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COMPANY FORMATION HUNGARY FAQ

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COST OF LIVING & START-UP COSTS

Can you give me an idea of living costs in Budapest?

The average salary in Budapest is around EUR 500-600 net per month; however, as a foreigner you cannot expect to live on this amount because you also need to consider the cost of rental and starting expenses. Realistically, you should calculate a minimum of EUR 300 per person for accommodation and utilities, and another EUR 600-800/person for living expenses. Naturally much of this depends on your lifestyle and expectations; we will be happy to make some calculations for you specifically.

What is the approximate cost of housing in Hungary? What size of apartment/house will I need?

Prices vary greatly based on the property's quality, location and size. For example, a one-bedroom apartment in the city center starts from EUR 300/mo. plus utilities but can go up to a much higher price if the location is premium or the apartment is of luxury quality. Meanwhile, you may be able to find a house suitable for a family of four from EUR 400-500/mo. plus utilities in the suburbs. We will conduct a search for you based on a detailed questionnaire, where you will be able to specify your budget and preferences. For immigration purposes, the minimum housing requirement is one room (min. 20 sq.m.) of living space per person.

How much do I need in order to start a business and get settled into life in Hungary?

Hungary is not an expensive place to live, compared to many other parts of the world. Especially services, labor and property can be acquired for a fraction of the cost you would expect to pay in Western Europe, the US or the Middle East. However, many of our clients make the initial mistake of underestimating their starting budget – remember that relocating to another country and starting a new business will entail some start-up costs before you can settle into a monthly routine. Because of this, we recommend that you consult with your account manager and provide as much information about your plans as possible, so we can propose a realistic budget for you. Keep in mind that we can only work with the information you provide us, and we cannot answer overly general questions like “how much does it cost to start a business” or “what will be my monthly spending” without understanding your plans, preferences and lifestyle. Once we have a few discussions, however, we will be happy to give you advice and do the required research whenever necessary.

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COMPANY STRUCTURE & BUSINESS PLAN

How many directors can I have in my company? Can they all get residency in Hungary?

One director per company can get residency without a work permit if he/she has an active role in the running of the company and has the required qualifications/experience. The other directors will need a work permit to become employed with the company OR the company must have at least three Hungarian employees per additional director. So, for example, if there are two directors, the first director will not need a work permit, while the second director will have to get a work permit before applying for residency unless the company employs minimum three Hungarians.

What is the main point of the business plan, and what determines its price?

The business plan is an obligatory part of the residency application, and it must show (via precise market information, financial calculations and supporting documents) that:

- the company is viable and its plans are realistic
- the director (i.e. the applicant) is capable of running the company successfully
- the director's full-time presence in Hungary is required for the company's operations
- the company will produce enough profit to support its own operations as well as the livelihood of the applicant (and the dependents of the applicant, if any)

When providing a quote for the business plan, we take into consideration the amount and quality of the input provided by the director and the amount of market research we will have to carry out in order to produce a quality business plan. It is important to keep in mind that if the business plan is not properly researched and the data/assumptions included in it are not realistic, this will put the application at risk; further, it will be very difficult to implement the business plan, which will cause problems when the resident permit needs to be renewed. Because of this, we can only undertake the preparation of the business plan and assume responsibility for its acceptance by the consulate or immigration authority if proper background research has been conducted by the applicant or by us.

Can you help me find a business idea? Or business partners?

The main business idea for your Hungarian company has to come from you, for two reasons. Firstly, your residency will depend on the business plan, so we have to make sure the business is designed in such a way that you are able to run it successfully and you have all the required resources for this. Otherwise, we will end up making promises in the business plan that you cannot keep – and this will cause serious problems at the renewal, when you will have to show how much of the business plan has been carried out. Secondly, anything that is stated in the business plan has to be implemented in reality as much as possible, which can have financial implications for you. At the same time, of course we can help you make your basic business idea more precise, find the required information, contacts or resources, and provide the local know-how to convert your idea into a concrete plan.

I don't know too much about the Hungarian market. How can I start a business here?

If you are not pressed for time, we recommend that you spend a few months (with our help) on market research – once you have a basic idea or several ideas, we can investigate the feasibility of these ideas and advise on the implementation. This way, we can ensure that the business is

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set up in the optimal way for you. Alternatively, if you are interested in starting immediately, we can assist you in finding a local company that is already in operation and looking for investment – this way you can invest into a running business while also becoming eligible for residency. Usually this solution requires between EUR 80K and 200K investment so it's more costly but in some ways less risky than starting your own business from scratch.

Am I eligible for residency if I buy property in Hungary?

Just owning property (or owning a company that manages property) does not qualify you for residency since in the application process we have to show that you as the company director must be based in Hungary full-time in order to run the company. So, in order to justify a residency application the company must rely on your personal expertise and experience (e.g. if you are already working in real estate and plan to start an investment portfolio in Budapest, or if you have experience in property management and wish to carry this over to Hungary). If your investment is significant, or if there is activity other than simple ownership (e.g. running a hotel) then this may be an option.

What happens if my company is inactive at the start, while I'm making my preparations?

As a rule, we recommend that you do not leave the company inactive for a very long period of time. Either start the residency application within three months of the company's incorporation (in which case we do not have to provide a special explanation for the lack of activity since the company is so new) OR start making transactions on the company even before submitting the permit application (e.g. hire some staff, make a few sales, rent an office, acquire any licenses needed, etc.) In our experience, the best procedures are the ones that are concluded within six months.

As director, do I have to live in Hungary full-time in order to maintain my residency?

No; it is understood that you are a businessperson and may need to travel a lot, especially if you have businesses elsewhere. However, bear in mind that the company's activities or the proposals made in the business plan may require you to visit Hungary frequently or to spend significant amounts of time here. Please discuss this with us, in order to avoid jeopardizing your chances of renewal.

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Can you provide me with an invitation letter if I'd like to visit in person to set up my company?

We are happy to provide invitation letters (certified by the Immigration Authority) for all clients who have a signed service agreement with us and have made a deposit on our fees. Unfortunately we cannot give invitation letters without a contract, due to reasons of liability.

How long does my passport need to be valid when applying for a resident permit?

Your passport must be valid at least 30 days longer than the permit you are applying for; this means that if your passport is close to expiring, you will need to renew it before applying for a resident permit, otherwise your permit will only be issued up to the expiry date of your passport.

What is the procedure for renewing my permit?

Minimum 30 days before the expiry of your resident permit, we must submit an application for renewal. In this procedure, we have to confirm that the details of the original application are still in place (e.g. your business is still operational, and you still have a place to live in Hungary, and so on), report any changes that may have happened, and also provide information about the first year of operation of your company, including taxation details and an updated business plan. If the business has taken a very different direction from the one that we originally proposed in the business plan, we have to explain what the adjustments were and why you chose to change the original plan. It is important to keep in mind that if the company has had no or very little activity in the first year, it will be very difficult to extend the director's permit, which is why we insist on a realistic business plan.

What options can you offer for payment for your services, for apartment rental, or for other costs?

Our fees can be paid via bank transfer to our company account, in cash in our office, or via Western Union. In each case, we request that you assume all banking or exchange charges. Payment is always against a fiscal invoice, which is made out to you personally, or to your Hungarian or foreign business. Our fees are fully deductible as a business expense. All other costs (taxes, rental fees, utilities) must be paid directly to the providers/authorities, and cannot be paid to Helpers. This means that you will need a bank account, from which you are able to wire these sums, OR (for cash payments) you can deposit cash with us at our office or via Western Union and we can make payments on your behalf.

What kinds of insurance are acceptable? How does state health insurance work?

The company director must be employed with the company at least for minimum wage, which entails a monthly cost of about EUR 220 in taxes. This includes state health insurance, which provides comprehensive coverage in Hungary and basic coverage in the rest of the EU as well. This option is available as soon as the resident permit is granted; until then you will need to contract a private health insurance provider (we can assist with this). The director is covered by state insurance, but his/her spouse and his/her children only become eligible if they pay up 6+1 months of contributions. Alternatively, they can apply for private health plans. The general rule is that each resident must have either state health care or an equivalent, comprehensive private policy; however, employees and company directors are obligated to pay for state health insurance by law.