



The range of investors and activities affected  
by investment restrictions is expanding

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# Planning of investments

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Besides the previously introduced restrictions on investments relating to strategic companies, it should be noted that Government Decree 532/2020. (XI.28.) („**Government Decree**”) sets out different rules applying to Act LVII of 2018 on Controlling Foreign Investments Violating Hungary's Security Interests („**Act**”).

Therefore, before planning any investments, it is suggested to check the provisions of the above acts, as well as the provisions of Act LVIII of 2020 regarding the notification obligation related to strategic companies.



# Foreign investors subject to the notification obligation

Based on the provisions of Government Decree, a broader group of foreign investors were introduced as subjects to mandatory notification on planned investments in Hungary from 29th November. The notification affects foreign investments in enterprises which might violate security interests of Hungary.



\*Legal persons established in Hungary are subject to notification obligation if acquiring ownership or interest in a company established in Hungary, carrying out certain activities in the sectors concerned, if the person with controlling interest in such legal person as specified in the Civil Code is a national of a state outside the EU, the EEA or the Swiss Confederation, or a legal entity or other organization established in such a state.

# Sectors concerned



## Specified sectors



Foreign investments in companies established in Hungary and carrying out the below activities – specified in the Act and in Government Decree 246/2018. (XII.17) issued for the implementation of the Act – were subject to notification obligation to the Minister of Interior and the confirmation by his acknowledgement. The scope of these activities were broadened by the Government Decree with the insurance and reinsurance activities, as well as the activities closely related to insurance and reinsurance activities stated in Act LXXXVIII of 2014 on the Business of Insurance.

Activities related to weapons and ammunition

Manufacture of dual use products

Provision of financial and insurance services

Services governed by the Act on electricity

Services governed by the Act on natural gas supply

Services governed by the Act on water public utility services

Services governed by the Act on electronic communications

The set-up, development and operation of electronic information systems

The obligation of notification arises by the registration of the activity above as the main activity or further scope of activity of the company in the company registry.

# Acquisition of ownership or interest

The below acquisitions\* are subject to mandatory notification:

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## ACQUISITIONS OF CONTROL CONCERNED

- Direct or indirect acquisition of an ownership share beyond 25%, in the case of public limited companies, ownership share beyond 10%, by a foreign investor
- Direct or indirect acquisition of an ownership share under 25% in the case of public limited companies, ownership share under 10%, if by the result of the acquisition of the foreign investors, their total share in the company would exceed 25% altogether
- Acquisition of controlling interest as specified in the Civil Code
- Establishment of a branch with 100% of ownership

It should be noted that the notification shall be made even in the case of ongoing – not only for future – investments, in particular with the establishment of a company, acquiring shares or interest of a company. Furthermore, it needs to be highlighted that the notification is also mandatory in the case of establishment of a branch.

\*It is necessary to mention, that the different provisions set out by the Government Decree do not affect the rules established by the Act regarding rates in connection with acquisition of shares or interest, hereby the other provisions of the above Act remained unchanged.

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# Scope of the Government Decree

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## SCOPE OF THE MEASURES



- The new provisions entered into force on 29th November 2020
- The new provisions shall be in force until 8th February 2021.

# Differences from the rules applying to strategic companies

## INVESTMENT RELATED TO STRATEGIC COMPANIES

- Only strategic companies (e.g. pharmaceuticals, food production) are subject to the notification obligation
- The notification shall be addressed to the Minister of National Innovation and Technology
- Scope of transactions subject to the notification obligation is broader (for example establishment of right of use on the shares of a strategic company is also subject to such obligation)
- The mandatory notification shall apply to transactions concluded until 30th June 2021



## INVESTMENT VIOLATING SECURITY INTEREST

- Activities of the above sectors are subject to notification obligation
- The notification shall be addressed to the Minister of Interior.
- The mandatory notification affects a narrower range of transactions (please see above)
- The new provisions shall be in force until the 8th February 2021

# Contacts

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