

C.E.D.R.



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Cambridge – 23 to 26 September 2009**

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Commission II

National Report – Rapport national – Landesbericht

Hungary

Legal forms for farm enterprises, taking into account traditional and industrial farming – Les formes légales de l'exploitation agricole, en tenant compte des entreprises traditionnelles et industrielles – Rechtsformen des landwirtschaftlichen Unternehmens, unter Berücksichtigung von traditionellen und industriellen Betrieben

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National Report for Hungary

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I. I. The comprehensive table of the organizational forms

Form	Legal background	Social aim	It is used for	Those persons who are able to integrate the szerkezetet	capital features with indicating the capital cultivation	A földművelők fő kötelezettségei
Economical companies (business associations): unlimited partnership limited partnership limited liability company company limited by shares (joint-stock company)	Act IV of 2006 on economic companies	the) a) is a person uniter companies, c) and d) capital uniter companies. All of them works on a profit orientation basis	any activity	anybody	Not typical	Nem jellemző
Co-operatives	Act X of 2006 on co-operatives	Person uniter economic organisations, firm accessory	The strengthening of membership's economy	anybody but legal entities only with limitation	Any type	
Producing groups	Order 81/2004. (V.4.) of Ministry of Agriculture and Rural Development	Integrator	Managing to get to a market, common realization Co-operatives and Ltd. Ltd.	Co-operative Limited Liability company	agricultural activity, ,of forestry	Közös értékesítés
Green groceries producers' group and organizations	Order of 19/2008 (II. 19.) Ministry of Agriculture and Rural Development	Integrator	Managing to get to a market, common realization Co-operatives and Ltd.	Limited Liability társaság, Joint-stock company and co-operatives	Vegetable-fruitcs	Közös értékesítés
Family farming	Act LV. of 1994 on lands and 326/2001 (XII.30.) Order of	The insurance of living conditions and needs of	farming in agricultural activity, family	Family farmer	Agricultural activities, forestry	Termőföld hasznosítása

	Government on the registration of the family economy	families, farming families' living insurance, family agricultural one of forestry running a farm activity	members' employment in farming			
Agricultural primary producer	Act CXVII. of 1995 on personal income tax	Individual undertaking form in the agricultural activity	Agricultural activity	Private persons	Agricultural activity	
Agricultural small producer	Act CXVII. of 1995 on personal income tax	Individual undertaking form in the agricultural activity	Agricultural activity	Private persons	Agricultural activity	
Wine community (wine village)	Act CII. of 1994	civil corporation, presentation of interest	ancestry justification, origin protection,	anyone	wineries	szőlőtermesztés
Wooded property company	Act XLIX. of 1994.	The enforcement of silvicultural interests	silviculture	Owners of woods	silviculture	erdőgazdálkodás
Associations, as angler's clubs and for hunters, but there is not a businesslike commerce.						
Water management associations, public tasks with water protection						

II. Trends and numbers

The number of undertakings doing agricultural activity

(in thousand)

Year	Economic organisations	Individual organisations	All organisations
1972	6,1	1 841,5	1 847,6
1981	1,4	1 529,6	1 531,0
1991	2,6	1 395,8	1 398,3
2000	8,4	958,5	966,9
2003	7,8	765,6	773,4
2005	7,9	706,9	714,8
2007	7,4	618,7	626,1

The distribution of economies pursuing the agricultural activity according to production types, in 2000,2005,2007

	Planting, cultivation	Animal husbandry	Mixed	All
Rate of companies, per cent year 2000				
Economic organisations	41,98	9,37	48,65	100,00
Individual organisations	39,70	22,04	38,26	100,00
All organisations	39,72	21,93	38,35	100,00

The distribution of the economies pursuing the agricultural activity according to production types, 2000,2005,2007

	Planting, cultivation	Animal husbandry	Mixed	All	†
Rate of companies, per cent year 2005					

Economic organisations	73,59	9,39	17,02	100,00
Individual organisations	46,70	21,63	31,67	100,00
All organisations	46,99	21,49	31,51	100,00

http://pls/portal/url/page/kshportal/adatgyujtesek/agrar_idosorok/gszo_2007/gszo_adatok/

The distribution of the economies pursuing the agricultural activity according to production types, 2000,2005,2007

	Planting, cultivation	Animal husbandry	Mixed	All	† t
Rate of companies, per cent year 2007					
Economic organisations	71,07	10,20	18,73	100,00	
Individual organisations	45,21	26,04	28,76	100,00	
All organisations	45,51	25,85	28,64	100,00	

III. Structure and activity or project of enterprise

1. The definition of the agricultural activity .

In the system of agricultural regulation we have to distinguish different concepts, definitions according to the directions of the regulation: agricultural activity, agricultural producer, agricultural firm, agricultural product. The definition of the agricultural product was defined in the European right, the definition of other concepts got into the member state competence primarily.

The definition of agricultural activity is not uniform in the member states. In Hungary it is defined in single legislative processes, from the visual angle of domains of regulation. According to this from different aspects, different definiteness can be observed, for example: tax right, environment protection, support, land-property etc. . The constraint for the agricultural activity can provide , in other cases it is the condition to the right acquisition. According to the aims of the legal regulation, the agricultural activity in different legal regulations reports different definiteness. If we review these definitions, it is verifiable, that we have a multilayer definition.

The agricultural activity includes (1) the agrarian character (the primary acquisition of the goods pl.

cultivation, animal husbandry), (2) primary process and marketing stage of agricultural products, (3) ancillary activities.

The concept of the agricultural activity is defined primarily in the Act of Land. Accordingly agricultural activities are cultivation, nursery, animal husbandry, fishery, fish farming, multiplying substance growing, game farming, silviculture, mixed farming. While ancillary activities¹: are village-and agrotourism, handicraft activity, lumber processing, primary food processing, byproducts, the utilisation of waste with a vegetal and animal origin arose in the course of the agricultural activity, not food aim processing, and direct producers' realization, agricultural service originated from these products.

The legal regulation of taxes emphasizes the agricultural activity and the activity of taxpayers. The legislator takes those facts into consideration, that (1) the agricultural sector has high costs and voucher about the expenses does not stand for a provision in all cases (an own workforce's decompression, the use of own produced stocks). (2) part of the taxpayers does the agricultural activity as ancillary activity, so their incomes are low, (3)the sector demands device and workforce, the investments are repaid after a long time, (4) this is an emphasized sector for the state too, and is a strategic sector, and this is why neither the consumers nor the farmers may not have high taxes (the only exceptions are the excise products) .².

Act CXXVII of 2007 (about the VAT taxes) says that it is a consumer type purchase tax, which is general. It expands on the realization of all products, the service and the taxpayers pursuing commerce. Considering the objective and subjective side of the commerce, the agricultural product and producer are also belong to this area. (sector neutral). The details of the special regulation is in the the VII. point.

According to the Act about VAT, taxpayer is someone, pursuing an agricultural activity , who pursues an agricultural activity in his whole life or in a predominant part of it, as a micro and self undertaking, and settled down with economic aim inland.

According to the Act, agricultural activity is producing of products listed in the Act in an own undertaking and the services made by processing devices.³.

Among the legal regulations of tax rights, we have to mention the Act CXVII of 1995 on personal income tax.

Specific rules concern the agricultural primary producer and the agricultural small producers.

Agricultural primary producer is someone, who is a not a private entrepreneur, but is over 16, and pursues an activity producing agricultural product in his own economy⁴ and pursues a.n activity being aimed at his production and for the justification he has farmer licence⁵.

¹ 3.§. 1) of the Act about real estate

² Zoltán NAGY: The fundamental questions of special regulation of taxes of aricultural sector. In : Csák Csilla Agricultural Law. Novotni Press Miskolc 2008. 306.p.

³ Services according to the 7. enclosures of the Act are: tillage, harvest, vintaging the packaging of sowing, planting, agricultural products, preparing it for the market, agricultural products the nurture of storage, a living animals, breeding, agriculture, silvicultural, fish farm undertakings with an agricultural aim, technical assistance, a weed control and agricultural pests, spraying, agricultural and silvicultural irrigation systems, agricultural and silvicultural services.

⁴The own economy presents to understand the entitlement of the private person making the production actually of disposal above the use of the result of his devices, the leadership of the production and the production. 3.§. 18. of the Act

⁵ Farmer licence: the pass spent on the register of incomes in a shape prescribed by a suitable, certified measure and procedure order originating from the agrarian activity. Personal income tax 3.parag. 18. dot b) dot.

The activity and the product at what the activity is aimed are important elements of the definition of agricultural primary producer. The cultivation happening in the own economy, plantation setup, animal husbandry, product processing, silviculture on own property land, food production etc. are qualified as agricultural agrarian activities.

An agricultural small producer is an agricultural primary producer whose income from sales originating from the agricultural activity in the given year, is not over the 8 million forints.

The function of the agriculture expanded, the conversation of the face of the country, the increase of population's sustaining force (rural development), producing of environmental productions became more important, (multipurpose agriculture).

The definition of agricultural producer can be defined as a „farmer”, and its fundamental criteria are the vocation, mission in life, knowledge etc.

The Hungarian equivalent of this term is the family smallholder.⁶

But this category cannot be considered for the fundamental form of the Hungarian agrarian economy system, since it is only opportunity and not an obliging form. As an incentive factor, as an electoral form, can it be figyelembe véve, that support opportunities are connected to it, the soil makes granting fit a benefit considering his property and relations of use present.

When we say agricultural producer, we think of not only private persons, but legal entities too. The community⁷ and also the Hungarian legal rules⁸, and the decisions of the European Court⁹ point this out.

We may talk about the agricultural firm in more senses. On the objective side it includes the soil, economic and living buildings, machines, equipments, livestock and new rights with a financial value. There were also community experiments¹⁰ to define the agricultural firm, but their exact definition is considered to be national task. On the other side it incorporates the agricultural producer too, considering the subjective side of it. We review the legal forms of agricultural firm in the point III./2.

2. Variegated legal forms characterize the Hungarian agricultural firm system.

Based on historical traditions, the duality and the integration of the small works' and the large scale firm's is observable in the production, then from the 90's the large scale firms were displaced by economical and legal devices from the agriculture, and the representation of interest character was gaining strength.

We may group the firms considering their legal entity forms in what follows¹¹:

- large scale firms: companies with legal entity: ltd., company limited by shares (join-stock company),
- medium-sized firms: companies with and without legal entity (business association with or without legal personality): limited partnership (deposit company), unlimited partnership, individual smallholders,
- small firms: organisations without legal entity, family economies, agricultural primary producers, individual undertakings.

⁶ Act on land 3.§. i)

⁷ 1444/2002/EC committee order I. enclosure (agricultural smallholder), 1259/1999/EC council order 10. (agricultural producer), 1493/1999/EC council order VIII. enclosure A. 2. (agricultural producer)

⁸ Act XLVI of 1999 2.§. b) and 3.§. (1)

⁹ Case of 312/85. SpA Villa Banfi kontra Regione Toscana (sentence is made in 18th, december in 1986)

¹⁰ 1444/2002/EC Committee Order I. enclosure G/4.

¹¹ István OLAJOS: The construction of agrarian firm-system. In: Csilla Csák: Agricultural Law. Novotni Press Miskolc 2008. 189-192.p.

The classification of large scale firm, medium-sized firm and small firms, depends generally on the greatness of the income from sales and on employee staff numbers. Generally can be related, that at the legal entity organisations, the responsibility of proprietors (members, shareholders) is limited, at the organisations without the legal entity, the responsibility is unlimited. We may rank the family economy, an agricultural primary producer, which is not an independent organizational but a tax right category, among the individual undertakings.

It can be ascertained, that the agricultural activity is exercisable in any organizational forms, there is not a form compulsion. To the order of single agricultural activities, the measures do not prescribe an obligatory organizational form.

we can regard any agricultural activity as a n activity with producer character and also the co-operatives, family economies and, agricultural primary producers too.

We reckon the co-operatives, producers' groups and producers' organisations among a firm accessory and integrator organisations.

We regard the wine villages, a wooded property association, hunting organisations, angler's club, water management association.

The legal background of organisations with and without legal entity is the Act about economic companies. Separate legal measures apply to individual undertakings, the **Act X of 2006**.

IV. Structure and financing of the agricultural cultivation

The system of financing the agriculture includes the support scheme¹² ,, the credit system and the system of the investments.

The sources of supporting system¹³ are formed by the budgetary sources of member states and the European Union. It support sources set aside agricultural and rural development can be enumerated into three groups:

- The first is the 'Rural Development Program of the New Hungary' co-financing, which concentrates on firms and the structural institutions of the country. 5 priorities characterize this program: a.) the) agriculture, food processing, forestry, change of production structure b) the creation of the human conditions of a competitive agricultural economy, c) the promotion of the guarantees of maintainable production and the land use, d) the correction of a rural employment and quality of life e.) development of local communities.¹⁴
- Additional national direct supports (top-up), that can be divided into a support group with an animal basis with an area basis.¹⁵
- National supports, which have to be equal to several criteria. They may not consist in a contrast of CAP and the competition equality may not be offended.

The Act about the economic producers' development credit line and about the host credit¹⁶, ensures

¹² István OLAJOS : The establishment and history of rural development law. Novotni Press Miskolc 2008. 208-220.p.

¹³ István OLAJOS: The compare of agricultural support systems of the European Union and Hungary. *Gazdaság és Jog* 1998/3. 12-14.p.

¹⁴ István OLAJOS: The rural development, as the second pillar of CAP. In: Csilla CSÁK: *Agricultural Law*, Novotni Press Miskolc 2008 399-413.p.

¹⁵ János Ede SZILÁGYI: The new system of agricultural and rural development supports. 2007. *Publicationas Universitatis Miskolcensis Sectio Juridica et Politica*, Miskolc University Press, Miskolc, Tomus XXV/2. (2007) 726-727.p.

¹⁶ 30/2000. (III. 10.) Order of Government

national surety and the support of interest and for this a) advertised development credit construction, in the interest of the creation of his financial conditions of scheduled production, b) in the framework of host credit program the confirmation of viable agricultural undertaking, the family undertakings', the correction of capital supply of producers' groups, and co-operatives serving the processing and realization of products, c) in the interest of the promotion of qualitative production

The credit system can be bound significantly to the banks, and to the factoring¹⁷ made by financial undertakings¹⁸. The credit activity of these organisations are strengthened from a coverage side by loan guarantee organisations. The mortgage institutions founded on mortgage of real estates or on state guarantee offer loan for longer expiration date (minimum 5 years). We distinguish two groups of the cooperative loan offices, on the one hand there are credit unions, on the other hand are cooperative banks. Fundamental difference between the two forms is in the clientele. The credit union may provide a loan for members while there is not a limiting regulation like this at the cooperative banks. The credit union model spread in Hungary less, here saving banks work characteristically. From the side of the investments¹⁹ by single social forms limitations can be observed. For example membership decision in case of the investments, soil property acquisition no way for legal entities concerns in case of foreigners with limitations etc. In case of the companies generally the proprietary proportion defines the proportion of votes while the single member has the principle of a vote in the co-operatives' case prevails. The Act X of 2006 on the co-operative makes the member's institution possible. The number of investors may not exceed the 10 % of cooperative members, the nominal value of the investor partial marks may not exceed the 30 % of the value of membership. The personal collaboration of investor member cannot be obliged.

V. Structure and management of the enterprise

The organizational form of the undertakings pursuing the agrarian activity defines the management's organization and position. In consideration of the fact that an agricultural activity is exercisable in any undertaking forms according to the Hungarian law, the palette is quite wide-ranging. Because of this, we sketch the practice and the dominant legal regulation of organizational forms selected mostly.

At the economic companies diverse organization system can be developed. Beside obligatory organisations, there is an opportunity to form other establishments (for example commission, advisory corporation).

The obligatory organs of economical companies				
Social form	Principal organ	Organ supplying management	Controlling Committee	auditor
Unlimited partnership	General Meeting	Members entitled to managing	Because of the participation of workers	-
Limited partnership	General Meeting	Members entitled to	Because of the participation of	-

¹⁷ Zoltán NAGY: Factoring. HVG-ORAC Budapest 2009. 322.p.

¹⁸ Csilla CSÁK: The opportunities of financing the country by the banks of the country. Magyar Közigazgatás 2001. 10. 632-636.p.

¹⁹ Act IV. of [2006](#).

		managing	workers	
Limited liability company (Ltd).	General Meeting	Managing	Because of the participation of workers	-
Individual Ltd.	-	Managing	Because of the participation of workers	-
company limited by shares (joint-stock company, etc.)	General Assembly	Director or Managing	If the shareholders owning 5% of the right of votes request it or because of the participation of workers	+
Single-man company limited by shares (Individual joint-stock company)	-	Director or managing	If the shareholders owning 5% of the right of votes request it or because of the participation of workers	+

In case of co-operatives the principal organ is the general meeting, and the directorate supplies the management. The co-operative's management and its representation is directed by a directorate whose number is defined in the fundamental rule, but it must be at least three-membered. In a co-operative with a number of members under fifty, the fundamental rule may systematize a presidency instead of a directorate manager, who intervenes among the directorate.

The general meeting creates a commission with the staff number defined in the fundamental rule, but it must be a three-membered inspector at least. The fundamental rule may make it possible in co-operatives with number of members under 20, that one of the co-operative's members can perform the tasks of the commission keeping watch instead of the commission keeping watch. It is necessary to elect an auditor based on the regulations of the accountancy law or because of the regulation of the fundamental rule in the co-operative's case. The auditor's application is not obligatory in the deficiency of these regulations.

We find different measure provisions regarding the measure of the vote. The measure sets out from the principle of the head equal vote in case of the deposit company, but it allows, that in the fundamental deed of foundation the members may define the measure of the vote differently (generally proportionally with financial contributions).

The regulation of the limited liability companies and the joint-stock companies advocates different principles, the measure of votes adjusts to the financial contributions of the members. The establishing document may differ from this in legal frameworks. The law positively demands that the members should fix the measure of the vote in the establishing contract as an obligatory element at limited liability companies

To limitate the votes, The Act about economic companies allows to limitate the measure of votes in the general and in the special section too. (for example: interest).

In the co-operatives the principle of one member one vote applies with obligatory validity.

The Act about economical companies, but also the Act about cooperatives, defines the management's concept similarly.

The managing means the making of those decisions to a management, that are related to the management of the company and they do not belong to the competence of the company's principal organ or an other social organ.

In the co-operatives the directorate practises it's rights and tasks as a corporation. The decision belongs to the directorate's competence in all cases, which is not assigned by an Act or by a fundamental rule to the general meeting's or the commission's keeping watch competence,.

So the management is a decision making activity, related to management, but it is necessary to distinguish other decisions,. We can distinguish three groups of the decisions on the basis of this: decions of the principal organ, decisions of the management and the decisions of management (daily administration for example firm manager).

Only a member may supply the managing tasks in deposit companies, while this is not a criteria at limited liability company and at joint-stock companies.

In co-operatives from the existence of the membership, the fundamental rule may give an exemption.

All of these decision levels and forms define the question of the responsibility

VI. type and responsibility

The question of the responsibility is different in individual undertakings and in collective undertakings. In the case of individual undertakings the private entrepreneurs' responsibility is unlimited, extending only to private properties.

The responsibility of members of collective undertakings is unlimited in some forms (for example: deposit company), while by other forms it is limited until the measure of a invested financial contribution (limited liability company, share company, co-operative).

The responsibility of directors, which means the management generally, is unlimited and collective, independently, that their activity is supplied in the framework of any kind of contractual relationship (civil or labour law relationship)

The persons holding the position like this, have to intervene so, it can be expected from them. With the care which can be expected from the persons in this position to intervene.

The civil law defines the compensation basis of their responsibility fundamentally. Those persons (employees) who works as employees, are responsible according to the rules of the labour law, the deliberate (the compensation for whole damage) and also the careless (proportional) formation.

We may talk about responsibility based on civil law, labour law, criminal law etc too, depending on elements of legal facts. The extent of this depends on the position of the perpetrator and on the character of the behaviour. It may be realised by a breach of duty, or by activity with informations being attached to insolvency etc.²⁰

The banks wish to strengthen the coverage side in the course of their credit activity.

In connection with this the bank practice is that leader officers, management, or the proprietors should undertake a guarantee with the withdrawal of their private properties possibly. The guarantee

²⁰

Regarding the question of the criminal responsibility we can say, that there are special provisions, regarding the agrarian activity there is not separate legal regulation. For example: the economic company's or a co-operative's leader officer, or the member entitled to the business leadership, who deceives the company's member or the co-operative's member regarding the company's or the co-operative's property, commits an offence if a more serious crime does not come true, and it is punished with imprisonment of two years or public work, fine.

of the private properties of these persons means stronger linkage between the undertaking and private persons. With this banks fortify aiming for the profitable farming in financial decisions and processes.

The unlimited commitment liability of the leader officers causes problems also in the undertakings, and in the officer's side too. On the one hand the undertaking's property is generally incomparably higher, then the private properties of the leader officers, hereby the opportunity of the return of harm is uncompleted, on the other hand, leader officers have to undertake compensation with a measure exceeding the whole property of them. Generally the remuneration cannot be so high that the financial differences should disappear.

To the taking over of the commitment liability of the leader officers a liability insurance construction exists at the insurers. The insurance event is the compensation responsibility in connection with the activity of the leader officer too. The fact that the insurers do not vouch an unlimited responsibility constitutes a limit in the liability insurance, they fix the maximum of the insurance sum, the measure of the firmness. This form of the responsibility of the insurance is not exaggerated yet in Hungary.

VII. Form and taxes

The legal regulation of taxes tries to put the section in a vantage point with the specific devices of a tax right: (1) the insurance of legal status and special taxational manners of taxpayers (2) the insurance of the special taxation of an agricultural product originating from an agricultural activity (3) the definition of separate tax measures, (4) the insurance of a tax exemption, (5) the regulation of discounts decreasing tax base, (6) the insurance of tax reliefs. We examine the three most essential tax categories in consideration of extent bars, which are outstanding in the agricultural sector.²¹

1. The Act about the general purchase tax (Act of VAT)²² lays down general rules as basic rules for the agricultural sector. On the one hand its exceptional rules, the special regulation is attained in the tax measure and with the insurance of the tax exemption, on the other hand through the agricultural producers' special legal status.

The Act defines two tax brackets: the general measure is 25 %, the preferential tax measure is 18% concerns 5%, which are only among agricultural products the medicinal plants.

There is not a special rule for the people making agricultural activities in the regulation affecting the taxpayer exemption. We may talk about the regulation affecting the agriculture among the objective tax exemption: the sale of lands, lease, etc.

Apart from this we have to mention the institution of the compensation surcharge. The offset of the general purchase tax which cannot be deducted is realised through the compensation surcharge at the taxpayer, in the case of buying from an owner pursuing agricultural activity.

The Act defines the measure of the compensation surcharge, which is 12 % by plants and a plant products, in the cases of animals and animal products it is 7%.

The compensation surcharge insures an extra income for the farmers. The compensation surcharge is the sum to be paid by the recipient compulsorily as the part of the offset (burdens the final

²¹ Zoltán NAGY: Fundamental questions of special regulation of taxes in the agricultural sector. In: Csilla CSÁK Agricultural Law. Novotni Press Miskolc 2008. 306.p.

²² Act [CXXXVII of 2007](#)

consumer).

2. The Act about the corporation tax and dividend tax²³ says that in Hungary the incomes and commerce being aimed at moneymaking are taxable.

So the taxability spreads out equally to taxpayers making the activity in inland and in foreign country too.

We can find special regulation of items reducing the result before the taxation in agricultural undertakings' case (depreciation descriptions affecting agriculture). The small- and medium-size enterprises' tax relief, the investment tax relief, the area tax reliefs (cooperative tax relief), and development tax relief belong to this.

The cooperative tax relief means a discount because of the community basic training. Co-operatives have to create a community basis and relate the particular part of the profit it to, and to support educational, cultural, aid, artistic etc. activities.

The ministry of Finance allows development tax relief, and the measure and direction of development is also determined (for example: job creation). Food hygiene investments, investments belonging to an agricultural and forestry activity investments supporting the processing and distribution of agricultural products belong to preferred investments

3. The agricultural point of the Act about personal income tax²⁴ (in additional: the Act) takes the agricultural peculiarities into attention mostly.

The incomes of private person are the central categories of the personal income tax. The taxpayers doing agricultural activity are assigned by Act about personal income tax into a special circle of regulation. For the private persons doing the agricultural activity, regarding the agricultural income originating from the activity the Act provides

a) tax exemption, b) discounts reducing income, c) establishes a special small producer expense lump sum, d) gives a tax relief for the agricultural primary producer, e) makes presumptive tax possible.

Related to agricultural activity, tax-free incomes are rural hospitality, the grant of cooperative business share, life annuity got for land, incomes originating from the transfer of land, firewood allocation. The majority of the tax exemptions can be related to land.

Important part of the special discounts is attached to the activity of agricultural primary producer and small producer. The conceptual definition can be found in III.1..

VIII. Form and social protection

The individual and the collective undertaking forms do not provide the producers' social protection fundamentally. The systems developed in the interest of the collective protection do not prevail with obligatory validity, their introduction and their application depend on the unique decision of undertaking forms. But of course there are exceptions. Co-operatives belong to this exceptions.

The character of the social protection is legible from the definition of co-operatives too : The co-operative is an organization with legal entity, which is established by business share defined in the fundamental document, has an open membership and works in the principle of the changing capitals, the aim of it is to protect the members' economical, and social needs (cultural, educational, social, hygienic).²⁵

The newest result of the right development concerning the cooperative form is the development of social co-operatives, that differs from the classic co-operatives, as in its activity the determining

²³ Act [LXXXI. of 1996](#)

²⁴ Act [CXVII. of 1995](#)

²⁵ 7.§. of Act X. of 2006 on co-operatives.

character is aiming for repairing the society for the situation of poorest layers.

The Act assigns the co-operatives that create working conditions for the unemployed members among social co-operatives, and those co-operatives that emphasize the correction of the members' social situation, and the school co-operatives organizing work for the students.

Social co-operative is a co-operative,

- a) which aim is to create working conditions for unemployed workers, and the promotion of the correction of their social situation in an other way;
- b) which works as a school co-operative.

The regulation makes the variegation of the function possible, that can be said typical, that apart from helping the members' production it ensures the co-operatives' foundation and function, the members social, hygienic, culturel development.

The regulation makes the fundamental difference between the co-operatives and the economic companies clear, that the co-operative is not a special economic company. But both form is a profit-orientated activity.

- the economic company knows onlye single aim, that is the profit, the co-operative's main aim is the development of members' economic, cultural, social, educational needs,
- the economic company does not constitute sources for Community aims generally, at the co-operative this aim is served by community basis;
- the measure of vote in the economic company's decision making system is defined by the financial contribution, while in co-operative sthe principle of one member-one vote works,
- the distribution of the profit happens in the proportion of the financial contribution at the economic company, in co-operatives a part of the incomes gets into the community basis which cannot be divided up, while other part is condensed at the members according to their financial contribution;

The co-operative's and the member's economic cooperation is defined by the fundamental rule. The cooperation can be established:

- a) in the arrangement of the members' purchases, product processing and realization;
- b) in the satisfaction of the members' consumption requirements and the stretching of a purchase refund;
- c) in common farming;
- d)in the allocation of job opportunity for members, repairing their socially unfavorable situation;
- e) in case of school co-operatives working with students' and the educational institutions' cooperation in the creation of the students' job opportunities, and in the correction of the educational conditions;
- f) in the other form conforming to the actual manner of the economic cooperation.

IX. Forms and structures

There are legal measure regulations, that tries to influence agricultural activities, and others concern the organizational frameworks and its function. For example the regulations concerning the agrarian market regulation, or the agrarian and rural development documents.²⁶

We can mention here the legal regulations of collective undertakings, and individual undertakings. Regarding the collective undertaking forms it is worthy to mention with an instancing character the

²⁶ Act CXIV of 1997 on the development of agricultural economy

producers of the green groceries groups and producers' organisations, which play an important role in the agricultural markets' organization. ²⁷ The other undertaking form is the familiar for example, which is meant to ensure the family economy²⁸. The family economy is : a family with property or lease of less than 300 hectares of land (including the field-, inner land under forestry cultivation), with whole real estate and movable property marked in the inventory (biulding, agricultural equipment, other equipments, machine, livestock, etc.) with the utilisation of the land, and at least onr family member's full employment and the collaboration of the rest of the family members.

X. Others

Regarding the agricultural activity ithe privileged regulation can be understood from an important and economic viewpoint, in consideration of the character of the agricultural activity, and of the fact, the Hungary is an agrarian country primarily fundamentally and secondarily an industrial country.

²⁷ 30/2008 (II.19.)Order of Ministry of Agricultural and Rural Development
²⁸ Act LV of 1994 and 326/2001 (XII. 30.) order of Government