

**Act IV of 1959  
On the Civil Code of the People's Republic of Hungary  
(excerpt)**

**PART ONE  
INTRODUCTORY PROVISIONS  
Aim of this Act**

Section 1 par. 1 This Act regulates the property and certain personal relations of citizens and of state, economic and social organisations to meet the material and cultural needs of society in a planned and ever-increasing way, with a view to building socialism.

Par. 2 The provisions of the Act shall be interpreted in accordance with the economic and social order of the People's Republic of Hungary.

[keywords: property relations, personal relations, economic and social order of the People's Republic of Hungary]

Section 2 par. 1 The Act protects the personal rights, property rights and legitimate interests of citizens and their organisations.

Par. 2 The Act guarantees citizens and their organisations the free exercise of the rights to which they are entitled, in accordance with the social purpose of these rights.

[keywords: personal rights, property rights]

Section 3 par. 1 The Act protects all forms of property recognised in the Constitution.

Par. 2 Social property has increased protection in this Act. Its rational use and accumulation, careful management and protection are constitutional obligations. Everyone bears increased responsibility for damage to social property.

Par. 3 The law promotes the accumulation of property acquired through work.

[keywords: property recognised in the Constitution, damage to social property]

**Exercise of rights and performance of obligations**

Section 4 par. 1 In the exercise of their civil rights and in the performance of their obligations, the parties shall conduct themselves in such a way that the pursuit of their interests is in the public interest.

Par. 2 In civil law relations, parties shall act in mutual cooperation and in accordance with the requirements of socialist coexistence. Cooperation shall be achieved by the punctual performance of obligations and the proper exercise of rights.

Par. 3 No one can rely on his or her own fault for gains. However, a person who is at fault himself may also rely on the fault of the other party.

[keywords: public interest, requirements of socialist coexistence]

Section 5 par. 1 Abuse of rights shall be prohibited by the law.

Par. 2 The exercise of a right is an abuse of a right if it is directed at a purpose incompatible with the social purpose of the right, in particular, if it would lead to harm to the national economy, harassment of citizens, impairment of their rights and legitimate interests or the acquisition of undue advantage.

Par. 3 If the abuse of rights consists of refusing to give a statement required by law, and this conduct harms an overriding public interest or a personal interest requiring special consideration, this statement may be substituted with the judgment of the court, provided that the harm to interests cannot be averted by other means. The statement may be replaced, in particular, if it was made conditional on the provision of an undue advantage.

[keywords: abuse of rights]

Section 6 The person whose intentional conduct has, for a reasonable cause, led another person acting in good faith to show conduct which caused damage to that person without any fault on his or her part, may be obliged by the court to compensate for the damage in whole or in part.

[keywords: principle of good faith]

Section 7 Protecting the rights guaranteed by law is the duty of all organs of the state. Unless otherwise provided by law, they shall be enforced using the judicial path.

[keywords: principle of legality]

## **PART TWO PERSONS**

### **TITLE I THE INDIVIDUAL AS A SUBJECT OF LAW**

#### **CHAPTER I Legal capacity**

Section 8 par. 1 Everyone in the People's Republic of Hungary shall have legal capacity: they shall be entitled to rights and may have obligations.

Par. 2 Legal capacity is equal regardless of age, sex, nationality or religion.

Par. 3 One-sided acts and contracts limiting legal capacity shall be null and void.

[keywords: legal capacity]

Section 9 Everyone shall have legal capacity from his or her conception if he or she is born alive. The date of conception shall be considered to be the three hundredth day counted backwards from the date of birth; it may be demonstrated that the conception occurred at an earlier or later date. The date of birth shall be included in this period.

[keywords: beginning of legal capacity, conception, nasciturus pro iam nato habetur]

Section 10 A guardian should be appointed for the child before birth if this is necessary to protect the child's rights, in particular if there is a conflict of interest between the child and his or her legal representative.

[keywords: guardianship of nasciturus]

## **CHAPTER TWO CAPACITY TO ACT**

Section 11 par. 1 Everyone shall have the capacity to act, unless his or her capacity is limited by an act.

Par. 2 Persons having capacity to act may enter into contracts or make other juridical acts on their own.

Par. 3 Juridical acts limiting capacity to act shall be null and void.

[keywords: legal capacity to act]

### **Limited capacity to act**

Section 12 par. 1 Minors shall have limited capacity to act if they have attained the age of twelve years and do not lack the capacity to act.

Par. 2 A minor is a person who has not attained the age of eighteen years. Upon conclusion of marriage, a minor shall not obtain adult status if marriage is declared invalid by the court on the grounds of the lack of capacity to act or the absence of permission from the guardianship authority necessary due to minority.

[keywords: minors, capacity to act]

Section 13 par. 1 An adult also has limited capacity to act if he or she was placed by the court under custodianship to that effect.

Par. 2 The court places an adult under a guardianship with limited capacity to act who has a severe impairment of the capacity to exercise the discernment necessary for the management

of his or her affairs permanently or in a temporarily recurring matter, whether due to a mental state, mental retardation or pathological addiction.

Par. 3 The limitation shall cease upon the termination of the guardianship.

[keywords: adults under custodianship, capacity to act]

Section 14 par. 1 Unless otherwise provided by law, for juridical acts of a person having limited capacity to act to be valid, the consent of the person's statutory representative shall be required. If a person having limited capacity to act obtains full capacity to act, he or she shall decide on the validity of his or her pending juridical acts.

Par. 2 Without the involvement of their statutory representative, persons having limited capacity to act

- a) may make juridical acts of a personal nature to which they are entitled by law;
- b) may enter into low-value contracts covering common everyday needs;
- c) may dispose of their income earned from working if they obtained the age of fourteen; they may make commitments to its extent with limited liability;
- d) may enter into contracts by which they obtain only advantages.

Par. 3 With the permission of the guardian authority, the legal representative shall be entitled to refuse gifts that are promised or given to a person of limited capacity. If the guardian authority declines to approve the legal representative's statement of refusal, the guardian authority's such decision shall replace the legal representative's statement of acceptance.

Par. 4 All juridical acts which are null and void without the involvement of the statutory representative and for which the law does not require the person with limited capacity to make a declaration, may be made by the legal representative on behalf of the person with limited capacity.

[keywords: limited capacity to act, permission]

### **No capacity to act**

Section 15 Minors who have not attained the age of fourteen years shall have no capacity to act.

[keywords: no capacity to act, adolescence]

Section 16 par. 1 A person shall have no capacity to act if he or she was placed under a custodianship excluding capacity to act

Par. 2 The court places an person under guardianship excluding capacity to act who has reached the age of majority and who, because of his or her mental state or mental impairment, is permanently totally lacking in the capacity to exercise the discernment necessary for the conduct of his or her affairs.

Par. 3 If a minor is placed by the court under custodianship with any reason, custodianship shall take effect when the age of majority is reached, but the minor shall no longer have capacity to act once the judgment becomes final and binding

Par. 4 By terminating the guardianship, the person with no capacity to act regains his or her capacity to act.

[keywords: no capacity to act]

Section 17 Even without guardianship, a person is incapacitated if he or she is in such a state that he or she lacks the capacity of discernment necessary for the management of his or her affairs.

[keywords: no capacity to act, management of one's affairs]

Section 18 par. 1 Juridical acts of a person having no capacity to act shall be null and void; his or her custodian shall act on his or her behalf.

Par. 2 Contracts of minor importance concluded and performed by a minor having no capacity to act shall not be null and void for the lack of capacity to act, if their conclusion is widely practiced in everyday life and does not require special consideration.

Par. 3 A juridical act made by an adult who is incapable to act without being placed under guardianship shall not be considered null and void on the ground of incapacity if it may be inferred from its content and circumstances that the declaration would have been justified even if the party had been capable of acting.

[keywords: results of no capacity to act]

### Common rules

Section 19 par. 1 For juridical acts made by the statutory representative to be valid, the guardianship authority's approval shall be required for:

- a) the maintenance of a person with limited or no capacity to act;
- b) juridical acts concerning rights or obligations acquired by a person with limited or no capacity to act through an inheritance relationship;
- c) the acquisition of not unencumbered real estate or the transfer of ownership or the encumbrance of his or her own real estate;

Par. 2 The approval of the guardianship authority shall also be required if the value of the subject of the declaration exceeds the amount specified in a separate legal regulation.

Par. 3 The approval of the guardianship authority shall not be required if the validity of the juridical act has already been adjudicated in court or in a notarial procedure.

[keywords: approval of the guardianship authority]

Section 20 par. 1 A person with limited capacity or incapacity cannot validly make a declaration, even with the consent of the guardianship authority, involving a gift, by which he or she assumes responsibility for a foreign obligation without adequate consideration and by which he or she relinquishes rights without consideration.

Par. 2 This rule shall not prevent a person with limited capacity from disposing of his or her earnings from work and shall not exclude gifts of the usual amount.

Par. 3 Donation for public purposes and refusal of inherited land and related equipment (Section 674 par. 2) is valid with the approval of the guardianship authority.

[keywords: limited capacity to act, no capacity to act, gift]

Section 21 par. 1 Nullity based on limited capacity or lack of capacity to act may only be invoked in the interests of the person who has limited capacity to act or no capacity to act at all.

Par. 2 Anyone who deceives the other party as to his or her capacity to act is therefore liable and may be required to perform the contract based on his or her liability.

[keywords: limited capacity to act, no capacity to act]

### **CHAPTER III**

#### **Cessation of legal capacity; declaration of presumed death**

Section 22 Legal capacity shall cease upon death.

[keywords: termination of legal capacity]

Section 23 The court shall adopt a decision declaring the presumed death of the missing person if five years have elapsed since his or her disappearance and no information is available indicating that he or she could be alive.

[keywords: presumed death, missing person]

Section 24 par. 1 The court shall determine the date of death based on the assessment of the circumstances.

Par. 2 If assessing the circumstances proves to be inconclusive, the date of death shall be the fifteenth day of the month following the month of disappearance.

[keywords: presumed death, missing person]

Section 25 par. 1 Unless proven to the contrary, persons whose presumed death has been declared shall be considered dead.

Par. 2 If the person whose presumed death has been declared is proved to have disappeared at an earlier or later date than the one considered in the decision but the conditions of the declaration of presumed death are otherwise fulfilled, the court shall modify the decision declaring the presumed death. Legal consequences shall change according to the modified decision.

Par. 3 If the person whose presumed death has been declared is proved to have disappeared at a later date than the one taken into account in the decision, and the conditions for the declaration of presumed death are therefore not fulfilled, the court shall set aside the decision declaring the presumed death, and the legal consequences ensuing from that decision shall be null and void.

Par. 4 If a person whose presumed death has been declared appears alive, the decision declaring the presumed death shall have no legal effect, and the legal consequences ensuing from that decision shall be null and void.

[keywords: presumed death, missing person]

### **TITLE III**

#### **THE STATE AS A SUBJECT OF LAW**

#### **CHAPTER IV**

##### **Legal capacity**

Section 26 par. 1 The State shall have legal capacity. Its legal capacity shall extend to all those rights and obligations which, by their nature, do not pertain to natural persons only.

Par. 2 In particular, the State enters directly into a civil relationship where the property to which the relationship relates belongs to the State, and

- a) is not administered by a public body or is not administered by a public body which is a separate legal entity, or
- b) the purpose for which the property is intended is not clearly defined.

[keywords: legal capacity to act, state]

Section 27 The State, when directly involved in a civil relationship, is represented by the Minister of Finance; he or she may exercise this power through another State body or delegate it to another State body.

[keywords: legal capacity to act, state, legal representation]

## TITLE III LEGAL PERSONS

### CHAPTER V

#### **Legal capacity; establishment and cessation of legal persons**

Section 28 par. 1 The State recognises public, economic and social bodies and organisations as legal persons under the relevant legislation if their functions require them to have property rights and obligations.

Par. 2 The legal person has legal capacity within the scope of its function in the People's Republic of Hungary and the requirements of socialist cooperation.

[keywords: legal persons]

Section 29 par. 1 The conditions for the creation and dissolution of a legal person are laid down by law in relation to each type of legal person. A legal person may also be established by law.

Par. 2 The law, decision or instrument establishing the legal person shall specify the name, object, registered office and, in the absence of specific legislation, the representative body of the legal person.

Par. 3 Where the law makes the creation of a legal person subject to registration, a change in the registered circumstances vis-à-vis third parties is effective only if the change has been entered in the register.

[keywords: legal persons, establishment]

Section 30 par. 1 Unless otherwise provided by law or, pursuant to its authorisation, by the constituent decision or instrument, the organisational unit of a legal person (branch, establishment, plant, office, local branch or group, basic service, department, etc.) shall not be a legal person.

Par. 2 The law, the founding decision or the instrument of incorporation shall determine the extent to which the heads of departments may represent the legal person.

[keywords: legal persons, organisational unit]

### CHAPTER VI

#### **Special provisions regarding the specific types of legal persons**

##### **1. State enterprise**

Section 31 par. 1 The State shall organise state enterprises to carry out its economic functions.

A public enterprise shall be a legal person.

Par. 2 The state enterprise shall manage the assets entrusted to it by the State in accordance with the relevant rules to fulfil the national economic plan.

Par. 3 The state enterprise shall be liable for its obligations with the assets it is entrusted with.

[keywords: state enterprise]

Section 32 par. 1 A state enterprise shall be established by a founding decision of the body entitled to do so, by registration in the company register.

Par. 2 The founding decision shall specify

- a) the name, registered office and object of the company;
- b) the governing body.

Par. 3 If the enterprise has been formed from another public company or body, the name of the latter shall also be stated in the founding decision.

[keywords: state enterprise, establishment]

Section 33 The name of the state enterprise shall usually refer to the object of the enterprise. The name of the enterprise shall be determined in such a way as to distinguish it from other enterprises.

[keywords: state enterprise, name]

Section 34 The state enterprise shall be headed by a director. The director shall be responsible to the state for the operation of the enterprise.

[keywords: state enterprise]

Section 35 The state enterprise shall be represented by the director. He or she may delegate this right to the enterprise's employees on a case-by-case basis or for a specific group of cases.

[keywords: state enterprise, legal representation]

Section 36 par. 1 The director shall be authorised to sign on behalf of the state enterprise. An employee who is authorised by law or by the director to sign shall also be authorised to sign, provided that his or her authority is entered in the register of representatives.

Par. 2 The director shall sign on behalf of the state enterprise. Otherwise, for a signature to be valid, it shall be signed jointly by two authorised persons.

Par. 3 The name of the company shall be indicated at the time of signing.

[keywords: state enterprise, legal representation]

Section 37 The head of a branch, plant, factory, branch office or other local department of a state enterprise shall act as a representative of the enterprise within the scope of the normal operation of the department.

[keywords: state enterprise, legal representation]

Section 38 par. 1 The right to establish a state enterprise shall also cover mergers, divisions and dissolutions of enterprises.

Par. 2 The content of the decision on the merger and division shall be governed by the provisions applicable to the decision of establishment.

Par. 3 Unless otherwise provided, the rights and obligations of the merged enterprises shall be transferred to the new enterprise resulting from the merger.

Par. 4 On the basis of the decision to divide or dissolve the company, the ordering body shall designate the enterprise to which the rights and obligations of the divided or dissolved enterprises are transferred.

[keywords: state enterprise, merger, division, dissolution]

## **2. Other public economic entities**

Section 39 Unless otherwise provided by law, the rules that apply to a public enterprise also apply to the legal personality of other public entities.

[keywords: other public entities]

## **3. State budgetary bodies**

Section 40 Budgetary bodies (institutes and institutions) shall be legal persons.

[keywords: budgetary body]

Section 41 par. 1 The budgetary body shall also be liable to pay compensation, reparation and indemnification more than its budget and to discharge any obligation it has entered into towards persons acting in good faith.

Par. 2 In such a case, budgetary cover shall be provided in accordance with the rules of budgetary management.

[keywords: budgetary body]

Section 42 Unless otherwise provided, the representation of the budgetary bodies shall be carried out by the head of the body, who may delegate this power to the staff of the body on a

case-by-case basis or for a specific category of cases.

[keywords: budgetary body]

#### 4. Cooperative society

Section 43 par. 1 The State shall recognise and support cooperative societies of workers established for the promotion of agricultural and industrial production, the supply of goods and the satisfaction of the needs of workers, and which do not engage in exploitative activities.

Par. 2 Cooperative societies shall be legal persons.

[keywords: cooperative society of workers]

Section 44 par. 1 The cooperative society shall be established by voluntary association and operates in accordance with its statutes and in line with the national economic plan.

Par. 2 Based on the types of cooperative societies, members shall participate in the operation of the cooperative society through their work, the services provided by the cooperative and, in addition, usually through a contribution of assets, as provided for by law and the statutes.

Par. 3 In addition to its economic purpose, the cooperative society shall also have the task of contributing to the social and cultural advancement and socialist education of its members.

[keywords: cooperative society, establishment]

Section 45 par. 1 The formation of a cooperative society requires that at least five founding members decide to form the cooperative society at the inaugural general meeting, adopt its articles of association and elect its administrative and representative bodies. The number of founding members may be set higher by law.

Par. 2 The articles of association shall contain:

- a) the name, objective, seat, administrative and representative bodies of the cooperative and the number of its members;
- b) the manner in which membership is to be established and terminated;
- c) the rights and obligations of the members, in particular the extent and manner of their financial contribution and personal contribution;
- d) the manner in which the common property is to be created and increased and the distribution of income; and
- e) anything which the law requires to be included in the articles of association.

Par. 3 The name of the cooperative society shall be such as to distinguish its objective and quality as a cooperative society and to distinguish it from other cooperative societies.

Par. 4 The cooperative society shall be registered in the register of cooperative societies. Upon registration, the cooperative society shall be established, with retroactive effect to the date of the inaugural general meeting.

[keywords: cooperative society, articles of association]

Section 46 par. 1 Contracts concluded for the cooperative society before its formation shall be binding on it if approved by the general meeting.

Par 2 If the general meeting of the cooperative society refuses to approve a contract concluded before its formation, the persons who concluded the contract shall be jointly and severally liable to compensate the party who concluded it with them for the damage resulting from the conclusion of the contract; in the case of bad faith, they shall be liable to pay full compensation.

[keywords: cooperative society, general meeting]

Section 47 Non-monetary rights based on membership shall be, unless an exception is provided by law, equal irrespective of the amount of the contribution.

[keywords: cooperative society, non-monetary rights based on membership]

### **Organs of the cooperative society**

Section 48 par. 1 Organs of the cooperative society shall be: the general meeting, the board of directors (management) and the supervisory board (controlling board).

Par. 2 The articles of association may order the establishment of other organs.

[keywords: cooperative society, organs]

### **General meeting**

Section 49 par. 1 The supreme organ of the cooperative society shall be the general meeting. The general meeting shall consist of all members.

Par. 2 The general meeting shall be entitled to decide on any matter concerning the cooperative society.

It is the exclusive competence of the general meeting:

- a) the adoption and amendment of the articles of association;
- b) the election, removal and recall of the chairman of the board of directors of the cooperative society and the members of the supervisory board;
- c) the adoption of the annual plan, the budget and the final accounts, and decisions on the distribution of income and the repayment of losses;
- d) deciding on the transformation, merger, division or dissolution of the cooperative society;
- e) electing a delegate to the general meeting of delegates;
- f) any other matter which the law or the articles of association confer exclusive competence on the general meeting.

[keywords: cooperative society, general meeting]

Section 50 par. 1 The general meeting shall be convened in the cases provided for in the articles of association, but at least once a year; the law may provide for a shorter period.

The general meeting shall also be convened if

- a) by ten percent of the members, but at least five members, or by the supervisory board or the supervisory organ, stating the purpose, requests it in a written form;
- b) the number of members of the board directors or of the supervisory board falls below the minimum number laid down by law or to the half of the number determined in the articles of association;
- c) the debts of the cooperative society exceed its claims.

[keywords: cooperative society, general meeting, convention]

Section 51 par. 1 A quorum is constituted if at least half of the members are present; however, the law may require the presence of a greater number of members.

Par. 2 If the general meeting is not quorate because of the number of persons present, a new general meeting convened not earlier than the eighth day and not later than the thirtieth day shall constitute a quorum for the items on the agenda of the previous general meeting, regardless of the number of persons present. This provision shall not apply to matters reserved for decision by a qualified majority.

Par. 3 As a general rule, decisions of the general meeting shall be taken by simple majority; in the event of a tie, the chairman shall have a casting vote. Members may vote only in person.

Par. 4 A qualified majority shall be required for the adoption and amendment of the articles of association and for decisions on transformation, merger, division and dissolution. A qualified majority may also be required by law or by the statutes for decisions on other matters. Unless otherwise provided by law, a qualified majority shall be two-thirds of those present.

[keywords: cooperative society, quorum of general meeting]

Section 52 par. 1 If the number of members of the cooperative society or the conditions of the municipality justify it, the articles of association may delegate all or part of the powers of the general meeting to a general meeting of delegates.

Par. 2 The delegates of the cooperative society shall be elected from among the members for a maximum term of one year. Delegates may exercise their rights only in person.

Par. 3 Unless otherwise provided by law or the articles of association, the rules applicable to general meetings shall apply to the general meeting of delegates.

[keywords: cooperative society, delegation of power]

Section 53 par. 1 If the decision of the general meeting is contrary to the law or the articles of

association, the public prosecutor, the supervisory board or any member may request that the decision be annulled.

Par. 2 The body empowered to annul the decision shall be determined by separate legislation.

Par. 3 The annulment of the decision shall not prejudice rights acquired in good faith.

[keywords: cooperative society, annulment of decision]

### **Board of directors and the supervisory board**

Section 54 par. 1 The board of directors shall manage the affairs of the cooperative society, ensure the implementation of the decisions of the general meeting and the higher cooperative bodies, and enforce the rights and obligations of the cooperative society.

Par. 2 The cooperative society shall be represented by the chairman of the board of directors or, in his or her absence, by a member of the board of directors appointed by the general meeting.

Par. 3 A written commitment shall require the joint signature of the chairman of the board of directors and the member appointed by the general assembly. The articles of association may stipulate that the chairman may make a written commitment jointly with another member or employee of the cooperative society and that the signature of the accountant of the cooperative society is also required for the transfer or withdrawal of funds.

[keywords: cooperative society, board of directors]

Section 55 par. 1 The supervisory board shall be the controlling body of the cooperative society.

Par. 2 The supervisory board shall be entitled to examine any matter relating to the operation of the cooperative society.

[keywords: cooperative society, supervisory board]

Section 56 A member of the board of directors and of the supervisory board may be removed by the general meeting if he or she is in serious breach of his or her duties; if he or she otherwise fails to perform his or her duties properly or is unfit to perform them, he or she may be removed by the general meeting.

[keywords: cooperative society, impeachment]

Section 57 par. 1 The members of the board of directors and the supervisory board shall be jointly and severally liable to compensate the cooperative society for any damage caused intentionally in the course of their activities in breach of the law, the provisions of the higher cooperative bodies or the articles of association; for negligent damage, they shall be liable in proportion to their contribution.

Par. 2 A person who did not take part in the adoption of the decision causing the damage or in the taking of such a measure, or who voted against or opposed it, shall not be liable.

Par. 3 The members of the board of directors and the supervisory board shall be indemnified by the member appointed by the general meeting or by the public prosecutor. Any claim for damages arising from negligence shall be barred one year after the termination of the mandate.

[keywords: cooperative society, board of directors, supervisory board, joint and several liability]

### **Distribution of the income. Liability for the debts of the cooperative society**

Section 58 Members shall share in the profits of the management of the cooperative society in proportion to their work or other participation in it, in accordance with the provisions of the articles of association.

[keywords: cooperative society, profits of management]

Section 59 par. 1 The cooperative shall be liable for its debts with all its assets; it shall not be liable for the assets of which it is merely the manager. The members shall not be liable for their own assets.

Par. 2 The liability of the member towards the cooperative society shall be determined by separate legislation.

[keywords: cooperative society, liability for debts]

### **Transformation, merger, division and dissolution of cooperative societies**

Section 60 par. 1 In case of transformation and merger, rights and obligations shall be transferred to the successor.

Par. 2 In the event of a division, the assets shall be divided between the cooperative societies as decided by the general meeting; the cooperative societies shall be jointly and severally liable to third parties for previous liabilities and to each other in proportion to the division of assets.

[keywords: cooperative society, transformation, merger, division]

Section 61 par. 1 The general meeting may decide to dissolve the cooperative society by a vote of at least three-quarters of the members.

Par. 2 If the minority wishes to maintain the cooperative society despite the decision to dissolve, the cooperative society shall not be dissolved. In such a case, the vote of those who wished to dissolve shall be considered as a declaration of withdrawal. The declaration may be withdrawn by the member pending settlement with him or her.

Par. 3 The decision to termination the cooperative society may be repealed by a new decision

of the general meeting until the procedure of termination is completed.

[keywords: cooperative society, dissolution]

Section 62 par. 1 The cooperative society shall also cease if it is dissolved.

Par. 2 A cooperative society shall be dissolved if it carries out activities that are contrary to the law or the articles of association and does not cease them upon written notice, or if its operations are detrimental to the orderly management of the cooperative society or the interests of the national economy.

Par. 3 The cooperative society may be dissolved if

a) the number of members is permanently below the minimum number laid down by law or in the articles of association;

b) its debts exceed its claims or it persistently defaults on its payment obligations.

Par. 4 The dissolution of a member cooperative society shall be ordered by the national federation of cooperative societies (head office), the dissolution of other cooperative societies shall be ordered by the competent state administrative body.

[keywords: cooperative society, dissolution]

Section 63 par. 1 If the cooperative society ceases to exist, it shall be liquidated.

Par. 2 The method of liquidation, including the order in which claims are satisfied, is laid down by separate legislation.

[keywords: cooperative society, liquidation]

Section 64 par. 1 From the assets of the dissolved cooperative society, the assets necessary to cover the non-divisible cooperative fund shall be designated in the first place. These assets shall continue to be used for the management of the cooperative society.

Par. 2 Unless otherwise provided for in the articles of association or by the general meeting, the assets remaining after the claims have been satisfied shall be distributed equally among the members.

[keywords: cooperative society, assests of the dissolved cooperative society]

### **Associations and centres of cooperative societies**

Section 65 par. 1 Cooperative societies may form associations and centres for the purpose of joint management, control, representation and promotion of the cooperative movement. Membership of an association or centre may be made a condition for the operation of a cooperative society by law.

Par. 2 The main body of the associations and centres of cooperative societies is the general

meeting of delegates, composed of the delegates of the member cooperative societies.

Par. 3 The legal capacity, organisation and operation of the association and the centre shall be governed by the rules applicable to cooperative societies, unless otherwise provided by law or by the articles of association.

[keywords: cooperative society, associations]

Section 66 par. 1 Associations and centres of cooperative societies may establish cooperative companies in the cases and in the manner laid down by law.

Par. 2 The association or the head office shall be liable as guarantor for the obligations of the company; otherwise, the rules governing the legal capacity, organisation and operation of the cooperative company shall apply mutatis mutandis to the state enterprise.

[keywords: cooperative society, cooperative company]

### **Miscellaneous provisions**

Section 67 par. 1 Further conditions for the formation and operation of a cooperative societies shall be laid down in separate legislation for each type of cooperative society.

Par. 2 The general meeting of delegates of an association or centre of cooperative societies or the model articles of associations (model) issued by the supervisory body of the cooperative society may make it compulsory to include certain provisions in the articles of association of the cooperative society.

[keywords: cooperative society]

## **5. Social organisations**

Section 68 The political, trade union, women's, youth and other social organisations of workers referred to in the Constitution are legal persons.

[keywords: social organisations of workers, legal status]

Section 69 The property of a social organisation shall be governed by the provisions of its articles of association; if they do not provide for this, the rules applicable to the association shall apply mutatis mutandis.

[keywords: property of a social organisation]

Section 70 par. 1 A social organisation is also entitled to establish a company if its articles of association allow it.

Par. 2 The social organisation shall be liable as guarantor for the obligations of the company; otherwise, the rules applicable to state enterprises shall apply mutatis mutandis to the legal capacity, organisation and operation of the company of the social organisation.

[keywords: social organisation, establishment]

## 6. Associations

Section 71 Associations established by workers by constitutional right to develop social, cultural and other activities shall be legal persons.

[keywords: associations established by workers, legal status]

Section 72 par. 1 An association is formed when at least ten founding members decide to form the association at the inaugural general meeting, adopt its articles of association, elect its administrative and representative bodies and register the association with the state supervisory body competent for its field of activity.

Par. 2 Registration shall only be possible if the founders have fulfilled the legal requirements, and the association is able to operate.

Par. 3 The articles of association shall provide in particular the name, object, seat, organisation, administrative and representative bodies of the association, the creation and termination of membership, and the rights and obligations of members.

Par. 4 Where a model article of association is laid down by law, the contents of the model articles of association made mandatory by law shall be included in the articles of association.

[keywords: association, formation, registration]

Section 73 par. 1 The members of the association shall participate in the work of the association and contribute to the fulfilment of its tasks.

Par. 2 If the decision of the association is contrary to the law or the articles of association, the public prosecutor or any member may apply to the state supervisory body for the decision to be annulled.

[keywords: association, duties of members]

Section 74 par. 1 The supreme organ of the association shall be the general meeting. The general meeting is the assembly of the members, which may decide on all matters concerning the association.

Par. 2 The general meeting shall have the exclusive competence to elect the executive and representative bodies of the association, to set its annual budget, to discuss the annual report of the executive body, to declare the merger or dissolution of the association with another

association, and to decide on all matters which are referred to its exclusive competence by law or by the articles of association.

Par. 3 The organs of the association are accountable to the general meeting.

[keywords: association, general meeting]

Section 75 par. 1 The general meeting shall be convened at least once a year; a general meeting shall also be convened if one third of the members so request, stating the purpose.

Par. 2 The quorum of the general meeting shall be half of the members present; if the general meeting shall be adjourned for lack of quorum, a second general meeting shall be convened and shall constitute a quorum for the items on the original agenda, regardless of the number of members present.

Par. 3 The general meeting shall adopt its decisions by simple majority.

Par. 4 The articles of association may provide that the general meeting shall be convened at shorter intervals; may require a qualified majority for the adoption of decisions on specific matters; may stipulate that the rules on quorum shall apply to a general meeting convened for the second time after the adjournment of the general meeting due to the absence of a quorum; may stipulate otherwise the number of members who wish to convene an extraordinary general meeting.

[keywords: association, general meeting]

Section 76 par. 1 The association shall be liable for its debts with its own assets. Members shall be liable to pay only the membership fees to the association; members shall not be liable for the debts of the association with their own assets.

[keywords: association, liability for debts]

Section 77 The association shall be dissolved if

- a) its dissolution is decided by a two-thirds majority vote of the general meeting;
- b) it merges with another association;
- c) it is dissolved by its supervisory body on the grounds of its operation being prejudicial or endangering the state, social or economic order of the People's Republic of Hungary or the interests of its members;
- d) the supervisory body declares its dissolution due to the fact that the number of its members is permanently below the number required by law or has not been operating for more than one year.

[keywords: association, dissolution]

Section 78 par. 1 In the event of the dissolution of the association, its assets shall be disposed

of by the statutes or the general meeting. The liquidators shall be responsible for this task; unless the supervisory organ decides otherwise, the former administrative organ of the dissolved association shall act as liquidator.

Par. 2 If the articles of association or the general meeting have not made provision for the transfer of the assets, and if the association has been dissolved or the supervisory body declares the dissolution of the association, its assets shall, after the creditors have been satisfied, become the property of the State and shall be at the disposal of the supervisory body of the dissolved association.

Par. 3 If the dissolved association served cooperative purposes, the assets shall be transferred to the cooperative society by the supervisory body after the creditors have been satisfied.

[keywords: association, dissolution]

Section 79 par. 1 Associations shall operate as national or local associations. National associations may organise local groups, while local associations with similar objectives may form joint associations.

Par. 2 National associations may hold a general meeting of delegates instead of a general meeting.

Par. 3 The association may also operate abroad, in accordance with its articles of association.

[keywords: national association, local association]

Section 80 par. 1 The head of the local group of the association shall act as the representative body of the association within the scope of the group's proper functioning. However, the articles of association may declare a local group organised over a large area or having many members to be a separate legal entity, up to the limit of the assets at its disposal, if this is necessary for the operation of the association and the local group. A local group shall acquire its legal capacity by registration (Section 72).

Par. 2 The main body of the federation of associations shall be the meeting of delegates, composed of the delegates of the member associations. The rules governing the registration, legal capacity, organisation and operation of the association shall apply mutatis mutandis to associations.

[keywords: association, legal representation]

## TITLE IV CIVIL PROTECTION OF PERSONS

### CHAPTER VII Inherent rights of a person

Section 81 par. 1 Inherent rights are protected by law.

Par. 2 In particular, any discrimination on grounds of sex, nationality or religion, violation of freedom of conscience of citizens, restriction of personal liberty and violation of physical integrity and honour of citizens constitute violations of the inherent rights of citizens.

[keywords: inherent rights, equality, ban of discrimination]

Section 82 par. 1 Among the inherent rights of the person, the right of citizens and legal persons to bear a name is protected; in particular, the unlawful use of another's name or a name similar to another's is a violation of this right.

Par. 2 The protection of inherent rights shall also include protection against defamation.

[keywords: bearing a name]

Section 83 par. 1 It shall also be a violation of the inherent rights of the person if someone violates the confidentiality of correspondence or the exclusivity of the right to a private home and premises for the purposes of a legal person. It is also an infringement of the confidentiality of correspondence if someone misuses a document of a confidential nature to the detriment of the legitimate interests of another.

Par. 2 The misuse of another person's image or sound recording, in particular their unauthorised use, reproduction, disclosure or alteration, constitutes an infringement of the rights of the individual.

[keywords: confidentiality of correspondence, right to a private home]

Section 84 Specific rules on the protection of inherent rights in intellectual property are laid down in the rules on copyright, invention and innovation rights, trademarks and designs.

[keywords: intellectual property]

Section 85 par. 1 A person whose inherent rights have been violated shall have the following options under civil law, depending on the circumstances of the case:

- a) demand a court declaration of the occurrence of the infringement,
- b) demand to have the infringement discontinued and the perpetrator restrained from further

infringement;

c) demand that the perpetrator make restitution in a statement or by some other suitable means and, if necessary, that the perpetrator, at his or her own expense, make an appropriate public disclosure for restitution;

d) demand the termination of the injurious situation and the restoration of the previous state by and at the expense of the perpetrator and, furthermore, to have the effects of the infringement nullified or deprived of their injurious nature.

Par. 2 If the infringement of an inherent right has also caused damage to property, compensation is payable under the rules on civil liability.

[keywords: violation of inherent rights, legal remedies]

Section 86 par. 1 Notwithstanding the provisions of par. 2 and 3, inherent rights may only be enforced personally. A person with limited capacity may act himself in the protection of his or her inherent rights.

Par. 2 The legal representative of an person with no capacity to act, or the relative or guardian of a missing person whose whereabouts are unknown shall be entitled to proceed in the protection of that person's inherent rights.

Par. 3 In the case of injury to the memory of a deceased person, the relative and/or the person having been named heir apparent in the will of the deceased shall be entitled to file for court action.

Par. 4 If conduct causing defamation to a deceased person (former legal person) infringes upon the public interest, the public prosecutor shall also be entitled to enforce this inherent right.

[keywords: violation of inherent rights, legal remedies, limited capacity to act, no capacity to act]

Section 87 Any contract or unilateral statement restricting the inherent rights is null and void.

[keywords: restriction of inherent rights, nullity]

## **PART THREE OWNERSHIP RIGHTS**

### **TITLE I GENERAL RULES OF OWNERSHIP**

#### **CHAPTER VIII Forms of ownership**

##### **1. Social property**

Section 88 par. 1 In the People's Republic of Hungary, most of the means of production are owned by the state or cooperatives as social property.

Par. 2 The use of social property is based on an economic plan.

[keywords: social property]

##### **State property**

Section 89 State socialist property is the property of the state of the working people led by the working class. State socialist property consists primarily of the basic means of production and other assets of decisive importance to the people's economy and is the main material basis and guarantee of the country's prosperity and strength.

[keywords: state socialist property]

##### **Property of cooperative societies**

Section 90 The property of socialist cooperative societies is the property of a cooperative societies of workers voluntarily united for the purpose of social production, distribution or the common satisfaction of needs.

[keywords: social property]

##### **2. Private property**

Section 91 par. 1 The means of production that are not declared by law to be the exclusive property of the state may also be privately owned. The private property of peasants and artisans working individually enjoys the support of the State as property acquired by labour.

Par. 2 Legislation can determine how much agricultural, or forestry land a person can own.

Par. 3 Private property shall not be prejudicial to the public interest.

[keywords: private property]

### **3. Personal property**

Section 92 par. 1 Citizens have personal property – family houses, furnishings, utensils, etc. – that directly serve or promote their personal needs.

Par. 2 Personal property also includes assets that are part of a backyard farm for the purpose of an auxiliary subsidiary holding.

Par. 3 Legislation can determine the extent to which a dwelling can be owned by a person.

[keywords: personal property]

Section 93 The owner is free to use his or her personal property rights to meet his or her personal needs.

[keywords: personal property, personal needs]

## **CHAPTER IX**

### **Objects of ownership**

Section 94 par. 1 There may be ownership of all things of a tangible nature which are capable of appropriation.

Par. 2 The provisions pertaining to things shall also apply to money and securities, including natural resources that can be utilized as capital goods if exceptions are not made by law.

[keywords: ownership, tangible things]

Section 95 par. 1 Ownership extends to everything that is permanently enjoined with a thing in such a way that disjunction would cause the thing or its disjoined part to be destroyed or would significantly reduce its value or usefulness (component).

Par. 2 When in doubt, ownership shall also extend to parts that are not components but are usually necessary or beneficial for the proper use or maintenance of a thing (accessory).

[keywords: permanently enjoined with a thing]

Section 96 The ownership of real estate property shall not extend to the treasures of the earth, nor does it extend to natural resources.

[keywords: natural resources]

Section 97 par. 1 Ownership of a building shall accrue to the owner of the land.

Par. 2 The builder is entitled to ownership of the building if.

- a) the building is erected by a cooperative on land owned by the State and used by the cooperative society by virtue of its membership or otherwise;
- b) the building is erected by a private individual on land granted to him or her free of charge by the State or a cooperative society;
- c) otherwise provided by law or by an agreement with the landowner before the construction is completed.

Par. 3 If the owners of the land and the buildings are both private persons, the owner of the land shall have right of preemption in respect of the building, while the owner of the building shall have right of preemption in respect of the land.

[keywords: Ownership of a building]

## **CHAPTER X**

### **Content and protection of ownership rights**

#### **Right of possession**

Section 98 The owner has the right of possession and is entitled to protect his or her possession.

[keywords: possession]

#### **Right of use and to collect benefits**

Section 99 The owner may use the thing and collect its benefits; he or she shall bear the burdens connected to the thing, as well as any damage to the thing when no one can be obliged to pay compensation for such damage.

[keywords: benefits of a thing]

Section 100 While using the thing, the owner shall refrain from any conduct unnecessarily disturbing others, particularly the neighbours, or which would jeopardise the exercise of their rights.

[keywords: use of a thing]

Section 101 par. 1 The owner shall not deprive the neighbouring building of the necessary support of soil without providing another appropriate form of support.

Par. 2 The owner may keep the fruit which has fallen from branches which overhang his or her land, unless the tree owner picks them up; he or she is not entitled to cut off overhanging branches and overhanging roots unless they prevent the normal use of the land and the tree owner does not remove them despite being requested to do so.

[keywords: neighbouring building]

Section 102 par. 1 The owner shall permit access to his or her land for compensation if it is necessary for doing works of public interest, harnessing animals, gathering fruit from branches reaching over his or her land, removing branches or roots, or for other important reasons.

Par. 2 The owner shall have access to the neighboring land for compensation if it is necessary for the construction, demolition, reconstruction or maintenance of a building located on his or her land.

[keywords: access to a land]

Section 103 par. 1 If the land is separated by a fence (wall, hedge) or a field, the neighbours are jointly entitled to use it.

Par. 2 The costs of maintenance are borne by the neighbours in proportion to the proportion of the fence they are legally obliged to erect. If the law does not provide otherwise, they shall bear the costs in proportion to the length of land they have to fence.

[keywords: maintenatnce of a fence]

Section 104 par. 1 A tree or bush on the boundary line of land and its fruit belong equally to the neighbours. The costs of maintenance shall be borne by the neighbours in equal shares.

Par. 2 If a tree or shrub on the boundary line is obstructing the proper use of any land, the owner of that land may demand that it be removed at common expense.

[keywords: maintenance of a tree]

Section 105 An animal found in a prohibited area may be retained by the user of the land until the owner has paid compensation for the damage caused.

[keywords: compensation for the damage caused by an animal]

Section 106 The provisions of law relating to neighbouring rights may be derogated from by law or by agreement between the parties.

[keywords: agreement of parties, neighbouring rights]

Section 107 The owner of land on the banks of a watercourse or natural lake may, unless an exception is provided by law, use and benefit from the watercourse to the extent that it does not exceed the needs of himself and of his or her family members living with him.

[keywords: banks of a watercourse]

Section 108 par. 1 In the event of danger constituting a direct threat to the life, safety or property of another person that cannot be prevented in any other way, the owner shall tolerate his or her property to be accessed and used or damaged to the extent necessary for abolishing emergency. This obligation shall be binding on the owner in the case of an emergency endangering another person's property only if the imminent damage is estimated to substantially exceed the damage likely to be caused to the owner as a consequence of the intervention.

Par. 2 The owner may demand recompense from the person in emergency and claim damages, from the person causing an unreasonably large amount of damage while eliminating the danger, according to the rules on extra-contractual liability.

Par. 3 When a danger threatening the life, physical integrity or assets of several persons is averted by sacrificing certain endangered objects, the resulting damage, if sacrificing the objects was necessary, shall be borne by all of them in proportion to their endangered interests; the same rule shall apply to the division of the necessary expenses incurred to avert the danger.

[keywords: danger constituting a direct threat to the life, danger constituting a direct threat to the safety, ]

Section 109 The production, building, health, water and other regulations relating to the exercise of property rights are laid down in specific legislation.

[keywords: exercise of property rights, building regulations, health regulations, water regulations]

Section 110 par. 1 If the owner has built in good faith encroaching over the boundaries of his or her land, the neighbour may, at his or her option, demand that the overbuilder to

- a) provide compensation in kind or in money for the built-up part, or
- b) purchase the whole land.

Par. 2 The neighbour may require the encroaching party to purchase his or her whole land if

- a) the encroachment exceeds a quarter of the land, or the remaining part of the land becomes unusable due to it; or

- b) the exercise of a right or an occupation connected to the land becomes impossible or significantly more costly due to the encroachment.

Par. 3 The state can offer land of appropriate value instead of buying all the land.

[keywords: encroachment over the boundaries of a land]

Section 111 par. 1 If the builder has acted in bad faith or the neighbour protested against the encroachment at a time when restoration of the original state would not have caused unreasonable harm to the builder, the neighbour shall be entitled, at his or her option, to demand the builder to:

- a) give compensation in kind or in cash for the part incorporated,
- b) buy the whole land,
- c) transfer his or her land and the building to the neighbour's ownership against the reimbursement of the value of the land and the building,
- d) demolish the building.

Par. 2 The neighbour can demand the demolition of the building if this is not contrary to the requirements of good management. The costs of demolition and restoration to the original state shall be borne by the encroacher; he or she shall, however, have the right to remove the built-in material.

The court may determine the consequences of the encroachment in bad faith differently from the neighbour's choice.

[keywords: encroachment over the boundaries of a land]

### **The right of disposition**

Section 112 par. 1 The owner has the right to surrender the possession, use or beneficial enjoyment of a thing to another person, to pledge it as collateral or encumber it in another way, and, furthermore, to transfer or abandon ownership.

Par. 2 The ownership of real estate property may not be abandoned.

[keywords: right to surrender the possession]

Section 113 If the ownership of a building accrues to the owner of the land, the ownership of the building can only be transferred and encumbered together with the ownership of the land. The State is not bound by this rule as the owner of the land.

[keywords: ownership of the building]

Section 114 par. 1 If a statutory provision or a court decision excludes or restricts the right of disposition, any provision contrary to that prohibition or restriction shall be null and void.

Par. 2 The right of alienation and encumbrance may be limited or excluded by contract only at the time of the transfer of ownership and only for the purpose of securing the right of the transferor or another person to the thing. In the case of real estate property, the title which the prohibition is intended to secure must also be entered in the land register.

Par. 3 Any provision contrary to the prohibition of alienation and encumbrance contained in the contract is null and void, provided that

- a) the prohibition has been entered in the land register,
- b) the person who created the right of disposal was otherwise acting in bad faith; or
- c) the disposition was made without consideration.

[keywords: result of right of disposition's restriction]

### **Protection of ownership rights**

Section 115 par. 1 The owner may also exclude or prevent any unlawful interference which hinders, restricts or makes impossible the exercise of his or her right of ownership, in accordance with the rules of the protection of possession.

Par. 2 The owner may claim the cessation of the unlawful interference, and if the thing has left his or her possession, he or she may claim its return. These claims of the owner shall not lapse.

[keywords: unlawful interference in ownership]

Section 116 par. 1 If the property owner has acquired ownership outside the land register, he or she may claim to have his or her ownership recorded in the land register.

Par. 2 Unless an exception is made by law, the land register is a valid proof of ownership and other rights.

Par. 3 Detailed rules on the land register are laid down in a separate legal regulation.

[keywords: ownership acquired outside the land register]

## **CHAPTER XI**

### **Acquisition of property**

#### **Acquisition of property by transfer**

Section 117 par. 1 Ownership can be acquired by way of transfer only from the owner of the thing if an exception is not made by law.

Par. 2 For the acquisition of property by transfer, a contract on the transfer or another legal title shall be required together with the transfer of possession of the thing accordingly. The transfer may be effected by the actual transfer of possession of the thing or by any other means which makes it certain that the thing has passed from the power of the transferor to that of the transferee.

Par. 3 For the acquisition of ownership of a real estate by transfer, a contract on the transfer

or another legal title shall be required together with the registration of the transfer of the ownership accordingly.

Par. 4 In the case of multiple sales, the buyer who first took possession in good faith, and if there is no such buyer, the previous buyer, can claim the registration of ownership in the land register, unless the ownership of the subsequent buyer has been registered in the land register. This provision shall also apply in the case of multiple donations.

[keywords: acquisition of property by transfer]

Section 118 par. 1 A buyer acting in good faith acquires title to something sold in the course of trade even if the transferor was not the owner.

Par. 2 A person who acquires property in good faith and for consideration from a person to whom the owner has entrusted it acquires ownership of it outside the course of trade. The owner may, however, redeem the thing within one year of the date of the first acquisition on payment of compensation. Otherwise, the legal relationship between the parties is governed by the rules of possession in good faith without legal cause.

[keywords: buyer in good faith, lack of nemo plus iuris]

Section 119 The party to whom money or bearer securities have been transferred, shall acquire ownership even if the transferor was not the owner.

[keywords: lack of nemo plus iuris]

### **Acquisition of ownership by a decision of an authority or by official auction**

Section 120 A person who acquires the thing in good faith by a decision of an authority or by official auction shall acquire ownership regardless of who was the former owner. This provision shall not apply to the auction of a real estate property.

[keywords: acquisition of a thing in good faith]

### **Adverse possession**

Section 121 par. 1 A person who possesses a thing as his or her own without interruption for ten years shall acquire its ownership by way of adverse possession.

Par. 2 person who has acquired the possession of a thing through a criminal offence or another violent or duplicitous method shall not acquire ownership by way of adverse possession.

Par. 3 Ownership of a thing shall not be acquired that is socially owned or that has been unlawfully taken out of the possession of the state or a cooperative. This provision shall not apply to movable property which is the normal object of personal property.

Par. 4 If the landowner does not register his or her ownership in the land register, he or she may not claim ownership against the person who acquired the right to the property for consideration by entrusting it to him or her in the land register.

[keywords: adverse possession]

Section 122 The new possessor may add to the time of his or her own adverse possession the time that qualified as a period of adverse possession during his or her legal predecessor's possession.

[keywords: adverse possession, adding period of legal predecessor's possession]

Section 123 If the owner cannot exercise his or her ownership rights for an excusable reason, adverse possession shall not occur for a year counted from the date when the obstacle ceased to exist, even if the period of adverse possession has lapsed or there is less than one year left of it.

[keywords: limits of adverse possession]

Section 124 par. 1 Adverse possession shall be interrupted if

- a) the owner gives the holder written notice to surrender the property or brings an action,
- b) the owner disposes of the thing (Section 112),
- c) the possessor loses the property involuntarily and does not recover it within one year or does not bring an action against the new possessor for the return of the property within one year.

Par. 2 When the acquisitive prescription is interrupted, the elapsed time of possession shall not be counted and acquisitive prescription shall recommence after the circumstance causing the interruption ceased to exist.

[keywords: interruption of adverse possession]

### **Acquiring ownership of products, produce and progeny**

Section 125 par. 1 A person who has a right over another person's thing entitling him or her to obtain the ownership of products, produce or progeny, shall acquire their ownership by separation if he or she has not acquired ownership of them earlier. If the beneficiary is not in possession of the thing from which the product, produce or progeny originates, he or she shall acquire ownership by taking the product, produce or progeny into possession.

Par. 2 When someone's right entitling him or her to acquire the ownership of products, produces or progeny ceases to exist before acquiring their ownership, he or she may claim, from the owner or from the new beneficiary to deliver the products, produce and progeny in

proportion of his or her labour mainly in kind form up to his or her expenses that are not recoverable from elsewhere.

Par. 3 The possessor in good faith, until such time as he or she becomes bad faith or the thing is reclaimed from him or her before the court or before the competent administrative body of the executive committee of the municipal (city, city district) council, acquires by divestiture the right of ownership of products, produce and progeny of the thing.

[keywords: acquisition by separation]

### **Accretion**

Section 126 The owner of the land shall acquire the ownership of all the things that have subsequently become components of the land. This provision shall not apply to products, produce and progeny if it belongs to another person according to a legal relationship.

[keywords: acquisition by accretion]

### **Acquisition of ownership of derelict goods**

Section 127 Anyone can acquire ownership of the usual objects of personal property by taking possession of them, if there is no owner. Other things, if they have no owner, become the property of the State.

[keywords: acquisition of derelict goods]

### **Acquiring ownership of game and fish**

Section 128 par. 1 Game and fish living in flowing waters and natural lakes shall be owned by the state.

Par. 2 All game killed, captured or perished in the hunting area becomes the property of the person entitled to hunting.

Par. 3 Fish caught by the holder of the right to fish shall become the property of the holder of the right to fish; fish caught by a non-holder shall become the property of the holder of the right to fish.

[keywords: acquisition by hunting or catching]

### **Finding lost property**

Section 129 par. 1 If a person finds a lost property presumably owned by another person and takes it into possession, he or she shall acquire its ownership if he or she intends to do so,

provided that

- a) the thing found belongs to the normal range of personal property,
- b) he or she has done everything he or she could to return the thing to the owner and the owner of the thing, or another person who was authorised to take over the thing, failed to present himself or herself to take over the thing within one year from the date of finding.

Par. 3 The finder shall not acquire ownership if the object is found in an office, business or other building or premises open to the public, or on the means of transport of a public transport company. In such a case, the office or company may sell the thing after three months of safekeeping; the owner may claim the thing or the purchase price within one year of the finding.

[keywords: lost property]

Section 130 If the thing found is of greater value and the finder does not acquire ownership of it, the finder is entitled to a reasonable finder's reward if he or she has done everything required by law to get the thing back.

[keywords: lost property, reward]

Section 131 If the owner of the found object does not come forward within the one-year period and the finder does not acquire ownership of the object, the ownership or the proceeds from the sale of the object shall belong to the State.

[keywords: lost property]

Section 132 par. 1 If someone finds something of value that has been hidden by unknown persons or whose ownership has otherwise been forgotten – including artefacts of archaeological, museum or monumental value – they shall offer it to the State.

Par. 2 If the State has no claim to the thing, it shall become the property of the finder; otherwise, the finder is entitled to a reward commensurate with the value of the thing.

[keywords: thesaurus]

## Processing and mixing

Section 133 par. 1 The person, acting in good faith, who creates a new thing for himself by processing or transforming the thing of another shall, according to the choice of the thing's owner, reimburse the value of the thing or relinquish the ownership of the new thing against the reimbursement of the value of his or her work.

Par. 2 If the value of the work significantly exceeds the value of the processed or transformed thing, the owner of the thing may claim the reimbursement of the value of the thing.

Par. 3 If the processor or the transformer acted in bad faith, it shall be the owner of the material to have the right to choose; if the owner of the material opts for the ownership of the new thing, he or she shall only reimburse his or her enrichment.

[keywords: acquisition by transforming]

Section 134 par. 1 If the things of more than one person are combined or mixed in a way allowing them to be separated only at the expense of disproportionate harm or disproportionate costs or they cannot be separated at all, co-ownership shall be established. If any of the owners does not wish to have joint ownership, the one whose property was of greater value before the merger may choose to take possession of it against compensation from the other owners or to transfer it to them against compensation.

Par. 2 A person causing the combining or mixing in bad faith shall not be entitled to the right to choose. In such an event the former owner who acted in bad faith may only claim the enrichment to be reimbursed.

[keywords: acquisition by mixing]

Section 135 If the State or a cooperative society was the owner or the rightful possessor of any of the things converted, processed, combined or mixed, the right of option shall vest in the State or the cooperative society, irrespective of the value of the work put into the processing or conversion or of the things combined or mixed.

[keywords: acquisition by separation, acquisition by mixing, state, cooperative society]

Section 136 par. 1 If none of the parties claim ownership of the processed, transformed, combined or mixed thing, it shall be sold and the purchase price shall be distributed to the beneficiaries according to their ownership proportions.

Par. 2 In this case, the party who is allowed to claim reimbursement only to the extent of his or her enrichment may receive no more than the amount remaining from the purchase price after satisfying those entitled to full recompense.

[keywords: acquisition by separation, acquisition by mixing]

Section 137 par. 1 If a person builds on his or her own land or on land in use with foreign material, he or she acquires ownership of the material by building on it but shall pay compensation for the value of the material.

Par. 2 If a person builds using material that is predominantly state-owned, the State may, at its option, claim ownership of the property or compensation for the value of the material used in the construction, in exchange for the enrichment of the State.

[keywords: building with foreign material]

Section 138 par. 1 If someone builds over another person's land without being entitled to do so, the owner of the land shall acquire the ownership of the building; however, he or she shall pay his or her enrichment to the party building over. At the landowner's request, the court may order the party building over to buy the land or buy the appropriate part of the land.

Par. 2 The overbuilder in good faith acquires ownership of the appropriate part of the land if the landowner has not objected to the building-over at a time when restoration of the original condition would not have caused the rebuilder disproportionate harm, and the value of the building substantially exceeds the value of the appropriate part of the land.

Par. 3 If the overbuilder acquires ownership of the corresponding part of the land, he or she shall be obliged to pay the market value of the land. However, at the request of the landowner, the court may order the developer to acquire ownership of the whole land.

Par. 4 The state can offer land of appropriate value instead of buying all the land.

[keywords: building over another person's land, superficies solo cedit]

## **CHAPTER XII**

### **Co-ownership**

Section 139 par. 1 The ownership of a thing can be shared between more than one person according to specific ownership proportions.

Par. 2 In case of doubt, the ownership proportions of the co-owners shall be considered equal.

[keywords: co-ownership]

Section 140 All co-owners may possess and use the thing; this right, however, shall not be exercised by any of the co-owners to the detriment of the others' rights and substantial legal interests attached to the thing.

[keywords: possession of common thing, use of common thing]

Section 141 par. 1 The co-owners may collect the benefits of the thing according to their ownership proportions; the same proportion shall apply to bearing the costs connected to the thing, the obligations originating from co-ownership, and shares of co-owners in bearing the cost of damage caused to the thing.

Par. 2 Unless otherwise provided by the co-owners, co-owners shall adopt decisions regarding the co-ownership by majority voting; all co-owners shall have a right to vote according to their ownership proportion.

[keywords: benefits of common thing]

Section 142 par. 1 Any of the co-owners may perform the works absolutely necessary for preserving and maintaining the condition of the thing; all co-owners shall bear their own share of such costs. The co-owners shall be notified before such costs are incurred, if possible.

Par. 2 Co-owners shall adopt decisions regarding expenses not exceeding normal operation by majority voting.

[keywords: maintenance of common thing]

Section 143 The unanimous decision of the co-owners shall be required for

a) expenses exceeding normal operation;

b) transferring the ownership of the whole of the thing, putting the whole of the thing into usufruct or use, pledging it as security or otherwise to encumber it.

[keywords: unanimous decision of the co-owners]

Section 144 par. 1 If a decision violates reasonable economic management or results in a grave violation of the legal interests of the parties in minority, the minority parties may contest the decision in court. Contesting the decision shall not have a suspensory effect on the enforcement of the decision; although the court may suspend enforcement if necessary.

Par. 2 The same rule shall apply if the co-owners dispute whether the planned works are absolutely necessary for preserving and maintaining the condition of the thing.

[keywords: reasonable economic management of common thing, judicial overruling]

Section 145 par. 1 The co-owner is entitled to avail of his or her own ownership proportion.

Par. 2 Co-owners shall be entitled to the right of pre-emption and the right of first refusal for lease and usufructuary lease in respect of the ownership proportion of the other co-owners.

[keywords: pre-emption]

Section 146 Any of the co-owners may take individual acts to protect co-ownership.

[keywords: protection of co-ownership]

### **Termination of co-ownership**

Section 147 Any of the co-owners may request the termination of co-ownership; waiving this right shall be null and void.

[keywords: termination of co-ownership]

Section 148 par. 1 The objects of co-ownership shall primarily be divided physically; if physical division is not possible or would result in a substantial loss of value or it would hinder intended use, the objects of co-ownership shall be sold, and the purchase price shall be divided appropriately between the co-owners. The co-owners shall also be entitled to the right of pre-emption in the case of sale.

Par. 2 The court may assign the objects of co-ownership or a part of them to the ownership of one or more co-owners for appropriate consideration, provided that it is justified by the circumstances of the co-owners.

[keywords: termination of co-ownership, physical division, purchase]

Section 149 The rules of co-ownership shall apply to condominium property with the exceptions provided for in a separate legal regulation.

[keywords: condominium property]

## **CHAPTER XIII**

### **Rights of usage**

#### **Land use based on a grant**

Section 150 The State may grant land to socialist organisations and citizens, and socialist organisations may grant land to their employees or members, in accordance with the rules applicable to them.

[keywords: state grant of land]

Section 151 par. 1 Unless an exception is made by law, the State shall give the land for free and without time limit.

Par. 2 Under the terms of the statutes, the cooperative societies provide land for free use by their members for the purpose of a backyard farm for the duration of their membership. A member of a producer cooperative society shall exercise the right to use the land jointly with members of his or her family living with him or her.

Par. 3 Other socialist organisations give the land under their control free of charge and for the duration of their employment or membership.

[keywords: state grant of land, terms]

Section 152 par. 1 The holder of the right to use the land is obliged to use the land in accordance with its intended purpose and to act in accordance with the rules of normal

operation.

Par. 2 On the land put into use, the building erected by the land user and the installations and equipment he has installed there, as well as the goods resulting from his or her production, are the property of the land user.

Par. 3 The user of the land shall be subject to the obligations inherent in its use. He or she shall bear the costs, including taxes.

[keywords: state grant of land, intended purpose]

Section 153 par. 1 The transfer of the right to use and the leasing of land used shall be null and void unless expressly authorised by law.

Par. 2 The transfer or inheritance of a building erected on land for the use of private individuals to meet the housing needs of citizens transfers the right to use the land to the new owner of the building free of charge.

[keywords: state grant of land, personal nature of the law]

Section 154 par. 1 The right to use the land may be revoked by the grantor if the user of the land fails to exercise the right of use promptly through no fault of his or her own, transfers the right of use without authorisation or otherwise seriously breaches the obligations of use and his or her warning has been unsuccessful.

Par. 2 In the event of the revocation or termination of the right to use the land, the building and the components of the land, in particular the standing or hanging crops, shall, against full compensation, become the property of the State, the cooperative society or other socialist organisation which granted the right to use the land, or the new holder of the right to use the land; the former user of the land or his or her heir may take his or her other property.

Par. 3 The right to use the land may be withdrawn even if the land would have been subject to expropriation in the case of individual ownership, in which case the rules on expropriation shall apply, except that no monetary compensation shall be payable for the withdrawal of the right to use the land.

[keywords: revocation of state grant of land]

## Usufruct and use

Section 155 par. 1 By virtue of the usufructuary right, the beneficiary may hold in possession, use and collect the benefits of a thing owned by another person.

Par. 2 During the persistence of the usufruct right, the owner may exercise the right of possession, use and collection of benefits only to the extent that the usufructuary does not exercise such rights.

Par. 3 The usufructuary right shall persist without regard to the change of the owner of the

thing.

Par. 4 The right of usufruct may last for a limited period and not longer than the beneficiary's lifetime.

[keywords: usufruct, benefits, use]

Section 156 par. 1 Under a contract, a usufruct is created by transferring the thing and registering the usufruct of the property in the land register.

Par. 2 If usufruct on real estate property is created by law or by a judicial or administrative order, the beneficial interest shall be entered in the land register; otherwise, the usufruct may be enforced only against a person who has acquired the property in bad faith or who has not given consideration for it.

[keywords: usufruct, registration]

Section 157 par. 1 In the course of exercising his or her right, the usufructuary shall act according to the rules of normal operation. He or she shall bear the costs of maintaining the object, except for extraordinary repairs and restoration; he or she shall be subject to the obligations relating to the use of the thing and shall pay the public charges relating to it.

Par. 2 The usufructuary shall not transfer the usufructuary right but may relinquish the exercise of the right.

Par. 3 The usufructuary shall notify the owner of any threat and damage to the thing, including when a third party hinders him or her in exercising the usufruct, and shall tolerate the necessary measures taken by the owner for the purpose of averting the danger or eliminating the consequences of the damage.

Par. 4 Upon the termination of the usufruct, the usufructuary shall return the thing. The usufructuary shall be liable for damage to the thing except if he or she proves that he or she was not at fault. The usufructuary shall not be obliged to reimburse the loss of value arising from intended use.

[keywords: exercising of usufruct]

Section 158 The usufructuary may, to a reasonable extent, dispose of consumable things, economic equipment and animal stock existing at the time of the establishment of usufruct according to the rules of normal operation. Upon the termination of usufruct, the usufructuary shall replace these, or if it is not possible, shall reimburse their value.

[keywords: usufruct of consumable things]

Section 159 par. 1 The owner may check the exercise of the usufruct.

Par. 2 If the usufructuary uses the thing against its intended purpose or impairs it, or if he or

she otherwise jeopardises the return of the thing upon the termination of the usufruct, and protest against this by the owner is unsuccessful, the owner may claim adequate security.

Par. 3 If the usufructuary does not provide adequate security then at the owner's request, the court may suspend the exercise of the usufructuary right until security is provided.

Par. 4 The owner shall be entitled to the aforementioned rights against the person to whom the usufructuary relinquished the exercise of rights originating from usufruct as well.

[keywords: usufruct, control of the owner]

Section 160 par. 1 The usufructuary may perform the extraordinary repairs or reconstruction works if the owner fails to perform them upon being called upon to do so.

Par. 2 On termination of the usufruct, the usufructuary may claim from the owner the reimbursement of the necessary expenses, less an amount corresponding to the intermediate depreciation. If the owner's enrichment exceeds the amount so determined, he or she shall also be liable to pay the difference.

[keywords: extraordinary repairs]

Section 161 par. 1 If the thing or a substantial part of it perishes, the owner shall not be obliged to reconstruct it.

Par. 2 If the owner reconstructs the thing, the usufructuary right shall come into effect again, but the owner may request the limitation of the usufruct proportionately to the amount spent on reconstruction.

Par. 3 If the owner fails to reconstruct the thing, the usufruct shall be terminated; however, if the object of the usufruct is replaced by another object, the usufruct extends to that object. If the thing has been replaced by a sum of money, the usufructuary may also claim the payment of that sum for the restoration or replacement of the thing.

[keywords: destruction of usufructed thing]

Section 162 par. 1 The rules on the usufruct of things shall apply mutatis mutandis to the usufruct of an interest-bearing claim or other beneficial interest.

Par. 2 In order that the effects of contractual termination or the modification of a right to the detriment of the beneficiary have effect on the right of usufruct, the consent of the beneficiary shall be required.

[keywords: usufruct of an interest-bearing claim]

Section 163 par. 1 By virtue of the right of use, the beneficiary may use the thing and collect its benefits to the extent not exceeding his or her own needs and the needs of his or her family members living with him. The right of use shall not be relinquished to another person.

Par. 2 The rules of usufruct shall apply to use in other respects.

[keywords: right of use]

### **Easement on land**

Section 164 par. 1 By virtue of easement, the current possessor of the real estate may use another's real estate to a specified extent or may require the possessor of the other real estate to refrain from a conduct to which he or she is otherwise entitled.

Par. 2 An easement may be established for the purpose of passage, water supply and drainage, basement construction, installation of utility poles, shoring of a building or other similar purposes beneficial to the holder.

Par. 3 If a piece of land is not connected with an appropriate public road, the neighbours shall tolerate the current possessor of the real estate passing through their lands.

[keywords: easement on land]

Section 165 par. 1 The rules on establishing usufruct on real estate shall apply accordingly to the establishment of an easement.

Par. 2 The possessor of a real estate shall acquire easement by way of adverse possession if the possessor of the other real estate does not protest for ten years against him or her using it. Exercising a right allowed by courtesy or until withdrawal shall not result in adverse possession.

Par. 3 Easement in itself shall not be traded.

[keywords: establishment of an easement]

Section 166 par. 1 In the exercise of the easement, the interests of the holder of the property subject to the easement shall be protected.

Par. 2 Where the exercise of the easement involves the use of equipment or facilities, the costs of maintenance shall be borne by the easement holder and the obligee in proportion to the use of the equipment or facilities, unless otherwise agreed.

[keywords: exercise of an easement]

Section 167 par. 1 The court may terminate or suspend the exercise of the easement if it is no longer necessary for the intended use of the current possessor's real estate.

Par. 2 The easement shall be terminated if, despite being in a position to do so, the beneficiary has for ten years not exercised it or accepted to be prevented from exercising it.

[keywords: termination of an easement]

## **TITLE II**

### **SPECIAL PROVISIONS REGARDING SOCIAL PROPERTY**

#### **CHAPTER XIV**

##### **Socialist state ownership**

##### **Objects of socialist state ownership**

Section 168 par. 1 The following are owned exclusively by the State

- a) the treasures of the womb of the earth,
- b) rivers, canals and natural lakes and their beds,
- c) the abandoned beds of running waters and newly created islands in running waters,
- d) public roads and public spaces.

Par. 2 Unless an exception is made by law, they are the exclusive property of the State

- a) forests,
- b) the essential means of work.

[keywords: exclusive ownership of state]

Section 169 par. 1 Things that are out of circulation

- a) things which are the exclusive property of the State,
- b) land owned by the State, except land used for housing and land used for land swaps and compensation in kind,
- c) other property included in the inventory or fixed assets of a public body until such time as it has been definitively removed from the inventory or fixed assets in the procedure laid down for that purpose.

Par. 2 The alienation of things out of circulation shall be null and void.

[keywords: things out of circulation]

##### **The management of state socialist property**

Section 170 State socialist property shall be unitary and indivisible.

[keywords: state socialist property]

Section 171 par. 1 The ownership of the State shall not be affected by the fact that it entrusts certain of its assets to public bodies, in particular state enterprises and public farms; the State directs and controls the management of its bodies and has the right to reallocate and redistribute the assets entrusted to certain bodies.

Par 2 The public body is obliged to use the assets placed in its care in accordance with their intended purpose, in order to fulfil its plan or for the purpose specified in the state budget, and is entitled to all the rights necessary to fulfil this obligation.

Par. 3 Property placed in the custody of a public body can only be acquired by virtue of an order of the administering public body or by enforcement for the recovery of a claim against it. The rights acquired in individual assets administered by a public body shall not be affected by the reallocation or redistribution of assets.

[keywords: state socialist property]

## **Expropriation**

Section 172 par. 1 Real estate property may be expropriated for the benefit of the State in the public interest, for the purposes laid down by special legislation.

Par. 2 Compensation shall be paid for the expropriated property according to its value.

[keywords: expropriation]

Section 173 par. 1 Compensation shall be provided in kind or, if this is not possible, in money.

Par. 2 The amount of compensation shall primarily be determined by the agreement of the parties; the expropriating authority is obliged to facilitate the settlement during the procedure.

Par. 3 If the parties fail to reach an agreement, the compensation shall be determined by the court. The absence of an agreement shall not prevent the expropriator from taking possession and the amount offered by the expropriator must be paid.

[keywords: expropriation, compensation]

Section 174 Detailed rules on expropriation shall be set out in separate legislation.

[keywords: expropriation]

## **Protection of state socialist ownership**

Section 175 The protection and consolidation of state socialist property and the enhancement of the economic strength of the People's Republic of Hungary shall be the fundamental duty of the citizens of the People's Republic of Hungary. Therefore, increased care shall be expected of everyone in the protection and safeguarding of the property of the State.

[keywords: state socialist property]

Section 176 par. 1 Where the ownership of real estate property or other means of production is in dispute between the State and a cooperative society or other organisation, or between the State and a private individual, the ownership of the State shall be protected.

[keywords: privileged position of state property]

Section 177 par. 1 The State may act directly to protect public property, as may the public body responsible for managing the property.

Par. 2 The public body can also use the means to protect the property against other public bodies.

[keywords: protection of public property]

Section 178 par. 1 Anyone who suffers damage because of his or her expedient activity to protect public property or to avert a widespread threat may claim compensation, unless this was a direct duty arising from his or her job. If he or loses his or her life during such activity, his or her relatives and all those whom he or she has maintained shall be taken care of, if necessary.

Par. 2 These claims are independent of whether the damage constitutes an industrial accident or whether the injured party acted as would normally be expected in the circumstances to prevent the damage.

Par. 3 Compensation shall be payable by the manager of the public property, or by the state if the damage was caused in connection with the prevention of a widespread threat.

[keywords: protection of public property]

## **CHAPTER XV**

### **Cooperative socialist ownership**

#### **The subjects of cooperative socialist property**

Section 179 par. 1 The subjects of cooperative socialist property are cooperative societies, cooperative alliances and cooperative centres.

Par. 2 Unless an exception is made by law, the rules of cooperative property law shall also apply mutatis mutandis to the property relations of social organisations and associations.

[keywords: cooperative socialist property]

## **The objects of cooperative socialist property**

Section 180 par. 1 A cooperative society may own assets that the cooperative society needs to own in order to run its business in a planned manner and to enhance the welfare of its members.

Par. 2 The exclusive property of the State (Section 168 par. 1) shall not be owned by the cooperative society.

Par. 3 The cooperative society shall own the assets that have been created because of its management, regardless of whether the management was carried out with its own means of production.

[keywords: cooperative socialist property]

## **Management of cooperative socialist property**

Section 181 The property of the cooperative society shall be managed in accordance with the plan of the cooperative society in line with the national economic plan.

[keywords: management of cooperative socialist property]

Section 182 par. 1 A certain part of the income of the cooperative society, after meeting its obligations to the State, shall be added to the cooperative fund provided for in the articles of association. The cooperative fund shall not be used for purposes other than those for which it is intended.

Par. 2 The general meeting of the cooperative society shall decide on the use and distribution of the income remaining after the State, the funds and the claims have been satisfied, in accordance with the provisions of the law and the articles of association, in such a way as to best serve the welfare of the members and the planned development of the cooperative society.

[keywords: income of cooperative socialist property]

Section 183 The cooperative association or centre may also entrust the assets it owns to cooperative companies or offices. This shall not affect the ownership of the cooperative association or centre.

[keywords: cooperative socialist property, cooperative company]

## **Protection of cooperative socialist property**

Section 184 The protection of cooperative property shall be a fundamental duty of citizens, public authorities, cooperative societies and other organisations. All members of cooperative

societies shall be expected to exercise the utmost care in protecting and safeguarding cooperative property.

[keywords: protection of cooperative socialist property]

Section 185 par. 1 Anyone who suffers damage as a result of the purposeful activity of the cooperative society for the protection of its property may claim compensation from the cooperative society in whole or in part, unless this activity was a direct obligation.

Par. 2 This claim is independent of whether the injury constitutes an industrial accident or whether the injured party acted as would normally be expected in the circumstances to prevent the injury.

[keywords: protection of cooperative socialist property]

Section 186 The cooperative society may also use the means of protecting property rights in respect of assets that it does not own. This rule shall not apply to the owner.

[keywords: protection of cooperative socialist property]