

Analysis of the Regulatory Framework in Hungary Governing the Establishment and Operation of Businesses

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1. Introduction

1.1. Purpose of the Research and Its Connection to the Bridging Borders Project

The present study has been prepared within the framework of the Bridging Borders project, which aims to strengthen economic cooperation in the Hungarian–Croatian border region and to explore the legal, administrative, and institutional environment affecting cross-border business activities.

The project places particular emphasis on the operating conditions of micro, small, and medium-sized enterprises (SMEs), as well as start-up businesses, as these actors play a crucial role in the economic development, innovation capacity, and employment of the border region.

Within the framework of the project, two interconnected analyses are being prepared. This document examines the Hungarian business environment based on the criteria defined by the project, with particular attention to legal, administrative, and institutional conditions. The objective of the analysis is to provide a comprehensive overview of the Hungarian regulatory framework and to identify the factors that facilitate or hinder the operation and development of businesses.

The second study compares the Hungarian and Croatian legal, administrative, and institutional systems based on the same analytical criteria. The aim of the comparative analysis is to identify similarities, differences, regulatory overlaps, and potential synergies between the two countries, as well as to formulate recommendations that may contribute to simplifying cross-border business cooperation and enhancing the competitiveness of enterprises.

1.2. Methodology

The primary basis of the research was the review and analysis of legislation, strategic documents, policy papers, and academic and professional sources related to the Hungarian

legal and administrative environment. Taking into account the analytical framework developed for the project, particular attention was paid to regulatory areas that directly influence business operations, including company establishment, taxation, employment, social security, licensing procedures, and business development and support schemes.

In addition to the review of legal and professional documents, stakeholder interviews were conducted in Zala and Somogy counties. The purpose of these interviews was to ensure that, alongside the regulatory framework, the practical experiences of businesses and institutions were also reflected in the research findings.

The interviewees represented the following groups:

- business development organisations,
- enterprises,
- business support institutions,
- stakeholders involved in the economic development of the region.

The results of the research directly contribute to the comparative analysis being prepared within the framework of the Bridging Borders project, which aims to identify similarities, differences, and development opportunities between the Hungarian and Croatian systems. Accordingly, the present study focuses primarily on presenting the regulatory and institutional characteristics of the Hungarian side, while the international comparison will be carried out during the next phase of the project.

1.3. Economic Significance of the Examined Region

The Hungarian side of the region covered by this analysis (Zala and Somogy counties) has maintained close economic, social, and institutional relations with the neighbouring Croatian border areas for a long time.

The economic structure of the region is characterised primarily by the dominance of micro, small, and medium-sized enterprises (SMEs). A significant proportion of businesses operate in the following sectors:

- trade,
- services,
- tourism,
- agriculture,
- and manufacturing.

As a peripheral region, the area faces several structural challenges, including:

- population decline,
- shortages of skilled labour,
- the limited growth capacity of businesses,
- and competitiveness disadvantages resulting from its peripheral geographical location.

The following chapters present the most important legal, administrative, and institutional characteristics of the Hungarian business environment within the context of this regional economic setting.

2. Hungarian Business and Legal Environment

2.1. Business Establishment Process and Requirements

The conditions for establishing a business contribute significantly to the competitiveness of a country's business environment. For entrepreneurs and investors, it is important that the company formation process is transparent, efficient, and cost-effective, as these factors have a direct impact on market entry costs and entrepreneurial activity.

In Hungary, the regulatory framework governing business establishment is primarily defined by legislation on company registration and company procedures, as well as by the provisions of the Civil Code. Entrepreneurs may choose from several legal forms, the most common of which are:

- Limited Liability Company (Kft.),
- Limited Partnership (Bt.),
- Private and Public Limited Company (Zrt., Nyrt.),
- Sole Proprietorship.

The Limited Liability Company (Kft.) is the most widely used business form in Hungary, as it offers relatively simple incorporation requirements while limiting the personal liability of its owners.

Company Formation Process

In Hungary, the establishment of a business company generally consists of the following steps:

1. Selection of the appropriate legal form.
2. Preparation of the articles of association or deed of foundation.
3. Certification by an attorney or notary public.
4. Submission of the registration application to the Court of Registration.
5. Issuance of a tax number and statistical identification number.
6. Opening of a business bank account.
7. Completion of any additional notifications required for commencing operations.

The Hungarian company registration procedure is highly digitalised, with registration applications submitted electronically, reducing the time required for administrative procedures. Thanks to the simplified company registration procedure, registration can often be completed within a few working days.

Costs of Business Establishment

The establishment of a business generally involves the following costs:

- legal fees,
- applicable administrative fees,
- costs related to obtaining company extracts and other official documents,
- bank account opening fees.

In the case of a Limited Liability Company (Kft.), a legally prescribed minimum share capital is required, which is currently HUF 3 million. However, Hungarian legislation provides a certain degree of flexibility regarding the contribution of the registered capital, creating favourable conditions for start-up businesses

Characteristics of Sole Proprietorships

Sole proprietorship is a particularly popular business form among micro-enterprises in Hungary. Registration can be completed electronically, quickly, and free of charge. Administrative requirements are simpler than those applicable to business companies; however, the sole proprietor bears unlimited liability with their entire personal assets for obligations arising from the business activity.

Situation of Foreign Entrepreneurs

As a Member State of the European Union, Hungary guarantees the principle of freedom of establishment and freedom to conduct business. Accordingly, citizens and companies from other EU Member States may also establish businesses in Hungary.

In practice, foreign entrepreneurs may face challenges related to:

- Hungarian-language administration,
- understanding the legal and taxation environment,
- using digital administrative systems,
- identifying suitable local experts and service providers.

During the stakeholder interviews, several respondents highlighted that company establishment itself generally does not constitute a significant legal obstacle for foreign businesses. However, during the operational phase, access to appropriate accounting, legal, and tax advisory services becomes increasingly important.

Assessment

Overall, it can be concluded that the legal and administrative conditions for establishing a business in Hungary are generally favourable. The digitalisation of company procedures, electronic administration, and the flexibility of available business forms contribute to facilitating market entry.

At the same time, business operations continue to be influenced by:

- frequent changes in the regulatory environment,
- administrative compliance obligations,

- difficulties associated with interpreting specific legal and tax regulations.

2.2. Tax system and Taxation Obligations

For small and medium-sized enterprises (SMEs) and start-up businesses, a predictable and transparent tax environment is of particular importance, as these enterprises typically operate with limited financial and administrative capacities.

Hungary's tax system has undergone several changes in recent years. From the perspective of this analysis, its most important characteristics are the low corporate tax rate available to businesses and the extensive use of electronic tax administration.

Corporate Income Tax

The corporate income tax levied on business profits in Hungary is a flat 9%, which is among the lowest corporate tax rates in Europe.

However, the tax rate alone is not sufficient to determine competitiveness. Important factors also include:

- the rules governing the determination of the tax base,
- available tax incentives,
- and tax administration obligations.

Small Business Tax (KIVA)

The Small Business Tax (KIVA) is a special taxation scheme designed for micro and small enterprises. The primary objective of the system is to reduce administrative burdens and encourage employment.

The advantages of KIVA include:

- a simpler taxation structure,
- the replacement of certain taxes,
- and incentives for investment.

During the stakeholder interviews, it was frequently highlighted that KIVA provides an attractive option for smaller businesses in a growth phase. However, its application requires appropriate accounting and financial planning.

Value Added Tax (VAT)

In Hungary, the standard Value Added Tax (VAT) rate is 27%, which is among the highest standard VAT rates in the European Union.

In addition to the standard rate, reduced VAT rates apply to certain products and services.

For businesses, the VAT system is particularly important from the perspective of:

- liquidity planning,
- invoicing processes,
- and the management of international transactions.

For companies engaged in cross-border activities, the VAT rules applicable to intra-EU supplies of goods and services are of particular importance, often requiring the involvement of tax advisors or accountants.

Local Business Tax

The Local Business Tax (HIPA) is one of the key elements of the Hungarian municipal financing system. The tax rate is determined by local governments, with a maximum rate generally set at 2% of the company's tax base.

HIPA is particularly important for business cost planning because:

- it may represent an additional financial burden,
- while also contributing to the financing of local economic development activities.

Many businesses regard HIPA as the most significant business-related tax after corporate income tax.

Other Tax Obligations

Business operations are also affected by additional tax and contribution-related obligations, including:

- social contribution tax,
- motor vehicle tax in certain cases,
- environmental and sector-specific fees,
- innovation contribution for certain businesses.

Due to the complexity of the tax system, most businesses rely on external accountants or tax advisors.

Digitalisation of Tax Administration

One of the major strengths of the Hungarian tax system is its advanced level of electronic administration.

The digital systems operated by the National Tax and Customs Administration (NAV) enable:

- online tax returns,
- electronic communication with tax authorities,
- online invoice data reporting,
- and numerous automated administrative procedures.

Digitalisation significantly reduces administrative burdens; however, it also requires appropriate digital competencies and continuous monitoring of legislative changes by businesses.

Assessment

Overall, the competitiveness of the Hungarian tax system is strengthened primarily by its low corporate tax rate and advanced digital tax administration. At the same time, businesses continue to face challenges related to the complexity of the tax system, the combined impact of various taxes, and the need to continuously monitor changes in the regulatory environment.

For SMEs and start-up businesses in particular, a predictable tax environment, access to professional advisory services, and the further reduction of administrative burdens remain essential factors.

2.3. Labour Regulation and Employment

The employment environment has a fundamental influence on business operations, directly affecting labour costs, growth opportunities, and competitiveness. In the Hungarian economy, ensuring an adequate workforce and complying with labour regulations represent significant challenges, particularly for micro, small, and medium-sized enterprises.

In Hungary, the basic rules governing employment relationships are defined by the Labour Code, which regulates in detail:

- the establishment of employment relationships,
- the content of employment contracts,
- working time and rest periods,
- wage-related provisions,
- and the termination of employment.

The objective of the regulation is to provide a predictable legal framework for employment relationships while protecting employee rights.

Establishment of Employment Relationships

In Hungary, employment relationships may only be established through a written employment contract. Mandatory elements of the contract include, among others:

- the job position,
- the base salary,
- and the place of work.

Employers are required to register employees with the National Tax and Customs Administration (NAV) before employment begins. Failure to comply with this obligation may result in severe labour and tax authority sanctions.

A significant proportion of employment-related administration is conducted electronically, simplifying procedures while requiring adequate administrative preparedness on the part of businesses.

Minimum Wage and Guaranteed Minimum Wage

One of the defining elements of the Hungarian employment system is the mandatory minimum wage framework. Employees are entitled to a statutory minimum wage, while positions requiring specific qualifications are subject to a higher guaranteed minimum wage.

The objectives of the minimum wage system are:

- to guarantee a basic level of income security for employees,
- and to promote fair employment practices.

At the same time, rising wage levels represent increasing costs for businesses, particularly in labour-intensive sectors

Working Time Regulation

Hungarian legislation contains detailed provisions concerning:

- daily working hours,
- weekly working hours,
- overtime,
- rest days,
- and annual leave.

The use of working time banking arrangements enables businesses to adapt more flexibly to production and service demands, although compliance with the relevant rules requires increased administrative effort.

Flexible working time arrangements are particularly important for businesses operating in tourism, hospitality, manufacturing, and logistics.

Atypical Forms of Employment

In addition to traditional full-time, open-ended employment relationships, several alternative forms of employment are available in Hungary:

- part-time employment,
- fixed-term employment,
- simplified employment,
- teleworking.

Following the COVID-19 pandemic, remote work and hybrid employment models have gained particular importance, especially within the IT and service sectors. Start-up businesses frequently utilise flexible employment arrangements that allow them to adapt more rapidly to changing market conditions.

Labour Market Challenges

One of the recurring issues identified during the stakeholder interviews was the shortage of skilled labour. Businesses reported labour shortages particularly in the following fields:

- technical professions,
- construction,
- mechanical engineering,
- information technology,
- logistics,
- agriculture.

The problem is particularly visible in the Hungarian–Croatian border region due to population ageing, the outmigration of young people, and the attraction of larger economic centres. According to business feedback, retaining qualified employees over the long term has become just as challenging as recruiting them.

Assessment

The Hungarian labour regulatory framework provides a stable and predictable legal environment for employment. The system is aligned with the fundamental principles of European Union labour law and offers appropriate protection for both employers and employees.

At the same time, businesses continue to face significant challenges related to:

- labour shortages,
- recruiting and retaining qualified employees,
- increasing labour costs,
- and compliance with administrative requirements.

2.4. Social Security and Contribution Payment System

For businesses, social security contribution obligations represent a significant cost factor. At the same time, the system ensures access to healthcare services, pension insurance, and other social security benefits for employees.

Main Elements of the Social Security System

The Hungarian social security system is built on two main pillars:

- health insurance,
- pension insurance.

Both employers and employees contribute to the financing of the system. Among employment-related public charges, the most significant for businesses are:

- social contribution tax,
- and social security contributions deducted from employees' salaries.

The purpose of the contribution system is to ensure the sustainable financing of public services and social security benefits.

Employer Obligations

As employers, businesses are required to:

- register employees,
- calculate social contributions,
- perform the necessary deductions,
- and fulfil reporting and payment obligations.

Employers are responsible for ensuring that social security records are properly maintained throughout the entire period of employment

These obligations are fulfilled primarily through electronic systems operated by NAV.

Digitalisation of Contribution Reporting and Administration

Hungarian social security administration is highly digitalised.

Businesses have access to:

- electronic registration systems,
- online contribution reporting,
- electronic communication with authorities,
- and digital administrative services relating to employment and taxation matters

To fulfil these obligations, businesses frequently rely on accountants and payroll specialists. The associated costs can place a proportionally greater burden on smaller enterprises.

Employment of Foreign Workers

In certain sectors of the Hungarian economy, the employment of foreign workers is becoming increasingly important.

The most affected sectors include manufacturing, construction, logistics, agriculture, tourism, and hospitality.

Citizens of European Union Member States generally benefit from simpler administrative procedures when taking up employment in Hungary. Nevertheless, careful attention must be paid to social security rights and obligations.

Businesses must pay particular attention to:

- correctly determining insurance status,
- fulfilling registration obligations,
- and applying international employment regulations.

Specific Characteristics of Cross-Border Employment

For businesses operating in the Hungarian–Croatian border region, cross-border employment issues are of particular relevance.

Important considerations include:

- knowledge of EU coordination rules,
- regulations concerning the posting of workers,
- the application of A1 certificates,

- and compliance with rules preventing double contribution payments.

According to stakeholder interviews, most businesses rely on external experts in this area because international employment regulations are complex and require specialised knowledge.

Challenges Perceived by Businesses

The companies interviewed primarily highlighted the following challenges:

- continuously increasing labour costs,
- the complexity of payroll and contribution regulations,
- frequent legislative changes,
- and the need to secure appropriate professional support.

This can be particularly problematic for micro and small enterprises that do not possess their own HR or payroll administration capacities.

Assessment

The Hungarian social security system provides a stable and well-regulated framework for financing employment-related social benefits. The advanced level of electronic administration and digital services contributes significantly to the efficient functioning of the system.

From a business perspective, however, challenges remain in relation to:

- the level of employment-related public charges,
- the complexity of the regulatory framework,
- and the proper management of international and cross-border employment situations.

For the competitiveness of SMEs, a predictable regulatory environment, reduced administrative burdens, and access to professional support services therefore remain particularly important.

3. Licensing and Authority Requirements

Business operations are determined not only by company formation and taxation rules, but also by various licensing and authority requirements. The commencement, continuation, or expansion of certain economic activities may require an official notification, permit, or approval from a specialised authority.

The competitiveness of businesses is significantly influenced by the transparency of licensing procedures, the time required to complete them, the administrative burdens involved, and the extent to which digitalisation supports administrative processes.

In the Hungarian business environment, one of the important objectives of recent years has been to reduce administrative burdens and expand electronic administration.

3.1. Main Characteristics of the Authority System

In Hungary, authority-related tasks affecting business operations are carried out by several institutions. The most important actors include:

- government offices,
- district offices,
- local governments,
- the National Tax and Customs Administration (NAV),
- specialised authorities,
- and certain sectoral supervisory bodies.

The range of permits and notifications required from businesses depends largely on the type of activity carried out. While certain services may be provided on the basis of a simple notification, other activities require a more complex licensing procedure.

3.2. Activities Subject to Notification and Licensing

A significant proportion of economic activities may be carried out freely; however, specific regulations apply in several sectors.

Licensing obligations typically affect the following areas:

- construction activities,
- hospitality,
- commercial activities,
- healthcare services,
- environmentally sensitive sectors,
- certain transport and logistics services.

For businesses, the task is not limited to obtaining the necessary permits, but also includes fulfilling the ongoing compliance obligations related to maintaining those permits.

3.3. Administrative Burdens of Licensing Procedures

For businesses, one of the most important issues is the time requirement and predictability of administrative procedures. Licensing procedures may involve:

- the preparation of technical documentation,
- obtaining expert opinions,
- carrying out on-site inspections,
- and, in some cases, the involvement of several authorities.

Based on the stakeholder interviews, most businesses do not consider licensing obligations themselves to be problematic. Rather, the challenge lies in the complexity of certain procedures and, in some cases, the lack of transparency in the division of responsibilities between different authorities.

3.4. Electronic Administration and Digitalisation

As mentioned earlier, Hungary has made significant progress in the development of electronic public administration in recent years. For businesses, several types of procedures can be handled online, including:

- company procedures,
- tax matters,
- certain licensing procedures,
- electronic communication,
- various registration and notification obligations.

The most important tools of digital administration include:

- Company Gateway (Cégkapu),
- Client Gateway+ (Ügyfélkapu+),
- the Digital Citizenship Programme (DÁP),
- the e-Paper service,
- and sector-specific electronic administration systems.

Digitalisation has significantly reduced the time required for administration and the need for personal attendance.

Assessment

The Hungarian licensing and authority system provides a fundamentally stable and well-regulated framework for the operation of economic activities. Digitalisation developments in recent years have contributed significantly to simplifying and accelerating administrative processes.

At the same time, businesses continue to face challenges related to:

- the complexity of certain procedures,
- the fulfilment of compliance obligations,
- monitoring regulatory changes,
- and the need for expert support

In order to improve the competitiveness of SMEs, it is particularly important to continue administrative simplification, further digitalise administrative processes, and improve information services available to businesses.

4. Access to Information

Access to information is an important factor for the efficient operation of businesses. The speed and quality with which companies can obtain the information they need regarding legislation, administrative requirements, funding opportunities, and market conditions are particularly important for micro, small, and medium-sized enterprises (SMEs), as these businesses often operate with limited human and financial resources.

From the perspective of the Bridging Borders project, access to information is of particular importance because businesses operating in border regions often require specific legal, administrative, and economic knowledge to establish and maintain international business relationships.

4.1. Information Sources Available to Businesses

In Hungary, businesses have access to a wide range of institutional and digital information sources. The most important actors include:

- Hungarian government portals,
- the National Tax and Customs Administration (NAV),
- the Hungarian Chamber of Commerce and Industry,
- regional chambers of commerce and industry,
- business development organisations,
- funding and development policy institutions,
- and various professional and representative organisations.

These organisations provide information on legislative changes, taxation issues, funding opportunities, employment regulations, export activities, and business development services, among other topics.

4.2. Digital Information Systems

Significant progress has been made in recent years regarding digital information systems available to businesses. The most important online platforms include:

- www.magyarorszag.hu,
- NAV online systems,
- the Company Information Service,
- the e-Paper system,
- the Digital Citizenship Programme (DÁP),
- the National Legislation Database,
- and various funding and support portals.

These systems enable businesses to access legislation, obtain information necessary for administrative procedures, communicate electronically with authorities, and fulfil various administrative obligations.

4.3. Clarity and Practical Applicability of Information

Although access to information has improved significantly in recent years, interpreting and applying that information in practice continues to present challenges for businesses. Legal and administrative information is often complex, highly technical in nature, scattered across multiple legal acts, and subject to frequent changes. This is particularly true for micro and small enterprises, which often do not employ dedicated legal or tax specialists and therefore rely on external advisors. During the stakeholder interviews, several respondents emphasised that businesses face challenges not only in identifying the appropriate sources of information but also in understanding and interpreting the information itself.

4.4. The Role of Business Development Organisations in Information Transfer

Organisations that provide personalised advisory services in addition to legal and administrative information play an important role for businesses.

Such organisations include:

- chambers of commerce and industry,
- business development foundations,
- business incubators,
- innovation centres,
- and local economic development organisations.

These institutions can support businesses in:

- identifying financing opportunities,
- building business relationships,
- interpreting funding calls and application procedures,
- and fulfilling administrative obligations.

In border regions, these organisations can play a particularly important role in supporting international cooperation and cross-border business activities.

4.5. Language Barriers and International Information Gathering

For most Hungarian businesses, the domestic information environment is generally accessible. However, when entering international markets, additional challenges arise.

Businesses may encounter difficulties related to:

- interpreting foreign legislation,
- navigating administrative systems in other countries,
- handling professional documentation in foreign languages,
- and communicating with foreign partners.

According to the stakeholder interviews, processing business and legal information in foreign languages may represent a significant barrier, particularly for smaller enterprises. In cross-border cooperation projects, this often increases dependence on external experts and advisors.

4.6. Main Challenges in Access to Information

Based on the interviews and document analysis, the most important challenges in this area include:

- fragmented access to information,
- frequent legislative changes,
- difficulties in navigating between different information sources,
- the complexity of professional and legal terminology,
- and limitations in accessing international information.

For smaller enterprises in particular, information gathering and administrative compliance often require significant investments of time and resources.

4.7. Assessment

It can be concluded that in Hungary businesses have access to the fundamental information and digital systems necessary to support the establishment and operation of economic activities. The development of digitalisation has significantly improved access to information and increased the efficiency of administrative procedures.

At the same time, businesses continue to face challenges related to

- interpreting information,
- keeping up with regulatory changes,
- and navigating among different sources of information.

To improve the competitiveness of SMEs, it is important to further develop business information systems, present information in a more user-friendly and understandable manner, and strengthen the availability of personalised advisory services.

5. Support System for SMEs and Start-ups

Small and medium-sized enterprises (SMEs) are key actors in the Hungarian economy. The SME sector accounts for the vast majority of businesses, plays a significant role in employment, and contributes to local economic development and territorial cohesion. In order to improve business competitiveness, Hungary operates an extensive support and business development system based on both domestic and European Union funding sources. From the perspective of the Bridging Borders project, it is particularly important to examine the support opportunities available to Hungarian businesses and the extent to which these facilitate international and cross-border business cooperation.

5.1. The Role of SMEs in the Hungarian Economy

The Hungarian business structure is fundamentally dominated by micro, small, and medium-sized enterprises. SMEs:

- account for more than 99% of all businesses,
- provide a significant share of employment,
- and play an important role in innovation, local economic development, and regional growth.

The majority of businesses operating in the Hungarian–Croatian border region also fall into this category. A particularly high proportion of micro and small enterprises can be found in the service, tourism, trade, and agricultural sector.

5.2. Hungarian SME Policy and Strategic Framework

One of the key policy documents guiding business development in Hungary is the SME Strategy, which aims to improve business competitiveness, strengthen digitalisation, stimulate innovation, and support access to international markets.

The main priorities of the strategy include:

- increasing productivity,
- promoting digitalisation,
- enhancing innovation capabilities,
- improving access to finance,
- strengthening entrepreneurial skills,
- and supporting internationalisation.

These strategic objectives are aligned with European Union SME policy priorities, particularly those outlined in the SME Strategy for a Sustainable and Digital Europe.

5.3. European Union Support Programmes

For Hungarian SMEs, European Union support programmes represent one of the most important sources of development funding. During the current programming period (2021–2027), particular importance is attached to:

- GINOP Plus (Economic Development and Innovation Operational Programme Plus),
- DIMOP Plus (Digital Renewal Operational Programme Plus),
- KEHOP Plus (Environmental and Energy Efficiency Operational Programme Plus),
- and various Interreg and international cooperation programmes.

The main areas supported include:

- technological development,
- digitalisation,
- energy efficiency,
- innovation,
- training,
- export development,
- and research and development activities.

Among the support schemes relevant to businesses in the Hungarian–Croatian border region, particular mention should be made of the B Light (Beneficiary Light Grant Scheme) programme, which represents a good example of direct support for cross-border cooperation between SMEs. The programme aims to encourage the establishment of business relationships between Hungarian and Croatian enterprises, support the implementation of joint development activities, and strengthen innovation and market cooperation. Building on the experiences of the 2014–2020 programming period, the programme continues during the 2021–2027 cycle.

According to stakeholder interviews, businesses generally regard support programmes as important development tools. At the same time, the complexity of application and reporting requirements is often identified as a significant challenge.

5.4. Financing Opportunities

In addition to grants, businesses have access to a range of financing instruments. The most important include:

- preferential loan programmes,
- guarantee schemes,
- equity financing programmes,
- microcredit schemes,
- and innovation financing instruments.

The Hungarian Development Bank, Garantiqa Credit Guarantee Co. Ltd., and various financial intermediary organisations play an important role in providing financing to businesses in Hungary. For smaller enterprises in particular, access to favourable financing opportunities is essential, as traditional market-based financing options are often limited.

5.5. Start-up Ecosystem and Innovation Support

In recent years, Hungary's innovation and start-up ecosystem has gradually developed and expanded. Support for innovative enterprises is provided by:

- the National Innovation Agency,
- HIPA – the Hungarian Investment Promotion Agency,
- university innovation centres,
- technology parks,
- business incubators,
- and various start-up programmes.

The objectives of innovation support schemes include:

- the development of new products and services,
- the promotion of research and development activities,
- support for international market entry,
- and facilitating the growth of technology-oriented enterprises.

5.6. Main Challenges of the Support System

According to stakeholder interviews, the most frequently mentioned challenges include:

- the complexity of grant schemes,
- administrative burdens,
- the rapid exhaustion of available funding resources,
- lengthy evaluation procedures,
- and the need for expert support during project implementation.

These challenges are particularly significant for smaller businesses, which often have limited capacity to prepare and manage grant applications.

5.7. Assessment

Hungary offers a broad range of support and development opportunities for SMEs and start-ups. European Union and domestic funding programmes provide opportunities to support technological development, innovation, digitalisation, and internationalisation. One of the greatest strengths of the system is the diversity of available funding sources and the extensive network of business development institutions. At the same time, access to support may still be hindered by administrative complexity, the intricacies of grant procedures, and the lack of adequate professional capacity. From the perspective of the development of the Hungarian–Croatian border region, it is particularly important to further strengthen programmes promoting international cooperation and to expand the range of personalised development services available to businesses.

6. The Role of Business Development Institutions

The competitiveness of businesses is determined not only by the legal and economic environment but also by the institutions and services that support business creation, growth, innovation activities, and the expansion of international networks. Over the past decades, Hungary has developed an extensive business development support system that provides services at national, regional, and local levels. From the perspective of the Bridging Borders project, it is particularly important to examine how these institutions contribute to cross-border economic cooperation and what types of support they provide to businesses seeking to enter international markets.

6.1. Main Actors of the Business Development Institutional System

The Hungarian business development system includes several types of institutions.

The most important actors are:

- Hungarian Chamber of Commerce and Industry (MKIK),
- regional chambers of commerce and industry,
- Hungarian Development Bank (MFB),
- HIPA – Hungarian Investment Promotion Agency,
- National Innovation Agency,
- business development foundations,
- business incubators,
- technology and innovation centres,
- university innovation ecosystems,
- and various cluster organisations.

The services provided by these institutions aim to improve business competitiveness, support growth, and strengthen international business relations.

6.2. The Role of Chambers of Commerce and Industry

The chamber system is one of the most important elements of Hungary's business development infrastructure.

The tasks of the chambers include:

- providing information to businesses,
- organising training programmes,
- business partner matchmaking,
- business development consultancy,
- and representing business interests.

Regional chambers play a particularly important role in supporting local businesses because they maintain direct contact with economic actors in their respective regions. For businesses in Zala and Somogy counties, chambers often serve as a primary source of information regarding funding opportunities, legislative changes, and international business relations.

6.3. Investment Promotion and Support for Internationalisation

Supporting internationalisation is particularly important for businesses operating in border regions, as their geographical location provides favourable conditions for establishing international partnerships. HIPA – the Hungarian Investment Promotion Agency – plays an important role in strengthening the international activities of businesses.

Its main tasks include:

- promoting foreign investment,
- supporting export activities,
- developing international business relations,
- and providing services to investors and businesses.

6.4. Innovation and Start-up Support Organisations

Although the most significant actors within the Hungarian start-up ecosystem are concentrated primarily in Budapest, the number of regional innovation initiatives has also increased in recent years. Alongside the development of the innovation ecosystem, institutions specifically supporting innovative businesses and start-ups have gained increasing importance.

These include:

- innovation centres,
- technology parks,
- business incubators,
- start-up accelerator programmes,
- and university innovation centres.

The services offered by these organisations typically include:

- mentoring,
- business development consultancy,
- networking opportunities,

- support for investor relations,
- and training programmes.

6.5. Business Development Foundations and Local Development Organisations

Local and regional business development organisations play an important role in supporting SMEs.

Their activities typically include:

- consultancy services,
- the provision of microloans,
- entrepreneurial training programmes,
- dissemination of funding and market information,
- networking activities,
- and the implementation of local economic development programmes.

Organisations operating in border regions frequently participate in international projects and cooperation initiatives, contributing to the strengthening of international business relations. The Bridging Borders project itself follows this logic of cooperation, aiming to identify factors affecting business operations and strengthen economic relations across the border region.

6.6. Experiences of Businesses

During the interviews, respondents who had previously cooperated with business development institutions generally evaluated their role positively, particularly in the following areas:

- microloan administration,
- provision of funding-related information,
- networking events,
- training opportunities,
- business development consultancy.

At the same time, several respondents pointed out that awareness of available services is not always sufficient, particularly among businesses operating in smaller settlements.

Businesses expressed a need for:

- personalised advisory services,
- practical and hands-on support,
- and expanded opportunities for international partner search and matchmaking

6.7. Assessment

Hungary's business development institutional system provides a wide range of services for businesses. Chambers of commerce, development organisations, innovation centres, and other institutions play a significant role in improving business competitiveness. One of the main strengths of the system is the diversity of services available and the broad range of development opportunities offered to businesses. At the same time, increasing the visibility of available services, reducing territorial disparities, and further developing services that support international and cross-border cooperation remain important priorities.

7. Public Procurement Regulations Affecting Businesses

The public procurement market provides important economic opportunities for businesses, particularly in sectors that regularly participate in projects financed by the state, local governments, or other public funds. The functioning of the public procurement system is therefore an important component of the business environment, as it directly influences market opportunities and growth potential for enterprises. In Hungary, the operation of the public procurement system is primarily regulated by Act CXLIII of 2015 on Public Procurement, which is aligned with the public procurement directives of the European Union. The objective of the legislation is to ensure the transparent, competitive, and efficient use of public funds.

7.1. Fundamental Principles of the Public Procurement System

The Hungarian public procurement system is based on several key principles:

- the principle of transparency,
- the principle of equal treatment,
- ensuring fair competition,
- publicity and openness,
- and the efficient use of public funds.

These principles ensure that businesses can participate in procurement procedures under equal conditions. In line with the principles of the European Union's internal market, the regulatory framework also enables businesses to participate in public procurement procedures in other Member States.

7.2. Importance of Public Procurement for SMEs

Public procurement opportunities are particularly relevant for small and medium-sized enterprises operating in the following sectors:

- construction,
- engineering services,
- information technology services,
- maintenance and facility management activities,
- education and training services,
- and various consultancy and expert services.

The current public procurement regulations allow contracting authorities, under certain conditions, to restrict participation to SME bidders. This increases the opportunities available to SMEs within the public procurement market.

7.3. Electronic Public Procurement System

One of the most important elements of the Hungarian public procurement framework is the Electronic Public Procurement System (EKR).

The EKR enables:

- publication of procurement procedures,
- access to procurement documentation,
- electronic submission of tenders,
- and monitoring of procurement processes.

The introduction of the system has significantly increased transparency and simplified administrative procedures for bidders. Electronic administration is particularly important for businesses operating in rural and border regions, as it reduces disadvantages resulting from geographical distance-

7.4. Factors Influencing SME Participation

The most common challenges identified by SMEs in relation to public procurement procedures include:

- the complexity of procedures,
- extensive documentation requirements,
- meeting financial and professional eligibility criteria,
- the cost of preparing tender documentation,
- and the complexity of legal remedy procedures.

Smaller businesses frequently rely on external experts to prepare procurement bids, which results in additional costs. Currently, SMEs may also access support schemes that partially reimburse costs associated with participating in public procurement procedures if their bid is not selected, thereby reducing the financial risks of market participation.

7.5. Assessment

The Hungarian public procurement system, in line with European Union regulatory frameworks, ensures the transparent and non-discriminatory use of public funds. The Electronic Public Procurement System has represented a significant step forward in terms of digitalisation and procedural transparency. At the same time, businesses continue to face challenges related to the complexity of procurement procedures, compliance with documentation requirements, and the availability of the necessary professional capacities. In order to further strengthen SME participation, it is important to improve access to information for businesses and expand support services that facilitate entry into the public procurement market.

8. Dispute Resolution System

During their operation, businesses inevitably encounter situations that may lead to legal disputes. These may relate to the performance of contractual obligations, late payments, service or quality-related complaints, employment issues, or even administrative decisions. From the perspective of a predictable business environment, it is of crucial importance how quickly, efficiently, and cost-effectively businesses can enforce their rights.

The dispute resolution system is therefore an important component of the business environment, as it directly affects operational security, business relationships, and investment decisions.

8.1. Institutional Framework for Legal Enforcement

In Hungary, the primary forum for legal enforcement available to businesses is the judicial system.

Cases affecting businesses are most commonly handled through:

- civil courts,
- commercial civil proceedings,
- administrative court proceedings,
- and, in certain specific cases, arbitration tribunals.

The Hungarian judicial system provides multiple levels of legal remedy, contributing to the enforcement of legal certainty and the rule of law.

8.2. Most Common Business-Related Disputes

The most frequent types of disputes arising during business operations include:

- disputes related to breach of contract,
- claims arising from late payments,
- performance and quality-related complaints,
- employment disputes,
- ownership and usage disputes,
- legal remedy procedures related to public procurement,
- proceedings concerning administrative decisions.

For SMEs, outstanding receivables and late payments represent particularly common problems, often creating significant liquidity risks.

8.3. Order for Payment Procedure

One of the most important tools for enforcing smaller monetary claims is the order for payment procedure.

The main advantages of this procedure include:

- faster administration,
- lower costs,
- simplified procedures,
- the possibility of electronic administration.

The system represents an important legal enforcement mechanism for SMEs, as it enables more efficient recovery of outstanding claims.

8.4. Alternative Dispute Resolution Mechanisms

In addition to traditional court proceedings, several alternative dispute resolution mechanisms are available in Hungary.

These include:

- mediation,
- arbitration,
- conciliation bodies,
- and various negotiation and settlement mechanisms.

The advantages of alternative dispute resolution methods include:

- shorter processing times,
- lower costs,
- greater flexibility,
- and the possibility of preserving business relationships.

For businesses, it is often particularly important to resolve conflicts before lengthy court proceedings become necessary.

8.5. Arbitration Proceedings

Arbitration clauses are frequently included in contracts between businesses.

The advantages of arbitration include:

- the involvement of specialised decision-makers,
- faster procedures,

- greater flexibility,
- and the possibility of confidential proceedings.

Arbitration may be particularly advantageous in the case of higher-value commercial contracts.

8.6. Business Experiences

During the stakeholder interviews, most businesses indicated that they seek to avoid lengthy court proceedings whenever possible.

The most frequently mentioned challenges included:

- the duration of procedures,
- the costs of legal representation,
- evidentiary requirements,
- and the unpredictable length of proceedings.

Several respondents emphasised that effective dispute prevention largely depends on:

- properly drafted contracts,
- professional legal advice,
- and prior verification of business partners.

According to the interviews, smaller businesses often do not have in-house legal expertise and therefore rely on external legal advisors.

8.7. Legal Certainty and the Business Environment

Legal certainty is one of the most important elements of the business environment.

Businesses particularly value:

- predictable application of the law,
- effective access to legal remedies,
- an efficient system of legal redress,
- and the enforceability of contracts.

The Hungarian legal system provides stable institutional frameworks for businesses. However, business operations may still be affected by:

- legislative changes,
- administrative requirements,
- and the time required for certain legal and administrative procedures.

8.8. Assessment

It can be concluded that businesses in Hungary have access to a range of legal and institutional instruments that ensure the possibility of resolving disputes. The judicial system, the order for payment procedure, and alternative dispute resolution mechanisms together provide an adequate framework for the enforcement of business rights.

At the same time, businesses may continue to face challenges related to:

- the duration of proceedings,
- legal costs,
- and securing appropriate professional support.

From the perspective of SME competitiveness, it is particularly important to strengthen legal awareness, promote preventive legal counselling, and encourage the wider use of alternative dispute resolution mechanisms.

9. Main Findings of the Interviews

9.1. The Role of the Interviews in the Research

One of the important elements of the research conducted within the framework of the Bridging Borders project was the implementation of stakeholder interviews. The purpose of the interviews was to complement the analysis of the legal and institutional environment with the practical experiences of businesses, experts, and business development organisations.

The interviewees included businesses, business support organisations, and economic development professionals. Most respondents had several years of experience in Hungarian–Croatian economic relations and international business cooperation.

Although the interviewees represented different sectors, a number of common experiences and recurring challenges emerged from their responses.

9.2. General Perception of Cross-Border Cooperation

Based on the interviews, it can be concluded that businesses and institutions demonstrate a strong openness towards Hungarian–Croatian economic cooperation.

According to most respondents, geographical proximity, historical ties, and the cooperation frameworks provided by the European Union create favourable conditions for the development of business relations.

Several interviewees emphasised that decades-long traditions of cooperation exist in the border region. However, these have not always resulted in sustainable business partnerships or long-term economic integration.

The primary motivations of businesses are generally:

- access to new markets,
- expansion of business networks,
- partner search,
- and the identification of new business opportunities.

9.3. Lack of Information

One of the most frequently recurring themes during the interviews was the lack of information.

According to respondents, it is often difficult to access:

- relevant legal information,

- funding opportunities,
- partner search information,
- and practical knowledge related to foreign markets.

Although much of the information is available, it is often dispersed across multiple sources, making it difficult to navigate. Smaller businesses in particular frequently lack sufficient capacity for continuous information gathering and monitoring of the regulatory environment.

9.4. Administrative Burdens and Regulatory Complexity

According to the interviews, many businesses continue to regard administrative obligations as one of the most significant operational challenges.

Respondents identified the following as particularly burdensome:

- frequent legislative changes,
- compliance with administrative requirements,
- preparation of funding application documentation,
- and documentation requirements related to specific procedures.

At the same time, most businesses acknowledged that the development of electronic administration has significantly improved the efficiency of administrative processes in recent years.

9.5. Difficulties in Finding Partners

One of the most important challenges in establishing cross-border business relations is finding suitable partners.

Several respondents highlighted that:

- it is difficult to identify reliable business partners,
- opportunities for direct networking are limited,
- and platforms that effectively support partner matchmaking are lacking.

The interviews indicated a strong demand for events and online platforms that facilitate business networking and partner search activities.

9.6. Dependence on External Experts

A significant proportion of businesses rely on external experts for:

- taxation matters,
- legal issues,
- grant application consultancy,
- and international business activities.

According to respondents, the complexity of the regulatory environment often makes professional support indispensable.

This can represent an additional financial burden, particularly for smaller businesses.

9.7. Labour Market Challenges

Almost all interviewees mentioned labour shortages as a major challenge.

The most significant difficulties include:

- shortages of skilled labour,
- outmigration of young workers,
- shortcomings in professional workforce replacement,
- and employee retention.

The problem is particularly evident in border regions, where demographic trends and labour mobility further intensify these challenges.

9.8. Linguistic and Cultural Factors

Several respondents emphasised that linguistic and cultural differences continue to influence cross-border business relations.

The most frequently mentioned challenges include:

- handling foreign-language documentation,
- professional communication,
- differences in business culture,
- and differences in the operation of professional networks.

At the same time, respondents generally agreed that these challenges can be overcome through access to information and the development of business relationships.

9.9. Summary

The interviews indicate that businesses operating in the Hungarian–Croatian border region are open to international cooperation but face a number of practical obstacles.

The most important challenges identified were:

- lack of information,
- administrative burdens,
- difficulties in finding partners,
- dependence on external experts,
- labour shortages,
- and certain linguistic and cultural barriers.

These findings support the relevance of initiatives such as the Bridging Borders project and highlight the need for stronger institutional cooperation, more effective information systems, and targeted business development services to support the further development of cross-border economic relations.

10. Conclusions and Recommendations

10.1. Main Findings of the Research

The objective of the analysis prepared within the framework of the Bridging Borders project was to examine the Hungarian business environment, with particular attention to the legal, administrative, and institutional conditions affecting the operation of micro, small, and medium-sized enterprises (SMEs) and start-up businesses in the Hungarian–Croatian border region.

Based on the findings of the analysis, it can be concluded that Hungary generally provides a favourable business environment for economic actors. The business establishment process is fast and highly digitalised, the competitiveness of the tax system is strengthened by the low corporate income tax rate, and a wide range of support and development instruments are available for businesses.

The institutional system supporting business activities is well developed, and significant progress has been made in recent years in the fields of electronic public administration, online services, and digital government solutions.

At the same time, the research also highlighted that businesses continue to face a number of challenges, particularly micro and small enterprises.

10.2. Strengths of the Business Environment

Based on the analysis, the main strengths of the Hungarian business environment can be summarised as follows:

Favourable Conditions for Business Establishment

The company registration process is fast, can be completed electronically, and businesses may choose from several flexible legal forms.

Advanced Digital Public Administration

The development of electronic administration systems has significantly contributed to simplifying administrative procedures.

Competitive Tax Environment

The low corporate income tax rate and the special taxation schemes available for SMEs support business growth and development.

Extensive Support System

European Union and domestic funding programmes provide a wide range of development opportunities for businesses.

Strong Institutional Background

Chambers of commerce, business development organisations, innovation centres, and other institutions play an important role in supporting businesses.

10.3. Main Challenges Facing Businesses

Based on the interviews and document analysis, several areas were identified as presenting difficulties for businesses.

Labour Shortages

The shortage of skilled labour emerged as a major challenge across most of the sectors examined.

Administrative Burdens

Many businesses continue to perceive administrative obligations as a significant burden, particularly regarding compliance requirements and grant application procedures.

Information-Related Challenges

Despite the availability of large amounts of information, interpreting and applying it in practice often remains difficult.

Dependence on External Experts

Due to the complexity of legal, taxation, and grant-related regulations, businesses frequently rely on external experts.

Difficulties in Finding Partners

The identification of suitable business partners remains a significant challenge when establishing international business relationships.

10.4. Specific Characteristics of the Border Region

Businesses operating in the Hungarian–Croatian border region face a unique situation. Geographical proximity and the cooperation frameworks provided by the European Union create favourable conditions for developing economic relations. At the same time, border regions face a number of challenges that differ from those encountered in the country's more developed economic centres.

Particularly important factors include:

- peripheral geographical location,
- demographic trends,
- labour migration,
- and limited business networks.

As a result, programmes and measures that support international networking and market expansion are of particular importance for businesses in the region.

10.5. Development Recommendations

Based on the results of the research, several development directions can be identified that may contribute to improving business competitiveness and strengthening cross-border cooperation.

Further Reduction of Administrative Burdens

Simplified and digital administrative solutions should be further expanded, particularly for SMEs.

Development of Business Information Systems

It is important to provide businesses with information that is clear, up-to-date, and easily accessible.

Support for Labour Market Adaptation

Expanding training programmes, adult education opportunities, and workforce development initiatives is essential.

Strengthening International Relation

Businesses should be further supported in entering international markets, identifying partners, and developing export activities.

Expansion of Business Development Services

The availability of personalised advisory and mentoring services should be increased, particularly for smaller enterprises.

10.6. Connection to the Bridging Borders Project

The present study represents the first analytical pillar of the Bridging Borders project. The analysis explored the most important characteristics of the Hungarian business environment and identified the factors influencing the operation and development of businesses in the Hungarian–Croatian border region. The findings of the research provide a direct basis for the next phase of the project, during which a comparative analysis of the Hungarian and Croatian legal, administrative, and institutional systems will be prepared. The objective of the comparative study is to identify differences, similarities, and potential synergies between the two countries and to formulate recommendations that may facilitate the development of cross-border business cooperation.

Legislation Reviewed and Bibliography

During the preparation of this study, the following legislative acts were reviewed:

- Act V of 2013 on the Civil Code of Hungary.
- Act V of 2006 on Public Company Information, Company Registration Proceedings and Voluntary Dissolution.
- Act I of 2012 on the Labour Code.
- Act CL of 2017 on the Rules of Taxation.
- Act LXXXI of 1996 on Corporate Tax and Dividend Tax.
- Act CXXVII of 2007 on Value Added Tax.
- Act CXLIII of 2015 on Public Procurement.
- Act CXXII of 2019 on Persons Entitled to Social Security Benefits.
- Act CL of 2016 on General Public Administration Procedures.

The following Hungarian and European professional and policy documents were also used in the preparation of the study:

- European Commission (2020): *An SME Strategy for a Sustainable and Digital Europe*.
- European Commission (2024): *Annual Report on European SMEs*.
- OECD (2023): *SME and Entrepreneurship Outlook*.
- Hungarian Chamber of Commerce and Industry (2024): *The Situation of the Hungarian SME Sector*.
- National Innovation Agency (2024): *Innovation Ecosystem in Hungary*.
- Hungarian Central Statistical Office (KSH) (2024): *The Role of Small and Medium-Sized Enterprises in the Hungarian Economy*.
- HIPA (2024): *Investment Environment in Hungary*.
- Digital Hungary Agency (2024): *Digital Citizenship Programme*.