

# HUNGARY

*SMART. AMBITIOUS. COMPETITIVE.*

FERENC FÁSI

Director,  
Hungarian Trade  
Office in Taipei

# Key reasons to invest in Hungary

1. EU membership and **strategic geographical location**
2. **Modern infrastructure** & superb telecommunications system
3. **Competitive taxation system** with one of the lowest corporate tax rates in Europe (flat 9% since the beginning of 2017)
4. Skilled and cost-effective **labor force**
5. Traditional **strengths in science and technology**
6. Favorable **administrative and legal environment**
7. **Incentives and a professional investment promotion team**: the amount of the provided grants can reach up to 50% of the overall investment in most part of the country

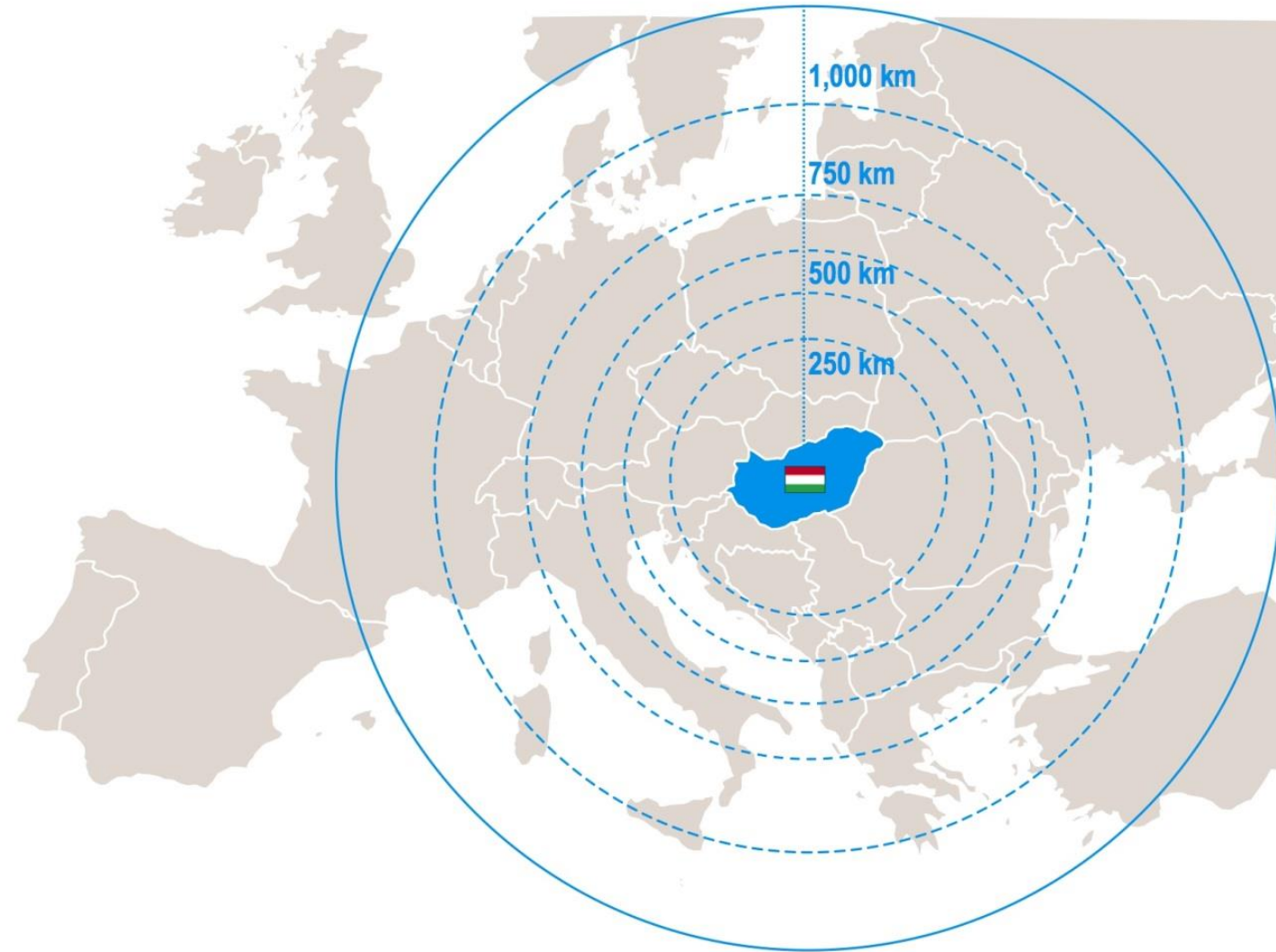
## Hungary



- Area: 93,030 km<sup>2</sup>
- **Population:** 9.8 million
- **GDP/capita, at PPP (2019):** USD 29,860
- **GDP growth rate (2019):** 4.9%

Source: Eurostat, OECD

- EU - a market of roughly 450 million people
- Ukraine, Russia and the Western Balkan countries - a market of 205 million consumers



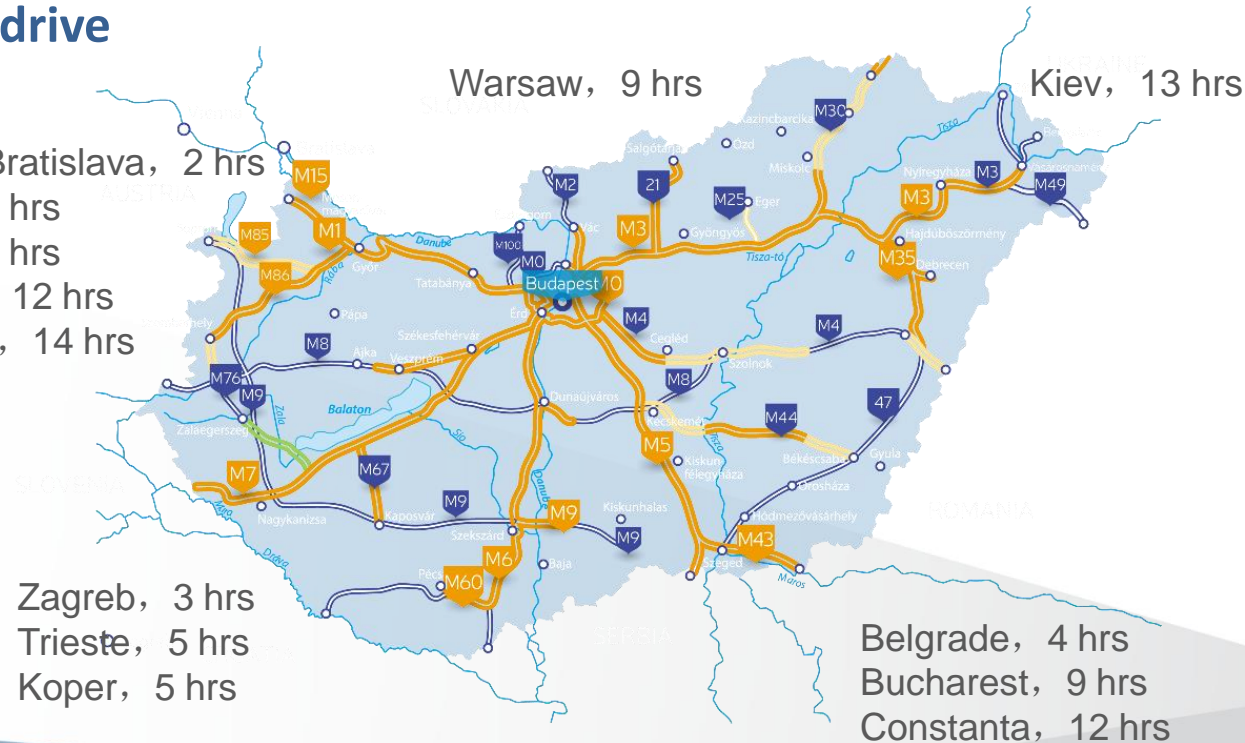


# Modern Infrastructure

- Based on the density of public roads, Hungary is ranked 3<sup>rd</sup> in Europe (with the **longest motorway network in the region**), while the density of our railway network is 2<sup>nd</sup> on the continent (after Belgium).
- All the **major European ports** are located within the distance of **one day's drive**

- Broadband internet access** is one of the best among all the developed countries, with download speed ranked among the best in the world (3<sup>rd</sup> after Singapore and South Korea).

Vienna & Bratislava, 2 hrs  
Prague, 5 hrs  
Munich, 6 hrs  
Hamburg, 12 hrs  
Rotterdam, 14 hrs



- 5G coverage** in Budapest
- Full countryside coverage by 2023



- 190 industrial parks**
- Total modern industrial stock over 2 million m<sup>2</sup>

- **Corporate income tax is only 9%**

In 2017, a flat corporate income tax replaced the former progressive system in Hungary.

- Other direct taxes: 2 and 0.3%

**Local business tax is maximum 2%, the innovation contribution is 0.3%**

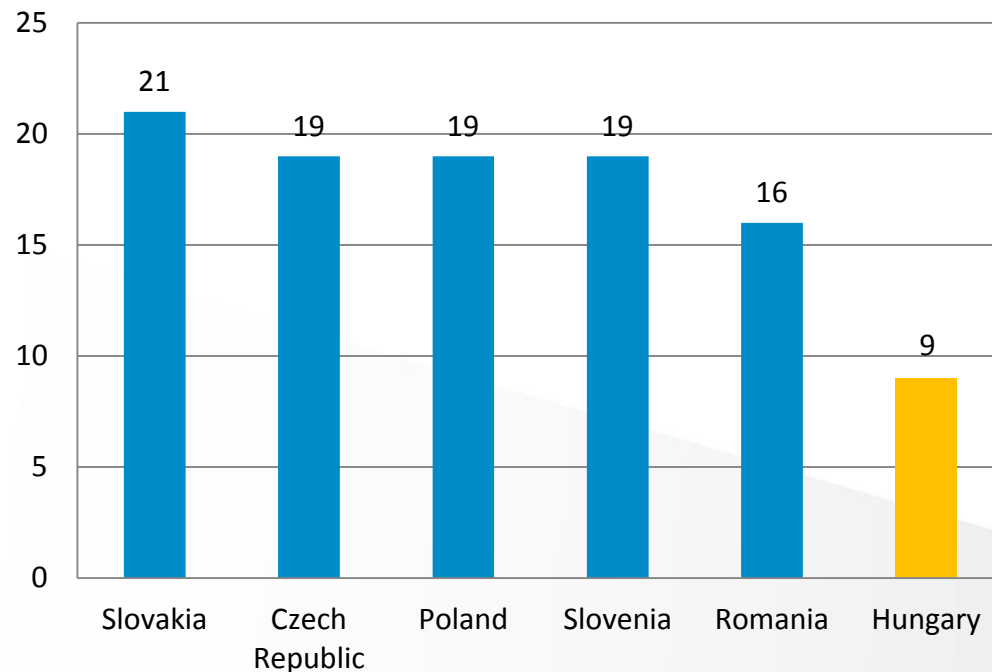
- Personal income tax & social security system

	MINIMUM WAGE		AVERAGE WAGE	
	EUR	%	EUR	%
TOTAL LABOUR COSTS	<b>522</b>	117.0	<b>1,124</b>	117.0
Vocational training contribution	7	1.5	14	1.5
Social contribution tax	69	15.5	149	15.5
GROSS SALARY	<b>446</b>	100.0	<b>961</b>	100.0
Personal Income tax	67	15.0	144	15.0
Employee's contributions	83	18.5	178	18.5
NET SALARY	<b>297</b>	66.5	<b>639</b>	66.5

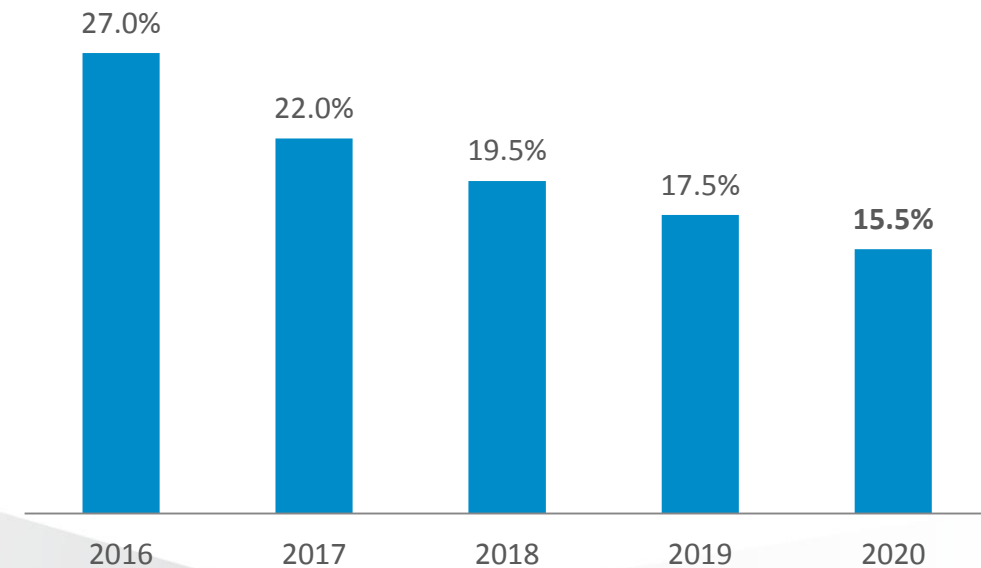
Source: HU Statistics Office  
2020 data

- Flat **personal income tax** rate: 15%
- **Social contribution tax** rate was further lowered to 15.5% in 2020

Corporate income tax rate (2019, %)



Social contribution tax rate in Hungary



- 11.5pp over 5 years

Source: HIPA

## Comparison of certain local regulations on holding companies

Country (notes code)	Czech Republic (CZ)	Hungary (HU)	Poland (PL)	Slovak Republic (SK)
<b>1 Corporate Rate of Taxation</b> Corporate tax rate in jurisdiction	19%	9%	19% or 9%	21%
<b>2 Withholding Tax – Dividends (Outgoing)</b> (a) Non-Treaty rate on Dividends (b) Treaty – range of withholding taxes	35% 0% - 15%	0% <sup>4</sup> 0% <sup>4</sup>	19% 0% - 15%	35% 0% - 19%
<b>3 Withholding Tax - Dividends (Incoming)</b> General range of withholding taxes on dividends in the foreign source jurisdiction in terms of treaty network.	0% - 15%	0% - 20%	19%	0% - 15%
<b>4 Withholding Tax - Liquidation of Holding Co.</b> Is a withholding tax imposed on the final distribution of assets of the holding company in liquidation?	Yes / 15% - Yes / 35% (Non-Treaty)	No	Yes	No, in general. WHT is imposed only on distribution of assets to non-treaty states Exit tax was introduced in Slovakia with effect from 1 January 2018
<b>5 Double Tax Treaty Network</b> (a) Number of treaties in operation  (b) Is the holding company type excluded from any of the treaties? (c) Do any of the treaties include “anti-treaty shopping” provisions and/or detailed “beneficial ownership” tests?	87  No No/Yes	Approx. 80  No Yes	a) 89 (please note that the MLI has impact on some treaties starting 2019) b) No  c) Yes	a) 70 as at 1 January 2019

Source: Nexia International  
2019 January data

	Minimum wage (EUR)	Average wage (EUR)
TOTAL LABOUR COSTS	522	1,124
GROSS SALARY	446	961
NET SALARY	297	639

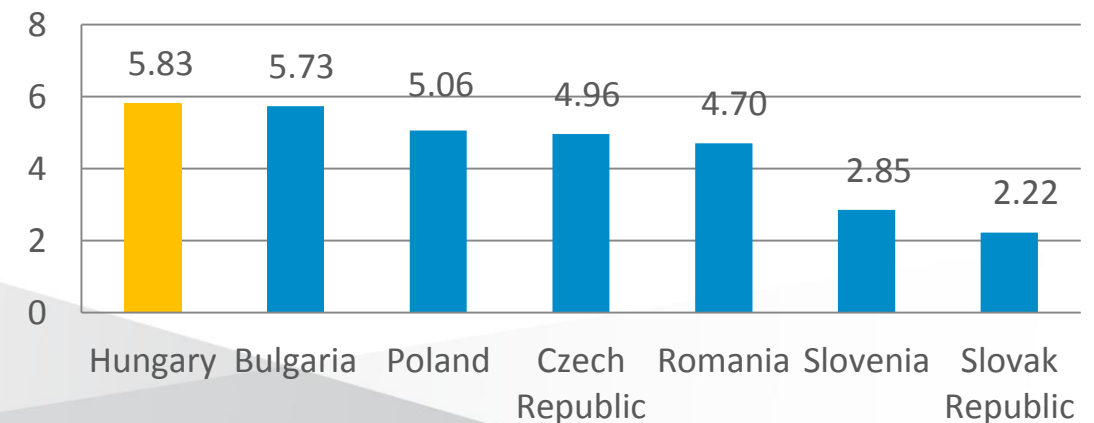
Source: HU Statistics Office, 2020 data

- Hungary has one of the most flexible Labor Codes in Europe, and in 2019 raised its overtime allowance to 400 hours per calendar year
- The labor force is skilled and the higher education system adapts to the needs of the labor market and employers
- Employers have the freedom to use fixed-term contracts of up to five years for tasks of a permanent nature

- Hungary offers one of the most competitive and cost-effective labor force in the region, both in the manufacturing and in the services sectors

- Labor regulations favour business activities

Labour regulations (hiring/firing practices, minimum wages, etc.) do not hinder business activities, IMD survey based on an index from 0 to 10

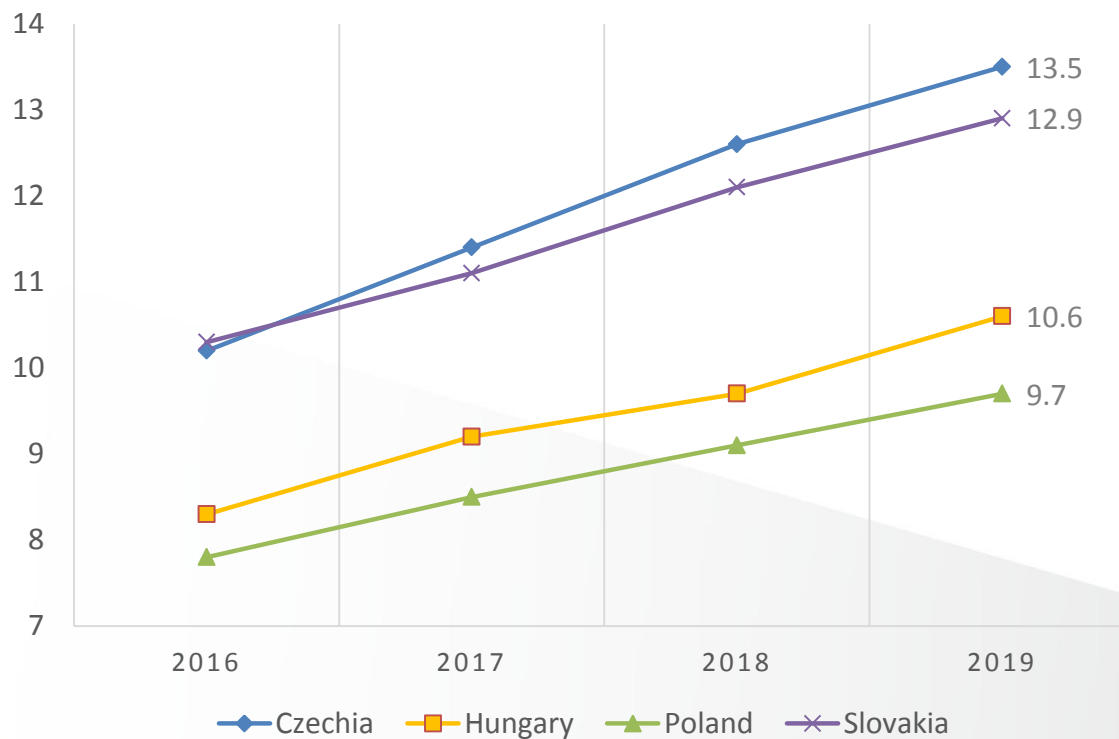


Source: IMD, World Competitiveness Online, 2019



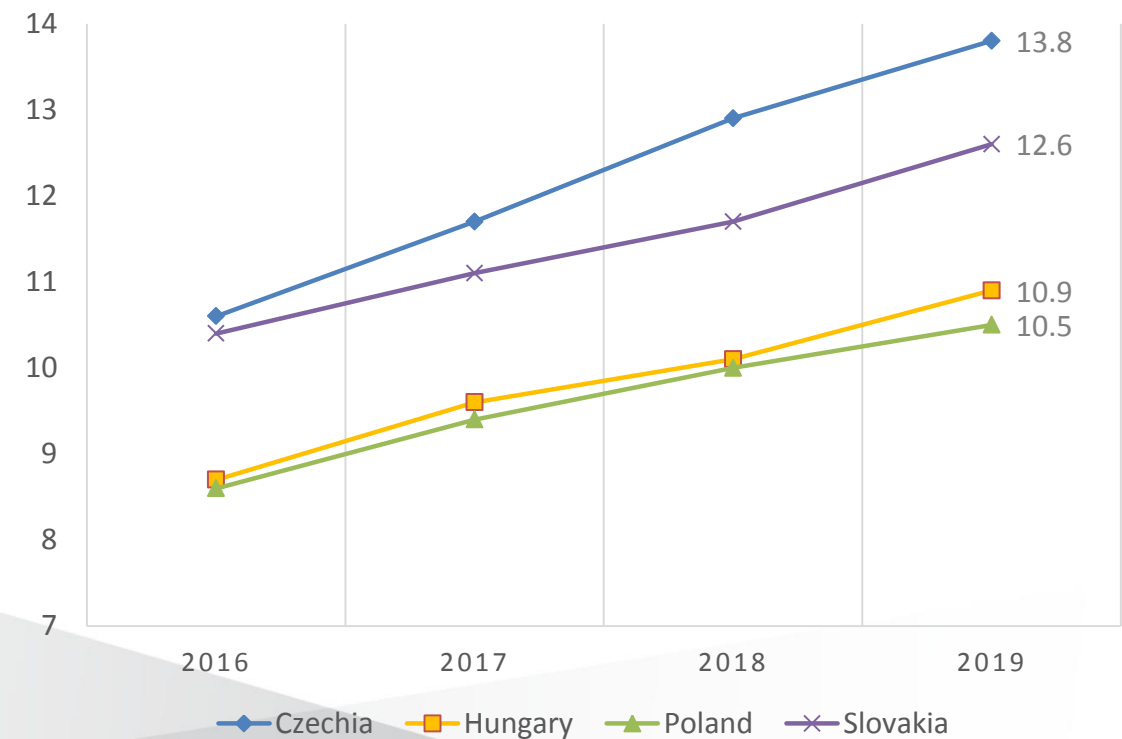
## Highly competitive labour costs compared to other V4 countries

Total hourly labour cost (EUR, 2019)  
Manufacturing sector



Source: Eurostat

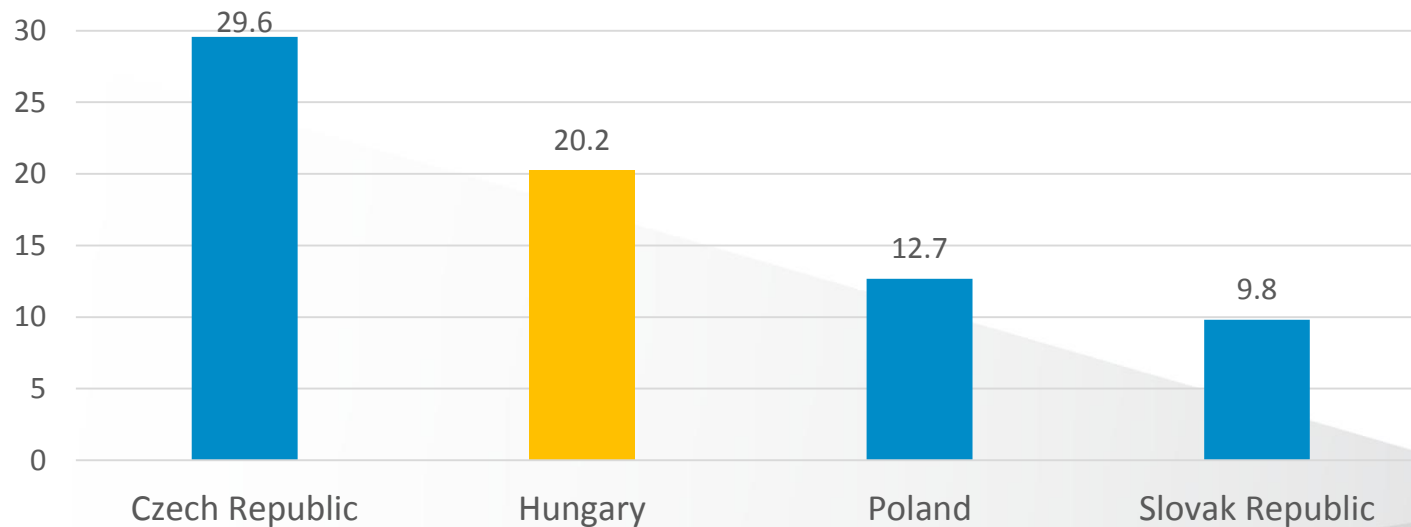
Total hourly labour cost (EUR, 2019)  
Services of the business sector



Source: Eurostat

# Traditional strengths in sci-tech

- Hungary has the highest number of Nobel-prize winners per capita
- Closer cooperation between academia and the business sector - practice-oriented universities
- Dual educational system
- Utility patents granted per million population



Source: WEF Global Competitiveness Report, 2019

- The quality of scientific research institutions: the World Economic Forum ranks Hungary No. 34 out of 138 countries

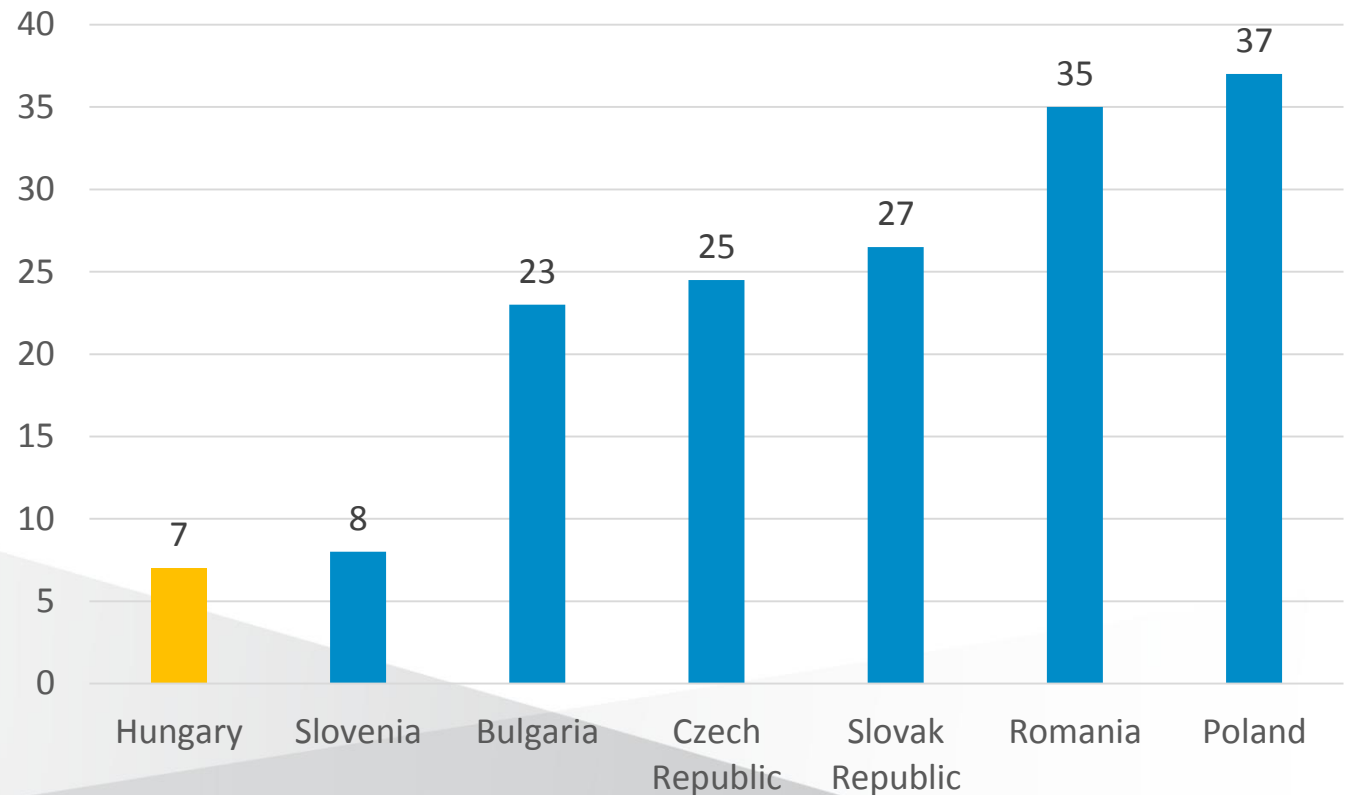
Country	Ranking
Switzerland	1
United Kingdom	2
Israel	3
Germany	11
Czech Republic	27
<b>Hungary</b>	<b>34</b>
China	36
Poland	49
Romania	57
Bulgaria	59
Slovakia	71

# Administrative & legal environment

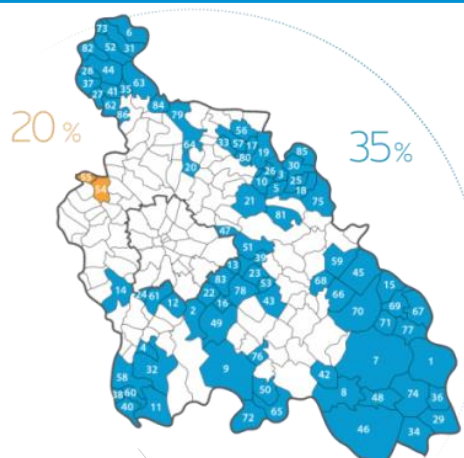
- Stable Government: Government in power since 2010, has won its third consecutive 4 year term in April 2018
- Rule of law: local entities of foreign enterprises are treated equally as domestic companies
- Investor-friendly institutional framework with possibility of „VIP” investment status (i.e. faster licencing procedures)
- Around 85 strategic cooperation agreements between the Government and top companies

## Time to start a business (days), 2019

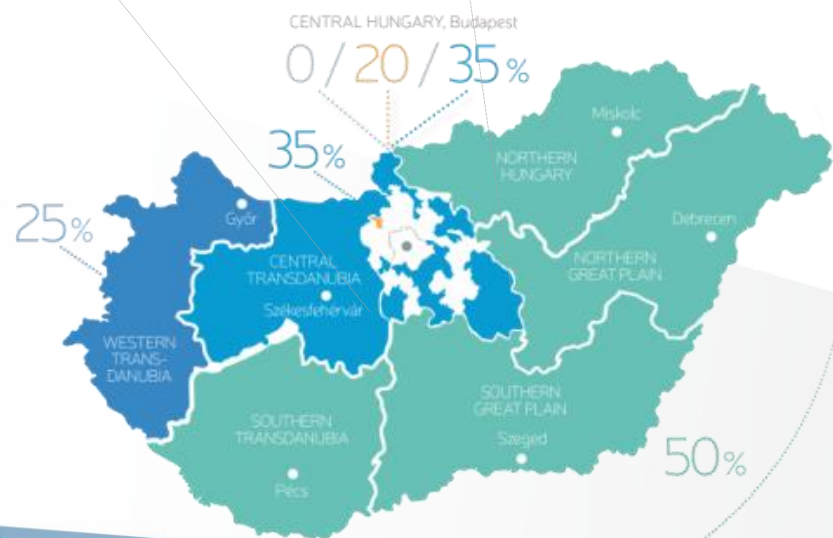
[Number of calendar days needed to complete the procedures to legally operate a business]



## REGIONAL AID MAP



Maximum aid intensity may be reached by the combination of **VIP cash subsidy** and **Development tax benefit**



### I. INCENTIVES FOR INVESTMENT (REGIONAL AID)



#### Cash grants

- VIP cash subsidy
- EU co-financed tenders
- Local subsidy granted by municipality

#### Tax benefits

- Development tax benefit

### II. INCENTIVES FOR TRAININGS



#### Cash grants

- Training subsidy
- Workshop establishment and development subsidy

### III. INCENTIVES FOR R&D&I



#### Cash grants

- VIP cash subsidy
- EU co-financed tenders

#### Tax benefits

- R&D&I tax benefit



# Record FDI results in 2019

## *HIPA results*

**101 projects**

**5,350.40 m €**

**13,493 jobs**



## *Countries of investors*



SOUTH-KOREA



GERMANY



USA



HUNGARY



JAPAN



CHINA

## *Industry segments*



*Notable investors from Taiwan:*



Chi-Fu



FAIR FRIEND GROUP

*THANK YOU FOR YOUR  
ATTENTION!*

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