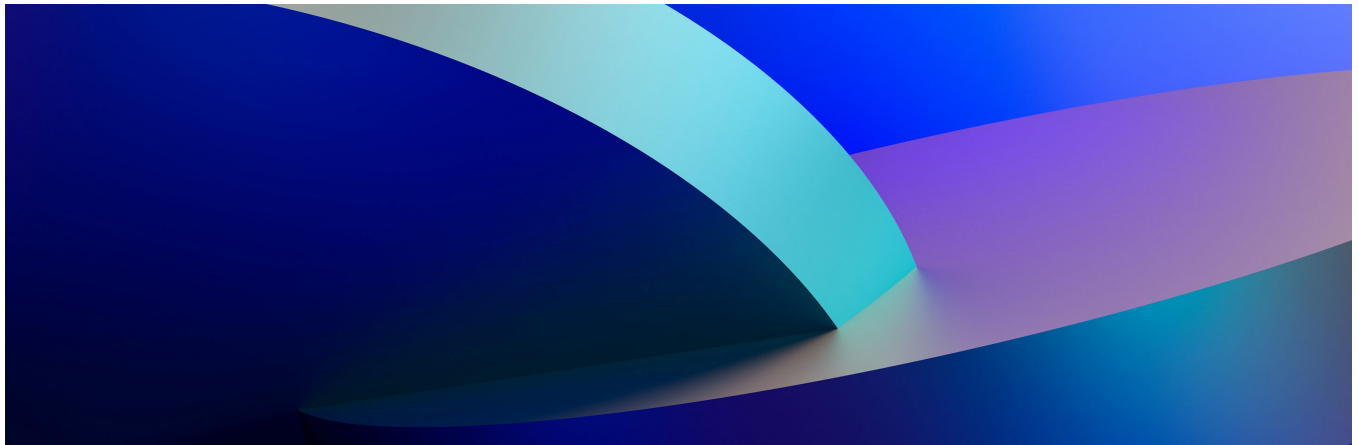




Gambling laws in Hungary

1. Regulatory framework

1.1 Is there a Gambling Act (or equivalent) in place?

Yes.

Act XXXIV of 1991 on Gambling Operations (the “**Gambling Act**”) regulates gambling activities in Hungary.

1.2 Is online gambling a regulated activity?

Yes.

Yes, including gambling activities organised in a foreign country that are accessible from Hungary by electronic communications.

1.3 Are there any regulators?

Yes.

Supervisory Authority of Regulatory Affairs (the “**SZTFH**”)

Website: <https://sztfh.hu/>

1.4 Is there a regulatory regime related to advertising gambling?

Yes.

Both the Gambling Act and Act XLVIII of 2008 on Essential Conditions of and Certain Limitations on Business Advertising (the “**Advertising Act**”) contain regulations on advertising gambling.

2. Structuring and corporate governance

2.1 Is a local presence necessary to run gambling activity?

Yes.

The organisation of some gambling activities is a state monopoly, and some can be organised by

holding a concession, in which cases a local presence is required. Remote gambling is now liberalised, and entities located in the EEA are able to obtain Hungarian licences via their registered Hungarian representatives.

2.2 If yes, are there any mandatory legal forms of business for gambling companies?

Yes.

Gambling activities that are not state monopolies must operate either in the form of a limited liability company (*korlátolt felelősségű társaság*) or as a (public or private) limited company (*részvénytársaság*). There are no such restrictions for organising raffles. Online casino gaming may only be organised by a concession company (*koncessziós társaság*) established or operated by the holder of a concession to operate a casino in Hungary.

2.3 Can a local subsidiary be formed by foreign shareholders?

Yes.

2.4 Are there foreign investment restrictions?

No.

Foreign investment restrictions do not directly target gambling companies.

2.5 Are there any minimum requirements for a gambling company's statutory capital?

Yes.

For casino operators, from HUF 100 million (EUR 252,948) to HUF 1 billion (EUR 2,531,100) depending on the casino class, and for casinos operating in Budapest or in the County of Pest, at least HUF 300 million (EUR 758 800) capital is required.

For a company running a card club, at least HUF 25 million (EUR 63,220).

The statutory capital of remote gambling operators is HUF 1 billion (EUR 2,531,100).

Other requirements apply to gambling companies pursuing state monopoly activities.

2.6 Can management include foreign individuals?

Yes.

2.7 Are there any mandatory reporting requirements (beyond tax) regarding a gambling company's corporate governance matters?

Yes.

The organisers of gambling activities are required to report to the SZTFH within 30 days any changes to the facts or circumstances that had been examined when obtaining a respective gambling licence, e.g. changes to the company's deed of foundation.

3. Licensing

3.1 Do local regulations set out a clear licensing framework for gambling (including the licensing process, criteria, submission requirements, licensing conditions and ongoing compliance requirements)?

Yes.

3.2 Is gambling licensing specific to:

3.2.1 Betting?

Yes.

Betting activities are a state monopoly, so no licences are available to businesses, except for horse race betting. Remote gambling, including betting, has been liberalised so an EEA entity may obtain a Hungarian licence.

3.2.2 Sports?

Yes.

Sports betting, except for sports betting through remote gambling, is a state monopoly, so no licences are available to businesses. However, remote gambling, including sports betting through remote gambling, has been liberalised so an EEA entity may obtain a Hungarian licence.

3.2.3 Skill games?

No.

3.2.4 Card Games?

Yes.

Card games can be run either in casinos or card rooms. The Gambling Act includes special licensing requirements for the operation of a card room.

3.2.5 Casinos?

Yes.

- i. Casinos can be operated by a company that has a concession obtained by winning a state tender. After obtaining the concession, the company can submit its application for a licence pursuant to general procedural rules.
- ii. Only a company holding a concession for physical (land-based) casinos can apply for a licence regarding online casino games.

3.2.6 Lotteries?

Yes.

Lotteries are considered a type of continuously operating random draws. In the licensing procedure for continuously organised draw games, an application may be submitted to the authority without any formalities for all types of draw games (lottery, numbers, and other draw games). The licence may be granted for a maximum of five years, and the renewal will be subject to the same requirements as obtaining a licence.

3.2.7 Arcades?

Yes.

The Gambling Act makes a distinction between slot machines and other arcade machines, by defining slot machines as devices that provide a chance of winning a cash prize, while arcade machines serve only entertainment purposes. Slot machines can be operated in casinos and game rooms only. On the other hand, the operation of arcade machines does not require a licence; operators must only notify the SZTFH, on which the SZTFH registers the arcade machines in a public register.

3.3 Is the creation of video games for gambling by a software developer subject to gambling licensing?

No.

3.4 What is the term of a licence/permit?

- Up to five years for the continuous organisation of lottery games.
- Up to seven years for the organisation of remote gambling activities.
- Up to the validity period of the arcade machines, for the operation of arcade machines.
- Up to 35 years for the operation of land-based casinos.
- Up to 15 years for the operation of card clubs.

3.5 How long does it take to obtain a licence/permit?

- i. Up to 120 days from the initiation of the registration procedure in the case of remote gambling.
- ii. Up to 75 days from the initiation of the registration procedure in all other types of gambling activities.

3.6 Is there any limit on the number of licences that can be granted?

No.

3.7 Are there any specific licensing requirements?

Yes.

Only the holder of a concession licence for a Hungarian land-based casino is entitled to operate online casinos.

4. Compliance

4.1 Are there any mandatory AML rules generally and for gambling industry specifically?

Yes.

In Hungary, Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing includes the general provisions of the Hungarian AML regime and some specific provisions regarding the obligations of the gambling sector. Additional gambling-specific provisions can be found in SZTFH Decree No. 19/2021. (X. 29.), available in Hungarian only at: <https://njt.hu/jogszabaly/2021-19-20-8K> ; and in SZTFH Decree No. 4/2021. (X. 21.) available in Hungarian only at: <https://net.jogtar.hu/jogszabaly?docid=a2100004.stf>.

4.2 Are there any specific reporting obligations for gambling companies in terms of AML and data protection?

Under the Hungarian gambling-specific AML regime, the SZTFH will complete a gambling-specific customer due diligence as part of the licensing procedure, during which the SZTFH is entitled to request data from the applicant regarding certain attributes that could exclude the applicant from obtaining a licence, and may request data from the criminal registry as well. As a result, along with the application for a licence, an application regarding the customer due diligence must also be submitted. Such application must be submitted every three years.

5. Data Protection

5.1 Are there any specific Data Protection regulations in place?

No.

The GDPR applies.

5.2 If yes, do they apply extra-territorially?

N/A

5.3 Is there a Data Protection Regulator?

Yes.

The National Authority for Data Protection and Freedom of Information.

6. Currency control and other cross border issues

6.1 Are there any currency/exchange/finance controls at the present time to transfer cash out of and into the country?

No.

International sanctions matters should be considered separately.

6.2 Where currency/exchange/finance or capital controls do exist:

N/A

6.2.1 What is the approval regime and process in place?

N/A

6.2.2 Must permission be sought for each transaction, or can pre-approvals take place (subject to defined limitation, or otherwise)?

N/A

6.2.3 Other comments

N/A

7. Marketing and advertising

7.1 Is the advertising/marketing of gambling activity allowed in your country?

Yes.

Only for those advertisers that have a valid licence/concession for gambling operations.

Advertising gaming/gambling activity is regulated by the Advertising Act.

7.2 Are there any advertising methods which cannot be used by gambling companies?

Yes.

No advertisements involving gambling can be disseminated in any printed media which are published primarily for children or young persons.

7.3 Can gambling companies be sponsors of sports events?

Yes.

There are no explicit restrictions on the sponsorship of sports events in Hungary.

7.4 Is it allowed to involve celebrities to advertise gambling activities?

Yes.

There are no explicit restrictions regarding the involvement of celebrities in the advertising of gaming/gambling activities in Hungary. However, starring in any advertisement disseminated relating to games of chance offered without the gambling authority's authorisation is prohibited in general. In addition, if unlawful advertising is published, a fine may be imposed on the person appearing in the advertisement collectively with the advertiser, the advertising service provider and the publisher, of up to ten times the financial advantage acquired by the unlawful advertising, but at least HUF 10 million.

7.5 Are there any CSR requirements for gambling companies?

Yes.

The organisers of gambling activities must operate in accordance with the principle of a responsible gambling organisation and take certain measures to contribute to the consolidation of the potential negative effects of gambling, including addiction and the vulnerability of certain groups in society.

Three percent of the game tax paid by casinos and online casinos is used for player protection or charitable purposes. Player protection in particular means: (i) running a call centre (for player protection purposes) that is available free of charge 24 hours a day; (ii) information published regularly on community benefits made available within the framework of the social assistance system; and (iii) the prevention and treatment of any detrimental mental, psychological or social effects relating to gambling.

7.6 Are there any other restrictions/limitations on advertising gambling activities?

Yes.

- i. Gambling advertising cannot target children and young persons (minors up to 18 years old).
- ii. The advertiser must have a valid gambling licence.
- iii. Appearance in any advertisement relating to gambling activities offered without a licence from the SZTFH is prohibited.

8. Tax

8.1 Is there any specific tax regime for gambling companies?

Yes.

Gambling companies are taxed at a flat 9% corporate income tax rate.

Operators of gambling activities, including the operators of slot machines for amusement, must pay the gambling tax set out in the Gambling Act.

The gambling tax rate is differentiated by type of game. Some examples of the rates of gambling tax for each type of game are:

- Random draw games: 30% of the monthly net gaming revenue.
- Lottery games: 24% of the monthly prize pool.
- Remote gambling: 15% of the net gaming revenue payable monthly.
- Slot machines: annual game tax is payable of HUF 60,000 (EUR 152) per machine.
- Card rooms: 40% of net gaming revenue.

The gambling tax for casinos depends on the amount of net gaming revenue generated in the tax

year. Its rate is 30% up to HUF 10 billion (EUR 25,290,133); over HUF 10 billion the game tax is HUF 3 billion (EUR 7,587,321) and 10% of the part above HUF 10 billion.

Gambling tax can be accounted as an expenditure when calculating corporate tax.

Unlicensed, non-continuously organised raffle games, and horse racing betting are exempt from gambling tax.

8.2 Is there a tax implication for transferring cash out of the country?

No.

8.3 Is there a tax implication for transferring cash in the country?

No.

8.4 Is there a tax implication for offering trading activities remotely in the country?

No.

General OECD based permanent establishment rules apply to gambling companies.

8.5 Are there any other observations regarding the taxation of gambling activities (locally and remotely)?

Yes.

Prizes for foreign jackpots and betting under the Gambling Act are considered as the winner's income that is fully taxable. The basis for the tax is the whole amount of monetary prize, and in every other case the fair market value of the prize increased 1.18 times. The income earned by the participant is subject to 15% personal income tax which must be deducted, declared and paid by the operator of the gambling activities to the Hungarian tax authority. Income from draw games subject to authorisation under the Gambling Act and other games that are not subject to authorisation under the Gambling Act is tax exempt for the participant.

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