Act XLV of 2004

on the European Company*

The purpose of this Act is to establish – with a view to completion of the internal market and the unimpeded exercise of the right of establishment – the legal framework for the establishment and operation of European companies which have their registered office in Hungary, and to lay down rules governing employee involvement that are consistent with European Union law. With these aims in view, the National Assembly provides as follows:

PART ONE

FORMATION, STRUCTURE AND WINDING UP OF A EUROPEAN COMPANY

Chapter I

GENERAL PROVISIONS

Scope

Article 1

(1). The formation, structure, operation and winding up of a European company (SE) with its registered office in Hungary shall be governed by Council Regulation 2157/2001/EC (hereinafter: the Regulation) and the provisions of this Act.

(2) The provisions of this Act shall also apply correspondingly to Hungary-based founders of a European company where the planned company's registered office is located abroad.

(3) In the course of establishing and operating a European company with its registered office in Hungary, employee participation in the company's decision-making process shall be ensured in accordance with the provisions of Part Two of this Act.

(4) The provisions of Part Two of this Act shall apply accordingly to the election or removal of employees' representatives employed within Hungary in participating companies (Article 18), European companies or their subsidiaries or establishments; and to the rights and obligations of the company, works council, employees and employees' representatives in this connection, including where the registered office of the planned European company is situated abroad.

(5) Where the law prescribes public limited-liability company format for the pursuance of a particular activity, this shall also be understood to mean European company format.

Registration

Article 2

* Adopted at the 24 May 2004 session of the National Assembly.

The registration of European companies and associated court procedures shall be governed by Act CXLV of 1997 on the registration of companies, public company information and court registration proceedings (hereinafter: Company Registration Act).

Jurisdiction of the Court of Registration

Article 3

The competent authority for the purposes of Articles 8, 25, 26, 54, 55 and 64 of the Regulation shall be the County Court acting as Court of Registration (hereinafter: Court of Registration) within whose jurisdiction the European company's registered office is situated.

Chapter II

ESTABLISHING A EUROPEAN COMPANY

Registered Office

Article 4

The registered office of the European company specified in its statutes shall be its head office.

Formation of a European company by merger

Article 5

(1) If a limited-liability company becomes part of a European company through a merger, appropriate settlement shall be made in respect of minority shareholders who do not wish to participate in the new company.

(2) The Administrative Board of the merging company shall – for the accounting date decided by the General Meeting – prepare a draft balance sheet and property inventory to serve as a basis for the terms of settlement for the minority shareholders. The terms of settlement shall take account of the ratio of the company’s own capital to subscribed capital as per the draft balance sheet , or of own capital to balance sheet total.

(3) The draft balance sheet and property inventory shall be prepared in accordance with the provisions of Act C/2000 on Accounting (hereinafter: Accountancy Act). The financial statement as defined in the Accountancy Act may also be accepted as the merging company’s draft balance sheet if the accounting date is not more than six months prior to the merger decision. Detailed rules concerning preparation of the draft balance sheet and property inventory are laid down in the Accountancy Act.

(4) The draft balance sheet and property inventory shall be subject to approval by the General Meeting. Except in the case referred to in (3) above, approval must be within three months of the accounting date.

(5) On the basis of the draft balance sheet data and the management’s proposals, the General Meeting shall establish item by item the assets due to minority shareholders and the means of payment.

(6) The assets owing to minority shareholders shall be paid out within 30 days of the registration of the new European company, except where a later deadline is agreed with the parties concerned.

Article 6

(1) With the exception specified in (2), the company shall provide guarantees for the full amount of outstanding claims vis-à-vis existing creditors arising prior to publication of the merger decision.

(2) Creditors shall not have a claim to such guarantees if the latter are otherwise already legally or contractually secured or are not due in view of the company's financial situation.

(3) Creditors who are refused such guarantees by the company shall have eight days within which to request a review of the company's decision by the competent Court of Registration. The Court shall issue a decision with 30 days of the request being lodged, in application of the procedures governing supervision of legality.

(4) The assets due to minority shareholders may be paid out only when the company has satisfied the requirements laid down in paragraphs (1) to (3).

Establishing a European holding company

Article 7

Where the General Meeting of a joint stock or limited liability company decides to participate in the formation of a European holding company in an EU Member State, the provisions of Articles 5 and 6 shall apply to settlement arrangements with shareholders (members) who do not wish to participate as shareholders in the holding company, and to the exercise of creditors' rights.

Chapter III

STRUCTURE OF THE EUROPEAN COMPANY

General Meeting

Article 8

Articles 55 and 56 of the Regulation shall apply, with the exception that – except where the European company statutes provide for a lower figure – rights in respect of convening an annual meeting or adding items to the agenda may be exercised by shareholders representing at least 5% of the SE's subscribed capital.

One-tier system

Article 9

(1) European companies operating on a one-tier system shall be managed by the Administrative Board.

(2) The Administrative Board shall consist of at least five and – unless otherwise provided by this Act in the interests of employee involvement – a maximum of eleven natural persons.

(3) The majority of the members of the Administrative Board shall be independent. A higher proportion may be laid down in the European company statute.

(4) Board members shall be regarded as independent if they have no legal relations with the European company other than their membership of the Administrative Board.

(5) Board members shall not be regarded as independent in the following circumstances in particular:

a) they are employees of the European company or have been employees within the past five years,

b) they perform activities on behalf or for the benefit of the European company or its chief executive for a consideration as experts or in another capacity,

c) they are, or are close relatives of, company shareholders who directly or indirectly hold at least 30% of the voting rights [cf. Article 685(b) of the Civil Code],

d) they are eligible as members of the Administrative Board to receive pecuniary advantage in the event of good performance by the company (e.g. bonds carrying share subscription rights, performance bonus, etc),

e) they have a legal relationship with a non-independent member of the company's Administrative Board in another business organisation, through which the non-independent member has management or supervisory rights.

(6) Where the SE statute establishes a managing directorship, such function may only be exercised by an employee of the company.

Article 10

(1) Where justified by the nature of its activities or other reasonable grounds, the SE may set up the committees provided for in its statutes (nominations committee, salaries committee, etc). Establishment of an Audit Committee is compulsory.

(2) Control of the SE's internal accounting system under the one-tier system shall be the responsibility of an Audit Committee comprising at least three members, who shall be elected by the Administrative Board from among its independent members.

(3) The Audit Committee shall be responsible for:

a) the annual audit report required under the Accountancy Act,

b) advising on the appointment and remuneration of auditors

c) drafting of the contract to be concluded with the auditors, and signing of the contract on behalf of the company as authorised in the statutes,

d) assessment of the operation of the financial reporting system and advising on the necessary arrangements,

e) assisting the Administrative Board with monitoring of the financial reporting system.

(4) The Audit Committee may also be charged with other duties under the SE statutes.

Two-tier system

Article 11

Under the two-tier system, the SE shall be managed by a Management Board comprising at least three and a maximum of eleven natural persons.

Article 12

(1) The SE's Supervisory Board shall consist of at least three and – unless otherwise provided by this Act in the interests of employee involvement – a maximum of fifteen natural persons.

(2) The statute of an SE operating under a two-tier system may provide for the members of the Management Board to be elected and removed by the General Meeting rather than by the Supervisory Board.

(3) Where the Supervisory Board appoints a member to replace a departing member of the Management Board, the member concerned shall perform this function until a new member of the Board is appointed, up to a maximum of 60 days. The SE statute may set a different deadline by way of derogation.

Chapter IV

TRANSFER OF REGISTERED OFFICE

Article 13

(1) Where an SE decides to transfer its registered office to another Member State, the provisions of Articles 5 and 6 shall apply correspondingly to the settlement arrangements with minority shareholders who oppose such transfer and to the exercise of creditors' rights.

(2) Where an SE operating in Hungary transfers its registered office to another Member State, the requirements of the Accountancy Act in respect of preparation of accounts, auditing, deposition and publication shall be fulfilled within 150 days of registration in the new location , taking the date of registration as the accounting date.

(3) Where an SE transfers its registered office from another Member State to Hungary, the opening inventory and opening balance sheet in respect of assets and their sources shall be prepared as required under the Accountancy Act, taking as the accounting date the date of registration of the transfer at the Court of Registration.

(4) The accounting records drawn up by the SE shall take due account of the itemised data on assets and their sources in the opening inventory required under (3) (historical costs, accounted depreciation, loss in value, assessment margin).

(5) If transfer of the SE's registered office to Hungary involves a change in the accounting currency, the opening inventory and opening balance sheet required under (3) shall be drafted in the currency used prior to the transfer then – as at the same date – converted into the new currency in accordance with the provisions of the Accountancy Act.

Chapter V

WINDING UP OF A EUROPEAN COMPANY

Article 14

In the case of European companies, the provisions of Act XLIX of 1991 on Bankruptcy Proceedings, Liquidation Proceedings and Members' Voluntary Dissolution and those of the Company Registration Act shall apply to insolvency proceedings, final settlement in the event of cessation without legal successor, or dissolution.

PART TWO

EMPLOYEE INVOLVEMENT IN DECISION-MAKING IN THE EUROPEAN COMPANY

Chapter VI

GENERAL PROVISIONS

Article 15

(1) The European company shall ensure employee involvement in decision-making.

(2) The basis for such involvement shall be:

a) the procedure laid down in Articles 19-31, or

b) in the cases specified in this Act, the provisions of Articles 35-50.

(3) The provisions of Act CXLIV of 1997 on Business Associations concerning employee involvement in company supervision (Articles 36-37 thereof) shall not apply to European companies.

(4) As regards matters not governed by the present Act, those concerning the information and consultation rights of workers employed in European companies, their subsidiaries or establishments within Hungary shall be governed by the Labour Code; whereas those concerning the involvement of workers employed in Hungary in subsidiaries of a European company in the supervision of the subsidiary shall be governed by Act CXLIV of 1997.

(5) In the course of the negotiations and procedures governed by Part Two of this Act, the special negotiating body, representative body, employees' representatives, Administrative/Management Board of the European Company (or other body mandated by them), Supervisory Board and management bodies of the participating companies shall act in mutual cooperation in accordance with the requirements of good faith and integrity.

Article 16

(1) With the exceptions laid down in paragraph (2), the provisions of Chapter VIII shall apply from the date of registration of the European company, where

a) the special negotiating body and the management bodies of the participating companies so agree, or

b) the agreement referred to in Article 26 is not reached by the specified deadline, the special negotiating body fails to issue the decision referred to in Article 30(1) and the

management bodies of all participating companies decide to apply the European company registration procedure in addition to these rules.

(2) The regulations governing employee participation (Articles 48-50) shall apply in the circumstances specified in paragraph (1), and where

(a) the European company is formed by transformation of an existing company, and the transforming company has made provision for employee participation on its Administrative or Supervisory Board;

(b) the European company is formed by merger, and at least one of the participating companies has provision for employee participation, if that participation covers at least 25% of the overall number of employees of the participating companies,

(c) the European company is formed by creation of a holding company or formation of a subsidiary, and at least one of the participating companies has provision for employee participation, if that participation covers at least 50% of the overall number of employees of the participating companies.

(3) The rules on employee participation shall also apply where all or one of the participating companies provide for employee participation rights but the number of employees covered by such rights is below the minimum stipulated in paragraph (2)(b) or (2)(c) above; however, the special negotiating body shall decide on application of the provisions of Articles 48-50.

(4) Where the participating companies have differing employee participation rights, the special negotiating body shall decide which of the companies' existing systems shall prevail. In the absence of such a decision by the special negotiating body, the system most advantageous to the employees shall apply.

(5) The special negotiating body shall notify the management bodies of the participating companies of any decision it takes pursuant to this Article.

Article 17

Where a Community-scale undertaking or a controlling undertaking of a Community-scale group of undertakings [Article 18 (4) – (8)] is established in accordance with the provisions of Council Regulation 2157/2001/EC and of this Act, it shall be subject to the provisions on European companies, except where the special negotiating body decides not to open negotiations with a view to concluding the agreement on employee involvement in the SE's decision-making process, or to terminate negotiations already opened (Article 29). In the latter case, the provisions of Act XXI of 2003 on European Works Councils and the establishment of employee information and consultation procedures shall apply.

Definitions

Article 18

(1) For the purposes of this Part

(a) *employee involvement* means any mechanism through which the representative body, employees' representatives or employees may participate in decision-making in the SE. Employee involvement includes information and consultation of employees and – if so

provided in the agreement pursuant to Article 31 or the provisions of this Act – the exercise of employee participation rights;

(b) *employees' representatives* means the members and alternate members of the works council;

(c) *special negotiating body* means the body set up in accordance with Articles 19–22, responsible for negotiating with the management bodies of the participating companies on employee involvement rights;

(d) *representative body* means the body representative of the employees, set up on the basis of the agreement in Article 31 or the provisions of Articles 35-38 with the purpose of informing and consulting the employees of an SE and its subsidiaries and establishments situated in the European Union and, where applicable, of exercising participation rights in relation to the SE;

(e) *information* means informing of the representative body or the employees' representatives by the SE's Management or Administrative Board (or other body mandated by them) on questions which:

ea) concern the European company itself,

eb) concern subsidiaries or establishments of the SE situated in another Member State,

ec) exceed the powers of the decision-making organs in a single Member State;

(f) *consultation* means dialogue and exchange of opinion between the representative body or employees' representatives and the SE's Management or Administrative Board (or other body mandated by them);

(g) *employee participation* means the right of the representative body or employees' representatives to

ga) elect or appoint some of the members of the Supervisory or Administrative Board, or

gb) recommend and/or oppose the appointment of some of the members of the Supervisory or Administrative Board;

(h) *reduction of participation rights* means a level of employee participation on the SE's Administrative or Supervisory Board in accordance with (g) above which is lower than the highest level existing within the participating companies;

(i) *participating company* means the company or other legal entity directly participating in the establishment of an SE;

(j) *subsidiary* means an undertaking over which the controlling undertaking [Article 18 (4)–(8)] exercises a dominant influence;

(k) *concerned subsidiary or establishment* means a subsidiary or establishment of a participating company that is proposed as a subsidiary or establishment of the SE once it is formed;

(l) *management body*: the Management Board or Administrative Board of the participating company, the management organ of a limited liability company or managing body of any other legal entity;

(m) *workers employed in Hungary* means workers employed within Hungary by a participating company, European company or branch or establishment thereof — including the cases defined in Article 1(2) and Article 76/C(2) of Act XXII of 1992 on the Labour Code (hereinafter: Labour Code) — irrespective of whether the European company has its registered office in Hungary.

(2) The information referred to in (1)(e) shall take place at a time, in a manner and with a content which provides the representative body or employees' representatives with sufficient time and knowledge to assess the potential impact and, where necessary, to prepare consultations with the Management or Administrative Board (or other body mandated by them).

(3) The consultation referred to in (1)(f) shall be so organised as to allow the representative body or employees' representatives, on the basis of information provided, to express an opinion on the measures envisaged by the Management or Administrative Board in sufficient time for that opinion to be taken into account in the decision-making process. Consultation rights apply in the matters specified in (1) (ea–ec).

(4) For the purposes of (1)(j), and except in the cases specified in (5) – (6), a dominant influence shall be presumed until proved otherwise where a business undertaking (controlling undertaking) directly or indirectly vis-à-vis another undertaking (controlled undertaking):

a) holds a majority of the controlled undertaking's subscribed capital

b) controls a majority of the votes attached to the controlled undertaking's issued share capital or

c) can appoint more than half of the members of the controlled undertaking's management or supervisory body.

(5) A dominant influence shall not be presumed on the basis of action taken by an office holder in the course of implementing insolvency, winding-up or liquidation proceedings.

(6) An undertaking shall not be deemed to be a controlling undertaking in the cases referred to in Article 3(5)(a) and (c) of Council Regulation No 4064/89/EEC of 21 December 1989.

(7) For the purposes of point (4)(b) and (c), a controlling undertaking's rights as regards voting and appointment shall include the rights of any other undertaking it controls and those of any person or body acting in his or its own name but on behalf of the controlling undertaking or of any other controlled undertaking.

(8) Where two or more undertakings within a group satisfy the criteria laid down in paragraph 4, the undertaking which satisfies the criteria laid down in (4)(c) shall be regarded as the controlling undertaking unless proven to the contrary.

Chapter VII

SPECIAL NEGOTIATING BODY

Creation of the special negotiating body

Article 19

(1) Prior to setting up a European company, a special negotiating body shall be created representing the employees of the participating companies and concerned subsidiaries and establishments in order to start negotiations with the participating companies' management bodies with a view to concluding the agreement on employee involvement in decision-making within the SE.

(2) As soon as possible after publishing the draft terms of merger or plan to establish a holding company, or the decision to form a subsidiary or transform into a European company, the management bodies of the participating companies shall take the necessary steps to set up a special negotiating body. In this connection, they shall inform the employees' representatives of the identity of the participating companies, concerned subsidiaries or establishments and location of their registered offices, the number of workers they employ and the potential impact of the plans on the employees' information, consultation and participation rights.

Article 20

(1) The special negotiating body shall comprise at least ten members. Seats shall be allocated to the Member States according to the number of workers employed there by the participating companies and concerned subsidiaries or establishments, on the basis of one seat per 10% or fraction thereof they represent of the total number of employees in all the Member States taken together.

(2) Where the European company is formed by merger, each individual registered participating company employing workers in a given Member State which will cease to exist upon registration of the SE shall be represented on the special negotiating body. Such further members shall be appointed to the special negotiating body as to ensure that this is the case. The number of additional members may not, however, exceed one fifth of the number of members laid down in paragraph 1, and shall not entail double representation of the employees concerned.

(3) If the number of participating companies is higher than the number of additional seats available pursuant to paragraph (2), these shall be divided among the participating companies in the various Member States in decreasing order of the number of workers they employ.

Article 21

(1) For the purpose of representation of workers employed within Hungary by the participating company or concerned subsidiary or establishment, the member(s) of the special negotiating body shall be appointed by:

a) the works council

b) where a central works council exists, the central works council

c) where there are several central works councils, the central works councils jointly.

(2) Alternate members of the special negotiating body shall be appointed at the same time as the full members.

(3) Every effort shall be made when appointing members to ensure that the employees of every participating company are represented on the special negotiating body.

(4) Trade union members who are not employees of the participating company, subsidiary or establishment concerned may also be appointed to the special negotiating body.

Article 22

(1) Where a participating company or concerned subsidiary or establishment as referred to in Article 21(1) does not have a works council, the employees' representative of such company, subsidiary or establishment shall be invited to the general nominations meeting of the works council or central works council(s), at which he shall act in the capacity of a member of the works council or central works council.

(2) The management body of the participating company, subsidiary or establishment shall inform the employees of the purpose of setting up a special negotiating body and of the requirement under paragraph (1) to invite the employees' representative to the general nominations meeting.

(3) The employees' representative referred to in paragraph (1) shall be elected by the workers employed at and by the participating company, subsidiary or establishment concerned.

(4) Election of the employees' representative shall be organised by the electoral committee. The electoral committee shall be composed of three members elected directly by the employees. The electoral committee shall lay down the election date and procedures, organise the running of the elections and establish the vote counting procedures.

(5) Employees of full legal capacity who have been in an employment relationship with the employer for at least six months shall be eligible to stand as candidates. The electoral committee shall establish and publish the voting register and list of candidates on the basis of the information provided by the employer within five days of being so requested by the electoral committee. The validity of the elections is governed by Article 51/A of the Labour Code. If invalid, the elections shall be re-run within 30 days. The repeated elections shall be deemed to be valid where the turn-out of eligible voters is over one third.

(6) The employee who receives the most valid votes shall be elected as employees' representative.

Article 23

(1) The management body of the participating company shall inform the management bodies of the other participating companies without delay of the name and contact details of the representative appointed at the company, subsidiary or establishment and at which subsidiary or establishment he or she is employed.

(2) The management body of the participating company shall pass on the information under (1) forthwith to the works council (central works council) of the company, subsidiary or establishment.

Article 24

(1) The mandate of a member of the special negotiating body shall cease if:

a) he or she resigns

b) he or she becomes empowered to exercise employers' rights at any participating company or concerned subsidiary or establishment

c) labour relations cease (except in the case specified in Article 21(4)).

(2) In the case referred to in paragraph (1) the member shall be replaced by the alternate member elected in the same Member State.

(3) The special negotiating body shall be dissolved on the date of registration of the European company.

Special negotiating body procedures

Article 25

(1) Unless otherwise provided in this Act or by decision of the special negotiating body, the special negotiating body and the management bodies of the participating companies shall lay down by agreement the rules governing employee involvement in decision-making within the European company. This agreement shall be set down in writing.

(2) For the purposes of concluding such an agreement, the management bodies shall – until registration of the European company – keep the special negotiating body continuously informed of the development of the SE project and keep the relevant documents at its disposal.

Article 26

(1) Negotiations with a view to concluding the agreement shall commence immediately upon establishment of the special negotiating body and be completed within six months.

(2) The parties may decide by agreement to extend the negotiations. They may not, however be extended beyond one year following the establishment of the special negotiating body.

Article 27

(1) In the course of the negotiations, the special negotiating body may call upon the assistance of experts, including appropriate Community-level trade union representatives. At the request of the special negotiating body, the expert may be present at the negotiations, but without voting rights.

(2) The special negotiating body is authorised to inform trade union and other external organisations not involved in the procedure of the start of the negotiations.

Article 28

Justified and necessary expenditure in connection with the operation of the special negotiating body and the negotiations themselves (premises, experts' and interpreters' fees, travel and accommodation expenses, etc.) shall be borne by the participating

companies in proportion to the number of workers they employ. The amount to be borne by the individual participating companies shall be determined in accordance with Article 63 of the Labour Code.

Decisions of the special negotiating body

Article 29

(1) Meetings of the special negotiating body are quorate where at least half the members are present.

(2) For the purpose of taking decisions, each member shall have one vote. Unless otherwise provided in this Act, decisions of the special negotiating body shall be taken by simple majority provided that the meeting is quorate and that such majority also represents a majority of all the workers in the participating companies.

(3) Where employee participation rights are applicable,

a) in the case of European companies formed by merger, in those participating companies employing at least 25% of the overall workforce,

b) in the case of European companies established by creating a holding company or a subsidiary, in those participating companies employing at least 50% of the overall workforce,

an overall two-thirds majority of the quorate meeting is required for any decision to reduce participation rights. Such a decision may only be taken where the vote in favour represents at least two thirds of the combined workforce of the participating companies, employed in two different Member States.

Article 30

(1) The special negotiating body may decide by a two-thirds majority of the quorate meeting not to open negotiations or to close negotiations already under way, provided that the members voting represent at least two thirds of the combined workforce of the participating companies, employed in two different Member States. In this case, the provisions of the Labour Code shall apply to the information and consultation requirements in respect of the SE's workers employed within Hungary.

(2) The special negotiating body may not take the decision referred to in paragraph (1) if the European company was formed by way of transformation and the employees of the transforming company have participation rights.

(3) The negotiations may be reopened at any time by agreement between the parties.

(4) Once two years have elapsed from the date of the decision referred to in paragraph 1, a request may be made in writing to the SE's Management or Administrative Board by 10% of the employees of the European company or its subsidiaries or establishments, or their representatives, to convene the special negotiating body. The special negotiating body shall be convened upon such request. If the latter commences negotiations but there is no agreement between the parties, the provisions of the Labour Code on employee information and consultation shall apply in respect of the rights of the employees employed within Hungary.

Content of the agreement on employee involvement

Article 31

(1) The agreement referred to in paragraph 1 shall cover at least the following:

a) the scope of the agreement;

b) the composition, number of members and allocation of seats on the representative body within the SE;

c) the functions of the representative body and its information and consultation procedures;

d) the frequency of meetings of the representative body;

e) the financial and material resources to be allocated to the representative body;

f) if, during negotiations, the parties decide to establish one or more information and consultation procedures instead of a representative body, the arrangements governing those procedures;

g) if, during negotiations, the parties decide to establish arrangements ensuring participation, the substance of those arrangements, including the number of members of the SE's Administrative or Supervisory Board the employees will be entitled to elect, appoint, recommend or oppose, the procedures by which these members may be elected, appointed, recommended or opposed, and their rights;

h) the date of entry into force of the agreement and its duration, cases in which the agreement should be renegotiated and the procedure for its renegotiation.

(2) Unless otherwise agreed by the parties, the provisions of Articles 35 to 50 need not be applied to the content of the agreement.

(3) If the European company is formed by way of transformation, the agreement shall provide for at least the same level of employee involvement as that already existing in the transforming company.

Confidentiality

Article 32

(1) The Management/Administrative Board of the European company or the management body of the participating company shall be subject to the information obligation under this Act only where disclosure of such information does not prejudice the trade secrecy rights of the European company, participating company or their subsidiaries or establishments.

(2) Where the Management/Administrative Board of the European company or management body of the participating company has not provided the required information, the Court of Registration may, at the request of the special negotiating body, representative body or employees' representative, order it to do so.

(3) The members and alternate members of the special negotiating body or representative body may not release to third parties, publish or otherwise use information released to

them, in their capacity as members, expressly as trade secrets by the management bodies of the participating companies or the Management/Administrative Board of the European company (or body mandated by them) for any purposes other than those laid down in this Act. This obligation shall continue to apply to members and alternate members of the special negotiating body and representative body after expiry of their term of office.

(4) The obligation laid down in paragraph (3) shall apply to employees' representatives and, as regards facts and data divulged in the course of information and consultation proceedings, also to employee delegates, interpreters and experts.

Labour law safeguards

Article 33

(1) For the purposes of protection under Labour law, the Labour Code provisions concerning the members of works councils shall apply correspondingly to members and alternate members of the special negotiating body and representative body employed within Hungary, employees' representatives participating in the information and consultation procedures and employee delegates represented on the Administrative or Supervisory Board.

(2) The persons referred to in paragraph (1) shall be granted sufficient leave of absence to perform their duties in this capacity, during which time they are entitled to the leave of absence allowance (távolléti díj). Unless otherwise provided in the agreement referred to in Article 31, the duration of leave of absence shall be governed by the provisions of Article 62(2) of the Labour Code.

Legal redress

Article 34

(1) In the event of infringement of the rights and obligations laid down in this Part, the special negotiating body, the representative body or the employees' representatives participating in the information and consultation procedures may, in application of the relevant sections of the Labour Code, bring legal action against the European company's Management/Administrative Board or the management bodies of the participating companies.

(2) The right laid down in paragraph (1) also applies to the Management/Administrative Board of the European company and the management bodies of the participating companies vis-à-vis the special negotiating body, the representative body and the employees' representatives.

Chapter VIII

OPTIONAL RULES

Composition, establishment and dissolution of the representative body

Article 35

(1) The representative body shall be composed of representatives of the employees of the European company, its subsidiaries or establishments.

(2) Establishment of the representative body shall be governed by Article 20(1), Article 21(1)–(2) and Article 22.

Article 36

Immediately following establishment of the representative body, the Management/Administrative Board of the European company shall be informed of the names and contact details of its members, and which participating company, subsidiary or establishment they are employed by. The Management/Administrative Board shall immediately pass on this information to the management bodies of all the European company's subsidiaries and establishments and to the employees' representative bodies.

Article 37

(1) The term of office of the representative body shall be three years.

(2) The representative body shall be dissolved if

a) the European company is wound up without a legal successor

b) its mandate expires

c) its mandate is withdrawn

d) the number of its members is reduced by over one third for any reason.

(3) Withdrawal of the representative body's mandate shall be put to the vote at the proposal in writing of at least 30% of the employees with voting rights. The vote is valid if over half the eligible voters participate. Two thirds of valid votes cast are required for withdrawal. No further proposals for withdrawal may be made within one year.

(4) The rules on election procedures shall be applied correspondingly to the withdrawal of the mandate of the representative body.

(5) Where the representative body is dissolved on the grounds set out in paragraph (2) c) – d), a new representative body shall be elected within three months.

Article 38

(1) The mandate of a member of the representative body shall cease, if:

a) he or she resigns

b) the mandate expires

d) his or her mandate is withdrawn

e) he or she becomes entitled to exercise employer's rights at the European company or one of its subsidiaries or establishments

f) the employment relationship ceases

g) the subsidiary or establishment to which the representative belongs ceases to exist.

(2) The mandate of a member of the representative body may be withdrawn by the works council (central works council) that made the original appointment. Such a withdrawal

decision requires over 50% of the valid vote. A vote on withdrawal must be held where a recommendation to that effect is received from at least 30% of the members of the appointing works council. No further proposal for withdrawal may be made within six months.

(3) If the term of office of a member of the representative body of a domestic subsidiary or establishment ends before the mandate of the representative body expires, he or she shall be replaced by the domestic alternate member.

Operation of the representative body

Article 39

(1) The representative body shall elect a President and Vice-President from among its members.

(2) If the representative body comprises at least 15 members, it shall elect a three member management committee. The members of the committee shall include the President of the representative body. The President and the two other members must be from different Member States.

(3) Meetings of the representative body shall be quorate where over half the members are present. The body shall adopt its own rules of procedure. Unless otherwise provided in these rules of procedure, decisions of the representative body shall be taken by simple majority.

Article 40

(1) The representative body may seek the assistance of experts to assist it in its duties.

(2) Justified and necessary expenditure in connection with the representative body's activities (organisation of negotiations, experts' and interpreters' fees, travel and accommodation expenses, etc) shall be borne by the European company. The members of the representative body shall likewise be provided with the financial and material resources needed to perform their functions. The extent of the costs to be borne by the company shall be established in accordance with Article 63 of the Labour Code.

Article 41

(1) At the request of the representative body, once established, the European company's Administrative/Management Board shall examine on at least an annual basis whether changes in the number of employees in individual Member States in accordance with the provisions of Article 35 justify a change in the numbers or composition of the representative body. The Administrative/Management Board shall inform the representative body of the result of its assessment.

(2) Where a change in the size or composition of the representative body is found to be justified, the representative body shall arrange for election of the appropriate number of members in the countries concerned. The mandate of the member representing the employees of any individual country concerned shall end with the new elections.

Article 42

(1) Four years following its creation, the representative body shall conduct an assessment and decide whether to open negotiations with the European company's

Administrative/Management Board with a view to concluding the agreement referred to in Article 31, or to continue to apply the provisions of Articles 35–50.

(2) Where the representative body decides to initiate negotiations, the provisions of Articles 26–31 shall apply accordingly.

(3) If no agreement is reached by the deadline laid down, the provisions of Articles 35–50 shall continue to apply to employee participation in decision-making in the European company.

Rules governing the information and consultation of employees

Article 43

The representative body shall have jurisdiction only in matters concerning the European company or its subsidiaries or establishments in another Member State, or which exceed the competence of the decision-making bodies in the individual Member States.

Article 44

(1) Immediately following the establishment of the representative body and notification in accordance with Article 36, the Administrative/Management Board of the European company shall convene the members of the representative body for the initial negotiations. The representative body is entitled to hold a meeting once a year with the Administrative/Management Board with a view to obtaining information and, on the basis of the latter's report, consulting the Board on the company's economic situation and probable future development. The time and location of the meeting shall be decided in advance by agreement between the Administrative/Management Board and the representative body, and the Administrative/Management Board shall notify the subsidiaries' and establishment' management bodies thereof.

(2) Further meetings may also be held within the year by agreement between the Administrative/Management Board and the representative body.

(3) At least 15 days prior to the Administrative/Management or Supervisory Board meeting, the Administrative/Management Board shall provide the representative body with the agenda and copies of any documents distributed to the general meeting.

Article 45

(1) The report referred to in Article 44 in connection with information and consultation on the European company's financial situation and probable development shall cover in particular:

a) the company structure and its economic and financial situation

b) its business activity, production (performance) and sales development

c) the situation and probable trend of employment

d) investments and investment programmes

e) any substantial organisational changes

f) mergers

g) the introduction of new work organisation and production processes

h) the relocation of undertakings, establishments or significant parts thereof, and any transfer of production

i) the cutting-back or closure of undertakings, establishments or significant parts thereof

j) collective redundancies

k) decisions in connection with the social responsibility of the European company.

(2) Where the European company' Administrative/Management Board plans any of the measures listed in paragraph (1) h)–j) significantly affecting workers' interests, it must inform the representative body thereof at least 15 days in advance of such decision.

(3) Irrespective of whether the European company's Administrative/Management Board has complied with the obligations under paragraph (2) the representative body or, in the event of urgency, its management committee, is authorised to initiate negotiations with the Administrative/Management Board or appropriate level of the European company management with a view to obtaining information or conducting consultations on exceptional circumstances substantially affecting the employees' interests. If the representative body is represented at the negotiations by its management committee, those members of the representative body elected by the employees directly affected by the measures shall be convened to the meeting.

(4) If the European company's Administrative/Management Board takes a decision that is not in line with the opinion of the representative body issued, at the latest, during the negotiations referred to in paragraph (3), the representative body may, with a view to reaching an agreement, immediately initiate new negotiations. The decision may not be implemented until the new negotiations have been completed. Any agreement reached during the negotiations shall be set down in writing. If the parties fail to reach agreement during the new round of negotiations, the Administrative/Management Board shall act in accordance with the standard procedures.

(5) If the European company's Administrative/Management Board fails to act in accordance with the procedures laid down in Articles 44-45, the representative body may bring the matter before the Labour Court with jurisdiction over the company's headquarters. The court acting in first or second instance shall issue a decision by non-litigious procedure within 15 days. If the court finds that the rules of procedure have been breached, it shall order the correct implementation or repetition of the procedures concerned.

Article 46

Prior to the negotiations referred to in Articles 44–45, the members of the representative body or its management committee are entitled to meet in the absence of the representatives of the Administrative/Management Board .

Article 47

Except where trade secrets are at issue, the members of the representative body or its management committee participating in the negotiations referred to in Article 44–45 shall notify the employees' representatives of the European company and its subsidiaries or establishments of the content and results of the information or consultation procedures.

Rules governing employee participation

Article 48

(1) Employees of the European company, its subsidiaries and establishments shall have decision-making powers in respect of the appointment of delegates to the Administrative or Supervisory Board equivalent to those of the participating company with the highest level of employee participation. The employee delegates shall be selected, appointed or recommended by the representative body from among the employees of the European company, its subsidiaries or establishments. Members of the representative body may not be elected, appointed or recommended as employee delegates. The representative body is empowered to remove employee delegates or to oppose other recommendations for appointment.

(2) Where the European company is formed by way of transformation, and national law governing the participating companies stipulates employee participation in the Administrative or Supervisory Board, such employee participation shall – above and beyond the requirements of paragraph (1) – be ensured in the same way and to the same degree in the Administrative or Supervisory Board of the European company.

(3) If none of the participating companies made provision for employee participation, such provision need not be made in the European company.

Article 49

Employee delegates to the Administrative or Supervisory Board shall have the same rights (including voting rights) and obligations as the other members.

Article 50

(1) The distribution of employee delegates' seats on the Administrative or Supervisory Board shall be decided by the representative body, ensuring that the employees of all Member States are represented or that employee representation is proportionate to the distribution of employees in the Member States.

(2) If, on the basis of the allocation system laid down in paragraph (1), the employees of any Member State are not represented, the representative body shall appoint a delegate from one of the Member States concerned. In this case, preference shall be given to the Member State in which the company has its headquarters.

(3) If further seats on the Administrative or Supervisory Board are available to representatives of workers employed within Hungary, they shall be distributed in proportion to a number of employees in the subsidiaries and other establishments.

PART THREE

CLOSING AND AMENDING PROVISIONS

Chapter IX

CLOSING PROVISIONS

Article 51

(1) Except as provided in paragraph (2), this Act shall enter into force on 8 October 2004.

(2) Article 68 of this Act shall enter into force on the 8th day following its promulgation.

(3) Upon entry into force of this Act, paragraph (2) k) of Article 12 of the Company Registration Act shall become paragraph (2) j), and the phrase “or temporary residence” in the third sentence of Article 19(1) of the Company Registration Act shall cease to have effect.

Article 52

The provisions of this Act are compliant with Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees.

Chapter X

AMENDING PROVISIONS

Amendment of Act III of 1952 on Civil Procedure

Article 53

The following point d) is added to Article 349(2) of Act III of 1952 on Civil Procedure:

[*The following are deemed to be labour suits for the purposes of paragraph (1):]*

“d) infringement of the regulations governing employee involvement in decision-making in European companies”

(enforcement of claim)

Amendment of Act IV of 1959 of the Civil Code

Article 54

Article 685 (c) of Act IV of 1959 on the Civil Code is replaced by the following:

(*For the purpose of this Act:)*

“c) business organisation means state-owned companies, other state-owned economic organisations, cooperatives, business associations, European companies, groupings, European Economic Interest Groupings, public utility companies, companies of certain legal entities, subsidiaries, water management organisations, forest management associations, court bailiffs’ offices, and private entrepreneurs. The provisions governing business organisations shall be applied to the state, local governments, budgetary agencies, associations, public bodies and foundations in respect of their business activities, unless the law provides otherwise for such legal persons;”

Amendment of Act XCIII of 1990 on duties

Article 55

Article 45(1)(a) of Act XCIII of 1990 on Duties is replaced by the following:

(*Company registration fees)*

“a) Public limited liability company or European company: *600 000 forint".*

Amendment of Act C of 1990 on local government taxes

Article 56

Article 52(22)(g) of Act C of 1990 on local government taxes is replaced by the following:

(*22. net revenue)*

“g) In the case of Hungarian subsidiaries of companies based abroad, Hungarian establishments of European companies with their headquarters abroad, and any other Hungarian establishments of companies with their headquarters abroad: the net revenue according to the subsidiary’s (establishment’s) accounts (where the establishment is not under a financial reporting obligation, records or certificates) in accordance with the provisions of subparagraph a) or, where the company based abroad is one of the institutions listed in subparagraphs b), c) and e), the corresponding provisions of those subparagraphs. Where the subsidiary (establishment) is included in the records kept by the Hungarian Financial Supervisory Authority in accordance with the Act on venture capital, venture capital companies and venture capital funds, the net revenue shall be the net revenue defined in subparagraph j)”.

Amendment of Act XLIX of 1991 on bankruptcy proceedings, liquidation proceedings and members’ voluntary dissolution

Article 57

Article 3(1)(a) of the above Act is replaced by the following:

(*For the purposes of this Act:)*

“*a) Business organisation* means state-owned companies, trusts, other state-owned economic organisations, cooperatives, business associations, European companies, public utility companies, companies of certain legal entities, subsidiaries, water management organisations (except the *víziközmű-társulat* (public utility waterworks association)), forest management associations, voluntary mutual insurance funds, private pension funds, groupings, including European Economic Interest Groupings, court balliffs' offices, sports associations. Legal entities or business associations without legal entity registered in other European Member States against which main or regional insolvency proceedings may be brought in application of Regulation 1346/2000/EC on insolvency proceedings, are also deemed to be business organisations;".

Amendment of Act LXXXI of 1996 on corporate tax and dividend tax

Article 58

(1) Article 2(2)(a) of Act LXXXI of 1996 on corporate tax and dividend tax is replaced by the following:

(*Domestic persons deemed to be taxpayers with domestic domicile)*

“a) Companies, groupings and European companies (including European holding companies),”

(2) Article 5(3) of Act LXXXI/1996 is replaced by the following:

“(3) The corporate tax liability of a foreign entrepreneur shall commence on the date on which its branch office is registered in the register of companies and shall be terminated on the date on which it is deleted from the register of companies. The tax liability of a foreign entrepreneur shall be terminated on the date preceding the date on which liquidation (or equivalent) proceedings are initiated against such foreign entrepreneur in Hungary, or abroad if it involves his Hungarian branch office as well. If a foreign entrepreneur is engaged in business activities in Hungary by way of premises that have not been registered by the Court of Registration, his tax liability shall commence on the date of filing the first legal statement resulting in the business premises being established, and shall be terminated on the date on which the foreign entrepreneur is dissolved or when filing the legal statement resulting in the dissolution of the business premises (including where the activities are performed in a branch office or in the context of a European company). In the case of construction operations by a foreign entrepreneur in Hungary, the entrepreneur’s tax liability shall commence on the date on which the construction work commences, if the duration of the construction work exceeds the deadline specified in the contract or (in the absence of a contract) three months. The fact of operating via a subsidiary or other establishment does not affect the continuity of the construction period.”.

(3) Article 7(1)(e) and (k) of Act LXXXI of 1996 are replaced by the following:

(*The following may be deducted from pre-tax profit:)*

“e) 50% of the income from transactions made on a market recognised (regulated) by the Capital Markets Act recorded in excess of costs claimed for the tax year in the case of business associations, European companies, foreign entrepreneurs and cooperatives (with the exception of insurance and financial institutions, investment companies and venture capital companies), with due regard for the provisions of paragraph 14,

k) 50% of revenue in respect of interest and similar income received (due) from affiliated companies in excess of expenditure in respect of interest and similar charges paid (payable) to affiliated companies recorded for the tax year in the case of business associations, European companies, cooperatives and foreign entrepreneurs (with the exception of insurance and financial institutions, investment companies and venture capital companies), with due regard for the provisions of paragraphs 14 and 16; this provision shall not be applied by taxpayers qualifying as small enterprises as at the last day of the tax year, "

(4) Article 8(1)(k) of Act LXXXI of 1996 is replaced by the following:

(The following shall increase pre-tax profit:)

“k) 50% of expenditure in respect of interest and similar charges paid (payable) to affiliated companies in excess of revenue in respect of interest and similar income received (due) from affiliated companies recorded for the tax year in the case of business associations, European companies, cooperatives and foreign entrepreneurs (excluding insurance and financial institutions, credit institutions and venture capital companies), with due regard for the provisions of Article 7(16); this provision shall not be applied by taxpayers qualifying as small enterprises as at the last day of the tax year,”

(5) The following paragraph (4) is added to Article 16:

“(4) When establishing its tax liability, the European company or – following transfer of its headquarters abroad – foreign entrepreneur operating for its account shall, unless

otherwise provided in this Act, proceed as if the headquarters had not been transferred, including as regards applying the principles of the law to changes to accounted expenditure, revenue and pre-tax result declared for the purposes of domestic tax or foreign corporation tax (or equivalent) prior to the transfer.

(6) Article 16(7) of Act LXXXI of 1996 is replaced by the following:

“(7) A situation of dissolution without legal successor shall be deemed to apply where the taxpayer – except where dissolution is due to transformation – for any reason no longer falls within the scope of this Act, or if its headquarters are transferred abroad. Where a European company transfers its headquarters abroad, this provision need not be applied to those of its activities conducted in its capacity as a foreign entrepreneur. It need also not be applied to foreign entrepreneurs operating for the account of a European company."

(7) The following paragraph 15 is added to Article 16:

“(15) The declarations required in the initial tax return pursuant to paragraphs (10) and (13) shall be made by the legal successor or receiving company if the predecessor company is a foreign entity not regarded as a foreign entrepreneur”.

(8) The following paragraph (10) is added to Article 17:

“(10) The provisions of paragraphs (1) to (6) shall apply to deferred losses incurred by a European company pursuing activities for the account of a foreign entrepreneur at the establishment of the foreign entrepreneur or by foreign entrepreneurs pursuing activities for the account of a European company at an establishment of the European company which have not yet been entered as a decremental factor in the pre-tax result.”

(9) Article 18 (5) is replaced by the following:

“(5) Business organisations, groupings, European companies, cooperatives, and foreign entrepreneurs which do not qualify as small businesses as at the last day of the tax year shall, until the declaration has been submitted, fix the standard market rates, the means of determining them and the supporting information and conditions in accordance with the Ministerial Order issued pursuant to the provisions of this Act".

(10) The following Article (4) is added to Article 26:

“(4) Within 30 days of the day on which tax liability commences, a European company operating for the account of a foreign entrepreneur shall declare a tax estimate corresponding to that declared by the foreign entrepreneur, or a foreign entrepreneur operating for the account of a European company shall declare a tax estimate corresponding to that declared by the European company for the twelve month period beginning on the first day of the second month following commencement of tax liability.”

Amendment of Act CXLV of 1997
on registration of companies, public company
information and court registration proceedings

Article 59

Article 7 (5) of Act CXLV of 1997 is replaced by the following:

“(5) Within 30 days of its publication in the Company Gazette, the Court of Registration shall ensure that information concerning registration or removal from the register of a European Economic Interest Grouping or European company is communicated to the Office for Official Publications of the European Communities for publication in the Official Journal of the European Communities, indicating the number and dates of registration decisions, the fact that the information has been published in the Company Gazette in Hungary and the date of such publication.”

Article 60

(1) Article 13 (5) (d) of Act CXLV/1997 is replaced by the following:

(In the case of share companies)

“d) If the company statutes restrict the transfer of shares,”.

(2) The following paragraph (16) is added to Article 13:

(In addition to the data specified in Article 12, the Register of Companies shall include the following details applicable to specific categories of company:)

“(16) European companies:

a) whether the company is publicly or privately held,

b) the quantity and face value of shares broken down by class of share (share categories)

c) the number and face value of issued convertible bonds

d) the quantity and face value of issued subscription right bonds

e) the method and place of publication of company announcements

f) whether the share company has come under substantial, majority or direct control

g) in the case of single-member European companies, the name and registered office of the founding company or sole shareholder.”

Article 61

The first sentence of Article 19(2) is replaced by the following:

“with the exception of non-resident or European companies, the subscribed capital shall be denoted in Hungarian forint in rounded figures.”

Article 62

Article 34(4) is replaced by the following:

“(4) Where the European Economic Interest Grouping or European company moves its registered office to another Member State, the Court of Registration shall be notified of the plans for such transfer including the new location of the registered office. The plans for relocation shall also be published at the same time in the Company Gazette. Upon relocation of the registered office, deletion from the domestic register of companies shall

be effected automatically within 30 days of publication in the Official Journal of the European Communities of the notice of registration in the Member State in which the new headquarters are located .”

(2) The following new paragraph (5) is added to Article 34:

“(5) In order to expedite the relocation of the European company headquarters, the Court of Registration shall, as part of the formalities, certify that the relocation procedure has been implemented in accordance with the regulations and that the European company has taken the necessary measures and complied with the formal requirements.”

Article 63

The following paragraph (4) is added to Article 38:

“(4) Where the European company is formed by acquisition and the acquiring share company adopts the form of a European company, the Court of Registration shall issue it with a new registration number in accordance with its new category. The fact that the form of the company has changed through the acquisition shall be indicated in the former and new registry entries for the acquiring company. Deletion of the entry for the company in its earlier form does not imply that the acquiring share company has ceased to exist as a legal entity or establish it as a new legal entity.”

Article 64

The following Article 38/A is inserted after Article 38:

“Article 38A
(1) Where the European company is established by way of transformation (merger), the application for registration shall be submitted to the Court of Registration with jurisdiction over the successor company’s headquarters. When registering the company, the provisions on deleting the predecessor companies need only be applied if their registered office is in Hungary.

(2) The application for registration of a European company shall be submitted within eight months of setting up the special negotiating body required under the legislation on European companies. If the negotiating period is extended, the deadline for submission is 60 days following completion of the negotiations.”

Article 65

The following paragraph (2) is added to Article 64, and the current text of this article becomes paragraph (1):

“(2) The provisions of this Act are compliant with those of Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees.”.

Article 66

The Annex to Act CXLV of 1997 is amended in accordance with the Annex to the present Act.

Amendment of Act C of 2000 on Accounting

Article 67

(1) Point 2 of Article 3(1) of the Act on Accounting is replaced by the following:

(For the purposes of this Act)

"*Entrepreneur* means any economic entity carrying out production or service activities (hereinafter: business activities) on his own behalf and at his own risk for consideration, for profit-making ends, including credit and financial institutions, investment companies and insurance institutions; and groupings, European Economic Interest Groupings, European companies, water management organisations, forest management associations, and Hungarian subsidiaries of foreign companies not covered by points 3 and 4;"

(2) The following point c) is added to Article 11(2):

(The financial year may differ from the calendar year:)

"c) European companies, except those deemed to be credit, financial or insurance institutions."

Amendment of Act XLIX of 2003 amending Act CXLIV of 1997 on European Economic Interest Groupings and business associations (Companies Act) and Act CXLV of 1997 on registration of companies with a view to harmonisation

Article 68

The following paragraphs (5) to (8) are added to Article 1 of the above Act XLIX of 2003, and the current paragraph (5) becomes paragraph (9):

"(5) Where a European Economic Interest Grouping operating in Hungary transfers its headquarters to another Member State, it shall meet the requirements of the Accountancy Act in respect of preparation of accounts, auditing, deposition and publication, taking as the accounting date the date of registration of the new registered office – within 150 days of registration at the new location.

(6) Where a European Economic Interest Grouping transfers its registered office from another Member State to Hungary, it shall prepare the opening inventory and opening balance sheet required under the Accountancy Act in respect of assets and their sources as at the date on which the new headquarters are registered with the Court of Registration.

(7) The European Economic Interest Grouping shall draw up its accounts taking due account of the itemised data on assets and their sources in the opening inventory required under (6) (historical costs, accounted depreciation, loss in value, assessment margin).

(8) If transfer of the European Economic Interest Grouping's registered office to Hungary involves a change in the accounting currency, the opening inventory and opening balance sheet required under (6) shall be drafted in the currency used prior to the transfer then, at the same time, converted into the new currency in accordance with the provisions of the Accountancy Act."

Amendment of Act CXVII of 1995 on personal income tax

Article 69

(1) Article 3 (33) of the above Act CXVII/1995 is replaced by the following:

(The following definitions apply for the purposes of this Act:)

"33. *Converted partnership* applies to business organisations, European companies, groupings, cooperatives, public utility companies, associations of private legal entities, lawyers' offices, court bailiffs' offices, forest management associations, ESOP (employee stock ownership plan) organisations."

(2) In Article 69(3)(e) of Act XXVII of 2004 amending various financial laws with a view to harmonisation, the phrase "the taxpayer may apply these provisions to income received and tax obligations arising from 1 January 2003" is replaced by "the taxpayer may apply the provisions of points a) – e) to income received and tax obligations arising from 1 January 2004.

Annex to Act XLV of 2004

I. Section I (6) of the Annex to the Company Registration Act is replaced by the following:

[I. Documents required for registration of companies (registration of change of status)]

"6. To enable a tax number to be issued, a declaration is needed in connection with notification of the commencement of taxable activities by the entity subject to VAT [Article 22(1) of Act XCII of 2003 on rules of taxation]."

II. The following section IV is added to the Annex to the Company Registration Act.:
"IV. The following documents are required for registration of a European company (registration of change of status):

1. Documents required for the registration of European companies formed by way of transformation (merger)

a) the decisions of the company's principle bodies concerning the transformation;

b) the draft balance sheet and property inventory of the transforming company (predecessor);

c) the draft balance sheet and property inventory of the European company to be formed by way of transformation;

d) the settlement arrangements for shareholders who do not wish to participate in the successor company;

e) the transformation or merger plan

f) documentary evidence of announcement of the proposed transformation in the Company Gazette (copies).

2. Documents required for registration of newly established subsidiaries operating in the form of a European company or European holding company:

a) establishment plan

b) declaration by the founders on the bringing in of assets in kind,

c) audit report on assets in kind.

3. In the cases referred to in points 1-2, the following documents are required for registration of a European company (registration of change of status):

– the agreement on employee involvement in the European company's decision-making process, or

– decision by the special negotiating body not to start negotiations on employee involvement in the European company's decision-making process, or to discontinue such negotiations, or

– joint declaration by the management boards of the participating companies that no agreement was reached with the special negotiating body by the deadline specified in separate legislation on the arrangements for employee involvement in the European company's decision-making process".

III. In paragraph 2/A (b) of section II of the Annex to the Company Registration Act, the reference to "Hungarian Banking and Capital Market Supervision" is replaced by "the Hungarian Financial Supervisory Authority".