contributions paid by the employer.

✓ **Trading across Borders:** Hungary reduced the time to export and import by allowing electronic submission of customs declarations and other documents.

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DB2012

✗ **Getting Credit:** Hungary reduced the amount of credit information available from private credit bureaus by shortening the period for retaining data on defaults and late payments (if repaid) from 5 years to 1 year.

✗ **Paying Taxes:** Hungary made paying taxes costlier for firms by introducing a sector-specific surtax

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DB2011

- ✓ **Dealing with Construction Permits:** Hungary implemented a time limit for the issuance of building permits.
- ✓ **Registering Property:** Hungary reduced the property registration fee by 6% of the property value.
- ✓ **Paying Taxes:** Hungary simplified taxes and tax bases.
- ✓ **Resolving Insolvency:** Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.

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DB2010

- ✓ **Starting a Business:** Hungary made starting a business easier by implementing online registration, with registration confirmed 1 hour after application.

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DB2009

- ✓ **Starting a Business:** Hungary made starting a business easier by reducing the minimum capital requirement, introducing online filing and publication and making the use of notaries optional.
- ✓ **Registering Property:** Hungary established a new registry office in Budapest, which speeded up property registration by reducing the time required to register a title.

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DB2008

- ✓ **Starting a Business:** Hungary made starting a business easier through a new company act and corporate procedure act introducing standardized forms, a "silence is consent" rule and electronic registration.
- ✓ **Registering Property:** Hungary made property registration faster by opening a second land registry office in Budapest, which reduced the time required to submit an application to the land registry and to register the title.
- ✗ **Paying Taxes:** Hungary made paying taxes more costly for companies by increasing the health insurance contribution rate.
- ✓ **Resolving Insolvency:** Hungary enhanced its insolvency process through an amendment to its bankruptcy legislation granting secured creditors priority over their pledged security.

*Doing Business 2018* is the 15th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



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