

Doing Business 2011

Hungary

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Hungary. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

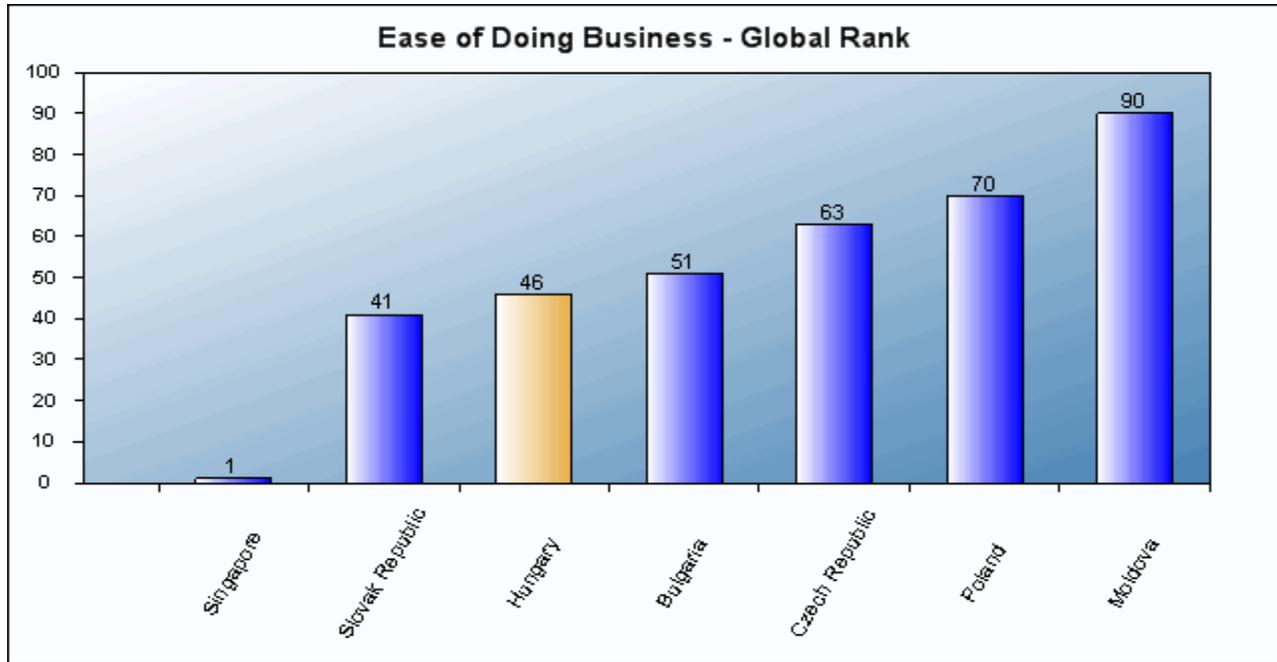
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Hungary is ranked 46 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Hungary - Compared to global good practice economy as well as selected economies:



Hungary's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	46
Starting a Business	35
Dealing with Construction Permits	86
Registering Property	41
Getting Credit	32
Protecting Investors	120
Paying Taxes	109
Trading Across Borders	73
Enforcing Contracts	22
Closing a Business	62

Summary of Indicators - Hungary

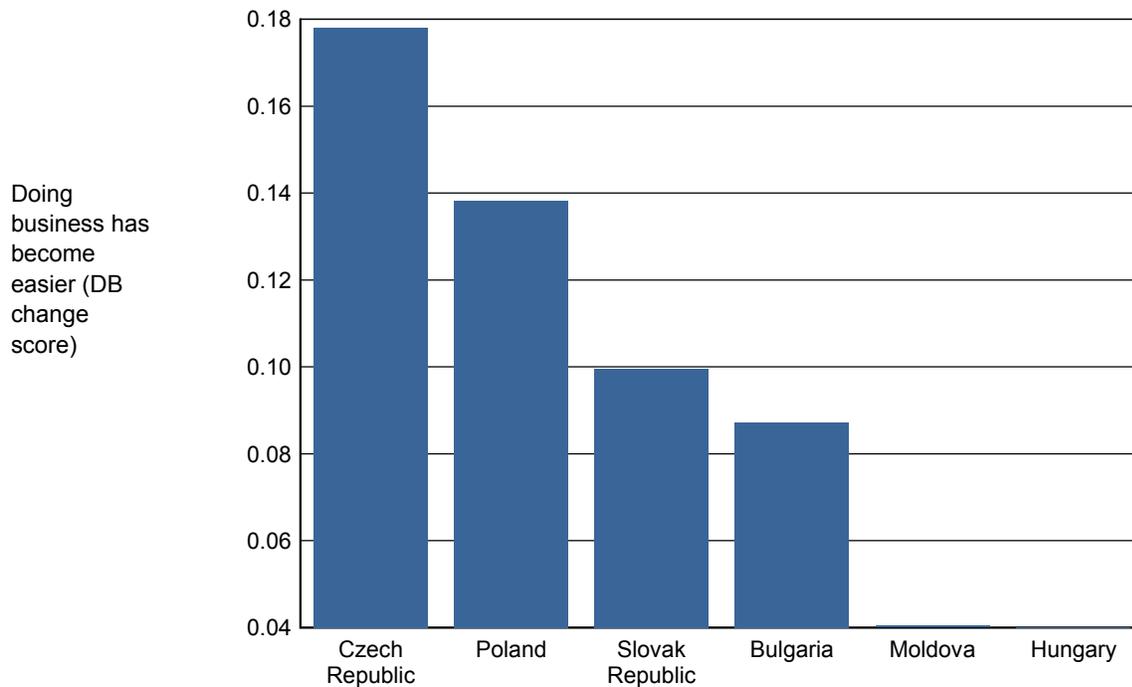
Starting a Business	Procedures (number)	4
	Time (days)	4
	Cost (% of income per capita)	8.2
	Min. capital (% of income per capita)	10.2
Dealing with Construction Permits	Procedures (number)	31
	Time (days)	189
	Cost (% of income per capita)	9.8
Registering Property	Procedures (number)	4
	Time (days)	17
	Cost (% of property value)	5.0
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	11.4
Protecting Investors	Extent of disclosure index (0-10)	2
	Extent of director liability index (0-10)	4
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	4.3
Paying Taxes	Payments (number per year)	14
	Time (hours per year)	277
	Profit tax (%)	16.7
	Labor tax and contributions (%)	34.4
	Other taxes (%)	2.2
	Total tax rate (% profit)	53.3
Trading Across Borders	Documents to export (number)	5
	Time to export (days)	18
	Cost to export (US\$ per container)	1225
	Documents to import (number)	7
	Time to import (days)	17
	Cost to import (US\$ per container)	1215

Enforcing Contracts	Procedures (number)	35
	Time (days)	395
	Cost (% of claim)	15.0
Closing a Business	Recovery rate (cents on the dollar)	37.9
	Time (years)	2.0
	Cost (% of estate)	15

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure 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

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

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

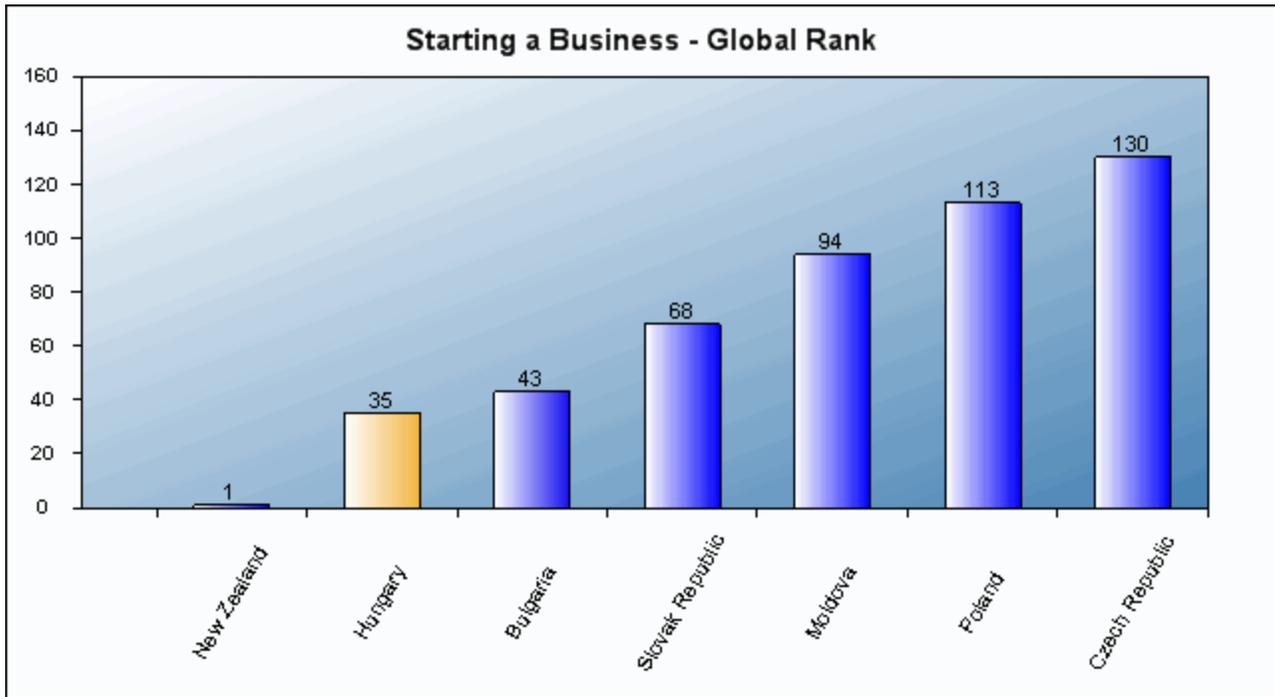
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Hungary is ranked 35 overall for Starting a Business.

Ranking of Hungary in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Hungary	4	4	8.2	10.2

<i>Comparator Economies</i>				
Bulgaria	4	18	1.6	0.0
Czech Republic	9	20	9.3	30.9
Moldova	8	10	10.9	11.9
Poland	6	32	17.5	14.7
Slovak Republic	6	16	1.9	22.2

* The following economies are also good practice economies for :

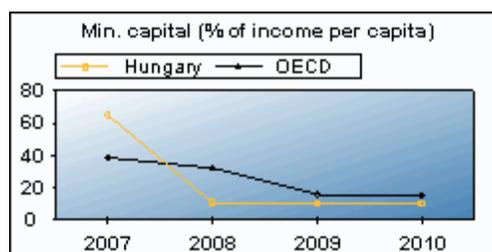
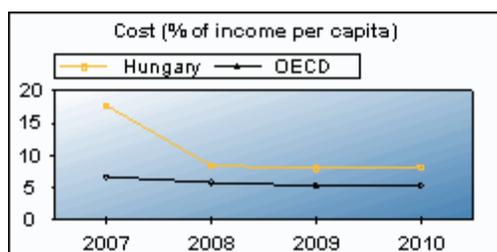
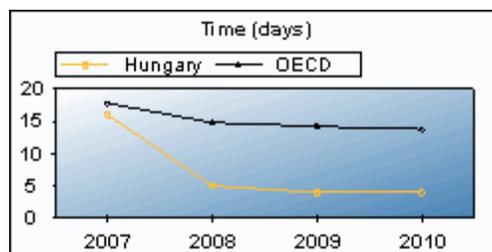
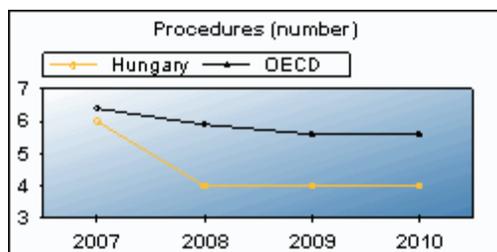
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

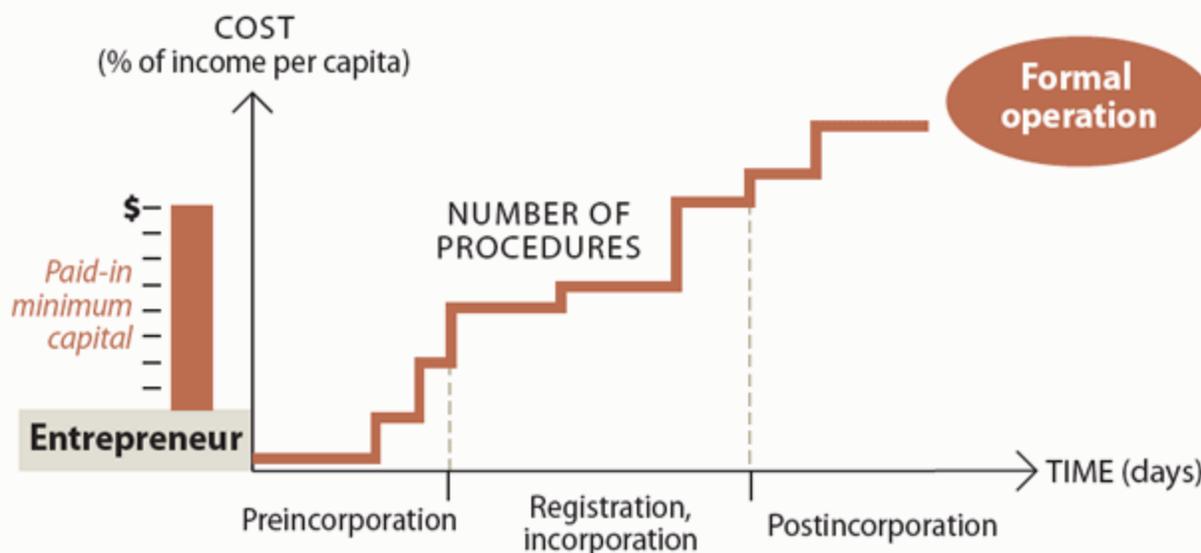
2. Historical data: Starting a Business in Hungary

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	36	35
Procedures (number)	6	4	4	4
Time (days)	16	5	4	4
Cost (% of income per capita)	17.7	8.4	8.0	8.2
Min. capital (% of income per capita)	65.1	10.8	10.2	10.2

3. The following graphs illustrate the Starting a Business sub indicators in Hungary over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Hungary.

STANDARDIZED COMPANY

Legal Form: Korlatolt Felelossegu Tarsasag (KFT) -

Limited Liability Company

City: Budapest

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Hire lawyer who represents the company, creates company deeds, and prepares other legal documents.	1	HUF 180,000
2	Pay at least 50% of subscription amount (at least HUF 250,000) into the bank account designated at the time of subscription.	1	no charge
3	Apply for registration at the Registration Court (simplified electronic registration)	1	HUF 20,000
4	Register for social security	1	no charge

Starting a Business Details - Hungary

Procedure	1	Hire lawyer who represents the company, creates company deeds, and prepares other legal documents.
Time to complete:	1	
Cost to complete:	HUF 180,000	
Comment:	The company must be represented by an attorney at law in the registration process. The lawyer's fee is subject to free agreement, so it varies significantly according to the services provided and company size. Attorneys charge at least HUF 100,000 for registering a simple limited liability company (KFT), with the official cost of HUF 260,000 paid by the client.	
Procedure	2	Pay at least 50% of subscription amount (at least HUF 250,000) into the bank account designated at the time of subscription.
Time to complete:	1	
Cost to complete:	no charge	
Comment:	Half the cash contribution must be paid in at the time of company establishment. The remainder must be paid in according to the provisions of the articles of association, but no later than a year from establishment.	
Procedure	3	Apply for registration at the Registration Court (simplified electronic registration)
Time to complete:	1	
Cost to complete:	HUF 20,000	
Comment:	<p>When the registration court receives the application for registry a certificate is issued for the company with the company's name, address, temporary tax and statistical number and the number of reference of the registration. After receiving the above certificate the company may commence to operate in the form of a pre-incorporated company. This means that the company may operate as an incorporated company but special provisions regarding personal liability of the founder(s) apply.</p> <p>Companies can be incorporated in 2 ways:</p> <ol style="list-style-type: none">1. By simplified electronic filing The stamp duty: HUF 15,000 and there is no publication fee. Incorporation: 1 business day In the simplified electronic filing, the companies must use a standardized template for the article of association. The companies have to fill out the application form and file certain corporate documents specified by the provisions of law. Certain other corporate documents are not required to be filed to the court but must be reviewed and kept by the attorney proceeding with the incorporation procedure. The simplified electronic registration shall take 1 working hour. If the court does not decide within the 1 hour, the chairman of the registration court must make a decision within 1 business day regarding the refusal of the application for registration or the incorporation of the company. If within this period the court does not provide a decision, the registration will occur ex lege on the following business day.2. By standard electronic filing: The stamp duty: HUF 100,000 Publication fee: 25,000	

Incorporation: 15 business days

If the court does not decide within the aforementioned periods, the chairman of the registration court must take measures to reach a decision within 3 business days regarding the incorporation or the refusal of such application. If within this period the registration court does not decide in the given time frame, the registration will occur ex lege. The company may choose to meet publication requirements by publishing the required information on its website instead of the Company Gazette (Cégközlöny). In the latter case, no publication fees are payable.

Simultaneously with the submission of the registration application, the court registers companies with the State Tax Authority (for VAT and income tax purposes) and with the Statistical Office through an online system.

Procedure 4 Register for social security

Time to complete: 1

Cost to complete: no charge

Comment:

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure 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

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

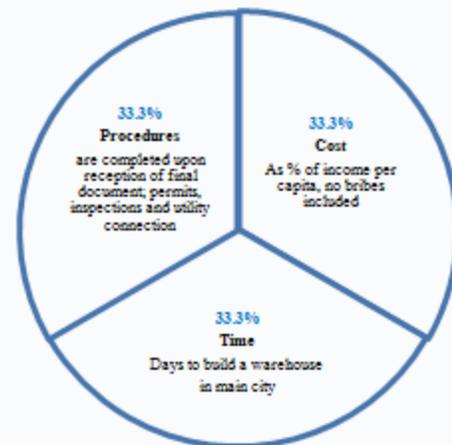
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

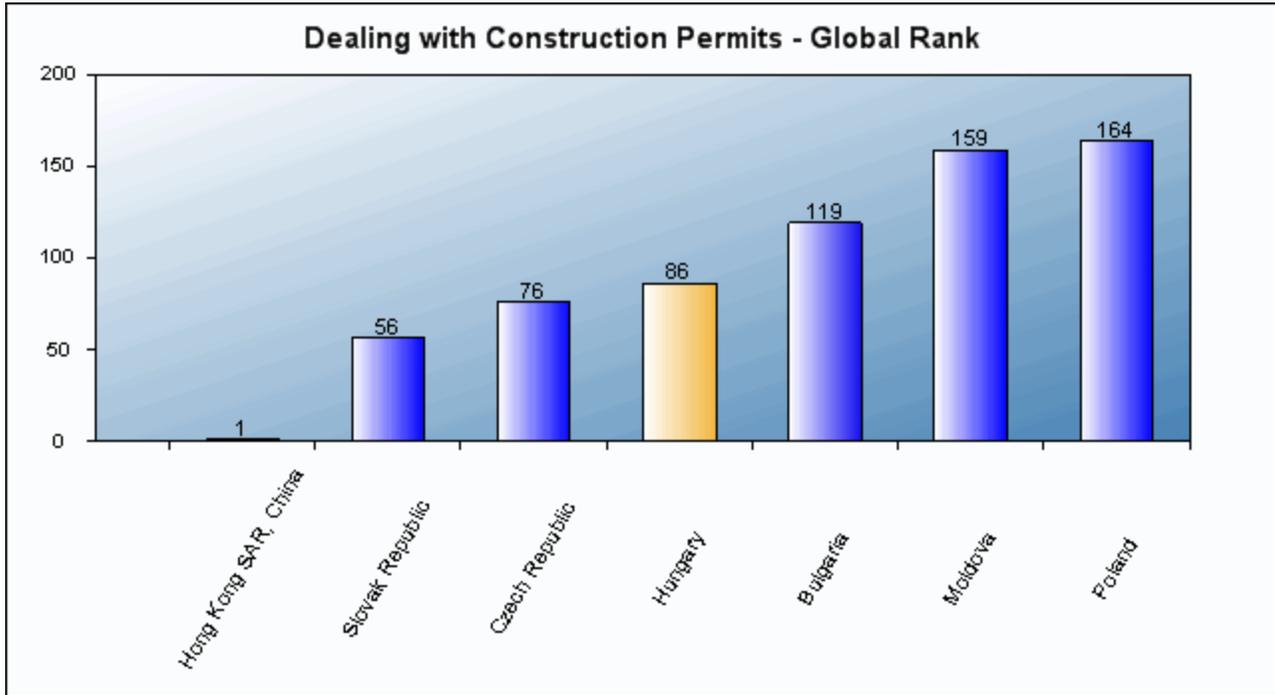
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Hungary is ranked 86 overall for Dealing with Construction Permits.

Ranking of Hungary in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

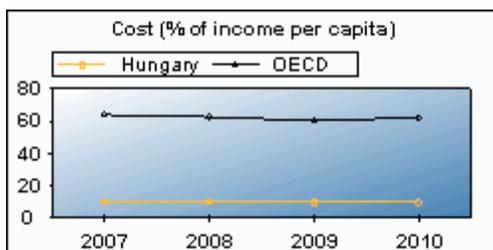
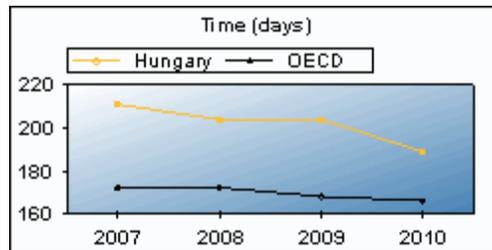
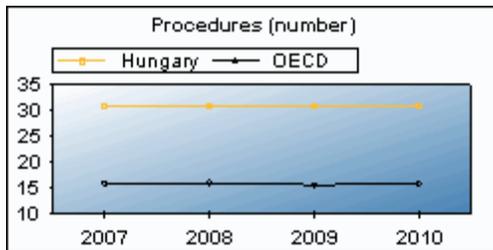
<i>Selected Economy</i>			
Hungary	31	189	9.8

<i>Comparator Economies</i>			
Bulgaria	24	139	442.3
Czech Republic	36	150	16.4
Moldova	30	292	120.9
Poland	32	311	121.8
Slovak Republic	13	287	12.7

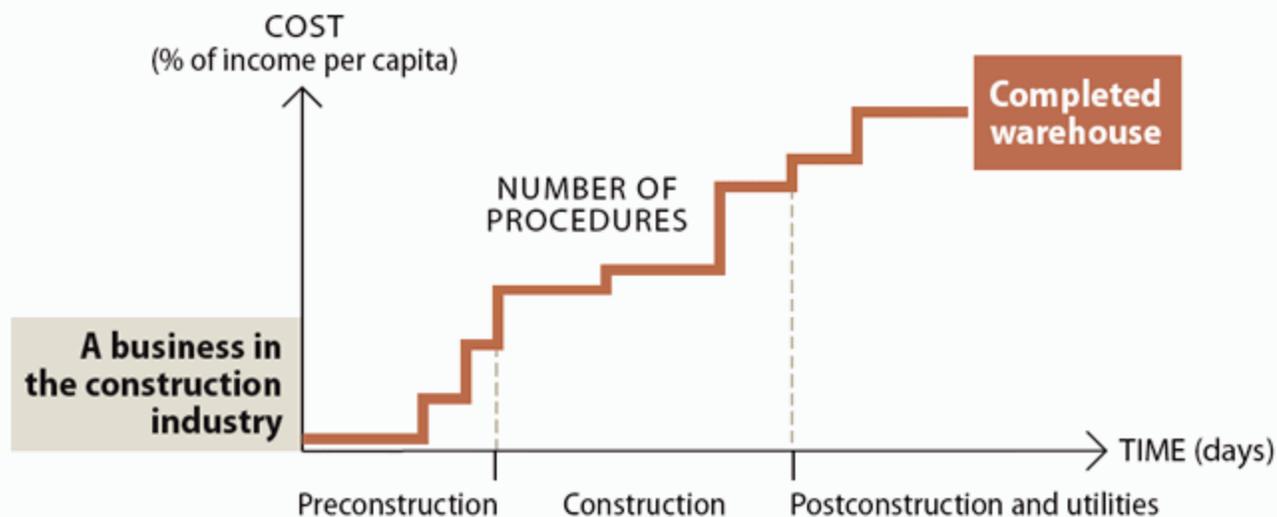
2. Historical data: Dealing with Construction Permits in Hungary

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	86	86
Procedures (number)	31	31	31	31
Time (days)	211	204	204	189
Cost (% of income per capita)	10.4	10.3	9.8	9.8

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Hungary over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Hungary.

BUILDING A WAREHOUSE

City: Budapest

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain a certificate of site ownership and a site map from the local construction authority (Földhivatal)	1 day	HUF 10,000
2	Request and obtain a building permit	45 days	HUF 10,000
3 *	Receive an on-site inspection	1 day	no charge
4 *	Request and obtain the construction authority's approval of the architectural and technical plans and the technical description	45 days	no charge
5 *	Receive an on-site inspection by the construction authority	1 day	no charge
6 *	Request an authorization from the water authority	1 day	no charge
7 *	Receive an inspection by the water authority	1 day	no charge
8 *	Obtain an authorization from the water authority	29 days	no charge

9 *	Request an authorization from the electricity utility	1 day	no charge
10 *	Receive inspection by electricity utility	1 day	no charge
11 *	Obtain an authorization from the electricity utility	29 days	no charge
12 *	Request an authorization the from sewerage authority	1 day	no charge
13 *	Receive an inspection the from sewerage authority	1 day	no charge
14 *	Obtain an authorization from sewerage authority	29 days	no charge
15 *	Request and obtain fire protection authorization	30 days	no charge
16 *	Obtain a statement from the Municipal Planning Committee	30 days	no charge
17 *	Provide evidence of the availability of a licensed site manager and provide notification that construction has started	5 days	no charge
18 *	Request and obtain a letter from the Tax Authority	30 days	no charge
19	Request and receive connection to the sewerage system	21 days	no charge
20 *	Contact a registered technician to set up sewerage system	1 day	no charge
21 *	Request and receive telephone connection	14 days	HUF 30,000
22 *	Request water connection	1 day	HUF 100,000
23 *	Contact a registered technician to set up water connection	1 day	no charge
24 *	Receive an on-site inspection to check the quality of the water connection	1 day	no charge
25 *	Receive water connection	10 days	no charge
26 *	Receive electricity connection	11 days	HUF 90,000
27 *	Contact a registered technician to set up electricity connection	1 day	no charge
28	Notify authorities of the completion of construction	1 day	no charge
29	Receive final inspection of the completed building	1 day	no charge

30 *	Obtain an occupancy permit	30 days	no charge
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31 *	Register the building with the Land Registry Office	30 days	no charge
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* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Hungary

Procedure 1 Request and obtain a certificate of site ownership and a site map from the local construction authority (Földhivatal)

Time to complete: 1 day

Cost to complete: HUF 10,000

Agency: Földhivatal

Comment: 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 been introduced electronic application and database, and internal administrative process has become more efficient and takes 1 day to complete.

Procedure 2 Request and obtain a building permit

Time to complete: 45 days

Cost to complete: HUF 10,000

Agency: Municipality

Comment: Hungary passed a new Building regulation in October 2009 that reduced the legal time to issue a building permit from 60 to 45 days.

Procedure 3 Receive an on-site inspection

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipality

Comment: There is no need to request the inspection. After the permit is obtained, the local construction authority decides when it will conduct the inspection. In general, for smaller scale projects, the inspection may never even take place.

Procedure 4 Request and obtain the construction authority's approval of the architectural and technical plans and the technical description

Time to complete: 45 days

Cost to complete: no charge

Agency: Municipality

Comment: The construction authority approves the plans and descriptions. Although there is a time limit of 30 days, a lack of response is not to be construed as approval. As a rule, it takes 45 days to complete the procedure.

Procedure 5 Receive an on-site inspection by the construction authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipality

Comment: The inspection may take place anytime during the construction cycle. There is no need to request it.

Procedure 6 Request an authorization from the water authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Budapest Water Company

Comment: A written authorization from the water utility must be obtained. The authorization must be obtained before the building permit is issued, but it can be processed simultaneously with the building permit.

Procedure 7 Receive an inspection by the water authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Budapest Water Company

Comment:

Procedure 8 Obtain an authorization from the water authority

Time to complete: 29 days

Cost to complete: no charge

Agency: Budapest Water Company

Comment:

Procedure 9 Request an authorization from the electricity utility

Time to complete: 1 day

Cost to complete: no charge

Agency: Budapesti Elektromos Művek Rt.

Comment: A written authorization from the electricity utility must be obtained. The authorization must be obtained before the building permit is issued, but it can be processed simultaneously with the building permit.

Procedure 10 Receive inspection by electricity utility

Time to complete: 1 day

Cost to complete: no charge

Agency: Budapesti Elektromos Művek Rt.

Comment:

Procedure 11 Obtain an authorization from the electricity utility

Time to complete: 29 days

Cost to complete: no charge

Agency: Budapesti Elektromos Művek Rt.

Comment:

Procedure 12 Request an authorization the from sewerage authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Sewage Works

Comment: A written authorization from the sewerage utility must be obtained. The authorization must be obtained before the building permit is issued, but it can be processed simultaneously with the building permit.

Procedure 13 Receive an inspection the from sewerage authority

Time to complete: 1 day

Cost to complete: no charge

Agency: Sewage Works

Comment:

Procedure 14 Obtain an authorization from sewerage authority

Time to complete: 29 days

Cost to complete: no charge

Agency: Sewage Works

Comment:

Procedure 15 Request and obtain fire protection authorization

Time to complete: 30 days

Cost to complete: no charge

Agency: Fire Authority

Comment: The architectural plans contain the fire protection statement, which must be approved by the Fire Department. The authorization must be obtained before the building permit is issued, but it can be processed simultaneously with the building permit.

Procedure 16 Obtain a statement from the Municipal Planning Committee

Time to complete: 30 days

Cost to complete: no charge

Agency: Municipal Planning Committee

Comment: If the Municipal Planning Committee characterizes the location of the new building as “special” and finds other characteristics, such as size and color, to be exceptions to local regulations, a statement must be obtained from the committee. The documents to be filed are the Land Registry Office ownership title and site map. The Municipal Planning Committee now has a stronger mandate and role in handling this procedure. (In the past, its role was advisory in nature).

Procedure 17 Provide evidence of the availability of a licensed site manager and provide notification that construction has started

Time to complete: 5 days

Cost to complete: no charge

Agency: Regional Administrative Office (Közigazgatási Hivatal)

Comment: The builder is required to submit all documents 15 days prior to the start of the construction. The public works authority may require the investor to pay a regular fee to the public network (e.g., sewerage) to cover operational costs. The construction authority may conduct an inspection at any stage.

If the value of any construction project exceeds HUF 30 million, BuildCo must notify the Közigazgatási Hivatal (Regional Administrative Office) of its intention to start construction. The Regional Administrative Office must either approve or disapprove the start of construction. The office has authority over the participants, their liability, the building permit, the state of the neighboring buildings (which must be documented), and provides information to the tax authority (to curb unauthorized activity) and to the local authority.

Procedure 18 Request and obtain a letter from the Tax Authority

Time to complete: 30 days

Cost to complete: no charge

Agency: Tax Authority

Comment: Beginning in 2005, data reporting to the Tax Authority is required for all construction projects valued at more than HUF 10 million. The builder submits a letter to the Tax Authority along with the application for a building permit.

If the value of the construction project is above HUF 10 million, the local authority informs the following institutions:

- Tax Authority.
- Construction Authority (for quality control).
- Labor Authority (to control the informal economy).

Procedure 19 Request and receive connection to the sewerage system

Time to complete: 21 days
Cost to complete: no charge
Agency: Sewage Works
Comment:

Procedure 20 Contact a registered technician to set up sewerage system

Time to complete: 1 day
Cost to complete: no charge
Agency: Registered Technician
Comment:

Procedure 21 Request and receive telephone connection

Time to complete: 14 days
Cost to complete: HUF 30,000
Agency: Hungarian Telephone and Cable Corp.
Comment: There are several network providers besides Hungarian Telephone and Cable Corp. There is a competition on this market, so it is recommended to obtain offers from several network providers. Costs therefore could vary between 15,000 and 100,000 HUF

Procedure 22 Request water connection

Time to complete: 1 day
Cost to complete: HUF 100,000
Agency: Budapest Water Company
Comment: The water connection consists of two parts: the on-site part (which must be done by a registered technician) and the off-site part (which is the connection from the existing utility to the on-site part). The builder must contact the people in charge of each part separately.

The cost depends on the position of the building (distance from the source, local situation). Costs are specific to each case, depending on the expenditures involved.

Procedure 23 Contact a registered technician to set up water connection

Time to complete: 1 day
Cost to complete: no charge

Agency: Registered Technician

Comment:

Procedure 24 Receive an on-site inspection to check the quality of the water connection

Time to complete: 1 day

Cost to complete: no charge

Agency: Budapest Water Company

Comment: The inspection is requested when the connection is requested.

Procedure 25 Receive water connection

Time to complete: 10 days

Cost to complete: no charge

Agency: Budapest Water Company

Comment:

Procedure 26 Receive electricity connection

Time to complete: 11 days

Cost to complete: HUF 90,000

Agency: Budapesti Elektromos Művek Rt.

Comment:

Procedure 27 Contact a registered technician to set up electricity connection

Time to complete: 1 day

Cost to complete: no charge

Agency: Registered Technician

Comment:

Procedure 28 Notify authorities of the completion of construction

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipality

Comment: When the building is completed and the municipality has been notified, the builder (owner) must arrange for a site inspection by the municipal experts; water, electricity, and sewerage providers; and the Fire Department. After the on-site inspection, all the inspectors must declare that the building has been completed in compliance with the technical plans or identify any unfinished work. If there is unfinished work, the deadline for completion must be stated in a document. After completion, the authority issues the occupancy permit.

Procedure 29 Receive final inspection of the completed building

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipality

Comment:

Procedure 30 Obtain an occupancy permit

Time to complete: 30 days

Cost to complete: no charge

Agency: Municipality

Comment: When the building is completed and the municipality has been notified, the builder (owner) must arrange for a site inspection by the municipal experts; water, electricity, and sewerage providers; and the Fire Department. After the on-site inspection, all the inspectors must declare that the building has been completed in compliance with the technical plans or identify any unfinished work. If there is unfinished work, the deadline for completion must be stated in a document. After completion, the authority issues the occupancy permit.

Procedure 31 Register the building with the Land Registry Office

Time to complete: 30 days

Cost to complete: no charge

Agency: Land Registry Office

Comment: The owner must submit a “realization plan” to the Land Registry Office to register the new building and the owner’s name on the official site map. In small villages, registration takes 30 days; in big cities and especially in the capital, registration might take from 30 days to 4 years, depending on the specifications of the lot. There is no registration fee, but there is the cost of a lawyer’s services (HUF 15,000), although the company’s own lawyer may handle the process.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

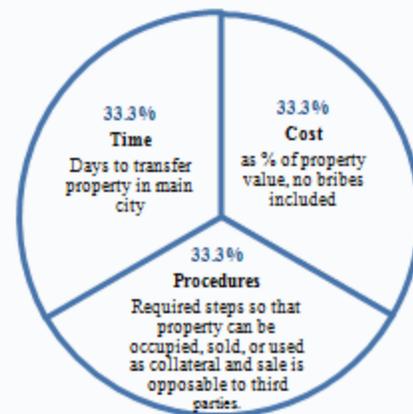
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

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

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- 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. The sale price equals the value.
- 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 a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Hungary is ranked 41 overall for Registering Property.

Ranking of Hungary in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Hungary	4	17	5.0

<i>Comparator Economies</i>			
Bulgaria	8	15	3.0
Czech Republic	4	43	3.0
Moldova	5	5	0.9
Poland	6	152	0.4
Slovak Republic	3	17	0.0

* The following economies are also good practice economies for :

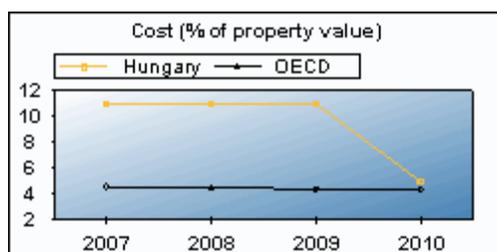
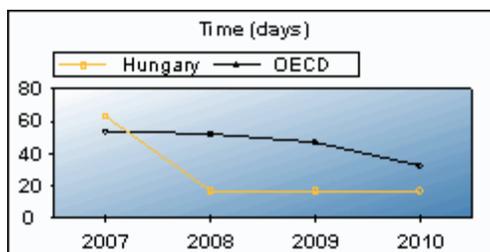
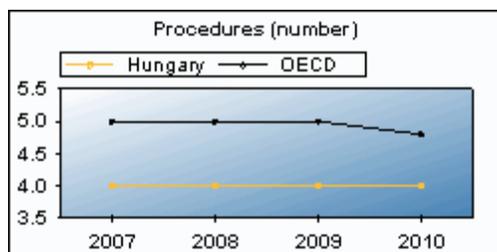
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

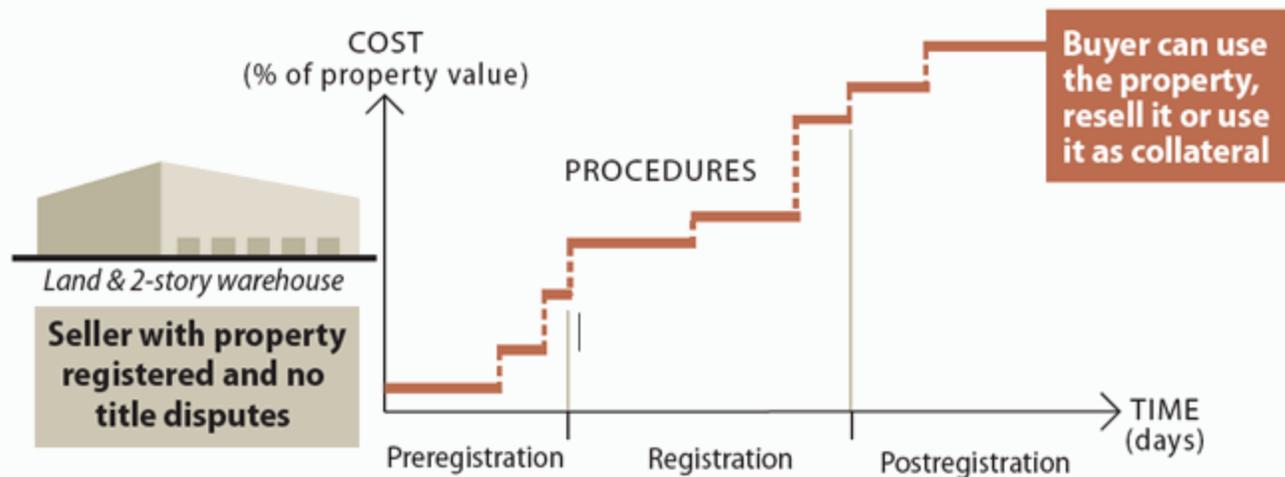
2. Historical data: Registering Property in Hungary

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	60	41
Procedures (number)	4	4	4	4
Time (days)	63	17	17	17
Cost (% of property value)	11.0	11.0	11.0	5.0

3. The following graphs illustrate the Registering Property sub indicators in Hungary over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Hungary.

STANDARDIZED PROPERTY

Property Value: 122,312,405.65

City: Budapest

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a certified title record at the Land Registry Office	1 day	HUF 6,250
2	The sale and purchase agreement is signed by a lawyer	1 day	1% of the purchase price (lawyer's fees) – subject to the parties' agreement
3	Obtain the extract of the purchaser from the Court of Registry	1 day	HUF 5,000
4	Register the title at the Land Registry Office	9-19 calendar days (expedited procedure) or 30-60 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)

Registering Property Details - Hungary

Procedure	1	Obtain a certified title record at the Land Registry Office
Time to complete:		1 day
Cost to complete:		HUF 6,250
Agency:		Land Registry Office
Comment:		<p>Obtain an original certified title sheet folio at the Land Registry Office to check the current data of the property. The title sheet folio includes information on liens and outstanding taxes. According to the Hungarian law, the issue of title sheet folio is valid within 30 days the date of signing of the contract.</p> <p>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 1 January 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>
Procedure	2	The sale and purchase agreement is signed by a lawyer
Time to complete:		1 day
Cost to complete:		1% of the purchase price (lawyer's fees) – subject to the parties' agreement
Comment:		<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.</p>
Procedure	3	Obtain the extract of the purchaser from the Court of Registry
Time to complete:		1 day
Cost to complete:		HUF 5,000
Agency:		Commercial Registry
Comment:		<p>An extract of the purchaser from the commercial registry must be obtained. 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. For real estate sales, if the purchaser is a legal entity, it is obliged to submit an extended 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. It means that if a company has a fresh extract in its files from former legal relationships, it may use that for this purpose, but since the extract is submitted to the land registry office, it has to get a new one for other purposes.</p>
Procedure	4	Register the title at the Land Registry Office

Time to complete:	9-19 calendar days (expedited procedure) or 30-60 days (regular procedure)
Cost to complete:	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)
Agency:	Land Registry Office
Comment:	<p>Since January 1st 2008 there are three Land Registry Offices operating in Budapest. Each of them is competent on different districts in Budapest i.e. the application for registering any change regarding a given property shall be submitted to the Land Registry Office having competence over the district the real property is located in. A new fast-track procedure has been introduced to reduce the registration time at the Land Registry for a higher registration fee of HUF 16,000. The registration fees for the regular procedure is HUF 6000 as a result of the the 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. 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.</p> <p>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 in 24 hours from the submission. This means that some kind of application was submitted with regard to the property but it was not judged 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.</p> <p>Transfers of property might be subject to a 20% VAT.</p> <p>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 in sales value.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> The standardized application form; Two original copies and one photocopy of the contract; Original extract of the purchaser from the commercial register; Specimen of signature of the executive officer who has signed the contract (issued by a notary public) and a copy of the latest Property Register Card (to be obtained from the City Survey Department) to indicate poroperty does not belong to the Government; Copy of the Municipal Tax bill to indicate the year in which the building was constructed; No Objection Certificate of permission from the Urban Land Ceiling Department (to be obtained from the Talati Office)

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

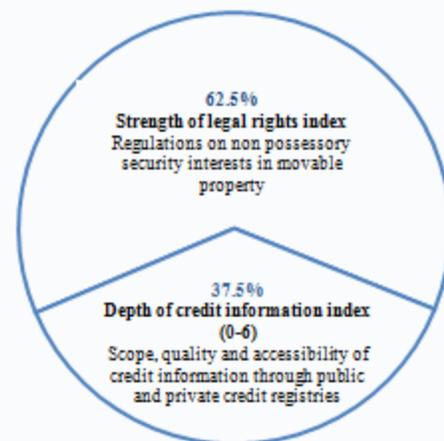
Public credit registry coverage (% of adults)

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

Private credit bureau coverage (% of adults)

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

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

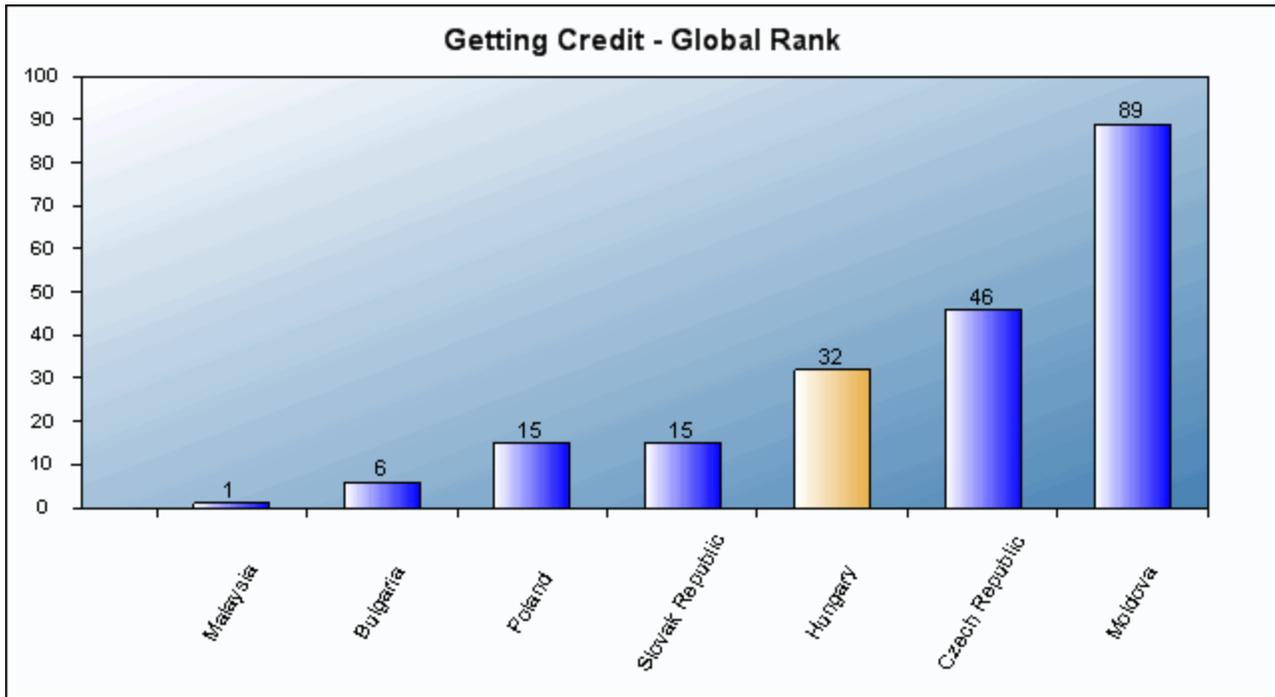
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Hungary is ranked 32 overall for Getting Credit.

Ranking of Hungary in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Hungary	7	5	0.0	11.4

<i>Comparator Economies</i>				
Bulgaria	8	6	37.0	13.1
Czech Republic	6	5	4.9	73.2
Moldova	8	0	0.0	0.0
Poland	9	4	0.0	91.7
Slovak Republic	9	4	2.2	44.5

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

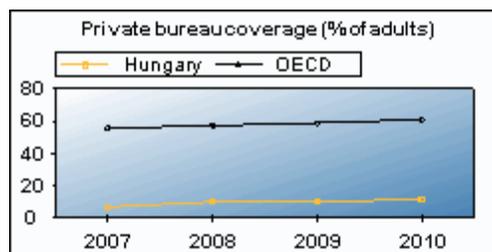
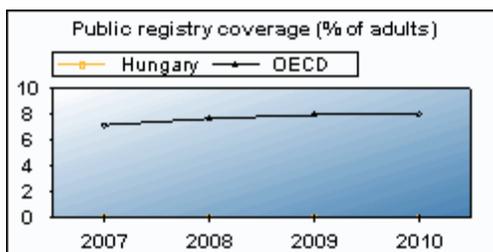
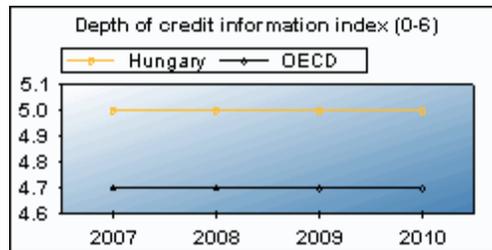
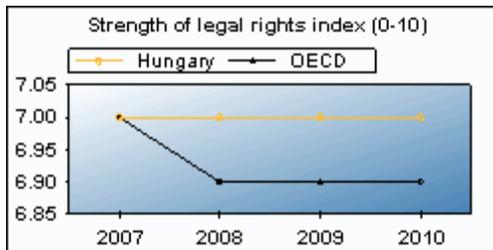
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

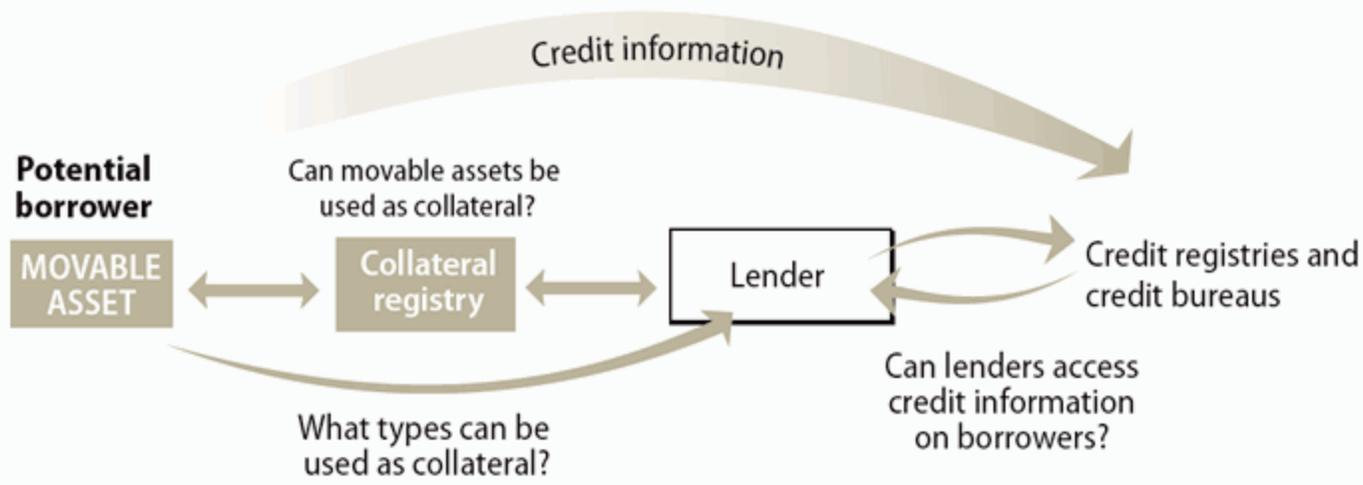
2. Historical data: Getting Credit in Hungary

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	30	32
Strength of legal rights index (0-10)	7	7	7	7
Depth of credit information index (0-6)	5	5	5	5
Private bureau coverage (% of adults)	6.9	10.0	10.3	11.4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Hungary over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Hungary.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
Coverage	11.4	0.0	
Number of individuals	789,000		0
Number of firms	179,000		0

Strength of legal rights index (0-10)**7**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	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 may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

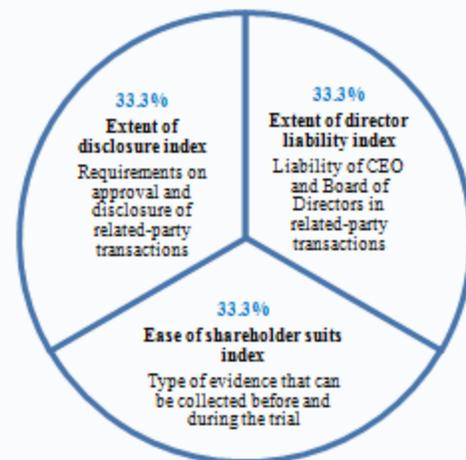
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least 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.

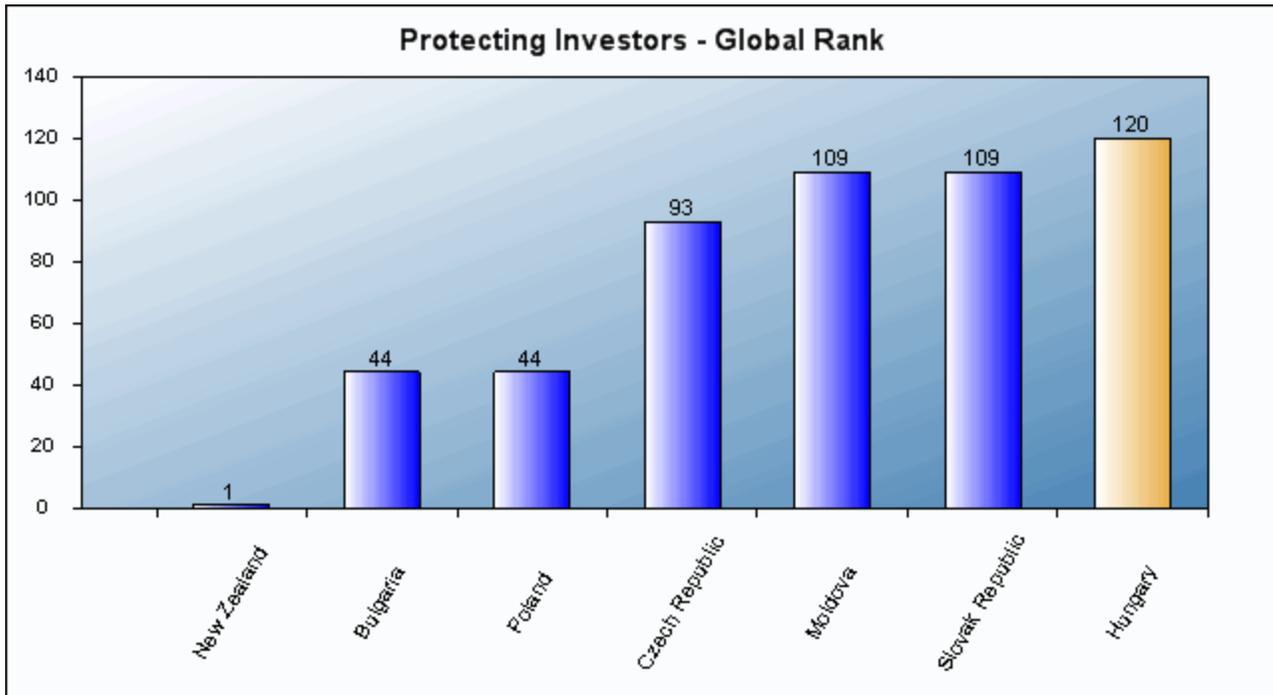
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Hungary is ranked 120 overall for Protecting Investors.

Ranking of Hungary in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

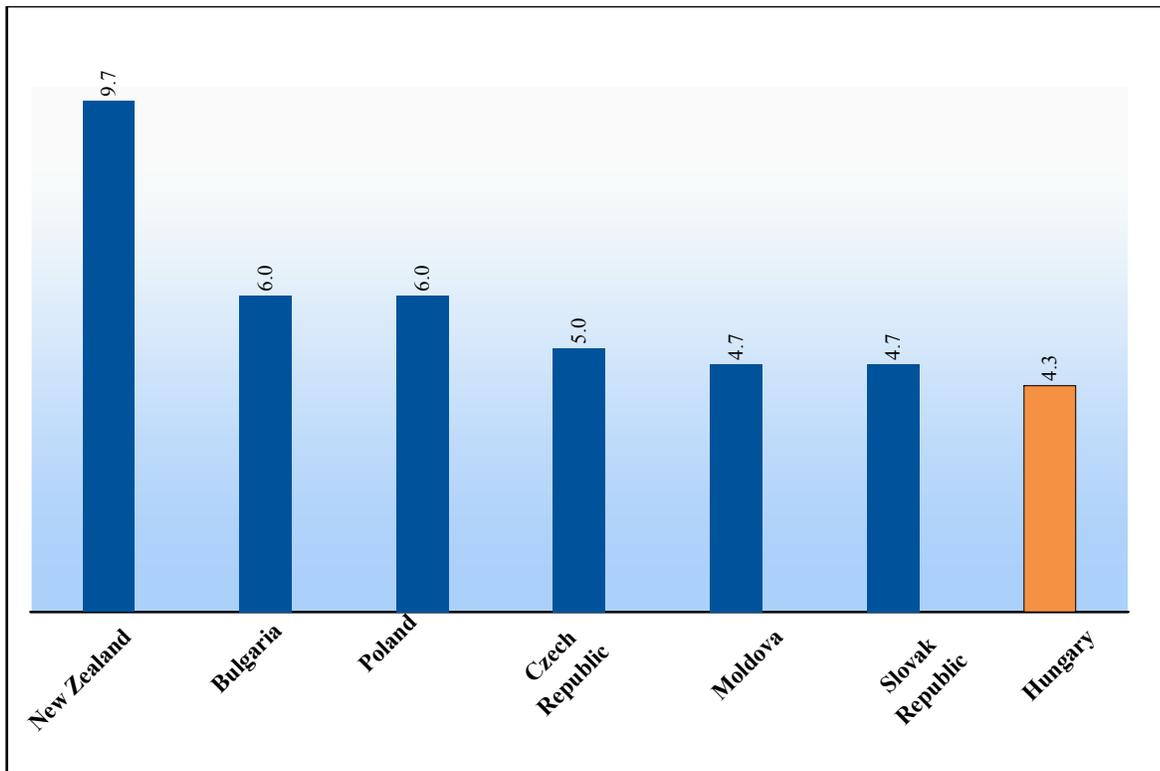
<i>Selected Economy</i>	
Hungary	4.3

<i>Comparator Economies</i>	
Bulgaria	6.0
Czech Republic	5.0
Moldova	4.7
Poland	6.0
Slovak Republic	4.7

2. Historical data: Protecting Investors in Hungary

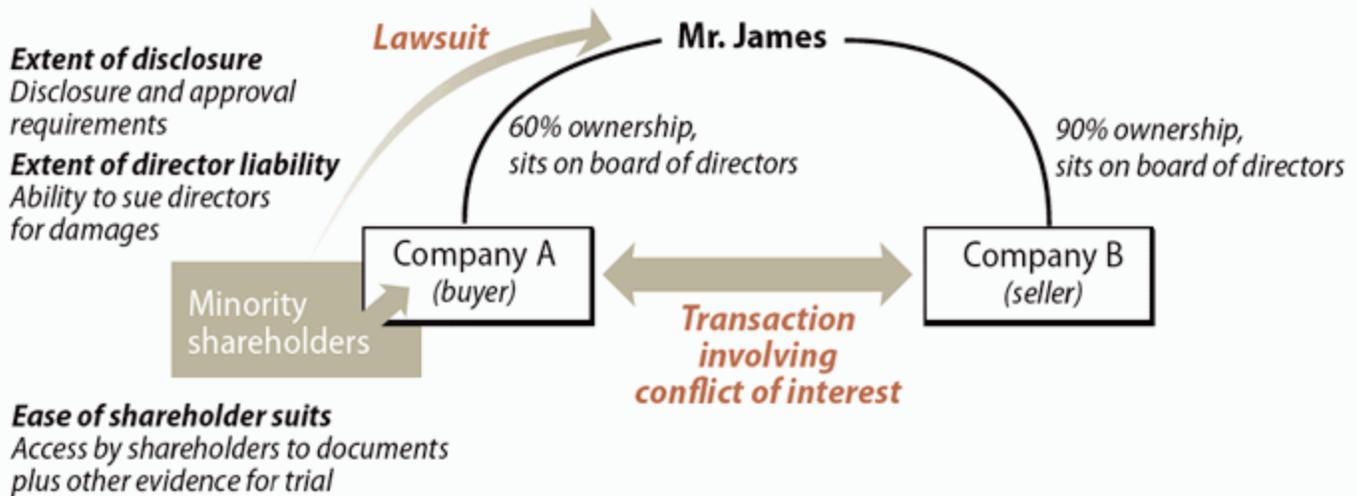
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	119	120
Strength of investor protection index (0-10)	4.3	4.3	4.3	4.3

3. The following graph illustrates the Protecting Investors index in Hungary compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Hungary.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	2
What corporate body provides legally sufficient approval for the transaction?	0
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	4
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	7
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Strength of investor protection index (0-10)	4.3

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or 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)

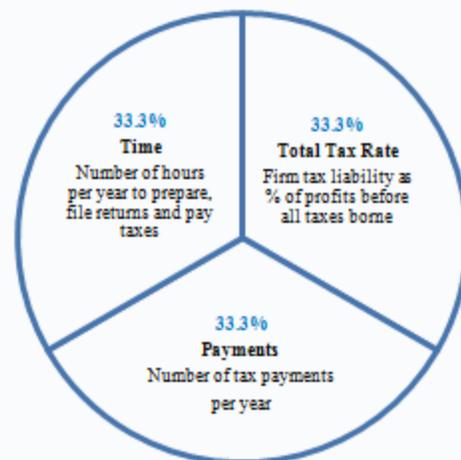
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

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

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



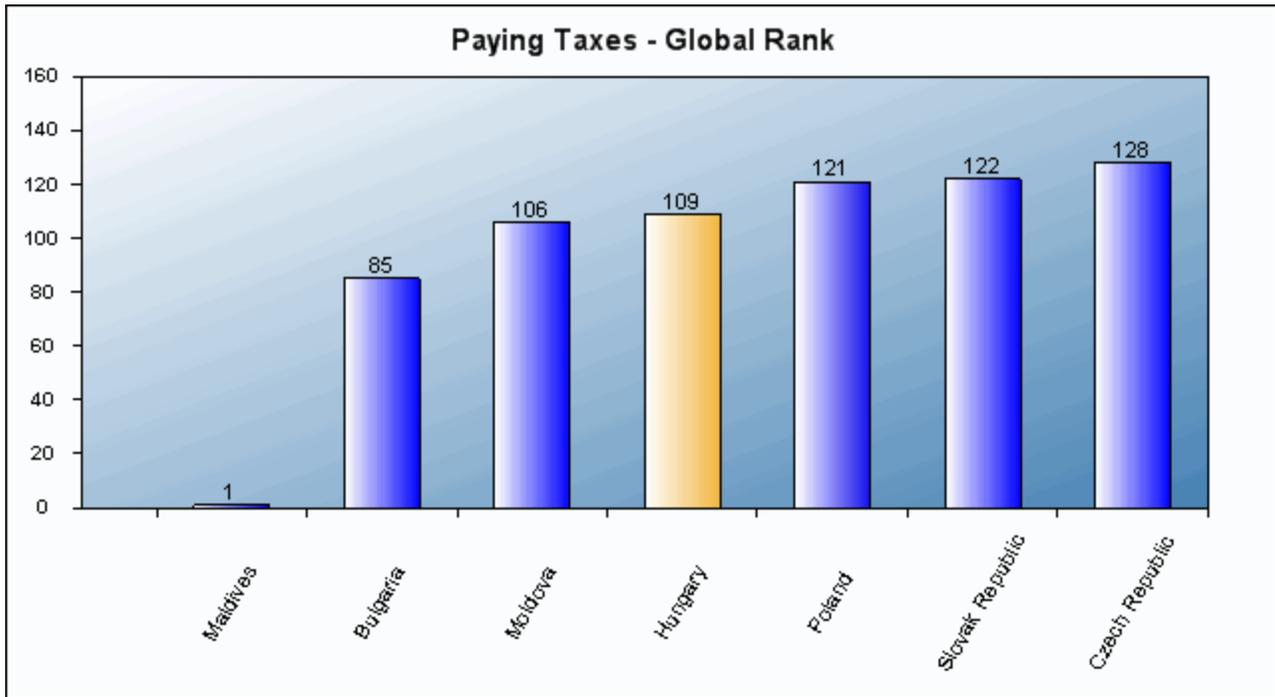
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Hungary is ranked 109 overall for Paying Taxes.

Ranking of Hungary in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Hungary	14	277	53.3

<i>Comparator Economies</i>			
Bulgaria	17	616	29.0
Czech Republic	12	557	48.8
Moldova	48	228	30.9
Poland	29	325	42.3
Slovak Republic	31	257	48.7

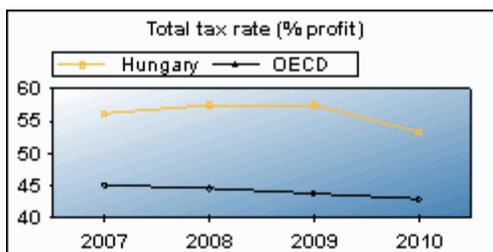
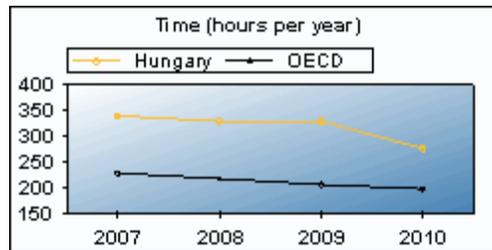
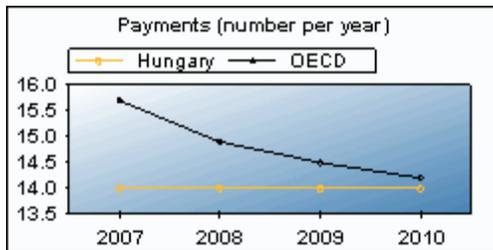
* The following economies are also good practice economies for :

Payments (number per year): Qatar

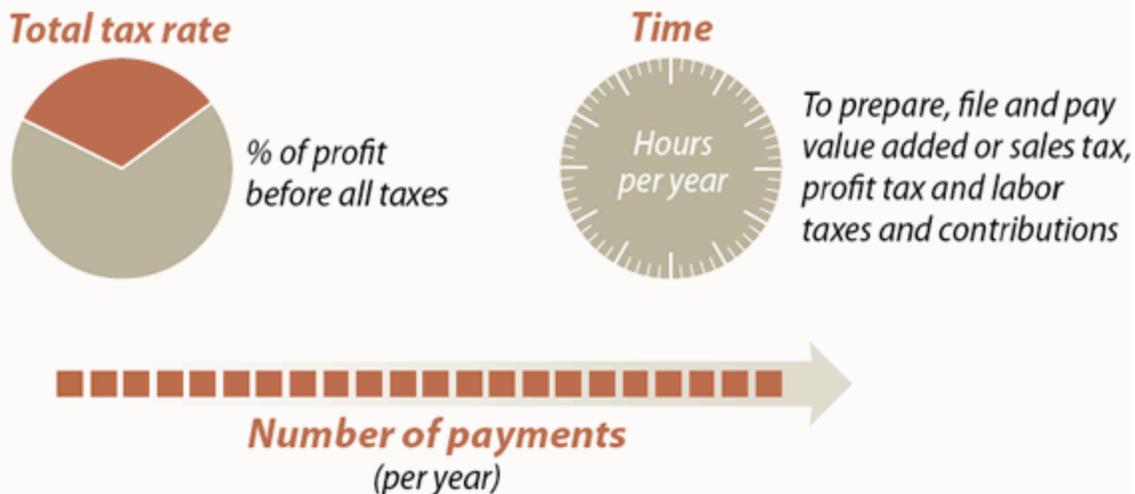
2. Historical data: Paying Taxes in Hungary

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	118	109
Total tax rate (% profit)	56.2	57.5	57.5	53.3
Payments (number per year)	14	14	14	14
Time (hours per year)	340	330	330	277

3. The following graphs illustrate the Paying Taxes sub indicators in Hungary over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Hungary, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Environmental tax	1			itemized depending on the packaging material	weight of packaging		
Value added tax (VAT)	1	online filing	96	25.0%	value added		
Community tax	1	online filing		HUF 2,000	per employee	0.10	
Vehicle tax	1	online filing		HUF 12	vehicle weight	0.20	
Land tax	1	online filing		HUF 200 per square meter	land area	0.20	
Rehabilitation contribution	1	online filing		HUF 152,000	5% of the employees	0.40	
Property tax	1	online filing		HUF 900 per square meter	building area	0.70	
R&D Tax	1	online filing		0.3%	net revenue	0.90	

Fuel tax	1			HUF 85,000 per 1,000 liter	fuel consumption	1.10
Itemized healthcare contribution	1	online filing		HUF 1,950 per month	per employee	1.20
Unemployment contribution	0	paid jointly		1.0%	gross salaries	1.30
Training contribution	0	paid jointly		1.5%	gross salaries	1.70
Solidarity tax	1	online filing		4.0%	profit before taxes	1.80
Health care contribution	0	paid jointly		2.0%	gross salaries	2.70
Local business tax	1	online filing		2.0%	net revenue	5.90
Corporate income tax	1	online filing	35	16.0%	taxable profit	8.10
Pension contribution	1	online filing	146	24.0%	gross salaries	27.10
Totals	14		277			53.3

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

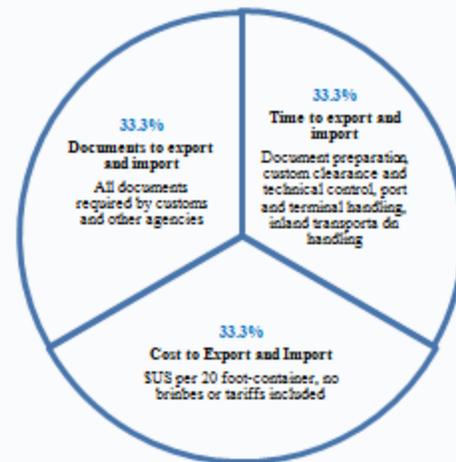
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

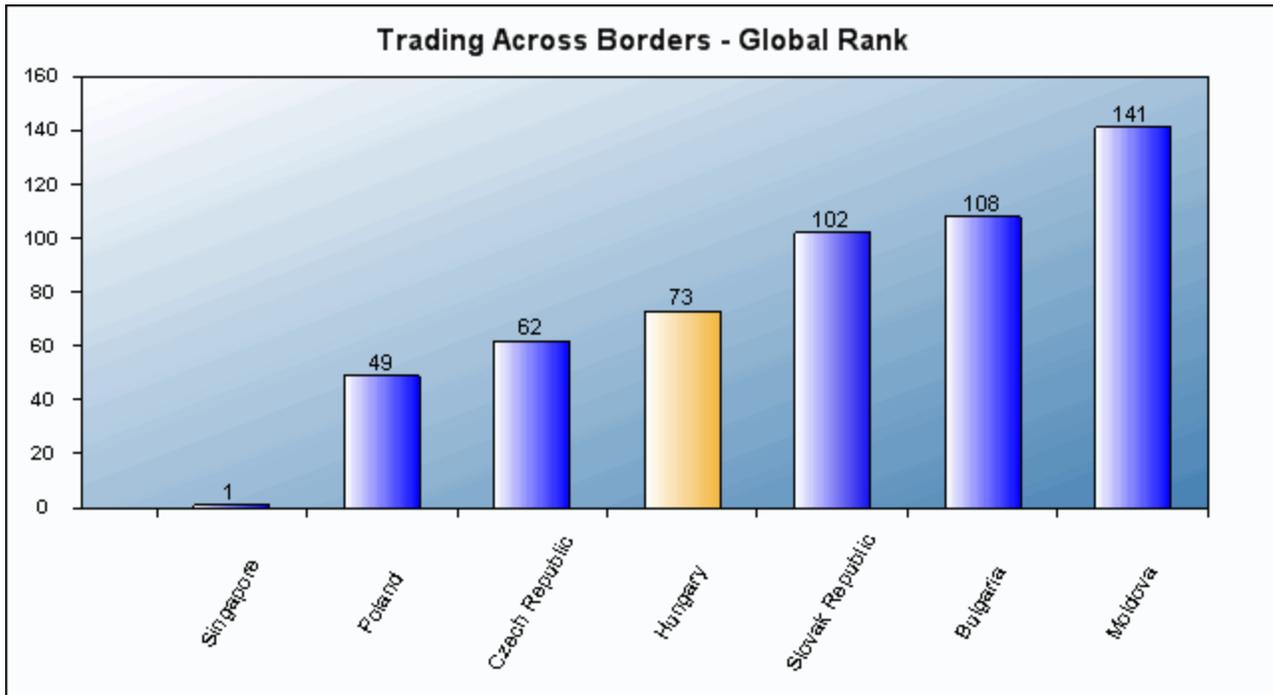
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Hungary is ranked 73 overall for Trading Across Borders.

Ranking of Hungary in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Hungary	5	18	1225	7	17	1215

<i>Comparator Economies</i>						
Bulgaria	5	23	1551	7	21	1666
Czech Republic	4	17	1060	7	20	1165
Moldova	6	32	1765	7	35	1960
Poland	5	17	884	5	25	884
Slovak Republic	6	17	1530	8	19	1505

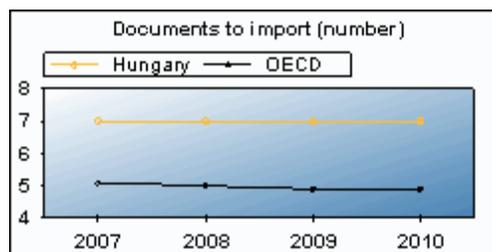
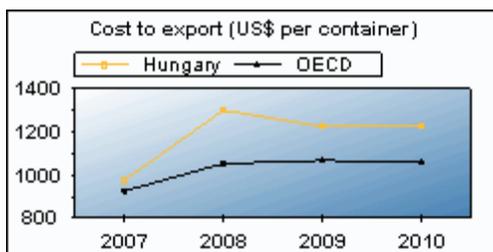
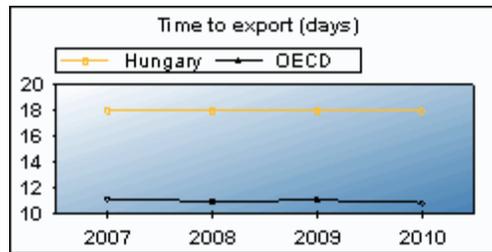
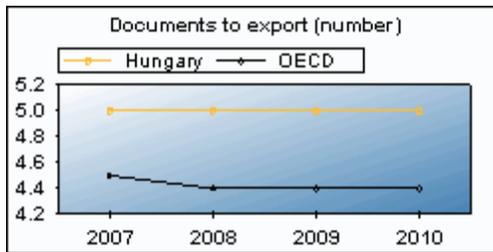
* The following economies are also good practice economies for :

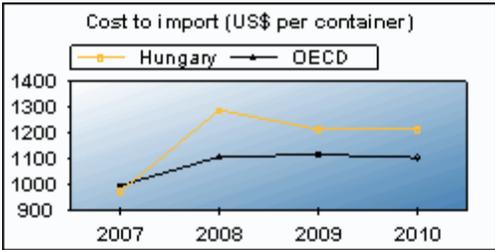
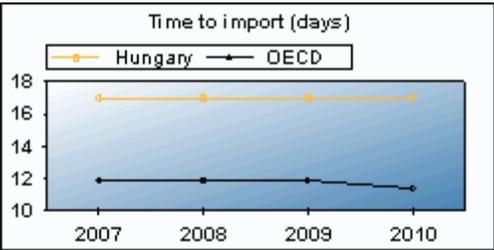
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Hungary

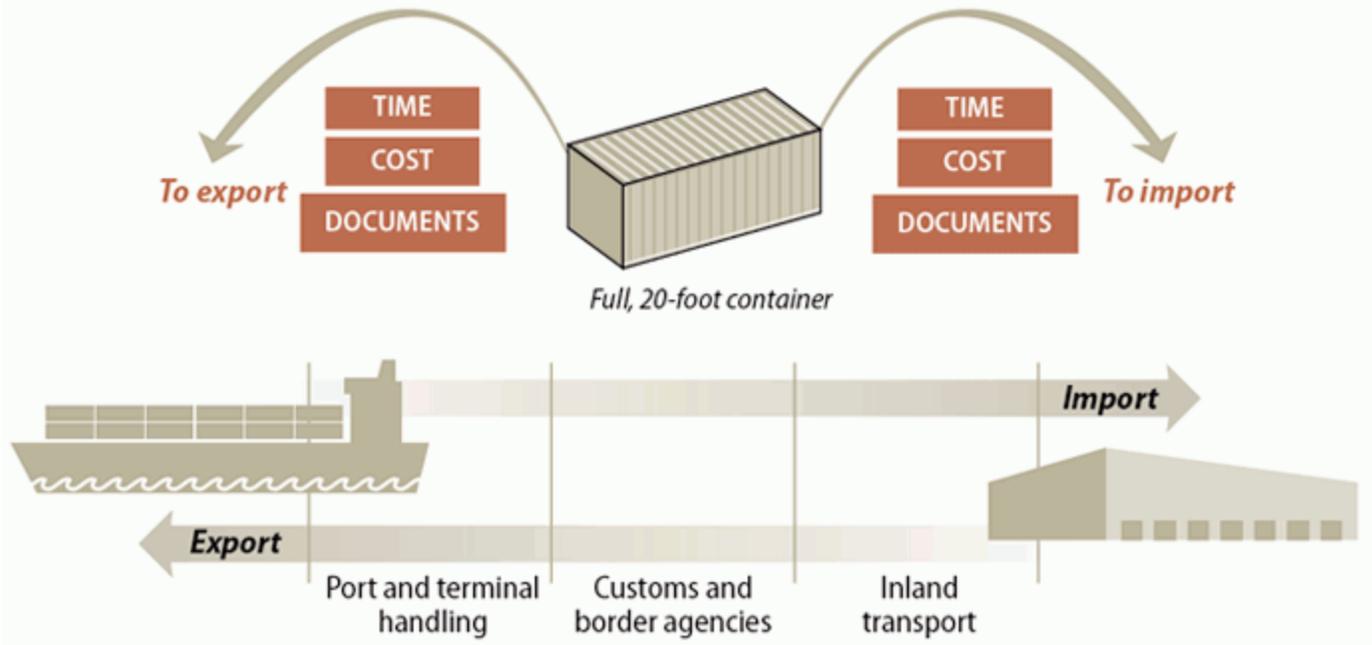
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	73
Cost to export (US\$ per container)	975	1300	1225	1225
Cost to import (US\$ per container)	975	1290	1215	1215
Documents to export (number)	5	5	5	5
Documents to import (number)	7	7	7	7
Time to export (days)	18	18	18	18
Time to import (days)	17	17	17	17

3. The following graphs illustrate the Trading Across Borders sub indicators in Hungary over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Hungary. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	7	205
Customs clearance and technical control	4	70
Ports and terminal handling	3	150
Inland transportation and handling	4	800
Totals	18	1225

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	10	195
Customs clearance and technical control	1	70
Ports and terminal handling	2	150
Inland transportation and handling	4	800
Totals	17	1215

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Customs transit document
- Packing list
- Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts
Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

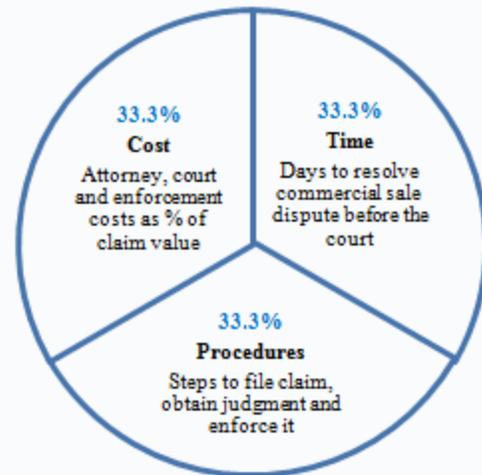
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

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

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



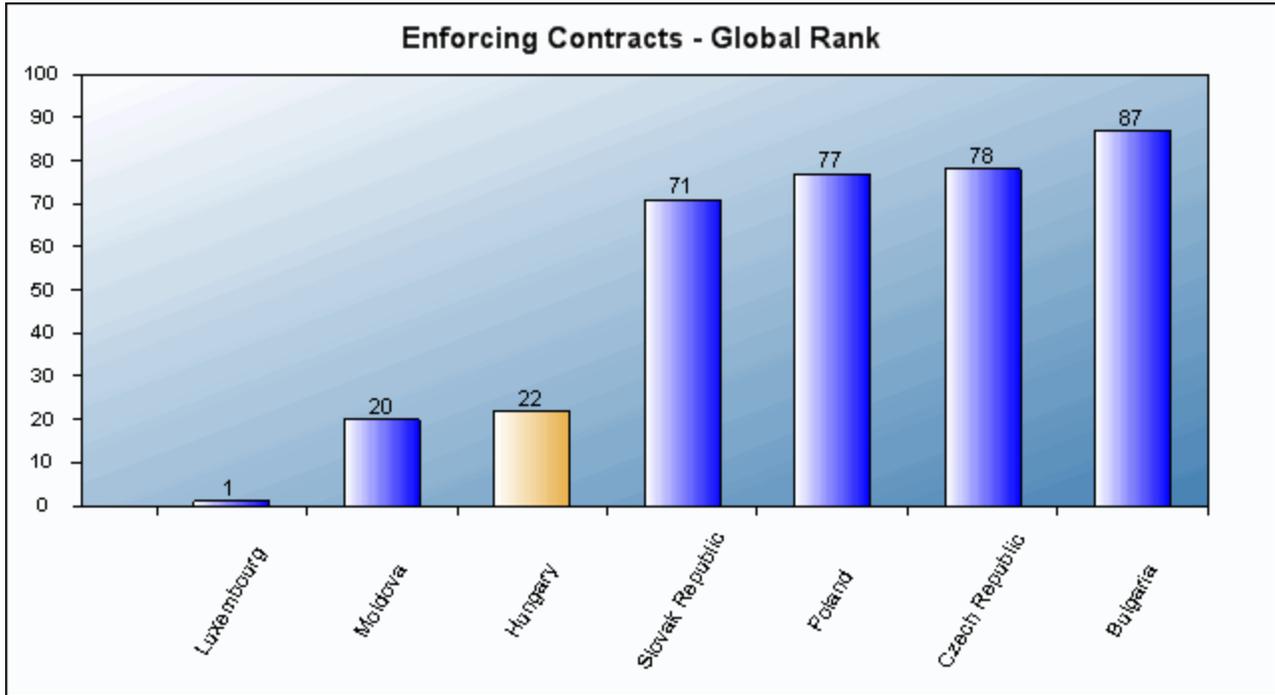
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Hungary is ranked 22 overall for Enforcing Contracts.

Ranking of Hungary in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

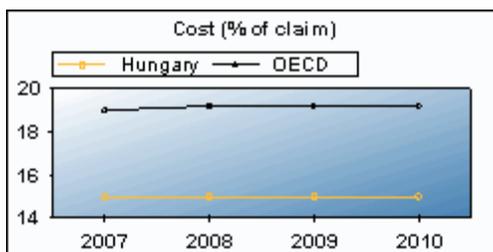
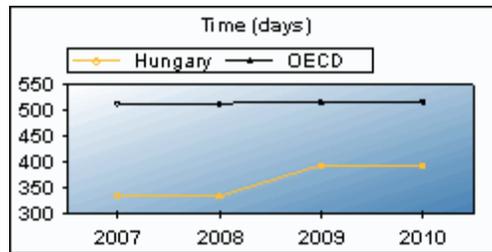
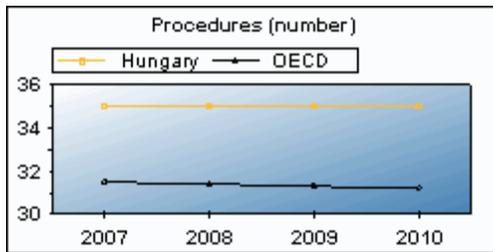
<i>Selected Economy</i>			
Hungary	35	395	15.0

<i>Comparator Economies</i>			
Bulgaria	39	564	23.8
Czech Republic	27	611	33.0
Moldova	31	365	20.9
Poland	38	830	12.0
Slovak Republic	31	565	30.0

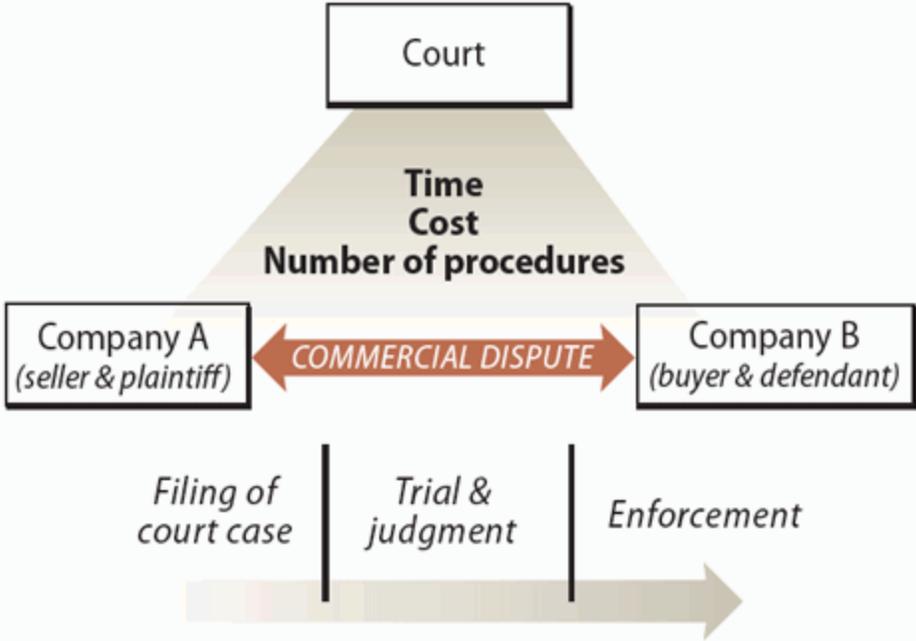
2. Historical data: Enforcing Contracts in Hungary

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	22	22
Procedures (number)	35	35	35	35
Time (days)	335	335	395	395
Cost (% of claim)	15.0	15.0	15.0	15.0

3. The following graphs illustrate the Enforcing Contracts sub indicators in Hungary over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Hungary.

Nature of Procedure (2010)	Indicator
Procedures (number)	35
Time (days)	395
Filing and service	60.0
Trial and judgment	245.0
Enforcement of judgment	90.0
Cost (% of claim)*	15.00
Attorney cost (% of claim)	5.0
Court cost (% of claim)	8.0
Enforcement Cost (% of claim)	2.0

Court information: Pest or Buda Central District ("Pesti Központi Kerületi Bíróság / Budai Központi Kerületi
Court Bíróság")

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

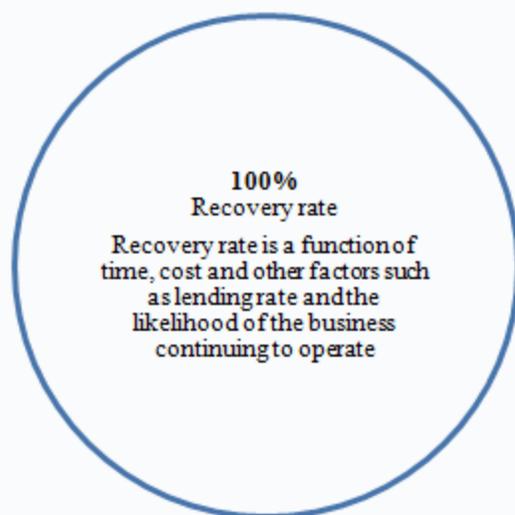
- Measured in calendar years
- Appeals and requests for extension are included

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

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

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



Case Study Assumptions

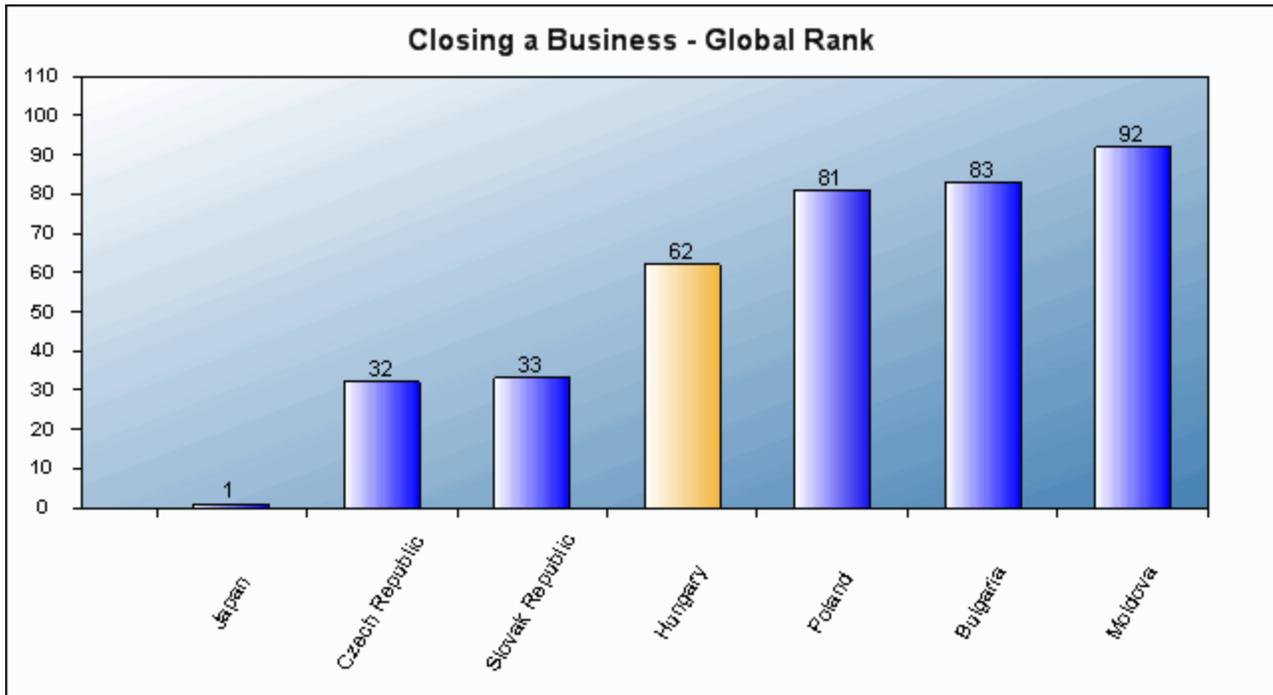
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Hungary is ranked 62 overall for Closing a Business.

Ranking of Hungary in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Hungary compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Hungary	37.9	2.0	15

<i>Comparator Economies</i>			
Bulgaria	31.0	3.3	9
Czech Republic	55.9	3.2	17
Moldova	28.2	2.8	9
Poland	31.3	3.0	20
Slovak Republic	55.3	4.0	18

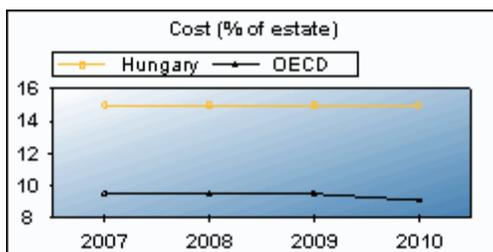
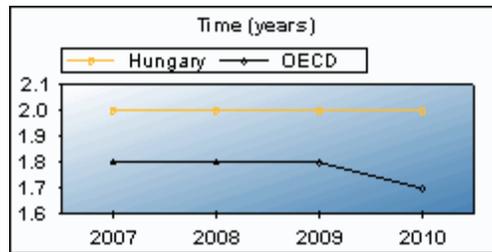
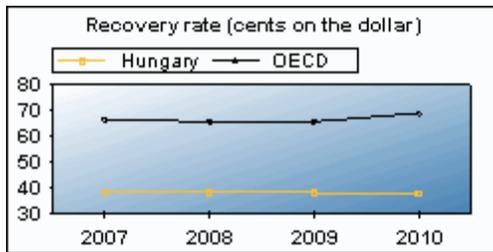
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Hungary

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	58	62
Time (years)	2.0	2.0	2.0	2.0
Cost (% of estate)	15	15	15	15
Recovery rate (cents on the dollar)	38.4	38.4	38.4	37.9

3. The following graphs illustrate the Closing Business sub indicators in Hungary over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Kazakhstan	✓	✓			✓		✓		
Rwanda		✓		✓			✓		
Peru	✓	✓	✓				✓		
Vietnam	✓	✓		✓					
Cape Verde	✓		✓				✓		
Tajikistan	✓				✓		✓		
Zambia	✓						✓	✓	
Hungary		✓	✓				✓		✓
Grenada	✓		✓				✓		
Brunei Darussalam	✓						✓	✓	

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Bulgaria	Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 leva (\$3,250) to 2 leva (\$1.30). Bulgaria reduced employer contribution rates for social security.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Czech Republic	The Czech Republic simplified its labor tax processes and reduced employer contribution rates for social security. The Czech Republic made it easier to deal with insolvency by introducing further legal amendments to restrict setoffs in insolvency cases and suspending for some insolvent debtors the obligation to file for bankruptcy.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Moldova	Moldova reduced employer contribution rates for social security.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Poland	Poland eased property registration by computerizing its land registry.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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