

Briefing



Briefing on the rules for setting up a company online

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Act CXXIV of 2021 on the cross-border transformation, merger, division and other legal harmonisation amendments to the Act on the cross-border transformation, merger, division and other legal harmonisation amendments of capital companies introduced a new form of company establishment, the online founded company.

The relevant provisions amended the Act V of 2006 on Public Company information, Company Registration and Winding-up Proceedings (the Company Registration Act) with effect from 1 August 2022, adding a new title - Online Founded Company - and a new Article 9/G.

The rules of online company registration can be applied for a limited liability company established by a citizen of a member state of the European Union, or a legal person or organization registered in a member state of the European Union and a for a branch established in Hungary by a company registered in the European Union.

1. General provisions

The following person shall be entitled to register the company online:

- a citizen of the EU, or
- a legal person or other organization registered in a member state of the EU.

2. Conditions for setting up online

A limited liability company established by a natural person, legal person or other organization referred to above is considered to be an online company if:

- a) the person who made the declaration in connection with foundation of the company **did not have to appear in person before the acting legal representative or other organization;**
- b) the legal legislation **does not provide for any other means of identification** of the acting legal representative, the persons referred in point a) have been identified by means of a combination of **client due diligence by electronic communications equipment** in accordance with the Act on the Prevention and Combating of Money Laundering and Terrorist Financing and identification in accordance with the Act on Professional Activities of Attorneys at Law or verification under the Act on Notaries; ,
- c) the person referred to in point a) shall attach to the application the electronic documents containing
 - **a qualified electronic signature or an advanced electronic signature based on a qualified certificate or an electronic seal, or**
 - **authenticated with a document authentication service traced back to identification;**
- d) **all documents** annexed to the application for registration of a company, **created in electronic form and electronically authenticated** in accordance with point c); and
- e) the share capital of the company **consists exclusively of cash contribution.**

A Hungarian branch of a foreign company established by a company incorporated in a Member State of the European Union is considered to be an online founded company and may be entitled to apply the provisions on the registration of an online founded company if it has fulfilled the conditions under points a)-e) above.

3. Simplified Registration Proceedings

Section 48 of the Company Registration Act details the steps of the simplified company registration procedure: This has now been completed with paragraph (1a), that the legal representative must declare that the conditions for the company registration procedure of the online funded company exist.

4. Registration Procedure for a company established online

The new Section 49 of the Company Registration Act provides for the procedure to be followed in cases where **the conditions for online incorporation are met. In this case the application is not subject to the simplified procedure.** The following procedure rules shall be applied:

- a) the court of registry issues an order rejecting the application for registration without conducting a procedure for remedying deficiencies on the first working day following the receipt of the application;
- b) the court of registry issues the order calling for remedying of deficiencies on the fifth working day following receipt of the application at the latest;
- c) the court of registry shall decide on the application within 10 working days following receipt of the application;
- d) if the document attached to the application for registration **does not comply with the conditions set out in Section 9/G**, i.e. the rules of online founded companies, the court of registry shall proceed in accordance with the general rules on registration, however, **without issuing a separate order, but shall specify the reason underlying the application of general rules in the order on the application.**

5. Ministry of Justice Decree no. 21/2006 on certain aspects of the company registration procedure and the company register

The Ministry of Justice Decree no. 6/2022 (IV.4.) amended the Ministry of Justice Decree no. 21/2006 on certain issues of company registration and the company register setting out additional provisions on the "technical" processes of online company foundation, as follows:

- a) Under Section 1/A (4), a limited liability company **may prepare its articles of association also in the case of online incorporation** by duly **completing the model Articles of association** provided for in this Decree;
- b) in Annex 1, point (A) is added that if the conditions for the registration of a company established online are fulfilled, this must be indicated, and, in the case of simplified company procedure, a declaration of the legal representative must be attached;
- c) in Annex 1 point (o) is added that in the case of a change in the data of the company, among others it must be indicated on the application form, that the conditions for the online registration of the company exist.

Contact

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