Dear Reader,

Smart. Ambitious. Competitive. Three words are to describe why you can consider Hungary as an ideal location for your growing business. Hungary is a bustling business hub situated right at the very heart of Europe; physically and in historical, geographical, cultural and economic terms, all destinations are within easy reach. As a full European Union member, companies coming to do business here join the EU market of more than 500 million people. Hungary is an open economy and particular emphasis is placed on encouraging foreign direct investment. Partnership with potential investors is considered a national priority and special attention is paid to the needs of companies already established in Hungary and to the further improvement of the business climate. More than 40 of the world’s 80 largest multinationals, and many of their SME suppliers, have established a long-term presence here, benefiting from the highly skilled workforce, access to world-class universities, an advantageous location, qualified suppliers, and from an advanced business infrastructure. Investors do not simply regard Hungary as an ideal production location, but also as a remarkable “advanced manufacturing & innovation centre” of Europe. This trend is in line with Hungary’s intention to further increase the number of investments generating high added value. In addition to the ‘Made in Hungary’ type of projects, increasing emphasis is put on “Invented in Hungary” type of investments. Besides reducing the corporate income tax to a 9% flat rate, Hungary introduced new forms of cash incentive measures in January 2017, optimised in March 2019 to enhance corporate R&D activities and the realization of technology-intensive investments. Not only Budapest, but rural cities and regions are also becoming increasingly attractive to foreign investors in Hungary. The prominent universities in the countryside serve as knowledge basis for companies, the research institutions are a testament to Hungary’s traditional strengths in science and technology. The one-stop-shop management consultancy services of the Hungarian Investment Promotion Agency (HIPA) ensure tailor-made offers and information packages for you. You will also get access to necessary information about available investment sites, incentives, the labour market, business environment, local suppliers and more. We support you in making strategic investment decisions by providing accurate information and relevant advice, and we also mediate between the government and businesses based on your inputs to ensure our common success.

Between 2014 and H1 2019 HIPA contributed to 435 successful investment projects in Hungary, representing more than 82,000 newly created jobs and approximately EUR 16.4 billion in investment volume. Following the success of 2018, HIPA was awarded by the prestigious Site Selection Magazine as the Best IPA in Eastern Europe and Central Asia based on its survey with 1000+ participants in 2019 once again.

Now, it’s your turn to explore the opportunities that Hungary can offer your business.
YOU CAN
MAKE THE MOST OF THE
COUNTRY’S STRATEGIC
LOCATION AND ITS OPEN
ECONOMY.
PARTNERSHIP WITH
INVESTORS IS A NATIONAL
PRIORITY IN HUNGARY.

WHO IS INVESTING?

Achim Heinfling
Managing Director of AUDI HUNGARIA Zrt.

“We decided to establish a production unit in Hungary 25 years ago. Since then AUDI HUNGARIA Zrt. has become the biggest engine factory and one of the most modern car production plants of the world. It employs more than 12,000 people. The central location of Hungary, the advanced infrastructure, the stable political and economic conditions of Hungary as an industrial site and skilled workforce all contribute to the success of our company. We are at home in Hungary, in a beautiful city, in Győr.”

Hungary has one of the most open economies of Europe, with an FDI stock of around EUR 80 billion.
Inflation 2.8% (2018, HCSO)

Average gross earnings €1,035 (of full-time employees) (2018, HCSO)

Budget balance -2.2% (2.2% of GDP) (2018, HCSO)

Inward FDI stock 56% (of GDP) (2018, wiww)

GDP (PPS) €199,028 million (2017, HCSO)

GDP / capita (PPS) €20,334 (2017, HCSO)

GDP growth 4.9% (2018, HCSO)

MNB = the Central Bank of Hungary
HCSO = Hungarian Central Statistical Office

Jaguar Land Rover opened a new technical engineering office in Budapest to support the corporate R&D, engineering and manufacturing functions headquartered in the UK. The reason why we came to Hungary was its strong track record of automotive engineering talent and the close proximity of many key automotive suppliers.

Nevijo Mance
Director Engineering
Hungary

ABOUT HUNGARY
KEY FIGURES

INVESTMENT GRADE
WITH STABLE OUTLOOK

Upgraded by Fitch and S&P in 2019

Invest in Hungary
FRÖCCS
Quality Hungarian white or rosé wine mixed with soda water: this is what we call fröccs, the official drink of spring, summer and autumn in Hungary.

RUIN PUBS
An abandoned building turned into a new wave, uniquely Hungarian bar, with creative thrift-shop decor and a huge dose of Hungarian passion!

LIVING IN HUNGARY

GASTRO STORY
The dining scene in Budapest is livelier than ever, practically you can find the cuisines of every culture in the capital, from high-end Michelin-star restaurants to no-frill eateries, small bistros and must-try food trucks.

BUDAPEST
Budapest is a vibrant capital city with an outstanding cultural life and magnificent historic spas: a true metropolis that offers unforgettable experiences in every season. It is famed for its breathtaking architecture and photogenic river scenery.

HUNGARY
This is a land with 1,000 years of history and a unique fusion of Eastern and Western cultures. This is a land where the River Danube flows through one of the most beautiful capitals in the world. This is a land where rejuvenating thermal springs run just below the surface. This is a land called Hungary!

YOU CAN ENJOY AN EXCEPTIONAL QUALITY OF LIFE

BUDAPEST

Invest in Hungary

BUDAPEST ranked #1 European destination for 2019 by European Best Destinations.

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Quality Hungarian white or rosé wine mixed with soda water: this is what we call fröccs, the official drink of spring, summer and autumn in Hungary.

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Invest in Hungary

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FROCCS
Quality Hungarian white or rosé wine mixed with soda water: this is what we call fröccs, the official drink of spring, summer and autumn in Hungary.
INTERNATIONAL SCHOOLS
Expatriates looking to stick with the curricula of their home countries can choose from a range of private international schools for their children. There are also many English, German or French public and private pre-schools for children aged from three to six. The school year starts in September and ends in June, and school buses are usually available at private schools. There are many opportunities to study in a foreign language at universities too.

COUNTRYSIDE
Hungary’s diverse countryside has adventure on offer for lovers of outdoor activities: 22,000 kilometres of hiking routes, more than 4,200 kilometres of cycle paths, 14 golf courses; 10 national parks; and many protected nature reserves for those in love with fresh air. The protected Puszta-regions, the Great Plain, the romantic Danube Bend with its historic sites, and pretty baroque towns such as Eger attract visitors in every season. Lake Balaton, the largest fresh water lake in Central Europe, is a perfect holiday resort.

4 Hungarian cities among the 15 most romantic towns in central Europe by CNNtravel

THERMAL WATER
Hungary is blessed with an abundance of thermal water, and its bathing culture is supported by excellent facilities. The world’s largest thermal lake suitable for bathing is in the Western Hungarian town of Hévíz; the water temperature never drops below a friendly 79°F/26°C, so a dip is possible at any time of year!

Did you know that...
...the kindergarten and the elementary school division of the International School of Debrecen has started to operate in September 2019 and its upper school education starts running from September 2020?
IN ORDER TO IMPROVE THE BUSINESS CLIMATE, THE HUNGARIAN GOVERNMENT...

- Has created the most competitive CIT in the EU with 9% flat rate.
- Has optimised the new incentive scheme supporting technology intensive investments.
- Has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.
- Has introduced its unique economic development plan based on Industry 4.0 requirements.
- Has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.
- Has optimised the new incentive scheme supporting technology intensive investments.
- Further improved the practice-based dual education system built on industry needs.
- Is helping companies to function reliably by providing a clear agenda on economic development and FDI strategy.
- Offers companies a strategic partnership, and provides them with fast access to the Government.
- Is committed to further reduce taxes on employment.
EXIM’s objective is – while assessing and channelling the needs of exporters – to provide a coherent range of lending, guarantee and insurance products that cover the entire spectrum of export activity, from production through manufacturing to the support of the sales process. EXIM supported exports valued at approximately EUR 621 million in 2018.

The Hungarian state-owned bank disbursed new loans of EUR 1.02 billion, and had a combined loan and guarantee portfolio of EUR 2.76 billion at the end of 2018.

In 2014 an institutional triangle was created to support the foreign trade focused foreign policy of the Hungarian Government. The triangle covers the fields of investment promotion, trade development and export financing as well. Following these changes, Hungary’s exports reached a record value of EUR 105 billion in 2018. The foreign trade surplus was EUR 5.5 billion.

With the support of the Hungarian Investment Promotion Agency (HIPA), positive decisions were made in the case of 98 investment projects in 2018. As a result, 17,024 new jobs will be created and foreign capital worth over EUR 4.3 billion will come to the country. The strategic partnership programme of the Hungarian Government is also operated by HIPA, counting over 80 partners to date.

Foreign trade is a priority in the day-to-day tasks of Hungarian diplomacy, supported by an extensive network of 114 local representations in 82 countries.
BUSINESS ENVIRONMENT
SAFETY AND STABILITY

SAFE HAVEN IN THE CARPATHIAN BASIN

extremely low probability of earthquakes with damaging force

protected from extreme weather conditions

temperate continental climate

POLITICAL STABILITY
• foreign trade focused foreign policy
• commitment on improving the business climate

CYBER SECURITY
Cyber security protection of critical infrastructure is the most advanced in CEE

Hungarian developers ranked nr. 5 globally across all hacker rank challenges

Highly skilled programmers and ethic hackers

For more than 130 years, Siemens has developed a strong footprint in Hungary and has contributed significantly to the economic and social development of the country with its expertise and manufacturing capabilities. We have committed, motivated and well-educated Hungarian colleagues, who ingeniously work for achieving excellent results on all levels in all fields – from skilled craftsmen to engineers, from business managers to software developers.

Dale A. Martin
CEO
Siemens Zrt.

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Invest in Hungary
The Hungarian banking system includes 31 banks, 11 specialised credit institutions and 12 co-operative credit institutions. With regard to the dominant commercial banks in Hungary, both local subsidiaries of major foreign financial institutions (e.g. Erste, Raiffeisen, UniCredit, Intesa Sanpaolo, KBC) and Hungarian-owned banks are represented. The largest commercial bank in Hungary is the publicly listed OTP Bank Plc.

According to the Central Bank of Hungary (MNB), the banking sector is stable in terms of liquidity and capital adequacy, moreover, it has a favourable profitability outlook. The banking sector can be characterised by intense competition, improving economic prospects, easing credit conditions and accelerating expansion in corporate lending as well. The total corporate loans outstanding rose by 16% in the second quarter of 2019 compared to the same period of 2018. The corporate loans outstanding of small and medium-sized enterprises, which account for a large ratio of the corporate sector rose by almost 13 per cent in annual terms. Lending is expected to rise further due to the stronger economic growth in Hungary compared to previous years and the low interest rate environment. With a view to shifting lending towards a more favourable structure, the Central Bank of Hungary launched the Funding for Growth Scheme Fix (FGS fix) at the beginning of 2019, with a facility amount of HUF 1,000 billion.

The objective of the Hungarian Export-Import Bank (EXIM) and the Hungarian Export Credit Insurance Plc. (MEHIB) is to serve Hungarian exporters through the provision of effective financing and insurance facilities. Acting as a tool for providing economic-policy incentive, the mission of EXIM and MEHIB is to support Hungarian exporting enterprises in facilitating the retention of jobs, growth in employment and an expansion of Hungary’s export capacities.

The state-owned EXIM and MEHIB perform the tasks of Hungary’s export credit agency, which are regulated by the legislative frameworks of the OECD and the EU, with the basic objective of facilitating the sale of Hungarian goods and services in foreign markets. The Bank and the Insurer, which operate within an integrated framework, carry out their duties with a shared organisation and corporate identity, under the name of EXIM.
Did you know that…

Hungary continuously improves its taxation system to help driving innovation and growth in various industries?

The general VAT rate is 27%, reduced rates are 18% (e.g. bread, cereals, some dairy products, commercial accommodation services) and 5% (e.g. meat, egg, fish, journals, books, pharmaceuticals, medical appliances, internet and district heating services). VAT-exempt services are mainly financial, banking, insurance, healthcare, education, sport, postal, certain investment-related services, sale and rental of real estate.

**CORPORATE INCOME TAX**

9%

In 2017 a flat corporate income tax replaced the former progressive system in Hungary. The tax rate amounts to 9%.

**OTHER DIRECT TAXES**

2/0.3%

The local business tax is maximum 2%, the innovation contribution is 0.3%.

During the period of 2017–July 2019, the social contribution tax rate of 27% payable by the employers was reduced to 17.5% in three steps. The procedural rules of taxation have been significantly changed from 2018 in order to shorten the tax procedures and strengthen the service provider status of the Hungarian tax authority. From 2019, generous social contribution tax allowances are also available for companies employing people (re-)entering the labour market or carrying out R&D activities.

"Hungary has a favourable tax and financial environment as well as a suitable workforce. The government’s measures and available EU funds facilitate R&D activities and foster the development of digital environments. In addition, reduced employer contributions, supplier and investment promotion projects, as well as a dual vocational training system are all advantageous features."
FOR REGISTRATION TO THE HUNGARIAN COURT OF REGISTRY
The company is assigned a tax number by the tax administration. The Court of Registry decides on the registration of the company within one business day after the issuance of the tax number in case of simplified proceedings and within 15 business days after the receipt of the application in case of normal company registration proceedings. Attention must be paid to the fact, however, that in case the tax administration does not notify the Court of Registry of the tax number within one business day, then the proceedings have to be suspended, and therefore, the company registration proceedings may require more time.

DRAFTING THE DOCUMENTS
OPENING THE BANK ACCOUNT
SUBMITTING THE APPLICATION
REGISTRATION

1. DRAFTING THE DOCUMENTS
2. OPENING THE BANK ACCOUNT
3. SUBMITTING THE APPLICATION
4. REGISTRATION

CONGRATULATIONS ON YOUR NEW COMPANY!

NUMBER OF DAYS TO START A BUSINESS

HUNGARY 7 days 8
SLOVENIA 8
CZECH REPUBLIC 24.5
SLOVAK REPUBLIC 26.5
ROMANIA 35
POLAND 37

Invest in Hungary
Did you know that…

…Hungary lies at the crossroads of three TEN-T corridors?
Thanks to Hungary's highly developed transport infrastructure and an established background in logistics, companies can benefit from remarkably high efficiency and added value - enabling them to dramatically improve the quality of their services. Hungary has one of the highest motorway densities not only in Europe, but in the whole world. 6 European capitals can be reached from Budapest within only a few hours' drive on motorway.
Hungary has direct connection to all significant harbours and terminals in Europe. Several main train lines connect Hungary with the main ports of Western Europe (e.g. Hamburg, Bremerhaven, Rotterdam), the Adriatic (Koper, Rijeka, Trieste) and the Mediterranean (Piraeus) with regular block train services.
The railway network spans the entire country and is an integral part of the international railway network, thus providing easy access by international express trains from the neighbouring regions and numerous other European countries. The total length of the Hungarian railway system is 7,712 km, of which 1,224 km (15.9%) is double-track, whilst the electrified railway network has a total length of 3,083 km (40%).
Hungary is landlocked but has access to the North Sea and the Black Sea via the river Danube. The Danube-Rhine-Main Canal connects Rotterdam, Amsterdam, Antwerp and the industrial centres of Western Europe with the Black Sea, through the Danube–Black Sea Canal with Constanta.
Hungary is within two hours by air from most major European capitals, and provides a key link between Europe and the rapidly expanding markets of the East.

Budapest Airport had 13.5% increase in passenger numbers and 14.9% increase in cargo volumes in 2018, serving millions of businesses and passengers. More than 142 direct flights are operated from Budapest to North-America, Middle East, China and almost all European countries.

As part of the current EUR 160 million bud: 2020 Development Program, Cargo City a 21,600 sqm new dedicated air cargo handling facility is to be handed over in Q4 2019, expanding the hub’s cargo handling capacity to 250,000 tons per year.

### NUMBER OF DIRECT FLIGHTS FROM BUDAPEST A WEEK

<table>
<thead>
<tr>
<th>Destination</th>
<th>Weekly Flights</th>
<th>Flying Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>6X</td>
<td></td>
</tr>
<tr>
<td>Berlin</td>
<td>40 / 1:30</td>
<td></td>
</tr>
<tr>
<td>Doha</td>
<td>14 / 5:20</td>
<td></td>
</tr>
<tr>
<td>Istanbul</td>
<td>28 / 2:05</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>4 / 9:45</td>
<td></td>
</tr>
<tr>
<td>Seoul</td>
<td>3 / 12:45</td>
<td></td>
</tr>
<tr>
<td>Shanghai</td>
<td>3 / 10:30</td>
<td></td>
</tr>
<tr>
<td>Tel Aviv</td>
<td>21 / 3:15</td>
<td></td>
</tr>
<tr>
<td>Tokyo</td>
<td>10 / 9:40</td>
<td></td>
</tr>
<tr>
<td>Vienna</td>
<td>21 / 0:45</td>
<td></td>
</tr>
<tr>
<td>Zurich</td>
<td>21 / 1:40</td>
<td></td>
</tr>
</tbody>
</table>

### MORE THAN 142 CITIES ARE DIRECTLY AVAILABLE

### CHART: MORE THAN 14.9 MILLION PASSENGERS IN 2018


bud: 2020

As part of the current EUR 160 million bud: 2020 Development Program, Cargo City a 21,600 sqm new dedicated air cargo handling facility is to be handed over in Q4 2019, expanding the hub’s cargo handling capacity to 250,000 tons per year.
In terms of offices, there is over 3.63 million sqm of modern office space in the Hungarian capital, making Budapest the second largest office market in CEE.

Until very recently, the city was dotted with construction sites; some 525,800 sqm office space was built in the last five years (2014-2018), while further 512,000 sqm of new supply is anticipated in Budapest by 2020. Consequently, compared to many Western European cities, the capital’s office stock is relatively new. In terms of quality, Budapest does not differ greatly from its Western European peers as most buildings were constructed to internationally accepted German and US standards.

Potential tenants have considerable opportunities, with 265,000 sqm – 7.3% (2019 Q1) of the total office space – currently available. Cost-conscious solutions in newly built properties, as well as effective lay-outs and close-to-city locations are particularly popular with BSCs.

“We are starting to see a metamorphosis within the shared service center arena. When we started service center development, we were heavily reliant on the cost savings that would be generated by moving large groups of people from high cost areas to regions where there was a pool of talent that could fill the jobs that were being created. Since then, we learned that there is a strategic value to proper SSC planning and development, beyond the cost aspect. Shared service centers will focus on the availability of talent in areas such as advanced technologies, quantitative analytics, cyber security, risk and liquidity management and, of course, operational efficiency. These things will weigh more heavily in the determination of where we move our talent. It will create more value added jobs locally and be designed for the availability of those skills in the market. When we opened our service center in Hungary in 2005, we had very high expectations. From my perspective, they have all been met, in large part due to our 2,000 colleagues and key strategic partners like HIPA.”

Kevin A. Murray
Citi’s CEO for Central Europe, CCO for Hungary

According to Cushman & Wakefield’s database, Hungary has one of the lowest rental prices in Category A. (EUR 16/sqm/month) in the region.
Hungary has a highly developed telecommunications system – GSM 900/1,800 MHz mobile frequencies providing 100% physical coverage, and widespread 4G mobile coverage. The telecoms market is fully liberalised: there are numerous internet service providers and mobile network providers in Hungary. The telecoms market, particularly the mobile and broadband sectors, became more dynamic after Hungary’s 2004 EU accession: membership saw an injection of funding as well as increased regulatory oversight.

Hungary’s mobile communications market, like that of its Central European counterparts, is maturing. Services are available from three operators, all of which are majority or fully owned by European operators. Mobile data usage is increasingly popular: all three operators have launched 4G services and a variety of mobile content and applications is available. In order to be competitive among EU countries, large development was announced regarding 5G coverage in Hungary.
Hungary gained a name as a cost competitive manufacturing base of Europe and achieved great success in the economic period of "Made in Hungary 1.0". Nowadays, companies do not simply regard Hungary as an ideal production location but also as a remarkable advanced manufacturing base. The Government aims to shift towards an innovation-focused economy, to switch into a higher gear by accelerating digital transformation. The new industrial revolution is creating a new type of competition in the economy. In line with the global transformation, new forms of cash incentive measures have been introduced from January 1, 2017 to enhance the realization of technology-intensive investments.

The "Ányos Jedlik" Hungarian E-Mobility Cluster is an umbrella organisation of the relevant stakeholders from different areas, such as: automotive companies, energy utilities, universities, research institutions, NGOs, municipalities. They are committed to the development of electric mobility. Main topics of the Ányos Jedlik Plan include e.g. to have around 4,000 electric charging points all over the country until 2019. To support this initiative, tenders are available for cities over 15,000 inhabitants.

Supporting the research-development and innovation (R+D+I) activity relating to the dissemination of e-mobility, domestic manufacturing.

Revising and expanding the legal and taxation conditions supporting electric car use.

Expanding the infrastructure of electric car use with a significant potential of industrial development, facilitating the financing of projects.

Assessing the relationship between public transport and e-mobility.
A NEW CHAPTER FOR INNOVATION
DIGITAL NATION DEVELOPMENT PROGRAM

THE GOALS OF THE DEVELOPMENTS

Improve the efficiency of public administration and the management of day-to-day affairs

Hungary’s fourth generation (4G) mobile Internet coverage will be complete by the end of the year. The current rate is 95% compared to the 59% EU average

The Digital Workforce Program places emphasis on the training of a workforce with a high level of digital professional qualifications within the scheme of vocational training

The Industry 4.0 program supports digital transformation in all sectors of the Hungarian economy

Assessing the relationship between public transport and e-mobility

Adult education, retraining and continuation training

CLICK ON HUNGARY!
The government is implementing an info communication development program to create Digital Hungary

The current rate is 95% compared to the 59% EU average

Invest in Hungary
The Hungarian labour force is well qualified and cost effective, which increases the country’s international competitiveness. The country has several famous and practice-oriented universities, each playing a notable role in the education of the workforce. A large number of high quality research institutions are testament to Hungary’s traditional strengths in science and technology.
Total number of students 281,461
of which 200,130 are full-time
(Tertiary education in Hungary, 2018/2019)
Source: HCSO, QS

BOLOGNA PROCESS

Following the Bologna Process, which aims to achieve pan-European comparability in the standards and quality of higher education qualifications, universities in Hungary offer three levels of degree:
1. BACHELOR
2. MASTER
3. DOCTORATE

Bachelor’s programs typically last three to four years, master’s programs one or two, and doctorate programs three years. In some subjects, it is possible to complete a single five or six year course, combining the bachelor’s and master’s degrees.
(Source: www.topuniversities.com)
In the academic year 2017/2018, over 41,000 full-time students learnt 28 different foreign languages in universities or colleges. The most common languages taught at universities are English, German, French, Spanish, and Russian, but more exotic languages such as Swedish, Norwegian, Finnish, Dutch, Japanese, Chinese, Portuguese and Arabic are also taught.

All tertiary education degrees include at least one foreign language certificate and computer skills.

High level language skills are indispensable for service industry players. Young Hungarians understand, that in order to get ahead in today’s Europe, linguistic skills are essential.

In the school year 2018/2019, 564,329 Hungarian primary school students and 554,954 secondary school students were learning foreign languages, mostly English and German. Hungary has approximately 200 bilingual primary and secondary educational institutions, where over 40,000 young Hungarians study mainly in English, German, French, Italian, Spanish, Russian, and Chinese.

Since Hungary’s entry into the EU, there has been a growing number of native language speakers at our universities, and an increasing number of Hungarians study abroad. Since 1997, Hungary has been part of Erasmus, the EU’s largest and most successful mobility program. Hungary is also an active participant in the Life Long Learning program, which helps to provide international internships for students.

IBM has been continuously operating in Hungary since 1936. In the past decades we have been expanding and growing our presence significantly and today thousands of highly qualified, multilingual IBM employees deliver IT services across Europe and deliver business services in more than 30 languages in 50 countries across 6 continents. In 2017 we opened the IBM Budapest Lab which does R&D in artificial intelligence and cloud services. The key factor of our continuous growth in Hungary is the talented, innovative and dedicated workforce and the high-quality work they deliver. We are particularly proud that our Hungarian colleagues contribute to the global transformation of our company and of our clients.

Peter Rehus
Country leader
IBM

“The EF English Proficiency Index 2018 (%)

HUMAN CAPITAL LANGUAGES

PART OF ERASMUS INTERNATIONAL STUDY PROGRAM

Source: EF English Proficiency Index 2018

Invest in Hungary

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HUMAN CAPITAL

VOCATIONAL EDUCATION

VOCATIONAL TRAINING
IN THE SERVICE OF THE HUNGARIAN ECONOMY

**ACTIONS TAKEN AND RESULTS ACHIEVED**

- The training structure is oriented by professional framework-related decisions
- More transparent, more meaningful accredited (OKJ) training courses which facilitate wider employability
- A practice-oriented system of examination which sets comprehensive knowledge as a requirement, which is simpler than before and is of shorter duration
- Technical school scholarships promote mastering shortage occupations
- Conditions for practical training have improved (development tenders) and training opportunities have increased (more corporate workshops)

**OBJECTIVES**

1. To serve the needs of the economy: to train more skilled workers and technicians
2. Strengthening the dual training: practice-oriented knowledge, reduction of drop-outs due to “work”
3. Increasing the attractiveness (prestige) of vocational training: Encouraging more students to choose vocational training in the future
4. Improving the vocational training system: improving the quality, effectiveness and efficiency of the training

**SIEMENS TRAINING CENTRE**

Supporting the professional development of next generations is an important part of Siemens’ corporate culture. The company started its vocational training program about 20 years ago and opened the Siemens Training Centre in Hungary in 2012. The training system was set up following the example of the successful training programme of professionals in Germany, while also considering the local market conditions and educational system – making Siemens one of the first ones to provide professional training opportunities for talented apprentices.

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**OPEL KNOWLEDGE CENTRE**

Opel’s training centre established with a EUR 1.7 million – that is, half a billion HUF – investment ensures a simultaneous professional training of approximately 100 students. Furthermore, additional 70-80 students participating in the dual training will take part in certain partial trainings in the Szentgotthárd-based centre. The study workshops in the new training centre have been designed to train automatic and mechatronic technicians, machine-based cutting technicians and electricians. In the same place the practical training base has been set up for the Szombathely-based dual mechanical engineer training where the students can master engineering skills.

In 2018, the number of students engaged in vocational dual training was around 54,000.

In the academic year 2018/2019, the number of students engaged in dual education at tertiary level amounted to around 2,000.
According to the remarkable IBM Global Location Trends 2019 report, Hungary continues to be one of the best countries for foreign direct investments (FDI). Based on the results of 2018, Hungary is number 5 globally in the ranking of countries that creates most FDI jobs per million inhabitants. This is considered the most important measure of FDI performance. Moreover, Hungary ranks 7th in Europe in the overall ranking based on job creation, which means a 16th position globally.

The Hungarian Investment Promotion Agency (HIPA) and Hungary has received a prestigious recognition at the Annual Investment Meeting (AIM) congress in Dubai. The AIM Investment Award for the Central, Eastern Europe & Turkey Region has been earned by Hungary by the record-breaking results of 2018, including the BMW Group project that rose international interest among investor communities.
“The BMW Group replies the expected growth with further production capacity in Europe. For two years we have been looking for a suitable region to achieve that goal. A long evaluation process across Europe and its regions led us to Hungary. With Debrecen, we found an ideal location and region: good infrastructure, a decent supplier base and qualified workforce. Since the beginning of 2019 our future plant site is under preparation by the city of Debrecen. Everything is well done and on time. Once the property is transferred to us completely in spring 2020 we will start with our own construction. We are excited to build up our new plant in Debrecen and prepare for production.”
**HUNGARIAN INVESTMENT PROMOTION AGENCY (HIPA)**

Hungarian Investment Promotion Agency (HIPA) is the national investment promotion organisation of Hungary governed by the Ministry of Foreign Affairs and Trade. We contribute to the economic development of the country by promoting Hungary as an ideal location for investments and by providing management consultancy services to investors and prospective investors. In the framework of our policy advisory activities we mediate between business and government and collect company feedback in order to prepare policy proposals to further improve the business environment. We are also responsible for the government incentives for investments and work as the managing body of the VIP cash subsidy system based on individual government decisions. We provide management consultancy services in the fields of location selection, supplier development and mergers and acquisitions in a one-stop-shop service model on a free of charge basis.

**HIPA INVESTMENT SITES**

HIPA operates an internal database of investment sites in Hungary. One of the most comprehensive resources of its kind, the HIPA database is part of the information package for potential investors. The Investment Sites Database, which lists more than 1300 green- and brownfield sites, industrial parks and offices throughout Hungary, simplifies the task of matching investors’ needs to potential locations. Searchable by size, location, available infrastructure and incentives, the database is an excellent starting point for any prospective investor.

**Grzegorz Buchal**
Managing Director
Opel Szentgotthárd

"HIPA is supporting us in each and every aspect. I have never seen so enthusiastic people who are making so many things to support businesses in Hungary."
HOW DO WE SUPPORT YOUR INVESTMENT PROJECT?

BEFORE YOU MAKE A DECISION WE OFFER YOU....

- one-stop-shop management consultancy services to address your business needs.
- tailor-made incentive offers and information packages on the business environment, labour market, tax regulations, etc.
- location search & evaluation + site visits.
- meetings with HR & real estate agencies, law firms and other consultants based on your needs.
- reference visits at companies that are already established in Hungary.
- assistance with your incentive application.

AFTER YOU HAVE CHOSEN HUNGARY

We support your further expansion and plans.
We are open to your feedback and offer mediation between government and business based on your inputs.

PLEASE CONTACT US
Address: 1055 Budapest, Honvéd utca 20.
Customer service: investment@hipa.hu
Telephone: +36 1 872 6520
Web: www.hipa.hu
Did you know that...
...Hungary has become a major player in the CEE region in the fields on autonomous driving related R&D activities and e-mobility?

Did you know that...
...key industry players like Samsung SDI, SK Innovation or GS Yuasa have chosen Hungary as their European manufacturing hub for EV batteries?

Did you know that...
...you can rely on globally acknowledged Hungarian talents at a reasonable cost?

Did you know that...
...apart from Budapest, cities with significant university background have also potential?

Did you know that...
...Hungary deploys world-class road and rail infrastructure and offers uninterrupted supply chain possibilities?

Did you know that...
...100% GMO-free ingredients are available in Hungary?

Did you know that...
...Hungary has 100 years of pharma innovation and expertise?

Did you know that...
...Hungary has significant growth potential in renewable energy utilization based on huge untapped renewable resources?

Did you know that...
...Hungary provides favourable business environment for innovative companies in medical technology?
For INTEGRATORS

**Market information**
Providing information about the existing supplier ecosystem before the investment decisions.

**Supplier database**
Extended database about the companies in Hungary with active connections and references to the automotive sector.

For INTEGRATORS & SUPPLIERS

**B2B meetings**
Creating business opportunities through face to face meetings between integrators and suppliers.

**Supplier development trainings**
Focusing on quality and efficiency in order to help suppliers enter and grow within the added value chain of OEMs and TIER1 partners.

For SUPPLIERS

**Exhibitions**
Creating opportunities for the suppliers to participate on the biggest international fairs and trade shows.

**Supplier Forums**
Enhancing horizontal and vertical connections among our partners.

István Németh
Engineering and Sales Manager

“We had the opportunity several times to present the product portfolio of our company at representative Hungarian stands organised by HIPA at international exhibitions in a high-quality environment, at preferential participation conditions to a wider scope of customers and suppliers.”
The Hungarian Investment Promotion Agency aims to link the potential financial and strategic investors with Hungarian projects in need of investment. HIPA handles a continuously growing database, which currently consists of more than 50 investment projects in the following industrial sectors: agriculture, real estate development, green industry, innovation, and real estate development. This collection offers high quality, prescreened, legally transparent and ready to launch investment opportunities for potential investors available at our deal-sharing platform of www.investhipa.hu.

In case of any interest in the projects, HIPA can assist the investors in organizing meetings with project owners, give more detailed information on the selected sector and the specific project. Besides the pre-audited project portfolio, HIPA is also ready to identify potential target companies to satisfy buy-side M&A requests of investors. HIPA also facilitates the successful preparation and presentation of the projects, by constant consultation with the project owners and organization of specialized investment courses.
One of Hungary’s competitive advantages over other countries in the region is the Government’s strong commitment to streamlining business processes and increasing the competitiveness of SMEs and large firms in Hungary. To help achieve this, we offer wide-ranging incentives – both refundable and non-refundable – to facilitate foreign direct investments and reinvestments by local enterprises. The main types of incentives are cash subsidies (either from the Hungarian Government or from EU Funds), tax incentives, low-interest loans.

The maximum aid intensity is 50% in Northern Hungary, Northern Great Plain, Southern Great Plain and Southern Transdanubia, 25% in Western Transdanubia; 35% in the Central Transdanubia region; and 0%, 20% or 35% in the Central Hungarian region. Parts of Central Hungary are ineligible to receive any funding because they are much closer to the EU average in development terms.

The maximum available aid intensity decreases if the investment is a large investment (i.e. exceeds EUR 50 million): 50% of the maximum aid intensity determined in the regional aid map is available for that part of the investment between EUR 50 million and EUR 100 million, with 34% of the maximum aid intensity for that part of the investment beyond EUR 100 million.

There is a wide range of tax allowances for new investments and R&D. Hungary provides tax exemption on holding structures, capital gains on shares and intellectual property under certain conditions are tax free, and a 50% tax allowance is applicable on royalty incomes. There is no withholding tax on dividends, interest and royalty paid by a Hungarian company to a foreign company. Hungary has a wide international treaty network with more than 80 double tax treaties.
When calculating the maximum available amount of regional incentives, all regional incentives — including cash subsidies, development tax allowance, etc. — must be taken into account.
Each development tax allowance may be claimed for a 13-year period (beginning once the development is completed) in Corporate Income Tax ("CIT") returns within a maximum period of 16 years from the original application for the incentive. In any given tax year, the tax incentive is available for up to 80% of the tax payable, but in total up to the state aid intensity ceiling.

Applications for tax incentives must be submitted to the Ministry of Finance, and the Hungarian Government has the right to grant permission if the aggregate eligible costs of the investment exceed EUR 100 million. If the investment is below this threshold, taxpayers need only notify the Ministry of Finance before starting the investment.

<table>
<thead>
<tr>
<th>INCENTIVES</th>
<th>TAX INCENTIVES</th>
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<tr>
<td><strong>TYPE</strong></td>
<td>tax allowance for post-investment period</td>
</tr>
<tr>
<td><strong>AMOUNT OF SUBSIDY</strong></td>
<td>exemption for 80% of the corporate tax payable for 13 years following installation</td>
</tr>
<tr>
<td><strong>CONDITIONS</strong></td>
<td>investment volume minimum HUF 3 B (~ EUR 9.4 million), minimum 50 new jobs OR HUF 1 B (~ EUR 3.1 million) investment volume and 25 new jobs in preferred regions</td>
</tr>
<tr>
<td><strong>APPLICATION</strong></td>
<td>depending on investment volume request or application needs to be submitted electronically</td>
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<tr>
<td><strong>PROVIDER OF INCENTIVE</strong></td>
<td>Ministry of Finance</td>
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The Hungarian Government considers asset investments, R&D projects and the creation or expansion of business service centers as priorities in the field of investment promotion. The scheme of the non-refundable VIP cash incentive system provided on the basis of individual governmental decision (based on Government Decree 210/2014) aims at facilitating projects with high added value in Hungary. Having successfully achieved the reduction of the unemployment rate in Hungary below 3.5%, the incentive system is now focusing on the creation of high value-added jobs, the maintenance of existing jobs and the improvement of the corporate productivity.
FURTHERMORE, INVESTORS IMPLEMENTING AN ASSET INVESTMENT SHALL COMPLY WITH THE FOLLOWING UNDERTAKINGS IN ORDER TO BE ENTITLED TO THE SUBSIDY:

The aim of the asset based VIP cash grant is to continuously support corporate productivity and competitiveness. Therefore, the additional net sales revenue and gross wages provided for the employees of the company are considered key elements from eligibility point of view, besides the development of the region where the investment is implemented.

IN CASE OF EMERGING ENTERPRISES*, after the completion of the investment, sales revenue shall be increased by EUR 3 million and the total wage costs shall be increased by EUR 300,000 compared to the base figures of the last closed financial year before the start of the investment, throughout the monitoring period, as a yearly average.

THE ELIGIBILITY CRITERIA FOR THE ASSET BASED VIP CASH SUBSIDY ARE AS FOLLOWS:

In case of investing in preferred regions (Baranya, Békés, Borsod-Abauj-Zemplén, Nógrád and Szabolcs-Szatmár-Bereg counties), the investment volume shall reach at least EUR 5 million.

In case of investing in developed regions (Bács-Kiskun, Csongrád, Fejér, Győr-Moson-Sopron, Hajdú-Bihar, Heves, Jász-Nagykun-Szolnok, Komárom-Esztergom, Pest, Somogy, Tolna, Vas, Veszprém and Zala counties), the investment shall reach at least EUR 10 million.

IN CASE OF MATURE ENTERPRISES, the base sales revenue or base gross wages or the combination of the two shall be increased by at least 30% and the growth shall be maintained throughout the monitoring period, as a yearly average.

Maintaining the base number of employees in each year of the monitoring period is a requirement for both emerging and mature enterprises. Eligible costs for an asset investment include the purchase of the plot, construction costs or building rental fee (during the implementation period), infrastructural costs, the purchase of new equipment and machines, or intangible assets.

THE ELIGIBILITY CRITERIA FOR THE ASSET BASED VIP CASH SUBSIDY ARE AS FOLLOWS:

In case of investing in preferred regions (Baranya, Békés, Borsod-Abauj-Zemplén, Nógrád and Szabolcs-Szatmár-Bereg counties), the investment volume shall reach at least EUR 5 million.

In case of investing in developed regions (Bács-Kiskun, Csongrád, Fejér, Győr-Moson-Sopron, Hajdú-Bihar, Heves, Jász-Nagykun-Szolnok, Komárom-Esztergom, Pest, Somogy, Tolna, Vas, Veszprém and Zala counties), the investment shall reach at least EUR 10 million.

*Emerging enterprises
- companies realizing less than EUR 3 million net sales revenue and less than EUR 300,000 gross wages on a corporate group level in the last closed financial year before the start of the investment OR
- businesses without a closed financial year before the start of the investment

WE CAN OFFER SUBSIDIES BASED ON ASSET INVESTMENT
VIP cash subsidy is also available for the creation or the expansion of business service centers (BSCs) regardless of the investment volume, if the investor creates at least 50 new jobs in the field of BSC activities defined by Government Decree 210/2014.

Subsidy can be granted for BSCs both on asset or job creation basis:

In case of asset-based eligibility, costs related to the purchase of tangible and intangible assets shall determine the eligible costs of the investment.

In case of job creation-based eligibility, the 24-month personnel-related expenditures related to the new jobs created within a period of 3 years shall be considered as eligible costs.
One of the main objectives of the post-financed cash grant system is the promotion of R&D activity (industrial research and experimental development) of large enterprises and the creation of R&D centers in Hungary in accordance with the aim of increasing emphasis on “Invented in Hungary” type of investments. This provides opportunity to grant aid for R&D projects everywhere in the country up to the maximum aid intensity of 25%.

In order to be eligible for a VIP cash subsidy, investors shall reach at least EUR 3 million of R&D project(s)* related expenditure during a minimum one and maximum three-year-long period and increase the R&D headcount by 25 employees. Eligible costs may be the costs of the R&D project(s) to the extent and for the period of the project(s), such as personnel related costs, depreciation of the assets, material related costs or cost of contractual research.

*Based on the qualification of Hungarian Intellectual Property Office
The establishment of new workshops and the development of the existing ones, that support the training in the vocation schools, is an important aim of Hungary. The non-refundable cash subsidy is available for those companies who intend to increase the number of the contracted students with at least 25. The maximum aid intensity of the workshop establishment and development subsidy is 73% of the eligible costs. It shall be increased up to maximum 100% of the eligible costs if the beneficiary undertakes that all (or at least a part of) its practical trainings will be carried out in the establishment of a vocational training centre but using the equipment and machinery that are purchased within the framework of the workshop establishment and development subsidy.

A wide range of tender calls are available from EU Funds for which investments of less than EUR 10 million can also qualify. As a member of the European Union Hungary has access to EU funds for a number of development goals, such as asset acquisition, infrastructural development, new construction, renovation, service development, job creation and financing of human resources costs. The conditions for applying, the timing, and the total amount of the subsidy available vary from tender to tender. The first relevant tenders for the current seven financial years in the forms of both refundable and non-refundable incentives were announced in the autumn of 2014.

Please note that this subsidy may be granted in all regions of Hungary.