

NEWSLETTER

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1. The legislation governing the activities of professional Business Address Services Providers has recently changed

A new IM Decree was recently issued, amending previous IM Decree No. 7/2017 (VI.1.), which is meant to govern the activities pursued by professional Business Address Services Providers (hereinafter referred to as "BASP"), (which earlier entered into force on 1 July 2017), the effective date of such new decree being 19 July 2017.

The most important novelty factor introduced by the new legislation is that while specialist BASPs were previously only authorised to pursue their activities with the involvement of properties, of which the BASP was the sole, registered owner in the Property Register, or properties, with regards to which the BASP was officially granted with a right of use by the property owner, and this fact being officially registered in the underlying Property Register, now BASPs will be able to offer their services in a more diverse number of cases, given that it is no longer a pre-requisite to meet the above described pre-conditions, in cases when the BASP is able to obtain the prior consent of the property owner, and provided that the parties agreeing to the provision of such services (i.e. the BASP and its Client) are able to meet one of the following additional conditions: (a) the BASP and the Client are affiliated companies, or they hold a major ownership share or business stake in the other entity, or (b) the BASP is officially registered as the Client's formal service agent in the underlying Company Register, or (c) there is a long-term agreement in place between the parties for the provision of bookkeeping services, in addition to the BASP services being rendered, meaning that in such additional cases the BASP is now also enabled to provide the specialist services.

Other elements of the new legislation are meant to lay down the rules applicable to the Services Agreement in place between the parties to such services, the obligations of the BASP to safeguard the Client's official documentation archives and certain assets, the rules applicable on how to display the Client's name on the related property, i.e. serving as the Client's business address, how to officially accept post on behalf of the Client, as well as the mandatory obligation to report on the fact of Business Address Services being provided by the BASP, with regards to each Client, to the Tax Authority. As for how to display the Client's name on the property, the new decree states that the Client's name must be displayed on the building by the BASP in a way properly visible from the street, and as for how to receive mail on behalf of the Client, the new decree states that mail must be accepted on behalf of the Client at the business address registered this way directly, no altering location is accepted for the receipt of mail.

The deadline set for the parties to amend the Services Agreement already in place between them, to properly reflect the changes to the rules, is extended by one year, i.e. till 30 June 2018, or in case there is no written Services Agreement as yet in place between the parties, the parties will be obliged to arrange for signing one by the same deadline.

2. As of 1 January 2018, all business entities will be obliged to report on holding bank accounts abroad

The new rules amending the Act on the Procedural rules of taxation (Art.), laid down in Act LXXVII of 2017 (which Act is meant to generically amend the various tax laws), will enter into force on 1 January 2018. Such new rules are primarily meant to facilitate an overall whitening of the national economy, as it is stated by the lawmakers.

According to such new Art. rules introduced, all Hungarian business entities will be obliged to report on the fact that they hold a bank account outside Hungary, if this being the case, and on the specifics of such bank accounts held. The mandatory reporting obligation will cover all open and valid bank accounts held with any foreign bank, specifying the actual bank account numbers, stating the account holder bank's name, and the dates on which such bank accounts held by the entity were opened and closed, as the case may be. All foreign bank accounts already in use by the entities as of 1 January 2018 will need to be reported to the Tax Authority, by not later than 31 January 2018, in writing, by using the standard data form provided by the Tax Authority for such particular purposes, or in case of companies newly formed, the mandatory reporting deadline will be 15 days upon the relevant company registration application having been filed with the Company Registry. Any failure by any company to comply with such reporting obligations, i.e. submitting the designated data form by including errors, or incomplete, or containing untrue data, or any delayed submission of the same, or a failure to submit such form, will potentially trigger a fine, capped at HUF 600,000.

3. The Tax Authority's former General Department in charge of supervising gambling activities has been transformed into a standalone official authority

Pursuant to the relevant government decree entering into force on 6 July 2017, a new official authority has been created, named Gambling Supervisory Authority, to substitute a former department previously operating under the Tax Authority, to perform the tasks related to the mandatory state supervision of the organisation of gambling. The chief officer of such new Authority will be the Chairman of the Authority, while the Authority will be officially supervised by the Minister in charge of the state supervision activities conducted to organise gambling.

The new Gambling Supervisory Authority will have a territorial scope covering the entire area of Hungary, and will perform all tasks falling under the scope of the state supervision of organising gambling activities, in particular, the new Authority will carry out an official supervision of all activities falling under the scope of the Act on Organising gambling activities (Szjt.), as part of which the Authority will supervise and control the entire gambling operator market, will conduct all related official licensing procedures, will legally and forcefully act against any gambling operators found to be operating unlawfully, or without being properly licensed, will be required to maintain all related official registers, and

will perform all other tasks related to a proper state-level protection of the players involved, or related to a responsible state-level organisation of the gambling market.

4. A fine of HUF 8.12 million was levied for improper product placement, and for violating the rules governing the sponsoring of programmes

The NMHH (National Media and Infocommunications Authority's) Media Council has levied a fine on the Media Service Provider of TV2, in the above specified total amount, for a violation of the rules applicable to product placements and to the sponsoring of media programmes. The infringement established by NMHH effectively took place during Q1 2017, when TV2 published a segment titled "Smart tips" during its programme broadcasted titled "Stahl's kitchen". Although at the start of the programme, TV2 properly warned the audience about the fact that product placement is expected to take place during the programme, in the Media Council's view, the programme inserted a placement of a specific dishwasher machine cleaner brand on a total of 14 occasions during the programme, with too much emphasis given, for quite long time periods, and putting the brand in the spotlight, thus violating the rules imposed on product placements by Mttv. In addition to that, the Media Council also established the fact that the programme has attempted to directly motivate the audience to buy the sponsor's particular brand during the programme on multiple occasions, which was established to also be a violation of the sponsorship rules laid down by Smtv.

5. Various gambling advertisements published were found to be infringing the law

According to an announcement published by NMHH (the National Media and Infocommunications Authority) during July 2017, NMHH issued an official warning against the Media Service Providers of TV channels M4 Sport, Spíler TV, Sport1 and Sport2, on the grounds of publishing advertisements on behalf of an unlicensed gambling operator. The referred channels published advertisements of a particular football related book during the Spring of 2017, as part of which the book cover and various pages of the book clearly displayed the logo of Unibet, a company operating without being properly licensed by the Hungarian Tax Authority, which act was also found to be an indirect commercial message displayed by such TV channels.

We call your attention to that the purpose of our newsletter is general information, its content by no means qualifies as legal advice or opinion in single cases. If you have any question, observation concerning the above, please, contact dr. Pánszky Gyula through the e-mail address gyula.panszky@panszky.hu , or by phone, on the telephone number +36-1-200-3416. Thank you.

Budapest, 27 July, 2017

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