

COOPERATION FOR A MORE COMPETITIVE AND SUSTAINABLE HUNGARY

2021

RECOMMENDATION PACKAGE

Executive Summary



COOPERATION FOR A MORE COMPETITIVE AND SUSTAINABLE HUNGARY RECOMMENDATION PACKAGE 2021

AmCham Hungary is a member-financed, politically independent nonprofit organization representing the business interests of its American, local, and international member companies. Since 1989, we have worked to improve the competitiveness of Hungary by maintaining a constructive dialogue and forging partnerships between the business community and the government.

The bedrock of this cooperation is the annual recommendation package which is prepared based on the insight of our members' experts and the proposals of our working groups in response to the needs of the market.



300+ MEMBER COMPANIES



200.000 EMPLOYEES



1000+ BUSINESS LEADERS AND EXPERTS



32 PROPOSALS

COOPERATION FOR A MORE COMPETITIVE AND SUSTAINABLE HUNGARY RECOMMENDATION PACKAGE 2021

AmCham Hungary presented its new Policy Agenda, the strategic guideline for 2021-2025 on January 26, 2021. The publication outlines the direction of our advocacy work and defines the challenges and objectives we want to address with this recommendation package in the following focus areas:



BUSINESS ENVIRONMENT



HUMAN CAPITAL



SMART GROWTH



I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT

REGULATORY ENVIRONMENT

COMPETITIVE AND PREDICTABLE
TAXATION ENVIRONMENT

ADMINISTRATIVE EFFICIENCY

SUPPLY CHAIN AND REGIONAL DEVELOPMENT



I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



REGULATORY ENVIRONMENT

- 1. To enhance the efficiency and competitiveness of the regulatory system that determines the business and investment environment, we recommend that the government pay greater heed to the business experience and professional opinions of economic actors.**

COMPETITIVE AND PREDICTABLE TAXATION ENVIRONMENT

- 2. We recommend the elimination or, if retained, the further simplification of local business tax.**
 - When determining the tax base for local business tax, personnel type expenditure and depreciation should be deductible.
 - Further simplifications in administration should be implemented.
 - We recommend waiving the introduction of new rules on special economic zones.

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



- 3. We recommend a review of the entire concept and even the possible elimination of corporate tax (tao) subsidy. We recommend elaborating a more efficient form of subsidy for supporting the organizations, activities, and goals to benefit from the support.**
 - a. In the event the tao subsidy remains in place, we recommend increasing the scope of organizations eligible for support.
 - b. We recommend simplifying the administration of the tao subsidy regime, mostly to reduce risks for the sponsor.
- 4. We stand for phasing out the rules that restrict groups as entities subject to corporate tax; the losses generated and tax allowances available within the group should be fully available for each group member without restriction.**

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



5. We recommend reconsidering fringe benefits, the 'cafeteria' system in personal income taxation.

- a. We recommend exempting (private) health insurance as a benefit and voluntary health insurance deposits granted by employers from personal income tax to reduce the burdens on public health care.
- b. We propose that corporate extra expenditure to conserve health and to provide health services over and above pandemic screening be subject to favorable taxation terms.
- c. We propose a revision of the taxation for, and preferably the tax exemption of group life assurance, accident, health and pension insurance and housing allowance.
- d. Employer's contribution to voluntary pension fund deposits and voluntary pension insurance (subject to a limit) is recommended to be supported by tax reliefs and tax exemptions.

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



- e. We recommend restructuring the system of tax exemptions for gifts of minor value.
- f. The more favorable temporary regulation of SZÉP cards introduced with a view to the pandemic situation should be retained also after June 30, 2021. In addition, we recommend making the conditions for SZÉP cards (maximum of and transfer between pockets, deadlines for use) more flexible.
- g. We propose that cost refunds related to remote work should remain tax-free and contribution-free benefits after the state of emergency, for which no invoice should be required.
- h. We recommend a simplification or the total elimination of the complicated set of conditions for granting cost refunds for commuting to work and for using a car to commute to work free of tax.
- i. We recommend simplifying the conditions for salary advances payable by employers, and the re-introduction of tax-exempt benefits that may be granted for purchasing a home.
- j. We recommend making employer's support for training within the school system tax exempt.

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



- 6. We propose reconsidering provisions applicable to other administration and data provision.**
 - a. We recommend simplifying the administration related to rehabilitation contributions and propose issuing statutory certificates on an automatic basis.
 - b. We recommend reconsidering the system of electronic invoicing under the VAT Act.
- 7. We recommend setting up a public data base containing a list of entities who opt for flat-rate taxation for small taxpayers (KATA).**
- 8. We recommend formulating taxation rules for artificial intelligence.**

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



ADMINISTRATIVE EFFICIENCY

- 9. The opportunities inherent in the consolidation and digitization of administrative services constitute a substantial factor for competitiveness. With this in mind, we recommend user-friendly further development of the one-stop gateway/client gate (cégkapu/ügyfélkapu) system.**
 - a. We recommend the implementation of more advanced document management in the existing electronic communication systems.
 - b. We recommend implementing a more advanced management of authorizations (access rights) in existing electronic communication systems.

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



10. We recommend the simplification of the operating environment for associations and foundations.

- a. Associations and foundations should benefit from the same administrative and procedural regulations as the private sector.
- b. The current administrative templates used by courts should be expanded to include most common change requests.
- c. Decisions on governance matters should be predictable.
- d. Tax incentives for private person donations to associations and to foundations should be reintroduced.
- e. Pro bono services to all associations and foundations should be encouraged with specific tax incentives for service providers.
- f. Independent financial audits, and their public disclosure, should be required of all larger associations and foundations.

I. GENERAL BUSINESS AND INVESTMENT ENVIRONMENT



SUPPLY CHAIN AND REGIONAL DEVELOPMENT

- 11. The advancement of regional infrastructure is critical; therefore, its development should be a higher priority.**
 - a. We recommend making further development of internet access in disadvantaged regions a priority.
 - b. In order to ensure quicker passing for freight trucks at road border crossings preferred by freight traffic in Hungary, we recommend adopting appropriate measures to eliminate congestions.

- 12. In order to reduce supplier risks, we need to adopt efficient measures to improve the security of supply and strengthen the reliability of value chains.**



II. HUMAN CAPITAL

COMPETITIVE LABOR FORCE AND EMPLOYMENT

TERTIARY EDUCATION, VOCATIONAL TRAINING

EDUCATION



II. HUMAN CAPITAL



COMPETITIVE LABOR FORCE AND EMPLOYMENT

13. We consider the creation of a clear regulatory background to enable flexible employment of the labor force and to support the dissemination of various atypical forms of employment, a top priority. We believe it is indispensable to amend the Labor Code to enable this.

14. In the efficient use of atypical forms of employment, we recommend ensuring a greater use of labor force hiring, student work and part-time work.

- a. We recommend that public service bodies should be allowed to use labor force hiring agencies to satisfy their short-term or seasonal staffing needs.
- b. As regards hired labor force, employers should be allowed to provide different fringe benefits from the regular fringe benefits granted to the permanent staff.
- c. We recommend incentives and support for the employment of the youth, young mothers and retirees.
- d. We recommend facilitating part-time employment with more than one employer and the simplification of employment rules.

II. HUMAN CAPITAL



15. We recommend the reconsideration of certain occupational health, safety and security requirements for employment.

- a. The content, the health and safety requirements of occupational health services need to be aligned to meet today's needs and the changes taking place.
- b. We recommend reviewing the safety at work regulations currently in force.
- c. During the review of remote work regulations, we recommend a more precise definition of work accidents, and regulations for the procedures to be followed in the event of such accidents that set clear boundaries between the liability of the employer and the liability of the employee.

II. HUMAN CAPITAL



16. Additional recommendations for the amendment and clarification of other employment regulations associated with the Labor Code.

- a. The legal regulations on issuing daily and weekly rest time need to be clarified.
- b. We recommend complementing the general rule for downtime.
- c. We recommend increasing the flexibility of the rules applicable to issuing and carrying forward vacation days.
- d. We believe the provisions in effect concerning study contracts need to be reviewed and made more flexible.
- e. We propose an expansion of employment scope to deviate from the employment contract.
- f. We see a need for greater flexibility for unilateral assumption of obligations.
- g. We stand for a clarification of the rules applicable to procedures related to trade unions.

17. Consistent application of labor inspections should drive efforts to shut down black and gray employment.

II. HUMAN CAPITAL



TERTIARY EDUCATION, VOCATIONAL TRAINING

18. We recommend addressing the tertiary system and the difficulties that arise in the wake of new regulations in the field.

- a. In respect of corporate training, we recommend that the issue of the registration of non-Hungarian nationals should be distinguished in terms of both regulation and administrative obligations.
- b. We recommend reducing the disproportionate and unjustified obligations for training subsidies in the case of non-training companies that have a developed internal training system.

19. In the field of vocational training, we believe it is necessary and reasonable to involve professional advocacy organizations in the selection of teachers of professional subjects and members of the examination board.

II. HUMAN CAPITAL



EDUCATION

20. The extent, structure and contents of education expenditure should be aligned with the objectives which put the acquisition of competitive knowledge and the ability to adapt to new and fast-changing technologies at the heart of education.

- a. We recommend a significant improvement on the compensation and professional recognition of teachers
- b. We recommend providing further training for teachers on a continuous and efficient basis.

21. We recommend the application of more efficient career orientation activities and methods in schools, with special focus on the promotion of STEM subjects and the entrepreneurial mindset.

- a. Career orientation should form a coherent part of the education system and should start at an early age.
- b. We urge greater focus on the promotion of STEM subjects and careers, especially for girls, in career orientation.

II. HUMAN CAPITAL



- c. We believe it is important to develop an entrepreneurial mindset in students and channel market practices into public education and higher education.
- d. We recommend encouraging the creation of technical museums and collections to promote the industrial and manufacturing sector, which can be integrated into the education process.

22. We recommend further measures to enhance the effectiveness of foreign language teaching

- a. We continue to recommend reviewing and enhancing the efficiency of language training programs, and significantly reducing inequality of opportunities.
- b. We propose to support further training for foreign language teachers.
- c. We recommend compulsory foreign language learning from the lower grades of elementary school.



III. SMART GROWTH

INNOVATION AND RESEARCH & DEVELOPMENT

DIGITALIZATION

SUSTAINABILITY



III. SMART GROWTH



INNOVATION AND RESEARCH & DEVELOPMENT

23. We recommend that a government R&D and innovation strategy relying on even stronger consensus and cooperation with stakeholders serve as the background to business innovation processes.

- a. We advocate for increased focus on practical and feasibility aspects.
- b. Companies with significant manufacturing capacities and export potential, and that can provide the conditions for mass production and the means for entering the international market, should be involved in R&D&I programs in greater proportions.

III. SMART GROWTH



24. We recommend that corporate R&D&I activities be supported and incentivized along market- and profit-oriented criteria.

- a. We recommend the development of a tender system adapted to various company sizes that supports the implementation of Industry 4.0 technology.
- b. We call for the reduction of administrative and documentation expenditures associated with tender application and implementation, particularly for small and medium-sized enterprises.
- c. We urge that partnering with large corporations be added as a requirement for certain tenders within the innovation tendering system, and that general incentives be created to promote cooperation between large corporations and small and medium-sized enterprises, in order to improve the innovation skills of SMEs.
- d. In addition to the public research institution system, the capacities for producing and manufacturing prototypes on a professional basis should be readily available for SMEs to enhance their access to R&D&I support.
- e. In addition to universities and research institutes, national tenders for the creation of new research infrastructure should be announced extended to large corporations.
- f. We urge the government assume a greater role in commissioning pilots related to innovation projects.
- g. We recommend prioritizing market competition and transparency in public procurements and the tendering system

III. SMART GROWTH



25. We recommend taking further action to strengthen collaboration between higher education institutions and economic operators.

- a. We recommend facilitation the transfer of basic research achievements into marketable products by improving existing incentives and developing additional schemes.
- b. We recommend the production of a set of standardized basic documents for intellectual property (IP) that could serve as a starting point in the appraisal and transfer process between universities and businesses.
- c. We recommend that legislation be put in place for the conditions of registering know-how owned by legal entities and corporations.
- d. We recommend enhancing the efficiency of existing cooperation systems between higher education and industries through central coordination.

III. SMART GROWTH

DIGITALIZATION



26. We recommend subsidizing the development of areas relying on data and data analysis and providing the related regulatory background, so that Hungary may transition to a data-driven economy.

- a. We believe it is indispensable that transparency, reliability and harmonization be the key criteria in data collection by the state.
- b. We believe GDPR compliance and data security considerations should be imperative when designing data infrastructures and data standards.
- c. We believe GDPR compliance and data security considerations should be imperative when designing data infrastructures and data standards.
- d. We request a commitment from decision-makers for facilitating the free flow of data within the EEA, emphasizing the importance on the efficient and coordinated implementation of existing legislation.
- e. We recommend considering the guidelines of the European Commission and the ethical principles already applied by some developers in the course of drafting legislation on the responsible use of artificial intelligence.
- f. We recommend a revision of existing Hungarian legislation to make it more flexible in the light of the draft e-privacy regulation of the European Union.
- g. We believe it is important to teach the competences required for data controlling, analysis and the use of artificial intelligence at a high standard in Hungarian universities.

III. SMART GROWTH



27. We recommend a digitalization-focused review of regulation concerning e-documents, taking into account contemporary trends and efficiency aspects.

28. We recommend the digitization of certain administration related to the finance sector.

- a. We urge further digitization and simplification of participation requirements of public notaries in various financial services, in order to decrease service costs.
- b. We recommend the general acceptance of statements made electronically in banking processes, and in order to facilitate this, that rules applicable to fully conclusive private documents be made more flexible.
- c. We recommend maximizing opportunities offered by the E-administration Act.
- d. We encourage further simplification and automation of queries from the NAV income database especially as far as positive data from the Central Credit Information System (KHR) that is independent from the consent of clients, as we expect these measures to result in a simpler, faster and more reliable credit rating process.

III. SMART GROWTH



29. We propose taking further action to digitize money circulation and the related administration processes

- a. Gradual introduction and implementation of the package of measures announced earlier by the National Competitiveness Council.
- b. Gradual expansion of the businesses and industries affected by the existing laws and regulations.
- c. Dismantling of legal obstacles impeding digitization.

III. SMART GROWTH



30. We recommend elaborating a comprehensive cybersecurity strategy and related cybersecurity standards in order to allow government, business and civil society stakeholders to take joint defensive action and to inspire confidence cyberspace.

- a. We recommend strengthening Hungary's technological and data sovereignty in priority areas, while dismantling restrictive measures where they are not required.
- b. We believe it is important to define a clear and transparent framework for the requirements on cybersecurity measures and the transparency of the related data flows, in order to strengthen confidence in the cyberspace.
- c. We recommend creating a consultation forum where industry and government stakeholders can discuss experiences and recommendations related to cyber attacks.
- d. We recommend that the place of cyber protection be defined in public education, and that the government emphasize the importance of prevention and preparedness for citizens.

III. SMART GROWTH



SUSTAINABILITY

31. We consider it essential for sustainable economic development that domestic economic policies encourage long-term value creation and the creation of innovative products and services which serve this purpose.

- a. In investment programs, we recommend putting greater emphasis on environmental sustainability requirements.
- b. We recommend the increased use of total cost of ownership (TCO) in the evaluation process in the case of state tenders.
- c. We recommend the broader application of available smart solutions (such as smart grid, smart metering) and digitization and the incentivizing of these solutions through regulation, that supports the utilization of the existing infrastructure while promoting the optimization of consumption.

32. We request that the ministries responsible for the healthcare reform create a platform of consultation and dialogue for all stakeholders of the healthcare ecosystem.