

Briefing



COVID-19 Amendments to the law on foreign investments in Hungarian companies engaged in certain strategic industries

7 July 2020

A new Act re-regulated the provisions on the notification obligation related to foreign investments in companies established in Hungary and engaged in certain strategic industries introduced by Government Decree No. 227/2020. (V. 25.) as of 26 May 2020.

Chapter 85 (Sections 276-292) of Act LVIII of 2020 on Transitional Rules related to the Cessation of the Emergency and Epidemiological Preparedness, a so-called „omnibus bill” (hereinafter: the Act) re-regulated the provisions on the notification obligation related to foreign investments in companies established in Hungary of Government Decree No. 227/2020 (V. 25.) issued in May 2020.

The law largely repeats the rules of the previous government decree, but contains amendments, additions and minor clarifications to certain provisions. In our newsletter of June 2020, we described the rules of the government decree in detail. The newsletter can be viewed [here](#).

In this newsletter, we describe the most significant changes compared to the previous regulation:

1. Definition of strategic companies

The Act referred the definition of strategic industries subject to the notification requirement to be regulated in a government decree. Government Decree No. 289/2020 (VI. 17.) issued in respect of this does not include the financial sector compared to the previous list, however, the list has been extended to the activity "administrative and service support activities - temporary employment agency activities".

2. Scope

According to the Act, the notification obligation remains unchanged until the end of this year, i.e. until 31 December 2020.

3. Modification of the reporting obligation for intra-EU investors

Investments made by a legal entity or other organisation registered in another Member State of the European Union or the European Economic Area or Switzerland, or by a national of one of the above, are subject to notification if the total value of the investment exceeds HUF 350 million and the investor directly or indirectly acquires a majority influence in the strategic company.

4. Exception to the obligation to notify

By way of derogation from the previous rule, there is no notification obligation if the legal transaction concluded in respect of the foreign-based legal person or other organisation results in the acquisition of shares/assets otherwise subject to the notification obligation in respect of the Hungarian-based subsidiary of this legal person or organisation that qualifies as a strategic company.

5. Shorter deadline for processing an application

The Minister has 30 working days (previously 45 working days) from the receipt of the application to process the application.

6. Defining the state interest

The Act defines the concept of the state interest, the violation of which, among other things, may prohibit a legal transaction. By definition, state interest is the public interest in the security and operation of networks and equipment and in the continuity of supply, not governed by sectoral European Union and national law.

Contact

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