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LAW OFFICE**

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# NEWSLETTER

December 2017

## Summary of 2017

As 2017 is slowly coming to an end we would like to inform you about the developments and success stories of Gobert & Partner. 2017 has been a remarkable milestone in the history of our law firm since we celebrated the **10<sup>th</sup> jubilee** of being an independent, full service law firm with an integrated tax and advisory practice, the **15<sup>th</sup> jubilee** of its establishment and **20 years of Gobert legal services** in Hungary as well.

2017 has been an eventful year in the history of our law firm due to several **major legal cases and transactions** which we handled and successfully closed in Hungary, in the CEE region and worldwide. Gobert & Partner could prove again its ability to fulfil any task for our clients, including complex, large and multijurisdictional cross-border transactions. We are also proud to inform you that our firm received again several (15) **prestigious international awards** for our tax and legal services among which are Law Firm of the Year (2) and Tax Advisor of the Year (2). The complete list of awards you can find at the end of this newsletter.

Apart from a **new data protection specialist attorney** who will be introduced in this newsletter too, three new colleagues joined our firm this year, who work hard to support the partners in dealing with the ever increasing international workload of the firm. At the same time, in 2017 we not only experienced an increase in the number of our legal team but fortunately in the number of our clients as well.

Gobert & Partner proudly announces the **successful closing of a world-wide M&A transaction**, in which our Hungarian team participated with key-role legal support and central coordination of the professional work in the CEE region. Our team was engaged to bring to the next level of growth a global market leader company group in designing, developing and manufacturing engineering products and machined components for the automotive sector. The legal bravura of completing a global share-deal based transaction involving more than 30 entities over 15 countries (i.e. USA, Canada, China, etc.) required a smooth cooperation of high-level professionals working devotedly on all legal fields. As a result of the legal and tax support throughout this global project our valued Client could reach their investment objectives the most efficient way of strategic alternatives and the new owner shall benefit from the next phase of growth of the reputable company group.

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## FIRM INFO

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### OUR WEB-PAGE ADDRESS:

[WWW.GOBERTPARTNERS.COM](http://WWW.GOBERTPARTNERS.COM)

Another internationally prestigious firm has also trust Gobert & Partner with their legal support. We are very proud to have been able take part in the **acquisition of a promising Hungarian IT start-up company** by a well-known and respected Chinese investor. Our work included not only the due diligence of the acquired company and transfer of the quota from the previous investors but we also advised and proceeded on the capitalization of the company and changes in the management team. By our legal advising and proceeding in this complex international cross border case we helped our respected Client to create a suitable legal and business environment for the worldwide introduction of their revolutionary development on the field of internet technology.

Both cases and a record number of newly established companies through our firm documents the fast **development of the Hungarian economy**. According to the latest flash report of the Hungarian Central Statistical Office (KSH), the investment activity has increased in almost every sector within the Hungarian economy. The investment growth has also been boosted by the implementation of projects financed by EU funds. As a result, the pace of investment growth in 2017 has hitherto exceeded that of the same period in the last peak year of 2015. The recent strong economic performance is projected to continue into 2018 and the investment remains a main driver with the resumed disbursement of EU structural funds and domestic as well as foreign firms responding to capacity constraints, as reported by the OECD.

Hereby, we would like to thank our Partners for their trust and we will do everything in our power to provide the best possible tax and legal service, as we always have.

*Finally we would like to thank you for your cooperation with our firm throughout the whole year. In hope we can continue our successful partnership in the coming year Gobert & Partner wishes you joyful holidays and a happy and prosperous new year!*

**Dr. Arne Gobert**  
**Managing Partner**



## NEW TEAM MEMBER

We are pleased to inform you that our office has welcomed on board another legal team member!

**Dr. Veronika Francis-Hegedűs** gained her approx. 7 years of experience in an international law firm in Budapest and abroad with a strong focus on **data protection, IP law, commercial, corporate and competition law**. In the field of data protection law, she actively advised in relation to the GDPR implementation for multinational companies as an in-house legal advisor, one of them active in the field of the energy industry with German mother company, meanwhile the other in the pharma industry with an American mother company. She has a high amount of professional competence in data protection audits, data security procedures and GDPR compliance including overseas data transfers, as well as working together with IT regarding the technical implementation procedures.

*Her expertise and knowledge in such significant legal areas will certainly add value to our services.*



## IAPL MEMBERSHIP

Our Law Firm is proud to inform you that we have been accepted as the new exclusive Hungarian legal member (with wider responsibility for the CEE region) of the unique global legal network of quality boutique law firms **International Alliance of Practising Lawyers (IAPL)** which has just celebrated its 35th anniversary and is covering all major jurisdictions on five continents.

The International Alliance of Practising Lawyers (IAPL) was established in 1982 to offer an alternative to the impersonal and often haphazard international legal services available at that time. Since then IAPL developed its services to reflect the widening requirements of its members' clients and is now **one of the world's leading boutique law firm networks**.

For more information please contact us

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IAPL is offering a network of **competent and outstanding lawyers throughout the world**. Today this extends to services of local lawyers which include every aspect of legal advice and representation a company will require in the global trade arena. Relying on smooth-running and efficient legal support the clients can concentrate on their business and on expanding their commercial interests in new international markets. The Association is also a tight-knit organization with a program of initiatives designed to strengthen the working relationships between members.

The Association provides its members with **work exchange opportunities**, allowing lawyers to gain first-hand experience of other countries' professional practice. By working together in this way IAPL members can provide more than just a highly professional legal service. Through regular and frequent contact with their overseas counterparts, members can develop a genuine **insight into the legal and economic factors abroad** affecting their clients' business; an insight that could give our clients the competitive edge in an international market.

**Benefits of IAPL:**

- **Geographical Reach:** A truly international network of lawyers, IAPL members are based in key business centers throughout the world and will always be within easy reach.
- **Substantive Excellence:** Stringent membership requirements ensure that the highest professional standards are maintained throughout the Association in the whole world.
- **Industry Expertise & Market Knowledge:** IAPL was set up to answer the complex and rapidly changing legal requirements of companies with business in the global marketplace.

*We are looking for a fruitful cooperation!*

## NEW ACTS ON THE RULES OF TAXATION AND TAX ADMINISTRATION PROCEDURES

From January 1, 2018 new acts on the rules of taxation and the tax administration procedures come into effect.

The **new tax administration procedure law (AIR)** will specify the rules of tax audit and will bring changes of the taxation in several aspects. One of the most important changes is in the length of the procedure, which can no longer last over 365 days; however, in case of a private person or private entrepreneur the 180 day deadline remains unchanged. There will be only two types of tax audits specified (instead of the former eight types). The default being a regular tax audit and the other shall be called a compliance review of certain tax liabilities. Very significant amendment in the procedure is that on the course of an appeal proceeding, neither new facts nor new proofs can be provided by the appellant which was already known at the request of the Tax Authority.

The **new ART** have undergone a structural reform since the rules of the tax enforcement procedure have been removed and implemented into a new act. According to the new ART the Tax Authority will act as a supportive service provider, e.g. a new mentoring service will be introduced for the newly formed start-up companies which will provide assistance by the Tax Authority for a period of six months upon request. The rules and procedure of the mentoring service are currently under development until the tax authority offers personal consultations and lectures.

As an attempt to reduce bureaucracy burdens, some of the unnecessary complicated legal institutions will cease to exist such as the **increased tax authority supervision** (which layed a heavy burden on affected businesses) and **suspension of tax numbers** (it put companies in very difficult position with restricted rights yet they were allowed to carry business activities and had to meet the tax paying obligations).

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Another positive change is the **reduction of penalty rate of the tax shortfall** (if it is derived from concealed income or falsifying or destroying accounting documents, books or records) to 100% (currently it is 200%). This amendment of the legislation results from the experience that the extremely high penalty rate only increased the unpaid debt and did not motivate greater compliance.

A new element will be introduced - called **conditional tax penalty** - which will be the 50% of the levied penalty, which can be allowed if the taxpayer waives their right to appeal against the first degree decision of the Tax Authority on the tax assessment and pays the tax difference defined in the decision by the due date described.

In our opinion some of these changes described above are warmly welcomed, but still actually 80% of the former regulations remain unchanged such as the number of the tax types, the due date and the form of submission of the tax declarations, so the new regulation may not bring the much anticipated simplicity into the tax procedures.

It may raise the concern of a taxpayer-friendly legal environment that the tax authority will still have 365 days to carry out the tax audit, meanwhile the taxpayer will only have 30 days to respond to the minutes of the result of the tax audit. Knowing that the appeal against the decision of the tax authority is narrowed as described above in complex cases; the implemented changes are clearly not only in the favour of the taxpayer, who will have only 30 days left to provide the evidences in order to prove the arguments against the findings of a yearlong tax audit.

**We are going to continuously follow up and examine how the Tax Authority handles this given power on the course of tax audits in the future.**

The content of this article is only intended to provide a general guidance to this matter; further advice should be requested upon specific circumstance of each individual case.

## IN SHORT ABOUT THE MOST IMPORTANT TAX CHANGES

**Increased minimum wage:** from 1 January 2018, the national minimum wage increases to gross HUF 138.000, meanwhile, the guaranteed minimal wage payable for employees with at least upper-secondary level qualification increases to gross HUF 180.500. This means that after the minimum wage circa HUF 46,000 and after the guaranteed minimum wage circa HUF 60,000 taxes are deductible, subject to rounding. In addition to this, the employer is obliged to pay as tax a further HUF 29,000 in case of minimum wage and HUF 38,000 in case of the guaranteed minimum wage after each employee, however, this is not deductible from the gross wage amounts. *Please note that the above referred amounts may be subject to change due to pending government decision.*

**Decreased social contribution:** from the first day of the new year, the social contribution tax payable by the employer after the employees will decrease from 22% to 19,5 %.

**VAT:** from 1 January 2018, contrary to the press news during 2017, the VAT tax exemption threshold will not increase to HUF 12,000,000.-. At the same time the payable 27% VAT will decrease to 5% after internet access services, fish meat and pork.

**Family tax base benefit:** from the new year the family tax base benefit increases to HUF 17,500 after two children. The extent of the benefit after one, three or more children remains unchanged.

**Deductible vehicle costs:** from the new year, the scope of deductible costs which has occurred in relation to passenger cars owned by private entrepreneurs is extended with the costs of cars owned or leased by close relatives. The ownership must be verified by the vehicle registration book, instead of the liability insurance document.

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**IFRS accounting:** financial institutions and financial undertakings are obliged to follow the International Financial Reporting Standards from 1 January 2018.

**New hospitality tax:** from 1 January 2018, companies providing restaurant hospitality services are obliged to pay a new tax “tourism development tax” – in line with the tax declaration periods relevant to the company – which is 4% of the profit stemming from this activity.

## WHAT ATTITUDE REQUIRES THE NEW ACT ON CIVIL PROCEDURE FROM THE CLIENTS?

On 1 January 2018, the new act CXXX of 2016 on Civil Procedure Rules (CPR Act) comes into effect. The new CPR Act changes the entire structure of the civil procedure, which requires a new type of co-operation between the client and the attorney. The most important newly introduced principle of the new CPR Act is the **concentration of the lawsuit**. It means that the parties shall make all effort to file all evidences and facts with the court in due time in order to enable the court to pass judgment possibly at the first court hearing on the merits. The new CPR Act purports to decrease the lengthy court procedures at the first instance, which according the current practice could last for several years based on the old civil procedure rules until first- instance judgment.

Pursuant to the new CPR Act, structure of a lawsuit will be divided into two parts: **(a) the admittance phase of the lawsuit by the court, which is a preparation part and will end with a court resolution to allow or refuse the litigation to start;** **(b) in case the admittance phase closes with a positive decision of the court, the second phase is the court hearing on the merits of the case.** So far the plaintiff was entitled to amend the litigious petition by the end of the first-instance court hearing.

According to the new CPR Act, the amendment of the petition has much stricter rules: from 1 January 2018, the petition can be amended during the admittance

phase without the consent of the defendant, in case the amended petition stems from the same legal grounds or a related legal relationship. Furthermore, amendment is also possible after the court resolution was passed at the admittance phase, if the court requests it from the plaintiff or the new evidence was not known to the plaintiff for reasons not attributable to him or the evidence became significant. Based on the above, amendment of the originally submitted petition will be more complex, thus, it is highly recommended to attempt to include all the relevant evidences in the first filing of the petition prior to the court resolution in the admittance phase.

Consequently, we shall kindly draw our clients' attention to the fact that the plaintiff shall provide the attorney with all relevant evidences as soon as possible (if it possible until the file of the claim at the court) because after the closing of the lawsuit preparation part it will have much stricter rules of filing the evidences. Furthermore, it must be mentioned that the court will be entitled to levy a fine for inadequate amendment of the original petition. The success of the litigation will not only depend on the attorney, but also on the plaintiff. If the client does not provide the attorney with the all relevant facts and evidences in due time, it could be more difficult to win a lawsuit.

## SIGNIFICANT CHANGES IN THE PUBLIC ADMINISTRATION PROCEDURES

New Act on general public administration procedures will come into force on 1 January 2018. With the new regulations the legislator will amend the system of the public administration in its basics. In this article we present you the main changes in the regulations which are able to influence the daily business of your company.

First of all the legislator intended to reduce the term of the procedures, in the favour of which, introduces three different procedures, which are optional on the application of the client.

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### 1) Automatic decision procedure

It is applicable if law particularly prescribes that of this procedure, shall apply every data is available to the authority in time of issuance of the application, there is no adverse party in the process and the authority shall not deliberate the application (e.g. issuance of certificates). In case of automatic decision procedure the authorities shall decide within 24 hours from the receipt of the application.

### 2) Summary procedure

In case the conclusion of facts are clarified in respect of the application and his attachments, and there is no adverse party in the process, the authority shall decide within 8 days after the receipt of the application. (e.g. return of the paid duty)

### 3) General procedure

If the above two procedures cannot be conducted, or the application is incomplete, or if the client submits further evidences without the request of the authority, the authority will initiate the general procedure within a 60 days procedure period. There are some exemptions, when the authority can exceed the general procedure period. The authority shall not be obliged to decide within 60 days after the start of the procedure if the decision making cannot be completed due to the default of the client, or if the time of fulfilment of the client's obligation exceed the general procedure period, moreover if the suspension of the procedure is reasonable or the process shall be suspended in respect of the prescription of the law.

### Lawful silence of the authority

In the automatic decision procedure of the authority, the lawful silence will be generally applicable. If the authority will not decide on the application within 24 hours, the client shall be entitled to exercise the right for which he applied, except statute or regulation of the government exclude this opportunity.

In the summary procedure the lawful silence will be exceptional. It will be applicable only if law particularly allows this opportunity.

The lawful silence of the authority will be an exception also in the general procedure, unless the following three conditions are fulfilled.

- i) Statute or regulation of the government shall declare the lawful silence of the authority,
- ii) there is not any adverse client in the process, and
- iii) decision shall not be suspended (e.g. decision on supply of money)

### Legal remedies

There will be also a significant change in the system of the legal remedies. The client shall be entitled to apply for the review of the first instance authority's decision at the competent court, conclusively the obligatory supervisory power of the second instance authority will be terminated. This amendment can also reduce the term of the procedures.

However, if the second instance authority will receive an application for legal remedy he will be entitled to amend the decision of the first instance authority in his own competency.

The legislator also prescribes to the clients that they are obliged to submit all declarations and evidences in their possession and according to their awareness already on the course of the first instance procedure. If the clients did not submit all available evidences and did not make all declarations, they will not be entitled to submit and provide them later in the review procedure.

## **BANKING SECTOR IS FINALLY OPENING UP**

In 2015, the European Parliament approved the new directive of payment services (PSDII), the first truly innovative milestone on the path of financial modernization. This new regulation combines digital technology with financial innovation that will significantly affect our everyday routine, **making online payment much safer**, simpler and faster by establishing a more competitive financial market.

While consumers are the clear beneficiaries of this financial evolution, PSDII is less welcome by the banking sector. If banks do not intend to fall behind and lose a significant percentage of their market share, they have no other option but to join the competition in

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innovation and start developing their digital service system as soon as possible.

The essence of PSDII and the reason why banks will be deprived of their privileges is that the regulation, basically enables the "FinTech" (Financial Technology) companies to enter the banking sector and flood the market with their transaction and account information services.

Technically these new participants will be granted access to the client's account data by the managing bank, free of charge, in order to proceed in the purchase as an intermediary link between the vendor and the consumer.

If authorized the **PISP** (Payment Initiation Service Providers) may initiate and execute the transaction from any selected account or credit card of the client, directly to the beneficiary retailers, so you can avoid browsing through a number of platforms or signing in to your regular online bank account.

This way PISP-s will surely ease and facilitate your daily financial transactions allowing you to manage your transactions within moments, may it concern a flight ticket, new furniture or your electricity bills.

**AISP** (Account Information Service Providers) is another service provider to be reckoned with in relation to PSDII. These service providers also gain access to the accounts, but instead of managing transactions they provide consolidated information analysing your account balance, financial customs and individual spending patterns. With the help of the analysis AISP-s will be able to offer you customized account, insurance and saving packages or even investment advice in order to optimize your finances.

The deadline for PSDII implementation is 13 January 2018 and it is predicted that in the matter of years, the participants entering the financial market will retrieve the long lost competition of the banking sector that conclusively - to the utmost satisfaction of consumers - will result in **constant innovation, lower prices, respectively faster and more efficient solutions of finance management.**

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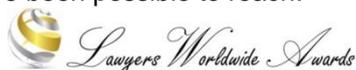
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**RECEIVED AWARDS 2017**

2017 was very rich in international legal awards. We are proud to inform you that Gobert & Partner received a total of **15 international awards for legal excellence**. For this achievement we are very thankful to our Clients and Partners as well, since without their feedback, this would not have been possible to reach.



**LAW FIRM OF THE YEAR – HUNGARY**  
(Lawyers Worldwide Award Magazine -  
Five Star Lawyers 2017 Awards)



**LAW FIRM OF THE YEAR – HUNGARY**  
(Worldwide Financial Advisor Awards Magazine)



**TAX LAW FIRM OF THE YEAR – HUNGARY**  
(Legal Awards 2017)



**FULL SERVICE LAW FIRM OF THE YEAR – HUNGARY**  
(ACQ5 Law Awards 2017)



**CROSS BORDER LAW FIRM OF THE YEAR – HUNGARY**  
(Corporate Awards 2017)



**JOINT VENTURES LEADING ADVISOR – HUNGARY**  
(Lawyers Worldwide Awards Magazine)



**ARBITRATION AND LITIGATION  
LAW FIRM OF THE YEAR**  
(ACQ5 Law Awards 2017)



**BANKING & FINANCE LAW FIRM OF THE YEAR - HUNGARY**  
(ACQ5 Law Awards 2017)



**LAW FIRM OF THE YEAR - REAL ESTATE – HUNGARY**  
(The Lawyer International – Global Awards – 2017)



**CROSS BORDER LAW FIRM OF THE YEAR**  
(Lawyer Issue Awards 2017)



**LAW FIRM OF THE YEAR - TAXATION – HUNGARY**  
(The Lawyer International – Global Awards – 2017)



**TAX ADVISER OF THE YEAR – HUNGARY**  
(Finance Monthly M&A Awards 2017)



**TAX PLANNING LAWYER OF THE YEAR – HUNGARY**  
(Finance Monthly Global Awards 2017)



**TAX PLANNING – LAWYER OF THE YEAR – HUNGARY**  
(Finance Monthly Tax Awards 2017)



**TAX LAW FIRM OF THE YEAR**  
(Financial Advisor Awards Magazine  
Annual Advisers 2017)

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**BWSP GOBERT & PARTNERS**

TAX AND LEGAL

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Wishing You a Merry Christmas and a Joyful & Successful New Year!  
Kellemes Karácsonyi Ünnepeket, valamint örömeikben és sikerekben gazdag Új Évet kíván!  
Wünscht Ihnen frohe Weihnachten und ein erfolgreiches und glückliches Neues Jahr!