

## **KRS: Public Benefit Foundations Can Enjoy Benefits until 31 May**

**31 May might be an important day in the life of many public benefit foundations and other civil society organisation who were registered or got their public benefit or prominently public benefit status prior to the entry into force of Act CLXXV of 2011, also called as the “Civil Act”, the expert of Kovács Réti Szegheő Attorneys at Law reminded origo and the entities concerned. Dr. Mónika Kapetz emphasised: the reason why 31 May 2014 is so important is that it is the final date until which the entities concerned can enjoy the benefits granted to them by law and exercised prior to the entry into force of the Act.**

The organisations so registered can apply until 31 May 2014 for being registered in public benefit status as defined in the “Civil Act”. From 1 June 2014 on, no entity other than those registered in public benefit status according to the “Civil Act” can identify themselves as public benefit organisations and enjoy the associated benefits.

The “Civil Act” sets out the criteria on the basis of which an organisation registered in Hungary and engaged in public benefit activities can be qualified as a public benefit organisation, emphasised the expert of Kovács Réti Szegheő Attorneys at Law.

### **Eligibility assessed by the court**

It will be assessed during registration whether the organisation has sufficient funds available to pursue public benefit activities, i.e. whether it meets at least one of the two conditions provided by law regarding the preceding two closed business years, e.g. its average annual income exceeds one million Hungarian Forints or its aggregate profit after tax generated in the two years is not negative.

In the process of qualification into a public benefit organisation, the court will also investigate whether the organisation receives a demonstrable level of social support. In order for this to be verified, the organisation must meet at least one of the two conditions set forth in the Act, e.g. the expenses incurred in connection with public benefit activities reach at least 50% of the total expenses on average of the preceding two closed business years.

Compliance with the above conditions will be determined by the court on the basis of the organisation’s records and reports. Public benefit organisations are, of course, required to comply with a number of other conditions to qualify for tax and charge exemption or reduction, pointed out the expert of Kovács Réti Szegheő Attorneys at Law.

### **Watch the deadline**

Numerous educational institutions, teacher and parent communities of schools and nursery schools have set up foundations with the aim to raise funds, in addition to the sometimes very limited state funds, so that children can take part in recreational programmes or be awarded for their excellence.

It is very important for foundations and many other civil organisations of smaller communities who are less visible to the general public and received their public benefit status prior to the entry into force of the “Civil Act” to take the necessary steps in due time to be able to continue to make use of the benefits associated with their status.