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Factsheet for case **HU-2020-12/706**

Rent freeze and contract termination ban for businesses in specific sectors

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Country	Hungary, applies nationwide
Time period	Temporary, 19 March 2020 - 30 June 2020
Type	Legislation or other statutory regulation
Category	Supporting businesses to stay afloat – Direct or indirect financial support
Case created	16 April 2020 (updated 22 April 2020)

Background Information

Under Section 3 of the government decree 47/2020, businesses in the sectors of catering, entertainment, tourism and passenger transport will receive protection from a rent increase and termination of rental contracts until at least the end of June, after which the ban can be extended. Rental leases for these companies cannot be terminated in this period, either, so tenants cannot be evicted, although it is not clear if this means on any grounds at all or whether landlords can exercise some of their rights to terminate.

Content of measure

Under Section 3 of government decree 47/2020, the sectors selected as one most affected by the covid-19 crisis will receive protection from rent increase or rental contract termination. The measure applies to sectors where businesses typically rent rather than own their premises and where the economic impacts of covid-19 have caused financial strains. Although the measure does not specify if rental contracts are banned from termination even if no rent is paid by the tenant at all, experts agree that with the eviction ban in place, tenants are likely to get away with not paying at all during the 'state of emergency' period while their business is likely to be closed down.

Use of measure

The measure could affect about 50,000 companies, mainly SMEs in the covid-vulnerable sectors. The rule overrides any rent increases stipulated in the rental contract. Legal experts say that if tenants do not pay rent at all, landlords are likely to seek agreement on special terms rather than lose clients on a shrinking property rental market. Analysts argue that the effectiveness of this measure in supporting businesses is very low, since under the current circumstances property owners were not likely to raise rents anyway, if anything, rents are dropping on current market conditions.

Actors, target groups and funding

Actors	Target groups	Funding
National government Company / Companies	Sector specific set of companies	No special funding required

Social partners

Role of social partners	No involvement
Form of involvement	No involvement

There was no social partner involvement in the drafting of this measure.

Sectors and occupations

This case is sector-specific (only private sector).

Economic area	Sector (NACE level 2)
H - Transportation And Storage	H49 Land transport and transport via pipelines
I - Accommodation And Food Service Activities	I55 Accommodation
	I56 Food and beverage service activities
R - Arts, Entertainment And Recreation	R90 Creative, arts and entertainment activities
	R92 Gambling and betting activities

This case is not occupation-specific.

Sources

- 18 March 2020: Government decree 47/2020 (EN)
- 19 March 2020: Orban lets caterers not pay any rent? (index.hu)