Outlines of the System

1. According to Section 20 of the Law No. III of 1974 on foreign trade, within the scope of foreign trade activity, the conclusion of contracts, importation and exportation of products, fulfilment and making use of services, extension of commodity credit and certain other actions can be subject to licensing.

The law authorizes the Minister of Foreign Trade to establish and enforce the procedures for the licensing of foreign trade contracts.

On the basis of the authorization given by the legal rule, the Minister of Foreign Trade, in Decree No. 3/1977./23.VII./KkM, and in Directive No. 10/1977./KkE. 14/KkM on its enforcement, has regulated the order of licensing on the foreign trade in goods, services and rights representing material value.

The fundamental principle is that foreign trade contracts defined in the Decree can only be concluded, modified and executed after obtaining the licence of the Minister of Foreign Trade, and in compliance with the conditions contained in it. The system of licensing is applied to the foreign trade turnover as a whole irrespective of categories of goods, supplying countries or the mode of importation.

Purposes and Coverage of the Licensing

2. It follows from the reply to question No. 1 on the outline of the system that there is one uniform system of licensing.

A copy of these rules and regulations translated into English is available for reference in the secretariat, Centre William Rappard, Office 1073.
3. The system applies to goods originating in any country.

4. Apart from the import quota for consumer goods, the licensing system is not restrictive. The purpose of the system is:

   (a) to pursue a liberal import policy, provided that no discrimination of any kind is applied towards Hungary by contracting parties still maintaining quantitative restrictions;

   (b) to control that only companies authorized to such activities can engage in importation;

   (c) to observe statistically the conclusion of foreign trade contracts and import.

No alternative methods of accomplishing these purposes have been considered.

5. The legal basis of licensing has been established by Law No. III of 1974. The detailed regulation, on the basis of this law, was issued in Decree No. 3/1977./23.VII./KkM and in Directive No. 10/1977.Kke.14./KkM. Licensing is not statutorily required, but only a possibility. Designation of products subject to licensing is an administrative function. The Government and the State administration have the right to abolish the system of licensing without legislative approval.

Procedures

6. The quota for consumer goods is established as a global quota in value, without regard to the number of countries, and unilaterally.

   (a) The dollar value of the quota is published annually in the Foreign Trade Gazette. It is not broken down to countries or to importers.

   (b) The quota is given for the specific year in question. There is no limitation which would prevent an importer from applying for a licence for the whole year.

   (c) The licence is applied for by the foreign trade company competent according to its sphere of activity - and generally not identical with the domestic producer. There are no steps taken to ensure that licences allocated are actually used for imports. Unused allocations are not automatically added to quotas for the next year. No requests have been received by the Hungarian authorities to make known the name of importers to whom licences have been allocated.
(d) The quota can be used at any time during the year it refers to.

(e) Licences for the quota for consumer goods are issued immediately after registration, for other applications, generally within ten days.

(f) No such time is determined.

(g) The single administrative organ of general authority which considers licence applications is the Licensing Department of the Ministry of Foreign Trade, acting on the basis of the authority vested by the Minister of Foreign Trade. The application should not be passed on to any other organ for visa, approval or note. The importing foreign trade company can approach only the Licensing Department.

(h) The questions are, in general, not relevant, as in Hungary only one company deals with the import of the product concerned. Licence applications against the quota for consumer goods are examined on receipt. Licences are granted immediately, in the order of arrival of applications, until the quota is used up.

(i) Yes. Yes.

(j) The Hungarian system of licensing does not link import licensing with export permits.

(k) No.

7. (a) In all cases the import contract can be concluded only in possession of the import licence.

(b) Yes.

(c) No.

(d) Licences are issued by one organ only, the Licensing Department of the Ministry of Foreign Trade. The application need not be passed on to any other organ. Exceptions are the agreements on industrial co-operation and special foreign trade transactions, for which approval must be requested from the competent other departments of the Ministry of Foreign Trade, as defined in the legal regulation, before applying for import licence.
8. The Licence can be refused or withdrawn in retaliation against discrimination, for balance-of-payments reasons, and if the applicant is not the company competent according to its sphere of activity. Applications filled in erroneously can be returned for correction. Upon request, the reasons for refusal should be given. The appeal for reconsideration of the refused application should be presented to the Minister of Foreign Trade.

Eligibility of importers to apply for Licence

9. The companies authorized to carry on foreign trade activities can apply for licence within the frame of their sphere of activity, as defined in the legal rule. The Ministry of Foreign Trade establishes the conditions for obtaining the right to carry on foreign trade activities. There is no registration fee. The list of companies is published in the legal rule.

Documentation and other requirements for application of Licence

The following information is required in applications:

10. Name and number of company, name of executive, serial number of application, date of submission, country of origin, name and address of supplier, contracting country, forwarding terms, conditions of payment, year of quota and serial number (if any), serial number of co-operation (if applicable), nature of transaction, time of delivery, number of article, denomination and quality of goods, quantity unit, quantity, unit price, sign of currency, value in foreign exchange and in forint, domestic buyer and its supervising authority. The applicant may be required to enclose supplementary information and certification.

11. Only the filled in application form should be submitted. It is sufficient to indicate that permits required by other legal rules, or other certificates of compulsory registration (for example, plant or animal health certificates, safety certificates, etc.) have been obtained; it is not necessary to present them.

12. The licensing fee amounts to 2 per cent of the forint value.

13. There is no deposit or advance payment requirement associated with the issue of licences.

Conditions of Licensing

14. Unless otherwise specified in the licence, the period of validity is until the 31 December of the year. In case of expiry it is possible to request its modification. Its details are not regulated.

15. No.

16. The licence cannot be transferred by one foreign trade company to another.
17. There are no other conditions attached to the issue of a licence.

Other procedural requirements

18. There are no other administrative procedures, in addition to the import licensing procedures described, which are applied to import licensing.

19. The licence issued entitles automatically for the purchase of foreign currency of the amount given in the licence, in accordance with foreign exchange regulations. The licence is required as a condition to obtaining foreign exchange. The foreign exchange can always be purchased against the licence issued. No other formalities must be fulfilled for obtaining the foreign exchange.