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# HUNGARY

## I. INTRODUCTION

### 1. General approach to Gambling

The Republic of Hungary is a unitary state divided into 19 counties. **Act XXXIV of 1991 on the Organization of Gambling** has been according its preamble adopted in the interest of defining the responsibilities related to the exercise of the **gambling monopoly by the state**, meeting the demand for organizing gambling activities, preventing gambling activities pursued without licence, and/or those in conflict with good morals, controlling gambling organization activities, as well as using a part of revenues derived from gambling activities for public purposes.

**Any services involving gambling and betting activities from the territory of the Republic of Hungary through communication equipment and networks must be conducted under the provisions of the Act.**

**Any publication of announcement for soliciting participants for any game of chance through communications equipment and networks is subject to authorization by the Gambling Commission.**

### 2. Definitions

**Gambling activities comprise according to the Act all games in which players become entitled to a cash prize or other prize of pecuniary value in return for paying cash or providing pecuniary value, in case definite conditions exist or occur.** Winning or losing exclusively, or mostly, depends on luck. For the purposes of the Act (Section 1 Para 3), betting and the operation of money winning machines shall also qualify as gambling. The Act shall also apply, in cases regulated separately in the Act, to gambling machines and gift draws.

### 3. Taxes

Gambling organizers, including operators of gambling machines, pay game tax in accordance with the following rules: Gambling organizers assess, return and pay game tax on their own initiative (self-assessment). Game tax is treated as an expense for accounting purposes when the entrepreneurial profit tax is calculated. The tax duty regarding other taxes and fees is determined in accordance with other respective tax laws. The Act on the Rules of Taxation shall apply to issues related to taxation, but not otherwise regulated in the Act on the Organization of Gambling. Corporation tax in Hungary is currently fixed at 16%.

***Game Tax on Draws, and Totalizer-Type Bets***

With the exception of those cases where a state licence is not required for organized draws not organised on a continuous basis, if draw tickets are sold exclusively among those present at the place of drawing, the number of draw tickets issued is not in excess of 1000, the total value of these tickets is not in excess of HUF 50,000 and the total value of prizes calculated at market value, or the amount of cash to be drawn, exceeds 80% of the total value of the draw tickets issued, the game tax on non-continuous raffle draws is 16 per cent of the prize-pool.<sup>437</sup> The game tax on drawing games equals 16 per cent of the monthly prize-pool; the game tax on lotteries, 24 per cent of the monthly prize-pool; the game tax on bingo games, 7 per cent of the monthly prize-pool; and the game tax on joker games, 17 per cent of the monthly prize-pool. The game tax on keno is 24 per cent of the net monthly proceeds. The game tax on continuously organized totalizer-type betting is 17 per cent of the monthly prize-pool, and 17 per cent of the prize-pool for non-continuous totalizer-type bettings.

The sums refunded during the month for invalid bets are deducted from the net gambling proceeds of bookmaking. The game tax on bookmaking is 30 per cent of the net gambling proceeds reduced as described above.

***Game Tax on Money-Winning and Gambling Machines***

The *game tax* on gambling machines, with the exception of the gambling machines operated in casinos, is 100,000 forints per month, per location. The game tax is payable for each month or fraction thereof.

The *game tax* on a money-winning machine already paid may not be applied to another money-winning machine even if the first machine ceases to operate, for whatever reason, nor may it be reclaimed or refunded on any legal grounds, unless the Supervisory Board of Gambling Activities has established that:

- a) the money-winning machine was destroyed or became permanently out of order; or
- b) operation in accordance with legal rules is not possible.

The provisions of the Act on the Rules of Taxation apply to the game tax on money-winning machines with the following differences:

- a) the organizer of gambling activities must file a game tax return monthly;
- b) the payment of game tax is due simultaneously with the return;
- c) no instalment or deferred payment is permitted in connection with the game tax on money-winning machines.

The *annual tax* on gambling machines is 60,000 HUF per machine. Operators of gambling machines must declare and pay the tax applicable semi-annually, prior to the submission of the application for the semi-annual registration of the machine. Evidence must be provided of proof of payment with such application.

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<sup>437</sup> The monthly prize-pool of the draw game shall be the total amount of bets which equal the sales price per ticket multiplied by the number of tickets sold during any given month, as approved in the game plan. With respect to continuously organized gambling activities, the value of the prize-pool is calculated by multiplying the number of the tickets issued to participate in the game by the sale price as approved in the game plan. With respect to lottery games, the purchase price of validated lottery tickets paid by the players to enter the game during a given month is deemed to be the prize-pool for that month. The betting prize-pool equals the total of sums wagered.

***Game Tax on Casinos***

The game tax on casinos, including the money-winning machines operated therein, is 30 per cent of the net monthly gaming revenues if the net game revenue achieved in the fiscal year is 0 to 5 billion HUF ; 1 billion and 500 million HUF plus the 25% of the amount over 5 billion HUF if the net game revenue is between 5 billion and 10 billion HUF; and 2 billion and 750 million HUF and 10% of the amount over 10 billion HUF from 10 billion and 1 HUF.

**II. LISTING****A) LEGISLATION ENACTED**

Act XXXIV of 1991 on the Organization of Gambling

Act XVI of 1991 on Concessions

Act XV of 2003 on the Prevention and Combating of Money Laundering

Decree No 25/1991 (X.16) PM on the regulation of the Authorisation, Organisation and Control of Certain Gambling Activities

Government Decree No. 4/1997 (I.22.) Korm. on the Operation of Business Establishments and the Conditions for Conducting Domestic Trading Activities

Act CXVII of 1995 on Personal Income Tax

Act XCII of 2003 on the Rules of Taxation

Act LXXIV of 1992 on Value Added Tax

**B) DRAFT LEGISLATION**

No entries (on the basis of information currently available).

**C) SELF-REGULATION**

No entries (on the basis of information currently available).

**D) JURISPRUDENCE**

No entries (on the basis of information currently available).

### III. BARRIERS

#### a) Panorama

According to the Act XXXIV of 1991 on the Organization of Gambling **the gaming activities are divided between liberated and non-liberated activities. The non-liberated activities with the objective of organizing and operating gambling can take place only based on concession contract** which must be concluded according to the Act XVI of 1991 on Concessions. The following shall qualify according to the Act XXXIV of 1991 on the Organization of Gambling as activities aiming at the organization of gambling activities defined in the Act XVI of 1991 on Concession:

- a) organization of drawing games,
- b) operation of money-winning machines,
- c) foundation and operation of an organization to arrange gambling activities (casinos),
- d) activities aiming at the organization of horse-race bets and other gambling activities not coming under paragraphs a) to c), but defined as gambling organization activity.

From among the activities defined in paragraph a), the activity defined in Section 16 of the Act<sup>438</sup> as well as the activity defined above in paragraph b) shall be liberalized activities. The activity referred to in Paragraph b) may be performed only if the operator is able to produce verification of registration in the proper chamber.

#### The organization of non-liberalized gambling

- a) may be performed by a business association that is **exclusively controlled by an economic organization exclusively owned by the State** ("state game organizer") or by an economic organization under the majority control of the state, and/or
- b) the right of exercising this activity **may be temporarily transferred by the State to another party in a concession contract** (Section 3 of the Act XXXIV of 1991 on the Organization of Gambling). **The State game organizer has exclusive rights to organize lottery and oddsmaking with the exception of horse race betting and bookmaking.**

The public tender for concluding concession contracts is issued by the Minister of Finance. The agreement of the concerned local government is required for the operation of casinos and games rooms and for inviting a tender for operating bingo rooms.

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<sup>438</sup> I.e. not continuously organized draws, if draw tickets are exclusively sold among those present at the spot of drawing, and

- a) the number of draw tickets issued is not in excess of 1000 and their total value is not in excess of HUF 50,000 and
- b) the total value of prizes calculated at consumer price, or the amount of cash to be drawn, exceeds 80% of the total value of the draw tickets issued.

## b) Table

## A) LEGISLATION ENACTED

Applicable Laws and specifically relevant provisions	Barriers to the Free Movement of Gambling Services	Justifications for Continuation of Barriers
<p>Act XXXIV of 1991 on the Organization of Gambling</p> <p>Section 1/4 Any services involving gambling and betting activities from the territory of the Republic of Hungary through communication equipment and networks must be conducted under the provisions of the Act XXXIV of 1991 on the Organization of Gambling.</p>	<p><b>Any services involving gambling and betting activities</b> from the territory of the Republic of Hungary through communication equipment and networks <b>must be conducted under the provisions of the Act XXXIV of 1991</b> on the Organization of Gambling.</p>	<p>The information that is currently available to us about Hungarian law affecting gambling activities does not provide any indications of one or more justifications having been advanced in support of the maintenance of this barrier to a free internal market for gambling services.</p>
<p>Act XXXIV of 1991 on the Organization of Gambling</p> <p>Section 1/5 Any publication of announcement for soliciting participants for any game of chance through communications equipment and networks is subject to authorization by the Gambling Commission</p>	<p>Any publication of announcement for soliciting participants for any game of chance through communications equipment and networks is <b>subject to authorization by the Gambling Commission.</b></p>	<p>Refer above, this point</p>



<p>Act XXXIV of 1991 on the Organization of Gambling</p> <p>Section 2/7 <b>No sales, organization and mediation activity may be pursued in Hungary in connection with gambling activities</b> promotion activities connected to foreign gambling activities.</p>	<p><b>No sales, organization and mediation activity may be pursued in Hungary in connection with gambling activities organized abroad, or</b> advertising or sales promotion activities connected to foreign gambling activities.</p>	<p>Refer above, this point</p>
<p>Act XXXIV of 1991 on the Organization of Gambling</p> <p>Section 3/1 The organization of non-liberalized gambling</p> <p>a) may be performed by a business association that is exclusively controlled by an economic organization exclusively owned by the state (hereinafter referred to as "state game organizer") or by an economic organization under the majority control of the state, and/or</p> <p>b) the right of exercising this activity may be temporarily transferred by the state to another party in a concession contract</p>	<p><b>The organization of non-liberalized gambling</b></p> <p>a) may be performed by a business association that is exclusively controlled by an economic organization exclusively owned by the state (hereinafter referred to as "state game organizer") or by an economic organization under the majority control of the state, and/or</p> <p>b) the right of exercising this activity may be temporarily transferred by the state to another party in a concession contract</p>	<p>Refer above, this point</p>

**B) DRAFT LEGISLATION**

No entries (on the basis of information currently available).

**C) SELF-REGULATION**

No entries (on the basis of information currently available).

**D) JURISPRUDENCE**

No entries (on the basis of information currently available).