

A low-angle, upward-looking photograph of several modern glass skyscrapers. The buildings are framed by a dark blue gradient at the top of the page. The glass reflects the sky and each other, creating a complex geometric pattern of lines and reflections.

**COOPERATION FOR A  
MORE COMPETITIVE  
AND SUSTAINABLE  
HUNGARY**

## **COOPERATION FOR A MORE COMPETITIVE AND SUSTAINABLE HUNGARY 2022-2023**

AmCham is a member-funded, politically independent not-for-profit community advocating Hungarian and international business interests. It has been striving to contribute to improving Hungary's competitiveness since its establishment in 1989. Its goal is to maintain dialogue and cooperation between the corporate and business sector and the government based on common interests.

We consider our Recommendation Package "*Cooperation for a More Competitive and Sustainable Hungary*" of 73 points, presented below, to be a decisive component of maintaining and pursuing this dialogue.

Maintaining a constructive collaboration with Government representatives is essential for AmCham. We would like to continue to rely on regular and structured dialogue for discussing our recommendations with Government representatives.

We consider it imperative to be invited to the preparatory work of government decisions affecting our members, and to make sure that the business experience, know-how and professional opinions of economic stakeholders are taken into account in the course of elaborating new government measures.

We wish to emphasize that the Recommendation Package is neither scientific nor exhaustive in the sense that it does not cover all the factors that influence competitiveness; rather, it is solely a consolidated collection of recommendations received from AmCham member companies, organized in a structure indicated on the following page.

We trust that government decision-makers will be open to reviewing our recommendations, which we are ready to discuss with them. We also offer our assistance in elaborating the details, with the participation of members of our community.

Budapest, June 7, 2022

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# GENERAL BUSINESS AND INVESTMENT ENVIRONMENT

Predictable and stable regulations, a competitive taxation regime, efficiency in administration and a strengthened local supplier base have the potential to enhance the country's attractiveness for investments, and therefore are vital to increase Hungary's global competitiveness.

## ECONOMIC POLICY DIRECTIONS

1. The most important request from AmCham member companies formulated in regard to the Government's economic policy is that the Government should pursue an economic policy that is investment-friendly, encourages innovation and long-term sustainability, and is based on dialogue. The enforcement of these criteria should be observable in the decisions adopted by the Government.
2. The Government should take efficient measures to keep the recently emerged inflationary progressions under control and to ensure the stability of the HUF, in order to prevent the price-wage spiral from becoming unhinged.
3. We recommend and request that the conditions for the financial resources required for keeping businesses operational should not be diminished, and the government decisions that influence those resources should incentivize the economy.
4. We recommend and request that the fora available for consultation with business representatives be operated on an open and substantial basis, leaving ample time for preparations before decisions are made. The Government's economic representatives are requested to ensure that decisions are adopted in a more transparent and predictable manner.

## ENERGY PRICES

5. We recommend and support the implementation of a government strategy for energy policy that reduces dependencies, and consistently relies on energy-saving solutions and renewable resources. We believe it is important to highlight that, while we accept the justification for temporary compensations and subsidies, their distorting effects should not threaten competitiveness in the long run.

## SUPPLY CHAINS

6. We recommend the development of a government subsidy mechanism that ensures greater security and independence of production, supports the expansion and development of Hungarian supply chains in fundamental sectors, without inducing measures that shut the economy in and bring down efficiency.

## HIGHER ADDED VALUE IN DOMESTIC PRODUCTION

7. We recommend and support a shift towards production with higher added value, investments that promote this shift, and all measures aimed at ensuring that the labor force of the quantity and qualifications required for this shift is available within the country.

## FINANCING FOR SMES AND STARTUPS

8. We recommend the recognition of new “quasi-equity” financing solutions - convertible notes and SAFE notes - in order to facilitate financing for small and medium-sized enterprises and startups.

# COMPETITIVE TAXATION ENVIRONMENT

## STRATEGIC DIRECTIONS

9. We recommend making the taxation system more efficient by further reducing the number of tax types.

10. We recommend transforming the local industry tax in a way that allows for deductions for depreciation and payroll costs. We also recommend making NAV responsible for carrying out all administrative tasks related to this tax type, including the appropriate distribution of the tax base.

11. We recommend further consultations on the next steps in tax digitization, and we support the implementation of e-VAT returns and SAF-T.

12. We recommend a number of modifications in certain areas of taxation.

a) We recommend introducing a possibility for paying taxes in foreign currency.

b) We recommend incentivizing the conclusion of health and pension insurance by introducing tax benefits / credits

c) We recommend continuous consultation concerning the introduction of the global minimum tax.

## TAXATION TECHNIQUES AND DATA PROVISION

13. We recommend making tax administration rules more efficient and reducing the administration related to taxation by introducing some modifications of a technical nature.

# LEGAL AND REGULATORY ENVIRONMENT

## LEGISLATION

**14. We recommend and request that legislation affecting business be subjected to professional reconciliation and discussions before approval.**

a) In the fields of Hungarian and EU regulation concerning digital regulations, we believe it is important to ensure the possibility of consulting on the draft Hungarian legislation associated with EU regulations on time and to the merit of the rules, including the modernization of regulations for cybersecurity. In addition, we believe it is important to provide assistance to market operators in developing their compliance practices in the newly regulated areas.

b) We recommend ensuring a broader range of consultation possibilities concerning domestic and implementational legislation obligations on labor law matters.

c) We recommend putting the creation of an Act on debt collection on the table: currently, there is no comprehensive Hungarian act dedicated to addressing receivables management and debt collection.

d) We recommend a review of the framework for permissions granted to foreign investment - monitored in the interest of national security - in companies of strategic importance.

## RATIONALIZATION AND DIGITIZATION OF ADMINISTRATIVE PROCESSES

**15. We recommend harmonizing the regulations applicable to document management with those applicable to electronic signatures. Clarification and uniform use of the digital solutions for written documentation will greatly facilitate corporate administration.**

**16. We recommend simplifying the operating conditions for associations and foundations.**

a) It is recommended to introduce administrative and procedural regulations for associations and foundations that correspond to those applicable to the business sector.

b) We recommend further development of the forms currently used by courts.

c) The regulatory environment must be predictable.

d) We recommend re-introducing the tax benefits applicable to donations by private individuals in the case of associations and foundations.

e) Companies providing services required for associations and foundations should be encouraged to provide pro bono services to associations and foundations on a voluntary basis by providing tax benefits.

f) Independent audits should be made mandatory for all larger associations and foundations, by introducing special threshold values.

**EFFICIENT PUBLIC ADMINISTRATION**

**17. We recommend the further user-friendly development of the existing electronic communication systems in the field of administrative services. We recommend the development and implementation of more advanced document and authorization management for Cégkapu and Ügyfélkapu.**



# HUMAN CAPITAL

Effective and supportive labor market regulations, and a well-educated and capable workforce is crucial for the expansion of businesses and for building a globally competitive national economy.

## COMPETITIVE WORKFORCE AND EMPLOYMENT

### LABOR MARKET REGULATION AND EMPLOYMENT

**18. We recommend further assessments of the experience gained concerning working from home, and the inclusion of such experience in law wherever reasonable. We believe it is important to adopt Hungarian regulations for international remote work, that is, remote work done by employees working abroad for Hungarian employers.**

**19. We recommend a review and amendment to Government Decree 9/2010 (II. 26.) on travel cost refunds related to going to work.**

a) We recommend the extension of the group of employees restricted by the Decree, and allowing the employer to make available this working arrangement to all employees at the employer's discretion.

b) Cost refunds and settlements related to the use of electric vehicles are not regulated. A regulated option for refunding the charging costs incurred - similarly to accounting for fuel - is necessary in this respect as well.

c) The legislation on the cases in which expenses may be refunded lawfully to foreign employees working in Hungary needs to be supplemented. The current rules fail to provide clear guidance on this.

20. We recommend amending the regulations of the Labor Code related to study contracts, which put the employer in an expressly adverse position, to make them more flexible. (Section 229 of the LC).

21. We recommend harmonizing other legislation with the provisions of the Labor Code on written documentation. Focusing on certain areas of HR, we recommend enabling paperless document management on a broader basis, thereby reducing administrative burdens as well.

22. We recommend defining requirements to govern flexible working hours, based on which the extent to which the various conditions are compatible with flexible working hours can be clearly determined. (Section 96(2) of the LC)

23. We recommend allowing settlement based on the number of hours worked to be used for the purposes of related legal concepts in the case of an uneven distribution of working hours. In the course of reviewing the regulations, the obligations stemming from the EU directive should not be disregarded, but amending this rule will eliminate several problems in respect of payroll and settlement of working hours (Section 127 of the LC).

24. We recommend legal clarification for the rule on authorizing daily and weekly rest periods.

25. We recommend an amendment to the Labor Code to the effect that all or a part of wages may be determined and paid in currencies other than the HUF. Presently, this is possible only in a very narrow scope and in exceptional cases. (Section 157 of the LC)

26. We recommend reviewing the valid health and safety at work provisions. In this regard, we recommend reviewing and amending Degree of the Ministry of Health Care 5/1999 (XI.3.) on the minimum health and safety requirements of working in front of screens as well.

**27. In the field of regulations concerning employee advocacy, we have the following recommendations to make:**

a) We recommend a clarification to the currently effective wording for independent sites.

b) We recommend a requirement for urgent court procedures in litigation aimed at providing a legal statement by a trade union body if the trade union's consent is refused.

**28. We recommend modernizing the data provision services of the Hungarian Public Employment Service (NFSZ) and ensuring access to substantial information concerning employment. Data provision by the NFSZ is currently slow, with no updated information and industry data available on its website.**

#### EMPLOYMENT OF THIRD COUNTRY LABOR IN HUNGARY

**29. We recommend an expansion of the employment options for employing non-EU (third country) nationals and making the permit procedure more efficient.**

a) The entry of foreign labor should reasonably not be regulated under the effect of the state of emergency regulations, as it is not a consequence of the state of emergency.

b) More changes in legislation could promote more flexible and faster employment opportunities (see the additional items below).

c) We ask the Government to assist the integration of people arriving to Hungary with efficient measures. Employers play a significant role in this as well, and devising a supportive Government program will help to provide employment faster and more efficiently.

**30. We recommend increasing the current limit of 20 per cent of the labor law head count of business companies in majority foreign ownership for the simplified employment of third country nationals.**

31. We recommend adopting regulation that enable companies suffering from labor shortage to employ third country nationals immediately or as soon as possible, thereby remedying the glitches in operation due to temporary labor shortages.

32. We recommend extending the scope of qualified employers under Government Decree 407/2021 (VII.8.). Currently, only temporary work agencies fit this category, but companies have a demand for making use of the possibility of simplified employment of third country nationals.

33. We recommend adding the following countries to the scope of countries the nationals of which may benefit from preferential employment: Brazil, India, Egypt, Morocco, Turkey.

34. We recommend that employment of third country nationals in the territory of Hungary should encompass a broader range of employment than currently.

35. We recommend repealing the agreement between Hungary and Ukraine on social security, valid from July 1, 1964, simultaneously with amending Decree of the Ministry of Labor 7/1964 (VIII.30.) in order to regulate the rights of Ukrainian employees working in Hungary to health care.

## EDUCATION AND THE LABOR MARKET

**36. The goals and directions of investment promotion should be aligned to the available qualified labor. In order to do so, we recommend giving sufficient emphasis to the efficient development of education and vocational training, and to enhancing the country's ability to retain its population (qualified labor) and to attract employees from abroad.**

**37. The education system should assist the adaptation to the dynamically changing labor market. In the field of education, efficient measures are indispensable not only for increasing but also for sustaining economic competitiveness.**

a) We call for the adoption of government measures that reflect the recognition and realization of the socio-economic weight and significance of teachers. Salary realignment is an inevitable but insufficient step in this process.

b) We recommend extending the liberties of education and training institutions, allowing them to adjust to the changing environment more flexibly. In particular, universities need to be able to keep up with the changes flexibly and quickly in terms of the curricula of the existing courses and faculties.

c) We recommend school modernizations. There is still a very high number of schools that lack the necessary assets, physical equipment and an appropriate school environment.

**38. We recommend implementing additional and more efficient measures in the field of teaching foreign languages. The lack of language skills remains a factor impeding further advancement in competitiveness.**

**39. We recommend putting greater emphasis on more pragmatic, problem-solving and skill-based teaching in education.**

a) Today's young people need to be prepared for logical thinking, project-based attitude and for expressing themselves well, in addition to a confidence in utilizing all segments of digital life.

b) The education system knows and recognizes individual performance only, whereas it should encourage students to realize the strength that lies in cooperation, so that they can be successful by working together.

c) We recommend developing an experience-based approach in public education. Education should strengthen acceptance of experimentation or failures, and even their interpretation as a learning opportunity, seeking innovative solutions instead of ready-made answers, ensuring the joy of creation in education.

d) We believe it to be necessary and recommend developing and teaching about self-awareness.

e) The sustainability approach should be present in education.

**40. We recommend developing a constantly renewing consensus, in consultation with the appropriate professional fora, on the progressive digital knowledge that must be possible to acquire in the general education system. In addition, greater emphasis shall also be given to digital realignment in education.**

**41. We recommend that the rate of graduates finding employment in the given degree should be a measure of the quality of universities, and this rate should be published.**

## **CAREER ORIENTATION, PREPARING FOR WORKING LIFE**

**42. We recommend that secondary schools and tertiary education institutions should put greater emphasis on preparing for the world of work. Career orientation in schools still remains a formality to be completed, but its approach is not reflected in teaching.**

**43. We recommend perceptible development of secondary and tertiary STEM education in terms of both quantity and quality.**

## DUAL EDUCATION, CORPORATE RELATIONS

**44. We recommend partly reconsidering the regulations for dual education, particularly in the field of state subsidies. It is important to take into account that companies make a great investment that stretches over a long period of time.**

a) Compliance with the conditions of dual education represents highly different burdens for SMEs and for large corporations, yet regulation fails to take this into account.

b) We recommend that the monthly amount paid for practical studies during the 5-year course should be possible to be made proportionate with the time spent at the workplace.

c) We recommend reconsidering the legal regulations for dual education applicable to the company's own employees. Fulfilling the terms and conditions of employee contracts and vocational training employment contracts at the same time poses a serious challenge for the practical feasibility of (re)training employees under the existing conditions.

**45. We recommend more efficient regulations for the framework of employing university students. Work in addition to studying needs to be reconsidered and given a sensible framework structure.**

**46. In the field of vocational training, we recommend clarifying and supplementing a specific piece of legislation - Decree of the Ministry of Innovation and Technology 54/2021 (XI. 5.) on the training and examination of operators of equipment used in the public road transport sector - as detailed in the explanation.**

## HEALTHCARE

47. We recommend consolidating the decision-making processes in the healthcare government, and commencing a consultation on the merit of the development of a sustainable, value-based healthcare and the implementation of transparent and predictable regulations, with all operators in the healthcare ecosystem.

48. We recommend that in making its decisions concerning healthcare, the Government take into account the significant impact of the sector on Hungary's competitiveness.

49. We recommend strengthening the occupational health system in a way so that it offers services that result in a real health profit.

50. We recommend that healthcare services purchased by business entities for their employees be deductible as a cost.



## SMART GROWTH

Setting the cornerstones of Hungary's future success by strengthening the ecosystem and support mechanisms to maximize the opportunities provided by digital transformation, innovation and R&D, increased productivity and a sustainable economy.

## SUSTAINABILITY

**51. We recommend the development and implementation of a strong Hungarian climate strategy and action plan promoting the objectives of the European Green Deal, and the communication of this strategy and action plan to as broad a part of society as possible.**

**52. We recommend that the government incentivize companies supporting clean energy, sustainable mobility and the circular economy, to implement and disseminate additional innovative and green solutions. We believe consideration should be given to the implementation of incentive systems to promote these objectives, in forms such as extra tax benefits, a special subsidy scheme and joint bearing of burdens.**

### ENERGY SECURITY, DIVERSIFICATION OF ENERGY RESOURCES

**53. In addition to energy safety objectives, we recommend giving special attention and support to renewable and green energy solutions such as solar power, the expansion of hydrogen capacities and the decarbonization of gas markets.**

a) In implementing the EU framework aimed at decarbonizing gas markets, promoting the use of hydrogen and reducing methane emission, we recommend continuous consultation with the industry and supporting industrial operators during this transition.

b) We recommend a review of the legislative background for the establishment of solar power plants, with special attention to the registration of areas with arable land status in the land register.

**54. We recommend to and ask the Government to learn about and take into account industry interests when developing the Hungarian position related to the EU's plans for the carbon border adjustment mechanism (CBAM) and the emissions trading system (ETS). In order to do so, the different opinions should be discussed and positions should be reconciled on a continuous basis.**

**55. We recommend giving special attention to the circular economy model in devising sustainability strategies.**

**56. We recommend that the Government should support industry in the course of implementing the objectives set by the Chemical Strategy for Sustainability (CSS), thus, in the course of the move from a risk-based approach to a hazard-based approach, as these modifications are expected to limit the production and use and/or increase the production costs of products.**

## **SUSTAINABLE MOBILITY**

**57. We recommend and request the adoption of further Government measures to assist, encourage and support the broader dissemination of vehicles with alternative fuel sources in the framework of electromobility.**

a) We recommend extending the reliefs available for vehicles with electric drive, and broadening the scope of beneficiaries.

b) We recommend additional government measures for helping and encouraging the development of the infrastructure for vehicles with alternative fuel sources (charging points).

**58. In order to make urban transport and traffic more humane and more environmentally friendly, we recommend the implementation of as many of the available solutions supported by artificial intelligence as possible.**

**59. We recommend increased support for intermodal transport solutions and the supporting infrastructure.**

## SUSTAINABLE FINANCING

60. We recommend that the Government should promote and support the introduction of a government bond with favorable interest conditions as part of the offer of retail government bonds, which serves green sustainability goals.

61. We recommend increasing the current HUF 300 billion limit of the Green Home Program launched by MNB.

62. We recommend relaunching the green capital requirement benefit program, provided by MNB to credit institutions, for retail exposures as well, and introducing verifiable regulation for the minimum rate of discount that has to appear in loan conditions as well in the case of these capital requirement benefit programs (both corporate and retail).

63. We support and recommend the provision of additional incentives for green bonds that incorporate sustainability in normal business activities while also promoting the development of capital markets. In this framework, we recommend a more favorable tax treatment of interest income from green bonds, and launching of a Green Bond purchase program by MNB.

## SUSTAINABLE OPERATIONS

64. In order to build a higher rate of zero-emission new buildings faster, we recommend the development of regulations that encourage the emergence of a supporting infrastructure, which is currently rather scarce.

65. Given that data centers consume a considerable quantity of electricity, we recommend making the optimization of energy consumption a criterion for the development, procurement and operation of government IT platforms.

# INNOVATION

## R&D&I SUBSIDIES

**66. We recommend a review of certain conceptual elements of the subsidy system based on individual Government decisions operated by the Hungarian Investment Promotion Agency (HIPA), and simplifying the practice of applications.**

a) For schemes based on individual Government decisions available for R&D activities, we recommend distinguishing between experimental development and applied research projects.

b) We recommend facilitating the administration of subsidies based on individual Government decisions by accepting documents with electronic certification.

**67. We recommend adopting market and profit oriented criteria in supporting and encouraging corporate RD&I activities.**

a) We call for carrying on the application schemes Gyorsítósáv (2020-1.1.5-Gyorsítósáv), and Nyílt Innováció (2019-1.4.1-Nyílt) on a broader basis, and for the development of additional general incentives to promote collaboration between large corporations and small and medium-sized enterprises, in order to improve the innovation skills of SMEs.

b) We recommend developing the National Contact Point (NCP) network to better utilize the aids provided directly by the European Research Council (ERC)

c) We recommend reducing the administrative burdens of the R&D&I application schemes and increasing the transparency of the evaluation processes

**68. We recommend making available the application funds that may be applied for IT investments for service schemes in addition to tangible assets.**

## UNIVERSITY COLLABORATIONS

**69. We recommend the adoption of additional incentives to promote the collaboration between higher education institutions and companies.**

# DIGITALIZATION

## DIGITAL SKILLS AND DEVELOPMENT

**70. We recommend putting in place the conditions required for the comprehensive implementation of the Digital Workforce Program, including the involvement of the corporate sector in the process of digitizing the greater society.**

**71. We recommend pursuing the programs in place for training ICT professionals and launching additional programs, as well as launching projects that develop the basic digital skills of the broader population.**

**72. We recommend launching broad-reaching education, training and support projects and schemes with ample funding to accelerate the digitization of SMEs.**

## CYBERSECURITY

**73. We recommend giving more attention to the cybersecurity of government and administrative systems and critical infrastructure.**

a) We recommend regular consultations between the Government and the companies and experts involved in cybersecurity on the comprehensive strategy for and legislation on cybersecurity.

b) We recommend efficient action against the dissemination of unlicensed and falsified software.



## **ABOUT AMCHAM HUNGARY**

The American Chamber of Commerce in Hungary is one of the most influential and trusted business organizations in the country, representing local and international business interests since 1989.

We are a member-funded, politically independent platform consisting of over 300 companies from a wide variety of sectors who share a firm commitment to Hungary: we want to help make our country more competitive in the region and on the global stage.

## **CONTACT**



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