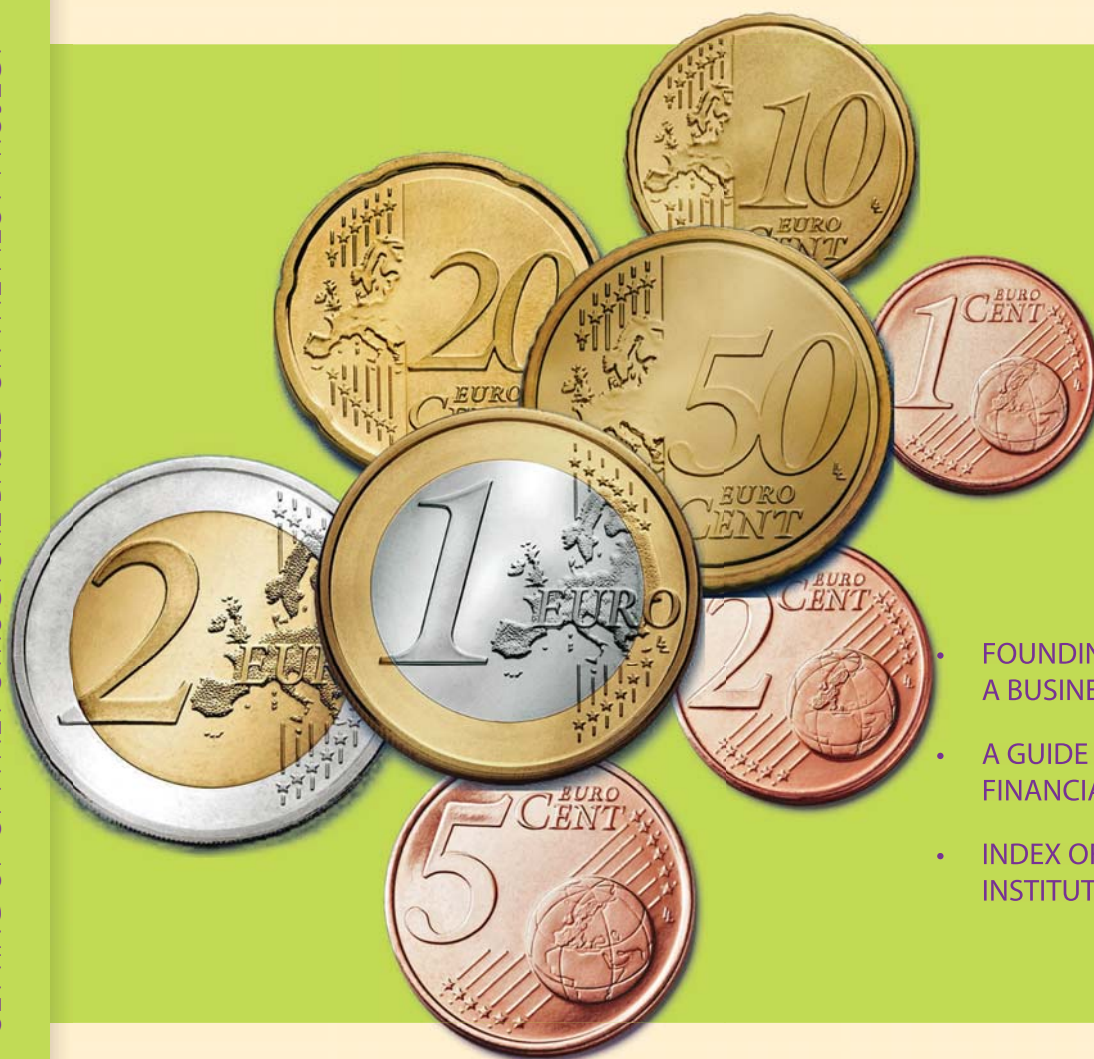


# INVESTIMENTATION

- CROSS-BORDER INVESTMENT STIMULATION PROGRAMME BY  
SETTING-UP OF A NET-STRUCTURE BASED ON THE PILOT-PROJECT

## COMPANIES LIFECYCLE



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## FOUNDING A BUSINESS ACTIVITY

### The basic legal definition of economic activities, basic notions

The right for establishing an enterprise is, according to the Constitution (year 1949. act XX.), is a subjective right. Thus the basic aim of establishing an economic corporation is to carry out a common economic activity.

In Hungary the business can be:

- An individual or
- A joint business

Economic corporations can be founded with four types of corporate forms:

- General partnership without a legal person, a limited partnership,
- With a legal person: limited liability company, a joint stock company (close or open company)

There are two ways to establish an economic corporation:

- Establishing a new enterprise – with making a corporate contract – or with the acceptance of articles of association or a memorandum of association.
- Modification of the form of an already existing corporation, unification of already existing corporations (fusion, amalgamation), or the splitting of existing companies (with their spin-off, or secession).

The establishers of corporations shall be foreign or inland natural artificial persons or economic corporations without artificial persons. The financial contribution of all founders is needed for foundation, which can be in the form of money or not in the form of money (contribution in kind).

### Legal forms of economic activities

Economic corporations with the wide range of choices of forms give entrepreneurs a possibility to choose a form which provides the best corporate frame for the given economic activity. When choosing it is worth considering the followings:

- The forms of enterprises differ party in their sizes. (beginning from general partnership to joint stock companies organizations are getting bigger)
- The forms of corporations get more impersonal (from general p.ship to joint stock)
- With the corporation getting more complex the operation of the corporation gets more difficult, more bureaucratic, more costly.
- The more complex a corporation is the more serious responsibility the persons have who has determining or basic rights in directing the company.

### Main bodies of corporations

The type of the main body operating at a company depends on the form of the corporation. All members of the corporation or all shareholders of it can participate in the activities of the main body even without a right to vote, i.e. with a subjective right. The primary task of the main body keeping the generally exclusive sessions is to make strategic decisions, considering the fact that the law, in case of some corporate forms, determines some duties to be carried out by it as its exclusive sphere of action.

Besides the main body and the bodies prescribed in the law other committees and boards can also be established, which have to be marked in the memorandum of association as well. When a lack of main body occurs the persons and particulars of primary executive office-holders, or if necessary the members of the supervising committee as well as the person of the auditor have to be recorded in the same document.

Decisions are usually made with the simple majority votes of the ones present. The proportion of votes is the qualified majority (min. ¾) and the unanimity.

### Managing director's tasks

Managing director's tasks are, depending on certain corporate forms, are carried out by either executive office holders or the boards constituting of them. Because of incompatibility one cannot be an executive office holder if they

- Have been sentenced to confinement in a legally binding way because of a crime
- Have been prohibited from fulfilling a leading office with a legally binding adjudication of a judge
- Have been prohibited from a particular profession with a legally binding adjudication of a judge
- Furthermore, those who have been executive office holders at corporations which have been deleted from the trade register in the year preceding the deletion.

### Vice president

One can make a provision in the constitution, besides executive office holders, about the possibility of denomination of one or more than one vice presidents.

### Supervising board

The supervising body of the managing directors of a corporation is the supervising board. The members can decide freely on its establishment, i.e. they can make provisions about the establishment of this body in the constitution.

### Auditor

The task of the auditor is primarily financial examination towards members, external bodies and persons.



## Ceasing of corporations

A financial corporation ceases when it is deleted from the registry of corporations, which at the same time means incapacitation. Ceasing can occur with or without legal succession.

If ceasing without succession occurs, final settlement or liquidation occurs – the latter one occurs if ceasing is caused by losses not settled.

## Main characteristics of certain corporate forms

### General partnership

It is in general a corporation established with the character of unification of persons with low capital and few members. The task of each member is to provide the necessary financial contribution. Each member gets a share of the profits and losses of the corporation in the same proportion as their financial contribution, a proportion differing from this has to be specified in the corporate contract. No member can be finally excluded from shares. Capital addition or deduction can be ordered unanimously with the decision of the committee of the members, and has to be parallel with the modification of the corporate contract. Each member has an equal extent of their votes deriving from the unlimited and joint responsibility.

### Limited partnership

The rules of a general partnership have to be applied for limited partnerships. From a legal point of view it only differs from general partnership in the responsibility of the members. If the senior partner becomes a silent partner (with modification of contract) they still are responsible for the corporate debts created before the modification for another 5 years. If the partnership only has one senior partner and one silent partner remaining in the end, there are maximum 6 months for the new senior or silent partner to enter.

### Limited liability company

A LLC, in consideration of the cover of needs of creditors, can be founded with a minimum of 3 million forints of original participation (with subscribed capital). The compulsory contribution of the members (contribution of the capital) can be in the form of money or in non-money form. A LLC can only be founded with contribution in kind. There is no need to employ an auditor to state the value of the contribution in this case. The responsibility of the member towards the corporation is limited, the responsibility of the LLC towards creditors is unlimited, that is they are responsible to a full extent with their assets. The member of a LLC, according to its property rights, is entitled to get a dividend of the dividable taxed result based on the decree of the committee of members. The committee of all the members has to be called at least once a year because of the acceptance of the annual report.

Besides managing the LLC the managing director(s) represent(s) the company, who are chosen from among the members or external persons.

### Single-person LLC

A single person LLC can be established with the foundation of one member, or in case of a company with several members by one member obtaining the property rights of some business parts. There is no committee of members, instead of this there is one member deciding over the questions otherwise dealt with by committee of members. The member is a leading office holder, or independent of the corporation they can be individual managing directors as well, independent of corporation. It can be transformed into a multi-person LLC with the modification of the constitution into a contract of copartnership. Choosing an auditor not compulsory.

## Joint stock company (open, closed)

The joint stock company can be founded in an open or in a closed way with a capital constituting of a predetermined number and nominal value of shares.

The distinction is in the issuing and circulation of shares. The shares of the open joint are, partly or fully publicly, i.e. uniquely are circulated for investors not predetermined, or they might be offered for public sale or introduced to stock market after a non-public putting into circulation. A closed joint is when the shares are not publicly circulated, the registered capital is not gathered with a public tender, and the shares which have been publicly put into circulation are not any more sold in the way of public tenders and they are then lead out of the market.

The most important body of the joint stock company is the general assembly consisting of all the shareholders. The general assembly makes decisions in the most important strategic questions, besides this there is a possibility to make up committees, counseling assemblies to prepare the making of these decisions.

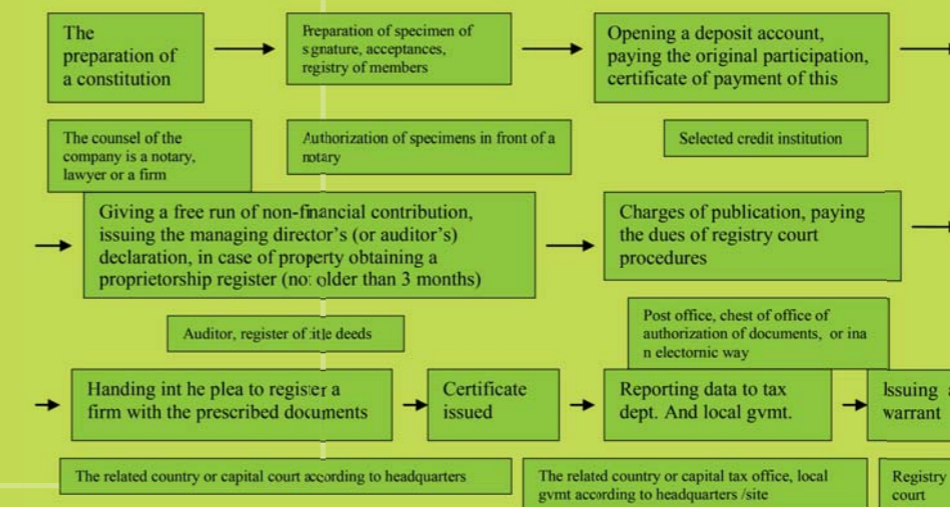
The managing body of the joint stock is the directorate consisting of 3-11 executive office holders, of which the task is to make decisions relating to the direction and management of the joint company, putting forward reports, making reports, taking care of careful and regulated bookkeeping.

### One-person joint stock.

A single person joint stock company can be formed if one shareholder founds, or in case of a company consisting of several members it can be established by one shareholder obtaining the property right of the shares. Instead of directorate there is one executive director to manage the company. Because of the special property situation there is no possibility to obtain own shares.

## The official and legal tasks and obligations connected to foundations of businesses

A common feature of companies is that their inland headquarter establishment is bound to a contractual form and regulations as well as a registering process at the registry court (except for European forms of corporations). The legal representation id compulsory during the procedure. Registration of businesses is described with the following chart:



1. chart process of registration of a company

## Expenses of founding a corporation

From September 2007, on, the foundation of corporations is going to cost less. From July 2008, on the electronic corporate procedures will be compulsory. The costs of founding a corporation and the minimum capital needs of the foundation as well as the expected costs from 2007 on are included in the following tables.

Name/corp. form	General Partnership	Limited partnership	LLC	Closed joint	Open joint
The costs of preparation of constitution *	35.000	35.000	35.000	50.000	50.000
The dues of the process of registration	50.000	50.000	100.000	100.000	600.000
Costs of publication	14.000	14.000	25.000	25.000	25.000
Authorized corporate signature declaration costs **	1.000/signature	1.000/signature	1.000/signature	1.000/signature	1.000/signature

2. table Costs of founding a corporation (Ft)

Name/corp. form	General Partnership	Limited partnership	LLC	Closed joint	Open joint
Minimum capital needed	none	none	500.000	5.000.000	20.000.000
Registration fees	15.000	15.000	15.000	15.000	600.000

3. table Minimum capital needs and expected expenses of a corporation from 2007. September

## The restriction of freedom during carrying out economic activities, licenses and permissions

To found and operate economic corporations the following licenses are available:

- Founding license:
- Licenses needed to practice the range of activities: licenses of operation
- Qualification requirements

## A GUIDE REGARDING FINANCIAL ACTIVITIES

### Main duties, legal frame

Managing organizations have to keep a continuous registry of the economic events occurring during their activities. The register has to be made in Hungarian and according to the rules of double-entry bookkeeping during the year and it has to be closed at the end of each economic year. During bookkeeping the basic principles prescribed in the law of accounting (year 2000 C) have to be followed. The prescriptions of the Labor Code have to be applied to labor contract (year 1992 XXII). The corporation, as a taxpayer, is obligated to report etc. as subscribed in the law on the order of taxpaying (2003. XCII.).

### Trade certificates:

- certificate of origin
- A.T.A. certificate
- authorization of trade invoices
- signature authorization
- authorization of other documents



## INDEX OF HUNGARIAN INSTITUTIONS

The local authorities and offices:

Local authority	Zalaegerszeg	Zalalövő	Szentgotthárd
<b>Registry court</b>	Zala Megyei Bíróság Cégbírósága, 8900 Zalaegerszeg Deák tér 7., Tel: 92-311-375, Fax: 92-311-375/152. zala@iroda.e-cegjegyzek.hu		Vas Megyei Bíróság Cég-bírósága, 9700 Szombathely Petőfi S. u. 1/a. Tel: 94-329-961, Fax: 94-329-961 vas@iroda.e-cegjegyzek.hu
<b>Register of title deeds</b>	Zalaegerszegi Közveti Földhivatal, 8900 Zalaegerszeg, Széchenyi tér 3-5., Tel: 92/597-630 , Fax: 92/597-631		Körmendi Földhivatal, 9900 Körmend Szabadság tér 4., Tel: 94/410-402, 412-680, Fax: 94/412-680
<b>Office of dues</b>	Zala Megyei Illetékhivatal, 8900 Zalaegerszeg, Széchenyi tér 5., Tel.: 92 550-580		Szentgotthárd Város Polgármesteri Hivatal Okmányiroda 9970 Szent- gotthárd, Széll Kálmán tér 11. Tel: (94) 553-010, Fax: 06 (94) 553-055, www.szentgotthard.hu
<b>Office of document authentication</b>	Zalaegerszeg Megyei Jogú Város Polgármes- teri Hivatala 8901 Zalaegerszeg, Kossuth Lajos utca 17-19. Tel: 92/502-124 www.zalaegerszeg.hu	Zalalövő Város Polgármesteri Hivatal Okmányiroda, 8999 Zalalövő, Szabadság tér 1., Tel: 06 (92) 371-056, Fax: 06 (92) 571-014	Szentgotthárd Város Polgármesteri Hivatal Okmányiroda 9970 Szent- gotthárd, Széll Kálmán tér 11. Tel: (94) 553-010, Fax: 06 (94) 553-055, www.szentgotthard.hu
<b>Local government</b>		Zalalövő Nagyközség Önkormányzata 8999 Zalalövő, Szabadság tér 1., Tel: 92/571-028, Fax: 92/571-029	Szentgotthárd Város Polgármesteri Hivatal 9970 Szentgotthárd, Széll Kálmán tér 11. Tel: (94) 553-010, Fax: 06 (94) 553-055, www.szentgotthard.hu
<b>Post office</b>	Zalaegerszeg, Széchenyi tér 6. sz.	Zalalövő, Kossuth u. 5.	Szentgotthárd, Széll Kálmán tér 12.
<b>Tax department</b>	APEH Nyugat-dunántúli Regionális Igazgatósá- ga, Zala megyei központi ügyfélszolgálat, 8900 Zalaegerszeg, Balatoni út 2., Tel: 92 505-600		APEH Nyugat-dunántúli Regionális Igazgatósága, Vas megyei igazgatóság központ: 9700 Szombathely Petőfi S. u. 22. Tel: /94/ 519- 700, Fax: /94/ 519-709 kirendeltség: 9970 Szentgotthárd Széll K. tér 11., tel: /94/553-010 www.szentgotthard.hu

This investment stimulation program was realized through the approved application of the Zala County Non-Profit Development Company, the Euro Regional Coordination Office Company and the Local Government of Zalaölvő with the aim to increase the investment in the region and to assure efficient management for possible investors.



ZALA MEGYEI FEJLESZTÉSI  
KÖZHASZNÚ TÁRSASÁG



**For further information please contact one of the following organizations:**

**- Zala County Non-profit Development Company**

(Zala Megyei Fejlesztési Közhasznú Társaság)  
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H-8900 Zalaegerszeg  
Tel.: +36 92 500 761  
e-mail: kasza.sandor@zalamegye.hu

**- Euro Regional Coordination Office Company**

(Euroregionális Koordinációs Iroda Közhasznú Társaság)  
Kossuth Lajos u. 6.  
H-9700 Szombathely  
Tel.: +36 94 511 440  
e-mail: eki@savaria.hu

**- Local Government of Zalaölvő**

(Zalaölvő Város Önkormányzata)  
Szabadság tér 1.  
H-8999 Zalaölvő  
Tel.: +36 92 371 034  
e-mail: pmhivatal@zalaolovo.hu

A Szlovénia-Magyarország-Horvátország Szomszédsági  
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Služba vlade Republike Slovenije za lokalno  
samoupravo in regionalno politiko  
Jelen dokumentum tartalmáért  
a Zala Megyei Fejlesztési Kht. felelős