

LLCs have an additional time limit of one year in which to increase their capital

Almost at the last second, two weeks in advance of the expiry of the time limit allowed, Mr Gergely Gulyás, MP, submitted an individual motion to the Parliament to extend, by an additional year, the time limit allowed for limited liability companies having a registered capital of less than three million Forints to implement a capital increase required by legislation and to ensure that their operations are covered by the new Civil Code of Hungary.

As described in the explanatory statement of the proposal, it is actually aimed at covering a social need. There are still over nearly 53 thousand organisations operating in Hungary which have not yet amended their instruments of incorporation in order to comply with the provisions of the Civil Code in force. This change will ensure continuous safe operation for these companies and other organisations by providing time and opportunity to adjust to the legal framework as amended.

In respect of companies whose registered capital amounts to three million Forints, the time limit allowed for them to ensure that their operation is covered by the new Civil Code will not change. In their case, the deadline to fulfil their obligation to do so remains 15 March 2016.

The draft amendment to Act CLXXVII of 2013 on the transitory and authorising provisions related to the entry into force of Act V of 2013 on the Civil Code (Ptké.) also clarifies another issue which has recently been the subject of much debate in professional circles. It states that applications for registration of changes may be filed with the courts of registration free of charge unless the instrument of incorporation to be attached only contains amendments to ensure compliance with the provisions of the Civil Code or to apply derogations of the Civil Code.

The need for this arose because (as also argued in the explanatory statement) according to the general rules, a stamp duty of HUF 40,000 must be imposed for a capital increase while for other changes, this amount is only HUF 15,000. In case of any mandatory change required by legislation (provided there has been no other changes, for example, in the identity of the Managing Director, the registered seat of the company etc.), the application for registration of changes can be submitted free of charge. However, companies often registered other changes in addition to the capital increase required by legislation, and in such case, in accordance with practice, the registration of changes was not free of charge. The general stamp duty of HUF 40,000 for capital increase had to be paid notwithstanding that the capital increase is a binding statutory change, and as such is free of charge, and the stamp duty payable for other changes would have been only HUF 15,000 for the most part.



KOVÁCS RÉTI SZEGHEŐ
ATTORNEYS AT LAW

With the new rules, if a company also applies for the registration of other changes in addition to mandatory capital increase, only the stamp duty required for the registration of other changes must be paid; therefore, it is free of charge if only capital increase is to be registered.

The aforementioned two provisions included in the statutory amendment are also applicable to associations and foundations. The amendment of the statute was adopted on the 1st of March.