COOPERATION FOR A MORE COMPETITIVE HUNGARY

2019

RECOMMENDATIONS OF THE AMERICAN CHAMBER OF COMMERCE IN HUNGARY, BASED ON DISCUSSIONS ENGAGING CORPORATE AND GOVERNMENT REPRESENTATIVES ON STIMULATING THE HUNGARIAN ECONOMY

EXECUTIVE SUMMARY

[Logo]
AN EFFECTIVE AND EXPANDING ADVOCACY NETWORK

WE REPRESENT

357 AmCham members from 23 countries
230,000 employees
Approx. 36% of the Hungarian export
Total net revenue of more than HUF 11.1 trillion in 2017
Wide representation of industries

DIALOGUE WITH GOVERNMENT

Ministry of Human Capacities
Ministry of Justice
Ministry for Innovation and Technology
Ministry of Foreign Affairs and Trade
Ministry of Finance
Hungarian Investment Promotion Agency
National Authority for Data Protection and Freedom of Information
National Research, Development and Innovation Office
Hungarian Intellectual Property Office

EDUCATIONAL PARTNERS

15+ universities
400+ high-school teachers
Educational Authority
Klebelsberg Center
National Institute of Vocational and Adult Education
A JOINT EFFORT, DRIVEN BY THE SAME GOAL

AMCHAM CONFERENCES

- Business Meets Government Summits
- Competitive Education Conferences
- Digitalization Conference
- Business Meets Universities Project and Workshop

CONSULTATION

- Minister and State Secretary-Level Meetings
- Competitiveness Council

GOVERNMENT INPUT

- Government Initiatives & Measures
- Official Feedback from Ministries on AMCHAM Recommendations
A PROVEN TRACK RECORD

- Competitive Tax System
- The “Invent in Hungary” Paradigm Shift and the Growing Support of the Local Innovation Ecosystem
- The Gradual and Predictable Reduction of Employment-Related Taxes
- Legislative Amendments to Support Flexible Working Schemes
- The Effective Support of Career Orientation in Public Education and Vocational Training
- The Prioritization of the Development of Key Competencies and Skills in the New National Curriculum
- The Foundation of the Artificial Intelligence Coalition
PRIMARY TARGETS TO IMPROVE OUR COMPETITIVENESS

- Digital public administration: the unification and simplification of electronic government administration and customer services and platforms
- The further reduction of underground economy by encouraging and supporting electronic payments
- Increasing government spending and the efficient use of funds in areas critical to our competitiveness: education, innovation and R&D
- More support for innovation
- Expansion of labour supply
- The urgent introduction of reforms developing key competencies and skills in education
- More effective and efficient foreign language education
- Expanding career orientation activities with special focus on STEM subjects and careers
- A more structured framework of cooperation between the business sector and education, and the increased promotion of practice-oriented trainings in higher education institutes
- More efficient data sharing to improve Hungary's potential in digitalization
We have further recommendations to successfully advance the paradigm shift to “Invent in Hungary”:

a. Investments should be encouraged in the southern regions of Hungary, which are less afflicted by labor shortages.

b. We recommend the establishment of highly supported R&D areas and special incentivization of R&D investments made in these territories (for example R&D spending could be deductible from additional taxes and contributions, similarly to the practices of other EU member states in the region).
2. **AmCham recommends that a competitive and predictable tax regime be provided. We recommend specific changes as follows:**

   a. the gradual phasing-out of sectoral taxes;

   b. expand the range of items deductible from the local business tax;

   c. setting an upper limit to the amount of social contribution payable by employers;

   d. revise the rules of offering corporate tax payments for preferred purposes to include educational and healthcare institutions, and patient organizations, in addition to sports organizations;

   e. propose a new Act on personal income tax;

   f. overhaul the current vocational training contribution regime;

   g. allow the gifting of tangible assets to private individuals employed as student workers – up to a small amount –, without the employer’s obligation to declare and pay personal income tax.
3. AmCham recommends the unification and simplification of digital government services and online platforms. We recommend specific changes as follows:

a. define in applicable law the circumstances in which official documents can be delivered directly to a senior executive of a company instead of the company headquarters;
b. unify and connect the large number of electronic public administration platforms and services;
c. introduce more advanced access rights management in the existing public administration platforms;
d. increase the number of one-stop shop systems, particularly with respect to the electronic transfer of taxes and similar payments, and the declaration, auditing and payment of local business tax;
e. reduce the administration of labor processes through digitalization;
f. restore the single-window system for the reporting obligations related to foreigners' work permits, because the procedure now takes a lot longer than before;
g. significantly reduce the administrative burden related to training aids;
h. narrow the range of identification data to be provided on return form;
i. introduce a single taxpayer identification number for each individual;
j. simplify the submission of the Uniform Representation Form – required for handling official tax and customs matters through a representative – and other registration forms;
k. allow the registration of tax consulting and accounting firms (besides natural persons) on online platforms to represent their clients;
l. reduce the requirement of physical presence during proceedings
We recommend that the government continues to focus on expanding and improving the labor supply in every field to bolster the available workforce required to maintain the supply of existing investments and attract new ones. We recommend specific changes as follows:

a. provide further support to ensure the spread and expansion of new, flexible forms of employment, which can increase the labor market activity of women and mothers and can help them return to the labor market as soon as possible;

b. simplify the permit procedure for the employment of non-EU (third-country) citizens for as many positions as possible (for example by expanding the official want list of positions);

c. renew the adult training and retraining strategy to comply with current and future skills and competencies needed in the labor market; In the context of transforming adult training and retraining, we attach particular importance to the measurement of results;

d. take further measures in order to whiten the employment in the context of the grey and black economy;

e. encourage the employment of young people and women: (i) we recommend breaking down the administrative barriers that prevent students who continue their studies abroad from finding internships in Hungary; (ii) we recommend the revision of current administrative requirements applicable to setting up and operating a company daycare center.
We recommend that the government should provide the best possible support and budget for the transformation of the education system aimed to develop key competencies and to provide a competitive workforce.

a. We recommend significant improvement in the professional and financial recognition of teachers and creating a better social prestige for the teaching profession, as they are essential to a high-quality education system.

We recommend preserving the basic principles of the new, competency-based National Curriculum (NAT) and implementing them in a consolidated structure. This could serve as a solid basis for a modern education system that can also adapt to the challenges of a fast-changing world.

We recommend that the measures designed to increase the efficiency of foreign language education should be introduced as soon as possible and treated as a priority.
8. We recommend that the government should facilitate the strengthening and expansion of schools’ career orientation activities with a special focus on STEM subjects.

9. We recommend the strengthening of practical training in institutes of higher education.
   a. We recommend that business organizations should be allowed to claim the relief applicable to vocational training contribution for fee-paying students in dual training, as well.
   b. We recommend that the tax reliefs granted to employees with a PhD should also be extended to PhD students so that as many people take part in doctorate programs as possible.
INNOVATION AND RESEARCH AND DEVELOPMENT

10. We recommend further incentives to encourage cooperation between higher education institutions and businesses in research and development and innovation (the so-called “Third Mission” activities of higher education institutions in general).

a. In order to expand knowledge transfer, it is necessary to create a predictable and transparent incentive system, and to simplify and accelerate the process of commercial utilization (primarily that of intellectual property rights transfer and license fee evaluation).

b. We recommend revising the application of public procurement rules relating to universities and other central budget-funded research units.

11. We advocate for further commitments to an innovation-centered approach and increasing support for innovation. It is necessary:

a. to properly define innovation and a qualification system to categorize individual activities;

b. to define and communicate the innovation target areas, and to conduct related impact assessments;

c. to define a possible benefit system for supporting innovation;

d. to analyze whether the benefit system is in alignment with the EU’s state aid rules.
12. Hungary-based patent registration should not be a requirement for beneficiaries of the R&D funds based on individual government decision (the so-called EKD grants).

13. The clinical research industry is an important part of the healthcare innovation ecosystem; therefore, we advocate the amendment of R&D benefits in order to promote the recognition and growth of the industry.
We recommend that the government – based on the data available – continues to seek and identify special innovative projects with potential to bring prestige and recognition for Hungary in the digital world.

We recommend that the government should encourage electronic payments and discourage cash payments to further reduce black economy. We recommend specific changes in the following areas:

a. the development of the digital infrastructure;
b. the encouragement of electronic payments and
c. the digitalization of public payments and processes.
We recommend the implementation of smart-city solutions in the areas of administration, transport, infrastructure, healthcare, sustainability, public utilities, public safety, and telecommunications, and we endorse the digitalization of the public sphere and public services. We recommend specific changes as follows:

a. take an integrated approach upon creating the smart city strategy and related collaborations to cover and incorporate the entire city operation with the involvement of all stakeholders;

b. the efficient digitalization of public services and the application of modern cloud-based information and communications technologies in the public sector;

c. continue to develop the digital infrastructure and transportation;

d. facilitate big data-based analyses in healthcare, and make public data available for third parties (researchers, businesses, startups, etc.)

e. introduce new policy approaches and technologies to facilitate energy efficient and environmentally friendly construction in order to improve citizens’ health and quality of life;

f. encourage the introduction of new technologies and create intelligent networks in the area of public utilities and environmental sustainability to allow better water and wastewater management;

g. support and introduce technologies that improve public safety.