

COOPERATION FOR A MORE COMPETITIVE HUNGARY

2019

RECOMMENDATIONS OF THE AMERICAN CHAMBER
OF COMMERCE IN HUNGARY, BASED ON DISCUSSIONS
ENGAGING CORPORATE AND GOVERNMENT REPRESENTATIVES
ON STIMULATING THE HUNGARIAN ECONOMY

EXECUTIVE SUMMARY



AN EFFECTIVE AND EXPANDING ADVOCACY NETWORK



WE REPRESENT

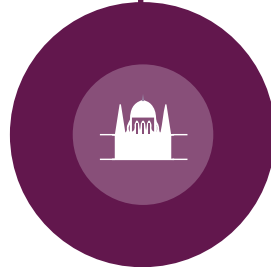
357 AmCham members from **23** countries

230,000 employees

Approx. **36%** of the Hungarian export

Total net revenue of more than **HUF 11.1** trillion in 2017

Wide representation of industries



DIALOGUE WITH GOVERNMENT

Ministry of Human Capacities

Ministry of Justice

Ministry for Innovation and Technology

Ministry of Foreign Affairs and Trade

Ministry of Finance

Hungarian Investment Promotion Agency

National Authority for Data Protection and Freedom of Information

National Research, Development and Innovation Office

Hungarian Intellectual Property Office



EDUCATIONAL PARTNERS

15+ universities

400+ high-school teachers

Educational Authority

Klebelsberg Center

National Institute of Vocational and Adult Education

A JOINT EFFORT, DRIVEN BY THE SAME GOAL



AMCHAM CONFERENCES

BUSINESS MEETS GOVERNMENT SUMMITS
COMPETITIVE EDUCATION CONFERENCES
DIGITALIZATION CONFERENCE
BUSINESS MEETS UNIVERSITIES
PROJECT AND WORKSHOP

CONSULTATION

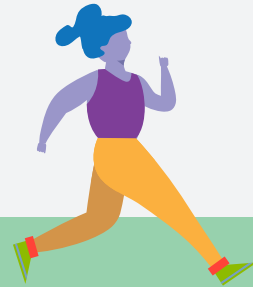
MINISTER AND STATE
SECRETARY-LEVEL MEETINGS
COMPETITIVENESS COUNCIL

GOVERNMENT INPUT

GOVERNMENT INITIATIVES & MEASURES
OFFICIAL FEEDBACK FROM MINISTRIES
ON AMCHAM RECOMMENDATIONS



A PROVEN TRACK RECORD



COMPETITIVE TAX
SYSTEM

THE "INVENT
IN HUNGARY"
PARADIGM
SHIFT AND
THE GROWING
SUPPORT OF
THE LOCAL
INNOVATION
ECOSYSTEM

THE GRADUAL
AND PREDICTABLE
REDUCTION
OF EMPLOYMENT-
RELATED TAXES

LEGISLATIVE
AMENDMENTS
TO SUPPORT
FLEXIBLE
WORKING
SCHEMES

THE EFFECTIVE
SUPPORT
OF CAREER
ORIENTATION
IN PUBLIC
EDUCATION AND
VOCATIONAL
TRAINING

THE
PRIORITIZATION
OF THE
DEVELOPMENT
OF KEY
COMPETENCIES
AND SKILLS IN THE
NEW NATIONAL
CURRICULUM

THE FOUNDATION
OF THE ARTIFICIAL
INTELLIGENCE
COALITION

PRIMARY TARGETS TO IMPROVE OUR COMPETITIVENESS

- **Digital public administration:** the unification and simplification of electronic government administration and customer services and platforms
- The further reduction of underground economy by **encouraging and supporting electronic payments**
- Increasing government spending and the efficient use of funds in areas critical to our competitiveness: education, innovation and R&D
- More support for **innovation**
- Expansion of **labour supply**
- The urgent introduction of reforms **developing key competencies and skills** in education
- More effective and efficient **foreign language education**
- Expanding **career orientation activities** with special focus on STEM subjects and careers
- A more structured framework of **cooperation between the business sector and education**, and the increased promotion of practice-oriented trainings in higher education institutes
- More **efficient data sharing** to improve Hungary's potential in digitalization



GENERAL BUSINESS ENVIRONMENT



1. We have further recommendations to successfully advance the paradigm shift to “Invent in Hungary”:

- a. Investments should be encouraged in the southern regions of Hungary, which are less afflicted by labor shortages.
- b. We recommend the establishment of highly supported R&D areas and special incentivization of R&D investments made in these territories (for example R&D spending could be deductible from additional taxes and contributions, similarly to the practices of other EU member states in the region).

GENERAL BUSINESS ENVIRONMENT



2. AmCham recommends that a competitive and predictable tax regime be provided. We recommend specific changes as follows:

- a. the gradual phasing-out of sectoral taxes;
- b. expand the range of items deductible from the local business tax;
- c. setting an upper limit to the amount of social contribution payable by employers;
- d. revise the rules of offering corporate tax payments for preferred purposes to include educational and healthcare institutions, and patient organizations, in addition to sports organizations;
- e. propose a new Act on personal income tax;
- f. overhaul the current vocational training contribution regime;
- g. allow the gifting of tangible assets to private individuals employed as student workers – up to a small amount –, without the employer’s obligation to declare and pay personal income tax.

GENERAL BUSINESS ENVIRONMENT



3. AmCham recommends the unification and simplification of digital government services and online platforms. We recommend specific changes as follows:

- a. define in applicable law the circumstances in which official documents can be delivered directly to a senior executive of a company instead of the company headquarters;
- b. unify and connect the large number of electronic public administration platforms and services;
- c. introduce more advanced access rights management in the existing public administration platforms;
- d. increase the number of one-stop shop systems, particularly with respect to the electronic transfer of taxes and similar payments, and the declaration, auditing and payment of local business tax;
- e. reduce the administration of labor processes through digitalization;
- f. restore the single-window system for the reporting obligations related to foreigners' work permits, because the procedure now takes a lot longer than before;
- g. significantly reduce the administrative burden related to training aids;
- h. narrow the range of identification data to be provided on return form;
- i. introduce a single taxpayer identification number for each individual;
- j. simplify the submission of the Uniform Representation Form – required for handling official tax and customs matters through a representative – and other registration forms;
- k. allow the registration of tax consulting and accounting firms (besides natural persons) on online platforms to represent their clients;
- l. reduce the requirement of physical presence during proceedings

COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



4. We recommend that the government continues to focus on expanding and improving the labor supply in every field to bolster the available workforce required to maintain the supply of existing investments and attract new ones. We recommend specific changes as follows:

- a. provide further support to ensure the spread and expansion of new, flexible forms of employment, which can increase the labor market activity of women and mothers and can help them return to the labor market as soon as possible;
- b. simplify the permit procedure for the employment of non-EU (third-country) citizens for as many positions as possible (for example by expanding the official want list of positions);
- c. renew the adult training and retraining strategy to comply with current and future skills and competencies needed in the labor market; In the context of transforming adult training and retraining, we attach particular importance to the measurement of results;
- d. take further measures in order to whiten the employment in the context of the grey and black economy;
- e. encourage the employment of young people and women: (i) we recommend breaking down the administrative barriers that prevent students who continue their studies abroad from finding internships in Hungary; (ii) we recommend the revision of current administrative requirements applicable to setting up and operating a company daycare center.

COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



- 5. We recommend that the government should provide the best possible support and budget for the transformation of the education system aimed to develop key competencies and to provide a competitive workforce.**
 - a. We recommend significant improvement in the professional and financial recognition of teachers and creating a better social prestige for the teaching profession, as they are essential to a high-quality education system.
- 6. We recommend preserving the basic principles of the new, competency-based National Curriculum (NAT) and implementing them in a consolidated structure. This could serve as a solid basis for a modern education system that can also adapt to the challenges of a fast-changing world.**
- 7. We recommend that the measures designed to increase the efficiency of foreign language education should be introduced as soon as possible and treated as a priority.**

COMPETITIVE WORKFORCE AND COMPETITIVE EDUCATION



8. We recommend that the government should facilitate the strengthening and expansion of schools' career orientation activities with a special focus on STEM subjects.

9. We recommend the strengthening of practical training in institutes of higher education.

- a. We recommend that business organizations should be allowed to claim the relief applicable to vocational training contribution for fee-paying students in dual training, as well.
- b. We recommend that the tax reliefs granted to employees with a PhD should also be extended to PhD students so that as many people take part in doctorate programs as possible.

INNOVATION AND RESEARCH AND DEVELOPMENT



10. We recommend further incentives to encourage cooperation between higher education institutions and businesses in research and development and innovation (the so-called “Third Mission” activities of higher education institutions in general).

- a. In order to expand knowledge transfer, it is necessary to create a predictable and transparent incentive system, and to simplify and accelerate the process of commercial utilization (primarily that of intellectual property rights transfer and license fee evaluation).
- b. We recommend revising the application of public procurement rules relating to universities and other central budget-funded research units.

11. We advocate for further commitments to an innovation-centered approach and increasing support for innovation. It is necessary:

- a. to properly define innovation and a qualification system to categorize individual activities;
- b. to define and communicate the innovation target areas, and to conduct related impact assessments;
- c. to define a possible benefit system for supporting innovation;
- d. to analyze whether the benefit system is in alignment with the EU’s state aid rules.

INNOVATION AND RESEARCH AND DEVELOPMENT



12. Hungary-based patent registration should not be a requirement for beneficiaries of the R&D funds based on individual government decision (the so-called EKD grants).
13. The clinical research industry is an important part of the healthcare innovation ecosystem; therefore, we advocate the amendment of R&D benefits in order to promote the recognition and growth of the industry.

DIGITALIZATION



14. We recommend that the government – based on the data available – continues to seek and identify special innovative projects with potential to bring prestige and recognition for Hungary in the digital world.
15. We recommend that the government should encourage electronic payments and discourage cash payments to further reduce black economy. We recommend specific changes in the following areas:
 - a. the development of the digital infrastructure;
 - b. the encouragement of electronic payments and
 - c. the digitalization of public payments and processes.

DIGITALIZATION



16. We recommend the implementation of smart-city solutions in the areas of administration, transport, infrastructure, healthcare, sustainability, public utilities, public safety, and telecommunications, and we endorse the digitalization of the public sphere and public services. We recommend specific changes as follows:

- a. take an integrated approach upon creating the smart city strategy and related collaborations to cover and incorporate the entire city operation with the involvement of all stakeholders;
- b. the efficient digitalization of public services and the application of modern cloud-based information and communications technologies in the public sector;
- c. continue to develop the digital infrastructure and transportation;
- d. facilitate big data-based analyses in healthcare, and make public data available for third parties (researchers, businesses, startups, etc.)
- e. introduce new policy approaches and technologies to facilitate energy efficient and environmentally friendly construction in order to improve citizens' health and quality of life;
- f. encourage the introduction of new technologies and create intelligent networks in the area of public utilities and environmental sustainability to allow better water and wastewater management;
- g. support and introduce technologies that improve public safety.