

## ***ABSTRACT: New tax and corporate horizons: Hungary***

• **TAX SYSTEM:** Hungary, is beyond doubt, one of the states with the most dynamic economy, but at the same time, the strongest in Eastern Europe . This has been developed since the fall of the Soviet bloc, economy, highly market-oriented and open to investment by foreign capital and companies. The same political stability helps to ensure that many investors choose Hungary as a country in which to open new commercial and industrial activities leading. From 1<sup>st</sup> January 2013 in the Hungarian tax system two option schemes have been introduced for micro-businesses: KATA and KIVA.

1) The transition to KATA, can occur at any time of the year and has been specially introduced for sole traders and micro-businesses with annual sales up to 6 million guilders. The transition entails two different monthly flat-rate taxes: 50 thousand florins for taxpayers that portray the activity the main source of income; 25 thousand florins for those whose income is derived from other sources. If the revenue exceeds, however, the 6 million guilders taxation is 40%.

2) The second, in acronym KIVA, a flat tax at 16%, is given to companies with revenues up to 500 million forints and less than 25 employees. The move to the KIVA system, unlike the KATA system can only take place once a year.

• **COMPANY LAW:** In Hungary an economic company can only be incorporated as regulated by the Civil Code (Act No. V of 2013).

The types of companies are the following:

- Limited liability company (Kft);
- Company closed shares (Zrt);
- Open joint-stock (Nyrt);
- General partnership (Kkt);
- Limited partnership (Bt);
- Individual Companies;
- Branch;
- Consortium (egyesülés).

• **CONTRIBUTORY SYSTEM:** Hungarian social security system consists of five major sectors:

- Pensions;
- Health services (including statutory insurance scheme against accidents at work) are social insurance;
- The insurance against unemployment;
- The family support system;
- The social assistance scheme.