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HUNGARIAN MANUAL FOR CONDOMINIUM OPERATION AND MANAGEMENT

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INTRODUCTION

This manual was prepared for those common representatives, members of executive communities and communities of condominiums who became unit owners from one day to another, but it can provide useful information for the officers of those condominiums which were established earlier.

This book contains the legal frames, rules of the condominium operation, the tasks of starting the operation of condominiums, the tasks of the common representatives for providing the process of operation and the protection of substance. Reviews the knowledge of budgeting, accounting, bookkeeping taxation, social security and gives practical advice for managing financial processes and supervision.

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I. LEGAL FRAMEWORK

Information on legal matters

Under this heading you can find all the information that is vital for all those who have undertaken the job of dealing with different matters pertaining to condominiums. They can take on this important responsibility with a good conscience only if they are well informed about the content of different pieces of legislation.

All the different components of the system of legislation in the Republic of Hungary can be found among the items relevant or related to condominiums. It is necessary to know the standards and regulations of certain laws, decree laws, central or local government and ministry decrees.

The full text of the most important pieces of legislation can be found in the appendix of the manual, and the relevant sections of other pieces of legislation are also cited in full.
The manual contains the pieces of legislation which were in force at the time it was written, and we note the changes in them at the seminars.

A. The history of the legislation concerning condominiums

1. Act no.: XII/1924

Condominium ownership was first regulated in Hungary by the Act no.: XII/1924 This piece of legislation provided the basis for the foundation and the legal position of condominiums until 1 July 1977. The provisions of this act became an organic part of the application of the law to the extent that even after the new decree law took force, some of the sections of this act were still being applied. It was so because the important regulations which could have helped in enforcing the demands of market economy were not included in the decree law.

The Act no.: XII/1924 made it possible for an owner or the owners of a property to found a condominium before the building has been constructed and division between the owners has taken place.

In this way it was possible to transfer the ownership of these theoretical ownership shares to other parties A remarkable provision in the law stated that a lien has to be registered on the request of the common representative in the land register to cover the costs of maintenance and repair of the common ownership parts, equipment and fittings of the building, without the consent of the owners - to the extent of the part of the costs in proportion of the individual ownership shares.

The law also made it possible that if the owners failed to elect a common representative, the land registry authorities could nominate a common representative on the request of any interested party.
The right of pre-emption for the owners in case of the sale of a condominium flat was also regulated by the law.

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According to the Act no.: XII/1924 the owners could found a condominium through an agreement, a contract, as prescribed by the law. The decree law no.: 4/1952 nationalised some of the freehold flats in condominiums, the non-residential units and even the high-value commercial, workshop and other units which were in common ownership. These condominiums were transformed into mixed ownership condominiums through the nationalization, the common ownership assets were transferred partly to the state, partly to other entities. In most of these cases they failed to modify the foundation document. The units in common ownership were allocated ("unit management"), new flats were partitioned off and additions were made without being included in the land register through a change in the foundation document.
As a result of failing to do so, the actual ownership shares cannot be determined and the residential and non-residential units which are different than what is shown in the land registry or not even included in it cannot be sold in the market and the common costs cannot be determined according to the actual situation either.

The specific rules of state property management has influenced and still influence the factors of operation not regulated in the law, e.g. the obligation to form compulsory renovation reserves, which used to apply to private owners only.

2. The decree law no.: 11/1977

The new legislation on condominiums, the decree law no.: 11/1977 took force on 1 July 1977.
The legislator stated that the regulations of the new legislation must also be applied to the condominiums created before this decree law took force.

Certain sections of the decree law went against the sections of the act both in effect and in content. Therefore Paragraph (3) of Section 24. stated the following:
"If the foundation document contradicts a statement of the decree law which the parties are obliged to comply with, the given part of the foundation document shall be replaced by the relevant part of the decree law."

The decree law abolished or did not accept the right of pre-emption allowed for the other owners in case a freehold flat in the condominium is sold or rented, before the decree law took force. At the same time it allowed the foundation documents of condominiums formed after the decree law took force to stipulate otherwise. This meant that in the new or modified foundation documents the owners could stipulate the right of pre-emption for each other in case the freehold flats are sold.

The brief piece of legislation, consisting of Section 24 of **the decree law contained the following:**

- the concept and foundation of condominium ownership,
- the legal requirements for the foundation document concerning finances and procedures,
- the compulsory content of the foundation document,
- the structure and the countersigning of the foundation document,

- the basic principles of property registration and the right of ownership, use, utilization and free disposal,
- the management of the common affairs of the condominium, the authority and the responsibility of the general meeting, the common representative and the executive committee and the rights of representation,
- the things to be done when the document takes force.

a). The concept of the condominium and its interpretation on the basis of the decree law

A condominium is a property (building and land), in which the flats and the non-residential units in the building are separately owned and at the same time the equipment and the fittings serving a common purpose in the building and in certain parts of it and the land are in common ownership. If the owners received the land from the state for use at the time the building was constructed, the owners have the right of use but not the right of ownership for the land.

The condominium is a legal category, a legal concept.
(A condominium is not a single unit from the point of view of sales, that is, a condominium cannot be purchased as a single unit, but a person can buy all the individual freehold flats in a condominium.)

A condominium is not a legal person but a peculiar combination of individual and common property, in which the rights and the responsibilities are exercised by the owners who form a condominium (ownership) association.
In the case of a condominium, the individual and common property constitute a single legal unity and cannot be separated from each other. There is no individual property without a common ownership share and there is no common ownership share without individual property.

Property registration expresses the peculiar legal status of the condominium and includes it in a single unit for the purpose of registration and sale by registering the condominium, that is, the parts and units of the building in common ownership together with the lot, on its individual registry sheet (condominium registry sheet) and by registering the freehold flats and the individually owned units (shops, workshops, ...) in the condominium building on individual registry sheets (separate condominium sheets) together with the ownership share in the common property belonging to the individual units.

b). The concept of common and individual property

In order to judge the operation of condominiums in merit, it is necessary to understand and distinguish between the concept of common and individual property.

Common property means that the ownership rights to the same asset belong to different persons according to certain ownership shares. In this case the ownership rights are divided according to theoretical ownership shares, which means that the rights of the different owners are homogeneous, that is the rights of each owner concern the whole common asset, but only to the extent of a certain proportion. Theoretical ownership share

means that it is not the asset which is divided between the owners but the rights concerning the asset.

In Hungarian law common property is always divided between the owners according to certain proportions. It is usually an agreement by the owners that determines the proportion according to which the common asset is shared between them. If this proportion is not determined and in general, if there is doubt, the ownership share of the owners is equal.

The law states that each owner is entitled to own and use the whole asset but none of the owners can exercise these rights while infringing the rights of the other owners and their legal interests for the asset. The owners, of course, can regulate ownership and use of the asset among themselves. If there is no agreement, the owners can request the court to settle the use of common property.

Individual (exclusive) property means that the owner has the exclusive rights concerning everything classified by the law as property. Rights of property consist of the rights of ownership, use, utilisation and free disposal.

The concept and legal notion of common and individual property, which are separated in certain aspects, do not exclude the possibility of creating common property within the freehold flat as individual property. An example of this type of common property is the common property of spouses, when the flat is jointly owned by husband and wife. The nature of common property makes it necessary that ownership shares of husband and wife should be stated within the flat.

3. Act no.: CLVII/1997

In the situation that has changed - especially as a result of recent years' housing privatisation - since the decree law no.: 11/1977, referred to above, took force this legislation has become outdated.

When the draft for the new legislation concerning this area was submitted, the following reasons were given for that:

"The regulations in force at present with the obligations concerning organisation and decision making which are not justified any more, make the operation of the condominiums impossible - especially in the case of large condominiums sometimes consisting of several hundred separate units. The law in force at present states that the performance of obligations concerning the maintenance and renovation of the common ownership parts of the building, the payment of common costs and their distribution among the owners and a number of other management and administration functions are to be regulated in the foundation document. The foundation documents of privatised condominiums are not suited for the characteristic features of the individual condominiums but are made according to the same pattern and it would be possible to modify them properly only through a unanimous vote, with the written consent of all the owners, which in practice, in the case of larger condominiums, is very difficult to achieve."

"The professional management of high-value buildings is not guaranteed from technical and from legal aspects and from that of accountancy either. There is no guarantee for the

collection of arrears in common costs and for raising the necessary funds for renovation. The operation of condominiums is not supervised from accounting, financial and technical aspects, which is a serious problem. Supervision by the tax office is no solution either, and supervision by the owners is not properly organised."

"Maintaining the condominium and ensuring its smooth operation is quite difficult. This cannot be solved through new legislation overnight, but we should aim at providing the legal framework for the development of condominiums or at least for maintaining their present level."

Some important elements of the new legislation from the general justification of it:

"The new legislation, going back to Act no.: XII/1924, should be based on the fact that a condominium is a special form of ownership association concerning a property, in which the ownership rights must be guaranteed to the extent it is possible and organisational guarantees must be created for the professional management and maintenance of this huge asset. The regulations, which have covered so far mainly common residential property should be extended over all kinds of common property."

"The proposal significantly narrows the scope of issues where the consent of all the owners is necessary for decision making by reducing the number of compulsory elements in the content of the foundation document. The requirement of unanimous consent is maintained for the issues described as compulsory in section 144 of the Civil Code and the rights connected to it, while only a more flexible majority vote is required for the mainly organisational and management issues not extending beyond the scope of normal management, related to daily operation. This can ensure more flexibility and compliance with the rapidly changing economic conditions."

"It is difficult to have a general meeting, especially in condominiums consisting of a large number of separate units and it is even impossible in condominiums with several hundred units, therefore the institution of a partial general meeting and that of voting in writing must also be regulated."

"It was suggested that the condominium associations should be given the status of legal persons. We do not think this would be acceptable, as it would infringe on the rights of the owners. The legal representation of the condominiums, however, had to be ensured and they must be able to take part in the matters of everyday life the same way as economic enterprises with no legal person status."

"The institution of common representatives has been established and this function, which requires serious professional skills, is often performed by entrepreneurs. It should be made possible, especially in the case of large condominiums, for an executive committee to perform this function instead of a common representative. When the common representative is an entrepreneur, professional qualification is essential for proper and professional work."

Those proposing the new legislation emphasised that when the temporary regulations were formed, they had the aim of a new, more flexible legislation, which could also be introduced at the condominiums which were founded earlier without infringing on the rights already established.

B. The law on condominiums in force from 1 March 1998

1. Basic regulations

Chapter I. of the act entitled "Basic regulations" is about condominiums and their foundation.

a). The concept of condominiums

The concept of condominiums is defined from the side of the condominium and - to ensure legal competence - from an organisational point of view.

Section 1. par. (1.)
"A condominium is established when at least two individual flats in a building, defined in the foundation document and physically separated, are registered as the individual property of different owners and the parts, fittings, units and flats in the building not defined as individual property are registered as common property."

Section 3. par. (1.)
"The association of the owners of the condominium (hereafter: association), under the common name it bears and through dealing with matters concerning the maintenance and renovation of the building and related to the common property, can acquire rights and undertake responsibilities, can sue and can be sued at court independently, exercises the rights pertaining to the common property and bears the burdens of the common property."

b.) The legal competence of the condominium association

The legal competence of the association cannot substitute for the underlying responsibility of the owners. This responsibility, concerning the amount it covers, is not limited but not a joint responsibility.

According to section 3. par. (3) of the act:
"The owners are responsible for the performance of the obligations concerning the whole association according to their ownership share - or according to the proportion determined in the foundation document or the bylaw - according to the rules for simple guarantee."

The responsibility of an owner who failed to pay his or her contribution for the common costs determined by the general meeting cannot be set against a claim by a third party concerning the whole association, as this would mean that the common representative could make a legally relevant statement on the debt, which, in turn, could not be enforced through a court procedure because in this case debate would arise between the defendants (the association and the owners in arrears) and it would not be possible to settle it through the lawsuit started by the third party.

Therefore the claims by a third party concerning the whole association and internal settlement between the owners must be separated.
Internal settlement is possible only after the claim has been satisfied and it is only then that the rest of the owners can realise their claims concerning the extra payments they had to make against the owner in default.

c). Foundation of a condominium

Section 5. par. (1.)
"A condominium can be founded for an existing building or for one to be constructed if there are (or can be created) at least two flats in it which can be registered as individual property."

par.(2.)
"A condominium can be founded by the owners or the owner (as a single founder) of a property through a decision expressed in the foundation document."

par. (3.)
"In order to found a condominium it is necessary to have it registered in the public property registration."

The act reinstitutes the possibility of founding a condominium before the building has been constructed and foundation by a single person, which was introduced by the Act no.: XII/1924. Making foundation by one person legal makes it possible to sell flats as individual property in a building to be constructed through a development realized by one person.

The law does not state that the regulation of the daily operation of a condominium has to be incorporated in the foundation document and makes it possible to define the bylaws of the condominium in a separate document if the foundation document gives authorization for this.
Information on the content of the foundation document and the bylaw can be found in the part entitled "The operation of the condominium".

2. Ownership within the condominium

The act is more specific about the regulations for the individual and the common property within the condominium than the decree law.
The phrasing concerning how the rights should be exercised is more emphatic:

Section 12. par. (1.)
"An owner is entitled for the rights of ownership, use, benefits and free disposal for his or her individual property but he or she cannot exercise these rights in a way to infringe on the rights and lawful interests of the other owners concerning the asset."

Section 17. par. (1.)
"Each owner is entitled for the ownership and use of the assets in the common property, this, however, cannot infringe on the rights and lawful interests of the other owners concerning them."

New regulations:

- the owners can decide on the rules of the use and utilization of the flat in common property in the foundation document according to the aims and the operation of the condominium,

- there is an itemized listing of the obligations of the owners (see: the part entitled "The operation of the condominium"),
- section 14. regulates the obligation of the owners to report on residence,
- the law requires the common ownership of the parts of the building essential for the common use and safety of it,
- the foundation document or the bylaw can determine the division of obligations concerning the common costs according to a proportion different to the ownership share,
- there is a rule saying that any owner can request the court to abolish the common property, which makes it possible to transform common property into individual property.

The law states that a right of pre-emption can be created about selling or renting an individually owned flat in the foundation document.

3. The organization of the condominium

The chapter in the law entitled "The organization of the condominium" contains the regulations about

- the general meeting,
- the common representative and the executive committee and
- the accounting committee.

(A detailed explanation can be found in the part entitled "The operation of the condominium".)

4. Closing provisions

The content of this chapter is the following:

- **Provisions of interpretation**

The content of each technical term is defined in the provisions of interpretation by the legislator.

- **Putting into force, Temporary provisions**

It is important that the new legislation should preferably cause no special difficulties for the condominiums when it is introduced.

The law takes force on 1 March 1998

- **Authorisation**

The conditions of professional qualifications for condominium management performed by others than the owners and the residents must be determined.

- **Amended provisions**

Considering the legal competence of the condominium, the Civil Code must be amended.

C. Some important sections of the Civil Code

The life and the operation of the condominium is not independent from its environment. There are certain laws - not specifically about condominiums - which influence the operation of the condominium and these cannot be neglected in the life of a condominium. One such law is the Civil Code, Act no. IV/1959, which regulates the property and personal relationships of central and local government institutions, economic and civil organisations and other persons.

It is for the benefit of all owners to know their rights and obligations and the norms which determine and influence the legal relationships between the owners. It is good for them to know the provisions of **the Civil Code concerning the exercise of rights and obligations.** Namely that through the exercise of civil rights and obligations one has to act in good faith, honestly and in co-operation with others. One should also know that the law forbids the misuse of rights, which often results in inconveniencing others, infringing on their rights and lawful interests and gaining unfair advantage.

In the following we present the most important regulations of the law concerning ownership rights.

1. The content and the protection of ownership rights

The owner is entitled for the right of ownership and protection of property. (see D/1 for more detail on it)

a). The content of ownership rights

The owner is entitled to use the asset and benefit from it. When using the asset the owner is obliged to refrain from all kinds of behaviour which would cause unnecessary inconvenience for others, especially the neighbours.

This is the general rule of the so-called neighbourhood law. Under the title of neighbourhood law the civil law summarizes the regulations concerning the exercise of ownership rights in the relationship of owners, especially the rights to use and benefit from it.

The owner has the right to transfer the rights of use, utilisation and benefit from the asset to others, to pledge it or encumber it in other ways and to transfer the ownership rights.

The owner bears the burdens related to the asset and damage in the asset if no other party can be obliged to pay for it.

b.) The protection of ownership rights

The protection of ownership rights is not only a task of the civil law; it is protected e.g. by criminal law and state administration law as well.
The means in the civil law for the protection of ownership rights are the protection of property (see: D/1) and the requirement of property registration, which means that the owner can request the ownership rights to be shown in the property registration records.

The property registration records contain the actual data of each property in the country, the rights concerning the property and the legally relevant facts. The registration of data, rights and facts is intended to protect the rights concerning property and the lawful interests.

c.) Common property, condominium property

We must mention that the parts in the Civil Code on ownership rights contain the chapter entitled "Common property" and the most essential provisions on condominium property can be found within this chapter. In this way condominium property is one of the special forms of common property.

2. The rights of use

Another chapter of the Civil Code is about **the rights of use.** The rights of use give the user rights similar to those of the owner, which are sometimes even stronger than ownership rights and compete with them. Similar responsibilities are established without changing the ownership rights for the asset.

Rights of use include usufruct, use and easement.

a.) Usufruct

In the case of usufruct someone can own, use and utilise a property owned by someone else, but after this legal relationship is terminated, the property has to be returned to the owner in perfect state. Usufruct is always for a limited period and cannot extend the life span of the beneficiary but continues to exist with no regard to changes in the person of the owner. The beneficiary is entitled for the right of ownership and the right of protection of the property and to use and benefit from the asset but the right of usufruct cannot be transferred to others, though the exercise of it can.

The beneficiary is obliged to act according to rules of proper management and bear the burdens of maintaining the property (except emergency repairs).

In a condominium - although the right of usufruct is registered in the property registration records - the owner is the member of the condominium association. The owner must be invited to the general meeting and the beneficiary can be authorised by the owner to represent him or her.

b). The right of use

By the right of use the beneficiary can use and benefit from the property not extending his or her needs and those of his/her family living together with him/her. The exercise of the right of use cannot be transferred. The right of use is actually a limited form of usufruct.

c.) Easement

On the basis of easement the owner of a property can use another person's property to a specified extent or can require the other person to refrain from behaviour he or she otherwise would be entitled for.

Easement can be directed at any economically justified use of the property, for example: passage, water supply, drainage, creation of a cellar, putting up a line post and supporting a building.

D. Under common roof

One of the types of condominiums consists of privatized flats which used to be state-owned rental flats. There has been a significant qualitative change concerning the owners as tenants became owners overnight. However, in order for an owner's attitude and the proper diligence and care characteristic of a good owner to be formed, time and experience is needed and meanwhile several obstacles of peaceful collective coexistence appear.

Life is more quiet in a condominium where the owners know and accept the standards of behavior and are able and willing to accommodate.

In the following we will discuss topics which cannot cause problems if the ownership conditions are correctly interpreted. If not, however, these embitter everyday life in the condominium and in other cases result in measures and sanctions taken by different authorities.

1. The protection of property

As we have seen above, the owner is entitled for the right of ownership and protection of property, the right of use and benefit and the right of free disposal.

Right of ownership, therefore, is part of property rights. On the basis of the right of ownership the owner is entitled to keep the asset in his or her possession and to make use of the means of the protection of property. Protection of property is a special legal instrument to protect property rights.

Protection of property belongs not only to the owner but to the person who receives the property or takes possession of it in some other way. If the owner or the beneficiary of the freehold flat lets the flat, the tenant or the user of the flat is entitled for the protection of property - even against the owner. Of course, only to the extent the tenant is entitled for the rights laid down in the rental contract.

The protection of property has the following instruments: arbitrary power, public administration procedures and lawsuits concerning property.

a). Arbitrary power

The owner can divert an attack against his or her property through arbitrary power to the extent necessary for the protection of the property.

Arbitrary protection of property can be directed at driving back an illegal attack and at regaining property already lost. A condition of the latter is that arbitrary settlement can take place only if using other instruments to protect the property would mean a loss of time making protection of the property impossible.

b). Public administration procedures

If someone is deprived of his or her property or disturbed in the possession of it, he or she can ask the notary to restore the original state of ownership or to put an end to the disturbance.
The person wronged can use this instrument of property protection *within one year's time*.
Disagreement about property can be settled by the notary of the village, town or district of the capital. The notary brings a resolution restoring the original state and forbids the offending party to carry on with the activity, except when it is obvious that the party requiring protection of property was not entitled to possess the property or was obliged to put up with the disturbance caused about it.
The resolution of the notary must be published in writing with no delay and it must be effected within three days of its passing.
The notary is responsible for carrying out the resolution. Legal remedy of a public administrational nature is not allowed.

c). Lawsuits concerning property

In a lawsuit concerning property the court can decide on the basis of the legal title for the property.

Dispute about property can be taken to court in three cases:

- The party which finds the decision of the notary unjust can lodge a complaint against the other party within fifteen days of receiving the resolution. The letter of complaint can be submitted either to the notary or to the local court.
- The owner can ask the court to restore the original state or to put an end to the disturbance after one year, directly from the court.
- The owner can also go to court directly if the right of ownership is debated.

2. The rules of the house

In the capital the no.: 7/1984 decree of the municipality of Budapest contains the basic regulations under the title "on the rules of property".
The decree extends to all kinds of property no matter what form of ownership it is in, for their owners and the persons using them and staying in them.

a). The most important areas regulated by the rules of the house

- The rules of the house include a **"noise abatement regulation"**, which is independent of the hour of the day. As it is inevitable that certain activities involving noise should be carried out and therefore have to be tolerated (operating machines, singing, practising on musical instruments), they are allowed with certain limitations concerning the time.

Emergency repairs and work preventing mortal danger can, of course, take place with no limitations concerning time.

- Regulating the times when the entrance gate is closed is especially important concerning the protection of property. Care should be taken that those entitled for entering should be able to do so. This is mainly a financial and technical issue.
- Providing for cleanliness is important for everyone staying in the house. The rules of the house emphasize that cleanliness should be continuous. Within this the collection of garbage, dusting the carpets and the things to do in case of infestation are mentioned.
- Concerning the protection of the building in a good state, the decree emphasises proper and economical use. It calls attention to the following:
    - ◊ purchase and maintenance of protection fittings and equipment,
    - ◊ informing the residents about the days of repair and maintenance work in advance,
    - ◊ rules on placing neon signs and
    - ◊ different railings,
    - ◊ rules on the use of balconies and loggias.
- According to other sections of the decree a majority statement is needed to decide on the use and utilisation of units in common use and on the length of it.
- Parking is allowed in the yard and in gateways which are not used and not allowed in historic monuments, in historic buildings with a special protected status and in green areas.
- It is forbidden to repair and paint motor vehicles, to fill them with fuel, to rev the engine and even to bang the doors.
- Fuel can be stored only in specially designated places, according to the fire protection regulations.
- Pets can be kept only without disturbing others and in areas owned or used by the owner of the pet.

Breaking the rules of the house is an offense and the authorities (the police, the local government) can impose fines on the offender.

b). The rules for keeping dogs

The detailed regulations about the keeping of dogs are included in **the decree of the municipality of Budapest no.: 3/1968.**

The decree addresses the following issues - within the boundary of Budapest:

- obligation to report the dogs and have them registered,
- the rules for keeping dogs (vaccination, the use of leashes and muzzles, designating runways for them, avoiding soiling, forbidden places, keeping dogs in flats, breeding),
- rules for the protection of animals,
- public sanitation rules.

The no.: 35/1997 decree of the government on keeping dangerous dogs and dogs qualified as dangerous and on the rules of permitting to keep them took force on 27 February 1997. In the appendix to the decree are included the general characteristic features of unregistered pit bull terrier type dogs. The decree states the regulations on the permits to keep the dogs, on castration, on keeping the dogs and on the conditions of qualifying them as dangerous.
We have enclosed the government decree.

In the future it will be possible to formulate the rules of the house and the rules for keeping dogs in the bylaw of the condominium.

3. Utilization

It can be the source of disagreement if an owner wishes to get involved in some kind of domestic trade activity on the basis of his or her right for utilization.

The owner is entitled to decide on the utilization of a flat or non-residential unit which is **individually owned.** This freedom to decide is only limited by the provisions of the Civil Code on the exercise of rights and responsibilities.

In the case of utilization of parts of the building which are in **common property,** the general meeting has the right to decide. After a decision has been made on the utilization, the owner can start the trade activity after the procedures prescribed by the relevant regulations have taken place.

According to Act no,: L/1978 on domestic trade activity, it includes wholesale and retail trade, catering, and tourism and trade services.

According to section 14. of the law: "A shop can be opened and operated only if a permit has been issued by the authorities".
The provisions on the operation of shops are included in the **no.: 4/1997 government decree** and are the following:

- The shopkeeper can apply for an operation permit for the shop to the notary of the local municipality.
- Different authorities take part in permitting the operation of the shop (e.g,: National Office of Public Health and Sanitation, fire protection and construction authorities).
- If the necessary documents, approvals and permits are produced, the notary is obliged to issue the operational permit for the given field of trade. The notary keeps a record of the shops on the basis of the operational permits.
- The shopkeeper can start or continue the operation after receiving the valid operational permit and according to the content of it. The shopkeeper is obliged to keep the operational permit in the shop and produce it in case of supervision.
- If it is concluded after supervision that the shop or the persons involved in commercial activity in the shop do not conform to the relevant legal provisions or do not keep them, the notary can order the shop to be closed temporarily until the default is redressed but for not longer than 90 days.

- The decision on the closure can be effected without any delay, regardless of an appeal
- The notary cancels the operational permit if the shopkeeper does not redress the defaults or if the conditions for issuing the permit does not exist any more

We must mention that that in order to preserve the function of residential buildings, the law on condominiums makes it possible for the owners in the foundation document to determine limits on the use and utilisation of the flats and units in common ownership in conformity with the aim and the operation of the condominium.

4. Reconstruction and renovation

We should briefly talk about the procedures of construction authorities concerning the permits on the reconstruction, renovation and extension of buildings.

The two pieces of legislation, the knowledge of which is essential in this area **took force on 1 January 1998.**

Act no.: LXXVIII/1997 on the shaping and protection of constructed environment contains the following on the regulation of construction:

"The jurisdiction of the construction authority is performed of first instance by the notary of the local government."
"The jurisdiction of the construction authority is performed of second instance by the county (capital city) public administration office."

Decree no,: 46/1997. (XII.29.) of the Minister of Environmental Protection and Regional Development is about the construction authority permit procedures related to buildings, construction work and construction activities. (This decree replaces the decree no.: 12/1986 of the Minister of Housing and Town Development, which regulated the permit procedures concerning construction and occupancy.)
According to section 2. of the decree of the Minister of Environmental Protection and Regional Development construction activities can be performed only with a permit by the construction authority defined above. The decree lists the kinds of construction authority permits and the construction activities the performance of which is possible only under a permit.

Section 5. of the decree of the Minister of Environmental Protection and Regional Development defines the possible forms of proving the right of construction through a legal document. In the case of construction on commonly owned property - beyond the requirements for individual property - the approval of the other owner(s), or the court ruling substituting for it, must be enclosed.

In the case of condominium property the special legislation on them must be observed

A copy of the document proving the title for the construction must be enclosed with the application for construction permit.
The decree regulates the part specialised authorities, utility companies and chimney cleaners play in the construction authority permit procedures.

The construction authority obtains the approval and the statement of the specialised authorities and the owner or the architect is obliged to obtain the statement of the utility companies and the chimney cleaners.

The law on condominiums states that owner is obliged to notify the common representative and the chairperson of the executive committee on the planned construction in the flat

5. Aspects concerning criminal law

So far we have mentioned wrongful acts which pose only a minor threat to the society (e.g. breaking the rules of the house). These are offenses.

In the following we will deal with criminal acts.
Criminal acts are defined in the criminal law as the following:

A criminal act is an act committed intentionally or, if the law punishes negligence as well, out of negligence, which is harmful to the society and which is punished by the law.

A criminal act is **intentional** if the offender desires the consequences of his or her behaviour or resigns himself/herself to them.

A criminal act is committed **out of negligence** if the offender, though foresees the possible consequences of his or her behaviour, carelessly assumes that they will fail to happen and also if the offender did not foresee the consequences of his or her behaviour because he or she failed to pay attention or take care to the extent which could be expected of him or her.

There are major and minor criminal acts.

Major criminal act is an intentional criminal act which is punishable by law with a punishment more serious than 2 year's imprisonment.
All other criminal acts are **minor criminal acts.**

The special part of the criminal law contains the list of individual criminal acts. The following should be mentioned here:

176. Illegal entry of someone's property
If a person enters or stays in someone else's home or other property or enclosed places belonging to the property through force, threat or feigning official procedure commits a minor criminal act.

205. Promoting prostitution
If a person makes a building or other property available to use for prostitution for another person, he or she commits a major criminal act.

259. Causing public danger
If a person causes public danger by bringing about flood or the destroying effect of explosive, radioactive or other material, energy or fire, he or she commits a mayor criminal act.

271. Affray
If a person behaves in a defiantly anti-social and violent manner, which may cause disgust or fear, he or she commits a minor criminal act.

324. Damage
If a person wrongs another through destroying or damaging some personal property, he or she is guilty of causing damage.

6. Failure to meet financial obligations

Failure to meet the financial obligation of paying the common costs occasionally or repeatedly causes a problem quite often. If calling the attention of the owner to this failure and the legal consequences of it brings no results, it is unavoidable to take the necessary and effective measures.

a). Warrant for payment

A claim for certain payment can be enforced through a warrant for payment as well. (Act no.: III./1952 sections 312-323). Only this legal method can be used if the amount does not exceed 5,000 HUF (from 1 January 1998 200,000 HUF).

The request for a warrant for payment must be submitted on the special form in use for this purpose (see: appendix). The request must be submitted at the court in whose jurisdiction the owner who has failed to meet his or her financial obligations lives.
Both parts of the form, the one on submitting the request and the one on issuing the warrant must be filled.

The court issues the warrant without hearing the opponent, not later than 30 days after receiving the request.

The debtor can contest the warrant for payment within 15 days of the receipt of it, in writing. If a contest is made in due time, the procedure involving a warrant for payment will become a lawsuit.

If the warrant for payment is not contested, the court attaches an affirmative clause to the warrant and has it delivered.

b). Temporary exemption from fees

According to section 62. par. (1). item k/ of Act no.: XCIII/1990 the condominium association is temporarily exempted from fees in a procedure against an owner to effect the payment of operational and common costs.
According to the provisions on the exemption, the condominium is exempted from paying the fee in advance and the fee will be paid by whoever the court obliges to.

Finally, at the end of this chapter on legal issues, I would like to share a few of my thoughts.

The law regulates a lot of issues and provides various legal instruments for the implementation and the legally binding decisions can be effected.
Some kinds of human behaviour, however, is not regulated by law and no legal instruments are available in these cases.
An authority starts a procedure only if certain illegal forms of behaviour have taken place. In the absence of such behaviour the only solution is to rely on the strength of the community of the owners and to use persuasion.

II. THE MANAGEMENT OF THE CONDOMINIUM

A. The foundation of the condominium

By registering the condominium's deed of foundation in the real estate register, the condominium legally exists, however, the actual settings of its operation are to be created at the founders' meeting. In case a former construction company has been transformed into the condominium's community, the deed of foundation involves legal regulations formulated and agreed by the constructors, the co-owners; thus the creation of the forms of foundation and operation is less problematic than in the case of a condominium formed through privatization.

Act no.: CLVII/1997 on the new regulation of condominiums adapts the rules for founding a condominium to the new political and economic conditions.
However, the new law on condominiums still contains the part of the former legislation on the foundation which stipulates that in order to create condominium property the deed of foundation must be accepted and the condominium property must be registered in the property register.

In view of the strong demand, the 1997 law contains the innovation of abolishing the requirement for the regulation of the day to day management to be included in the deed of foundation. (Point 6. of) Act no.: CLVII/1997 makes it possible for the bylaw of the condominium to be formulated in a separate document if the deed of foundation contains authorization for that.
In this case the bylaw is approved by the general meeting of the co-owners having signed the deed of foundation by their 2/3 majority vote. Both the deed of foundation and the bylaw (in case the condominium's community has accepted one) must be attached to the property registration documents.

Act no.: CLVII/1997 on condominiums allows the possibility of the so-called individual foundation, (where there is only one founder). Making individual foundation legal makes it possible for flats constructed through development carried out only by one person to be sold as separate condominium property.
By founding the condominium in advance, the developer or the group of developers are able to have the foundation of the condominium registered in the property register in advance, the legal consequences of which will also be binding for the persons acquiring a right of ownership for the property only later. This provision of the new law on condominiums is mainly intended to facilitate new construction, as builders will have access to collateral in this way which they can offer for the lenders providing construction loans for them.

1. The founder's meeting

In the case of condominiums formed through privatization, the founders' meeting is to be convened by the former owner of the building, or by a manager acting for him. The objective of the founders' meeting is to inform the co-owners about the legal regulations concerning condominiums, the rights and duties of the owners and the detailed content of the deed of foundation and to have the bylaw approved if the deed of foundation requires so.

Furthermore, the assembly has to create the conditions for the actual operation , i.e. it has to decide about the following matters:

- the election of a common representative or an executive committee, settling their fee
- the election of the auditing committee
- the budget plan establishing the financial conditions of the management
- the raising of funds for renovation
- approving the bylaw

2. Starting the management of the condominium

This involves coming to know the condominium and as part of this process receiving the documents concerning the condominium, surveying and taking over the property and concluding the agreements required for continuous management.

a). Taking over the documents belonging to the condominium:

- deed of foundation, documents of technical design, records on (regular) official revision concerning the equipment of central buildings, expert opinions - if there are any -, technical documentation of warranted contracts with guarantee
- in case there is a flat in joint ownership (janitor's flat), its contract
- lease contracts of premises or areas (if they have been utilized) or documentation on the termination of the contract
- list of actual matters
- a statement on flat rate contracts on apparatus or machinery; the contracts are to be terminated by the former manager; new ones are to be made by the new common representative
- a statement for the public utility company about the transfer of the invoicing of the public utility services to the condominium's account
- a statement about the termination of the contracts of the janitor, the cleaner, the elevator attendant and the stoker by the former manager; new contracts are to be made by the common representative.

b). The transfer of the condominium's ownership

- Recording of the technical condition of the building:

  In the course of the act of transfer, the building is to be surveyed by walking around in it and its technical condition is to be recorded. The location of the switchboards and the taps of the main lines are to be marked.
  The transfer of technical equipment (central heating, elevator) is to be attended by a technician; those present should make sure the machinery is safe and is in good working order, the control diary of the equipment should be handed over.

- Reading the meters: water, electricity and gas. At the same time it should be examined whether the meters are accessible from a jointly owned area.
- The transfer of premises and areas in joint ownership: the premises are to be transferred together with their keys; in case any of them have been illegally utilized, the real estate manager is obliged to see to it, that the evacuation is done.
- The transfer of items of inventory: the equipment listed in the house's inventory should be handed over to the common representative.

c). Transfer - new contracts, registrations, opening of new accounts

- Transfers - contracts:

  The former manager terminates the contracts for services which have been provided for the condominium. and the new common representative has to make the new contracts. These services include: water, electricity and gas supplies, garbage can lease, waste removal, the checkup of chimneys, maintenance contracts, (elevator, central heating, etc.) contracts of employment, (janitor, elevator attendant, stoker, etc.).

- Registrations: at the tax office, social security office.
- Opening of bank accounts: accounts of management, renovation fund account, heating account.

The independent management of the condominium can start after the above questions are settled.

B. The condominium's organizational structure, rights and duties of the members

1. The organization of the condominium

The former legislation stated that the condominium is a non-profit organization without a legal personality, with independent management.
The community of the condominium was not a legal entity, i.e. it was not legally competent and not liable to be sued; only the co-owners individually can be sued. However, the condominium was entitled to sue, for instance an owner having a default in payment.

During the process of forming the new law on condominiums (no.: CLVII/1997), it was suggested that the condominium's community should be given legal personality. The legislators did not accept this proposal because it would infringe on the rights of the co-owners. At the same time the representation of the condominiums had to be provided for and they should also be able to take part in the matters of everyday life in the same way as companies with no legal personality.

The legal competence of the condominiums has been accepted in practice and several legal regulations mention the condominium as the subject of duties and rights.

Therefore the new law on condominiums (in point 3.) authorizes the communities operating under a common name - according to point 10. item e) of this law, in the absence of another designation, the common name of the community is the address of the condominium - in the scope of the management of joint property, to acquire rights and undertake duties and also to have legal competence in lawsuits and to exercise ownership rights and finally obliges the communities to carry these burdens.

The legal competence of the community, however, does not mean that the co-owners do not have a responsibility. This responsibility is not limited concerning the amount it involves, but in contrast to the previous regulations, it does not mean overall but proportional responsibility. (overall responsibility meant that it was even possible to collect the whole debt of the condominium from one of the co-owners.)

The condominium performs an independent management, i.e. it has to cover its expenses from its incomes.
The independence of management also means that the condominium has to have its own independent bank account, tax I.D. number and social security number.
The condominium is not profit-oriented but self-supporting; its basic tasks are the upkeep and operation of the building, preserving or increasing its property value.

The condominium consists of the members of the ownership community.
An outsider becomes the member of the condominium by signing the sales contract and entering it in the real estate register. Anyone coming into property in any way defined by the Civil Code may become a member of the condominium (e.g. inheritance, extension, donation, etc.).

A member entering a condominium community (co-owner) is bound by the deed of foundation and all the rules passed by the general assembly which are in force (e.g. the rate and the ways of payment of common expenses, rate of renewal fund, etc.) without any special legal act or signature.

Changes in the ownership of the condominium's apartments or premises listed as separate property, that is, the entrance of a new co-owner into the community does not require the modification of the deed of foundation, that is, the list of owners in the original deed of foundation need not be changed by a special agreement or otherwise. The change is registered by the common representative and the executive committee who inform the co-owners about this at a general assembly session. The actual ownership situation is attested authentically by the real estate registration.

2. The organizational structure of the condominium

The cooperation of the co-owners is necessary for the management and functioning of the condominium as an entity consisting of the privately and the jointly owned parts

a). The two basic principles of the cooperation:

- decisions are to be made in a specific circle
- the condominium is to be represented against a third part

b) Organizational structure

General assembly
(all the owners)
Responsible for decision making

Common representative (executive committee)		*Auditing committee (other committee)*	
Responsible for ;	- representation - implementation - decision making - reporting	Responsible for:	- accounts to be submitted to the general assembly, discussing the budget - supervising - consulting - proposing - reporting - proposing on nominations

3. The general assembly

The general assembly is the supreme authority of the condominium, which decides on its most important matters. This democratic forum ensures its corporate character by the co-owners' chance to take part personally in the course of the decision-making in the most important questions.
The general assembly is convened once a year (unless an unexpected event calls for an extraordinary one).
A common representative or an executive committee has to be elected to manage the affairs of the condominium.

4. The common representative and the executive committee

During the period between the two sessions of the assembly, the condominium is managed by the common representative or the executive committee.
The common representative or the executive committee is elected by the general assembly; and accordingly they have to give an account of their activity to it.

5. The professional property manager

The ownership community - according to the guidelines worked out by the general assembly - may engage a property manager or a company dealing with property management to perform some of the important functions within the condominium, such as management. A management contract is concluded by the common representative (the executive committee)

and the property manager to be engaged. The common representative - acting under the prerogative of the principal - supervises the performance of the agent, who is obliged to give an account to the principal.

6. Committees

Both the previous legal regulations and the new law (no.: CLVII/1997) mention only the auditing committee - which is the most important committee considering its significance -, but the bylaw or a decision of the general assembly may decide on the creation of other committees as well.

a). The auditing committee

Recognizing the importance of supervision - often after some bad experiences - the law intends to extend the responsibility of the auditing committee by providing for its active participation in the preparation of decisions besides maintaining its general prerogative for supervision. In the case of condominiums with more than fifty apartments creating an auditing committee is mandatory. Through this provision the law creates the minimal requirements of supervision essential in case management is performed by one person only.

b). Other professional committees

The activity of the common representative or the executive committee may be supported by other committees consisting of the co-owners. A professional committee may be elected for the supervision of a certain activity, e.g. the technical supervision of maintenance. A special decision making committee may be set up for a specific task or purpose, such as determining the letting conditions and selecting the tenant in case premises in joint ownership are to be let or settling debated issues which have arisen in the course of coexistence between the co-owners.

Efficient committees play an important role in the management of the condominium.

7. Professional services

From time to time, the condominium has to employ experts (e.g. a lawyer, a financial expert, etc.) In this case the expert is commissioned by the common representative (or the executive committee) who is to report on the performance.

8. Employees

The condominium may engage an employee for the performance of a certain task full-time or part-time, through an employment contract with the employee. The work of the employee(s) (e.g. the cleaner or the stoker, etc.) is supervised by the common representative (or the executive committee).

9. Skilled work

It is the duty of the common representative (or the executive committee) to make a contract with the contractors, e.g. with the electrician, the plumber, the carpenter, etc., in case it is needed. In practice, there is an increasing tendency for the condominiums to have a contract for the performance of the work with the cleaner and the stoker as well, instead of employing them.

10. The rights and duties of the co-owners

The owner (in the case of condominiums to the extent of his or her ownership share) enjoys the benefits of the property and is liable to meet his or her responsibilities.

If the condominium performs servicing activity providing income (e.g. letting), all the co-owners are entitled to the income.

The co-owner is entitled to possess, use and utilize the property and he or she has the right of disposal as well. However, the right of disposal is enforced in a special way due to the characteristics of joint ownership. In case of joint ownership, the co-owners vote democratically in the most important questions affecting the community.

Joint ownership, however, usually is a duty for the co-owners. The co-owners have to pay the maintenance and other costs of the real estate and the expenses of possible damages for which no other party can be made liable. The expenses of running the condominium are to be covered by the co-owners.
In addition to the financial expenses, the co-owners are also obliged to cooperate for the sake of effective management. This means that the individual interests have to be subordinated to a decision supported by the vote of the majority provided, of course, that the decision is justifiable and sensible.

The problems of everyday life called for provisions to be included in the no.: CLVII/1997 law concerning suitable and effective guarantees in the interest of the co-owners who perform their duties on the one hand and against those who violate community standards on the other. The new law lays great emphasis on the performance of the owners' duties and on their responsibility. Through essential changes and a series of new regulations it intends to create the possibilities for the condominium to take effective and efficient action and to impose certain measures in case it is necessary against the co-owners who violate the rules of coexistence and do not perform their obligations.

In view of the intense interest, it is necessary to be more specific about the new regulations concerning the duties of the owners in the new 1997 condominium law:

a). New regulations on the use of joint property:

It can be the cause of a lot of conflicts in the life of condominiums if some of the co-owners or tenants use the property in joint ownership in a way to disturb the "normal" life of the other residents. The new law takes it into account that the apartments are in a common residential building, within which the owners' rights concerning private property

can be exercised in a way which does not disturb the rights and lawful interests of the others.
The general provisions of the Civil Code also state that the right of disposal concerning property is not unlimited and none of the owners can exercise it at the expense of others.
The new law on condominiums goes beyond this general statement by determining the conditions for the use of privately owned apartments the fulfillment of which is absolutely necessary for the peace of the other residents. This new law on condominiums (CLVII/1997) - by including point 12. - makes it possible to determine the rules for the use and utilization of privately owned apartments according to the purpose and the management of the condominium in the deed of foundation, while ensuring peaceful residence.

It even goes further by ensuring the rights in a condominium situated in a residential building for the general assembly to forbid through a 2/3 majority vote a change in the way of use and utilization of privately owned non-residential premises if this would endanger the normal course of management in the condominium.
If the law requires a permit for the kind of new use the non-residential premises are put to, the permit can be issued if following the notification by the authority - within 30 days - the general assembly has not made a forbidding decision.

b). New regulations about the tasks of the owners

The new law on condominiums, besides limiting the rights of the owners, lists their duties in point 13.:

- to upkeep, and if necessary to renew their privately owned apartment,
- to take the necessary steps in order that the persons living together with them and those for whom they have let the use of the flat should keep the (above mentioned) regulations on the use of the property,
- to make it possible and to tolerate the entry into their privately owned apartment by someone commissioned by the community for the purpose of necessary check-ups or maintenance renewal concerning premises or equipment in joint ownership or privately owned by another co-owner, at a proper time and without causing unnecessary disturbance to the residents of the apartment,
- to inform the common representative or the chairperson of the executive committee on planned construction in their apartments,
- to report changes in ownership and residence or in other particulars according to the regulations in point 14.

c). Legal regulations on proportional liability

The no.: CLVII/1997 on condominiums created totally new and efficient regulations of the liability for condominium debt. One component of it is the proportional liability according to the ownership shares. According to the previous regulations and practice the co-owners had overall liability for the claims made by a third party, which meant that even only one of the co-owners could be made to pay the whole debt of the condominium. This

kind of overall liability usually affected adversely those co-owners who were solvent and performed their obligations anyway.
The law nominates the condominium as the legal subject of the obligations, According to (point 3., paragraph 3.) of the Act no. CLVII/1997 the co-owners are liable for the financial obligations concerning the whole community according to their ownership shares - or to the proportion determined in the deed of foundation or the bylaw - in keeping with the rules of simple guaranty.

d). Introducing the institution of lien

The increasing number of co-owners having a default in payment - besides having a negative moral impact - often endangers the financial management of the condominium, causing disturbances in the daily management on many occasions. The practical examples (cutting the utility services, etc.) have proven that very effective regulations are needed in this field.

By introducing liens (point 24. of) the new law on condominiums ensures the possibility of maybe the most powerful intervention, as this provision makes it possible for the common representative or the chairperson of the executive committee on the basis of the decision of the general assembly or the authorization of the bylaw to register a lien on the property of a co-owner who has in - at least six months' - default in payment of the condominium fee, to secure payment of the arrears.
The decision of the general assembly on this is a document which is suitable for registration in the real estate register.
The decision on registering the lien can be repeated for every sixth month's arrears.
Through this provision the law intends to protect not only the co-owners who perform their duty but provides the condominium with a legal instrument to be used against the co-owners who fail to pay their obligations for a longer period. This new legal instrument which, however is not without precedents, provides strong guarantees for the collection of arrears if the co-owner fails to pay his or her debt.

C. The representation and management of the condominium

The way of managing the affairs chosen by the general assembly largely depends on factors such as the number of apartments in the condominium, the size of the facilities belonging to the condominium, the services provided for the members, the qualifications of the members, their attitude and their readiness to collaborate for the execution of tasks, and the available financial resources.
A contract can be made with an expert or a corporation for the joint representation of the condominium or only for the performance of operational tasks if the members volunteer to perform the tasks related to the management of the condominium. This latter solution is economical and at the same time the supervision of the building on the promises can also be performed. The condominium may call in the voluntary help of the members or hire an expert to perform certain tasks (e.g. for the preparation of monthly financial reports or other tasks in connection with accounting).
The condominium resembles an enterprise in many regards. So we can also say that its entrepreneurial management is the precondition for success, which needs the fulfillment of the following requirements:

- The condominium shall run the facilities belonging to it economically and effectively and provide the services it offers in the same manner.
- The condominium shall make an operational budget with a realistic assessment of the future.
- The amounts used to cover the present and future expenses related to the management and running of the real estate are to be fixed by the general assembly of the condominium.
- The condominium is to enforce the observation of the rules and regulations it has passed firmly and via legal proceedings, if necessary.
- The condominium keeps a professional contact with the main actors of the given program, such as independent entrepreneurs and the local government, etc.

D. The financial management of the condominium

The maintenance and the management of the condominium implies expenses, such as the costs of services provided for the condominium, e.g. the cleaning costs of the building, the costs of waste removal, public utility costs (gas, water-sewage, electricity), maintenance costs (elevator, central heating, boiler), the checkup of chimneys, repair costs on the building and its equipment, administration costs, management costs, employees' wages, etc.
The expenses are financed from the payments of the co-owners (monthly advance payments of the condominium fee) and the incomes from the services provided by the condominium, e.g. lease, may also be used for this purpose.
The management of the condominium is fundamentally determined by the volume of its income, which has a direct impact on the property value of the real estate as well.

E. The (legal) regulations concerning the management of the condominium

1. Decrees concerning the condominiums

In the Hungarian legal system the supreme regulation concerning the management of the condominiums is section 12 of the Civil Code on joint ownership and the special regulation on condominiums, Act no.: CLVII., which took force on 1 March 1998.
The special law provides the main rules which contain the guidelines on the foundation of the condominium, the compulsory content of the deed of foundation, the organization and the management of the condominium.

2. The deed of foundation

The compulsory content of the deed of foundation is determined by the Act no.. CLVII/1997, which determines only the most important aspects of property law and makes it easier to make adjustments for the changes in the circumstances of the operation in the future.

The new law on condominiums (Act no.: CLVII/1997) does not require the regulations concerning daily operation to be included in the deed of foundation. The new regulations

make it possible to include authorization in the deed of foundation concerning a separate document which contains the by-law of the condominium.

3. The by-law

One of the most problematic parts in the former decree law was that it referred the issues concerning the maintenance and renovation of the parts of the building in joint ownership and concerning the distribution of the condominium fee, which is also very important, to the scope of authority of the deed of foundation. However, it was possible to amend the deed of foundation only through a unanimous agreement. Consequently, the former system of regulations made it completely impossible to adjust the management of the condominium to the new conditions and obviously called for changes. In the new law (CLVII/1997) on condominiums therefore the issues related to the daily operation of the condominium are not included among the compulsory elements of the deed of foundation any more. In the future these issues can be regulated in the by-law of the condominium. Another related point in the new regulations is that the by-law of the condominium - in contrast to the deed of foundation - can be changed by the qualified and not necessarily unanimous majority of the co-owners.

The new law on condominiums authorizes the general assembly to create a by-law, defines the areas to be regulated and makes it possible to regulate the agreements in the legal relationship between the co-owners, too.

point 6.(1.)
The organs of the community, their scope of authority, their rights and duties and the rules for the distribution of the common costs are determined by the by-law of the community if they are not contained in the deed of foundation. The general assembly can change the relevant part of the deed of foundation, at the same time it creates the by-law, through a 2/3 majority. This resolution, however, cannot be brought in a second general assembly session.

point 6.(2.)
The by-law is determined by the founders' meeting, which consists of the co-owners who signed the deed of foundation, through a 2/3 majority decision. The common representative or the executive committee and its chairperson are elected at the founders' meeting, together with the auditing committee, if necessary. The founders' meeting must take place within 60 days after the deed of foundation was signed.

point 6.(3.)
The deed of foundation and the by-law - if the community has adopted one - must be attached to the property registration documents.

a). The areas of the by-law regulated by the law

(1.) The possibility of deciding on unequal distribution of costs

According to point 3.(3.) and point 18 a deed of foundation which is based on the provisions of the law states that the financial liabilities concerning the whole condominium community are distributed among the co-owners according to their ownership share. The law, however, also allows distribution which is different from the ownership share. The by-law can make adjustments concerning the distribution of expenses related to the

management, maintenance and operation of the property according to the specific circumstances of the condominium, considering the actual use and distribution of the services.

Owing to the continuous rise in the public utility fees in several condominiums the co-owners themselves also wished to apply a scheme different from the principle of the equal distribution of expenses.

There are condominiums which are on the same lot and has the same topographical number but consist of several, technically separable and independent buildings. It is a justified demand of the co-owners to pay only for the management, maintenance and operation costs of the building they use within the condominium, and to pay for the other, non-separable costs of the condominium (e.g. the lot and the public utilities) according to the ownership share laid down in the deed of foundation or according to the proportion of the services they receive.

It has often happened that the owners of buildings which belong to the condominium but are technically separable and independent (e.g. garages) had to pay for services they did not even use (e.g. elevator fee or water fee, even if the garage has no public utilities).

It also happens with an increasing frequency that commercial activity involving a lot of customers is carried out not only in the non-residential units but in the apartments as well. It is not fair, however, that the extra costs of the commercial activity should be paid by all the co-owners according to the principle of equal distribution.

As there are countless other examples, the new law on condominiums makes it possible for the co-owners to formulate regulations on the distribution of all or some of the costs in the by-law which are different from the regulations of the deed of foundation.

If in the by-law an unequal distribution of costs is laid down, the types of costs, the extent of the differences and the new ways and regulations for the distribution must also be defined at the same time.

(2.) The organs of the condominium community and their authority, their rights and their duties

According to point 10. d.) if the deed of foundation does not contain regulations about the organs of the condominium community and their authority, their rights and their duties it must contain provisions on how these issues are to be regulated in the by-law.

(3.) The procedure to have a lien registered

According to point 24. (1.) the by-law can authorize the common representative (the chairperson of the executive committee) to have a lien registered on the individual property of a co-owner who is at least six months in arrears with the condominium fee in order to secure the payment of the arrears. The law does not contain the detailed regulations of the procedure (e.g. coming to an agreement before the registration of the lien, an agreement on a grace period or on payment in installments, etc.); these regulations can be best defined in the by-law.

If the by-law gives no authorization for the registration of the lien, the common representative or the chairperson of the executive committee can have the lien registered on the basis of a resolution by the general assembly

(4.)The regulations on convening the general assembly

point 26.(1.)
A general assembly session must be held according to the needs but at least once a year. The general assembly meeting on the annual financial accounts and on the budget must be held within the deadline determined by the by-law but not later than 31 May.
On the basis of legal authorization, the condominiums can set the date of the annual general meeting - while keeping the limits defined by the law - in conformity with their individual characteristics and their annual periods.

(5.) Voting proportions different from the ownership share defined in the deed of foundation

According to point 28. the co-owners are entitled to have a right to vote in proportion with their ownership share. A resolution by the general assembly is usually brought through a simple majority of votes, which is calculated according to the ownership shares of the co-owners present at the meeting. The new law on condominiums lists the prerogatives which require a simple or a two-third majority and the resolutions which can only passed through unanimous agreement of the co-owners. The law also makes it possible for the deed of foundation or the by-law to require conditions, voting proportions in certain issues (e.g. a qualified majority) which are stricter than simple majority.

(6.) Voting in writing

On the basis of point 30. (1.) a resolution by the assembly can be passed through voting by the co-owners in writing, initiated by the common representative or the chairperson of the executive committee, on a written proposal for a resolution, after the co-owners have seen the written opinion of the auditing committee, if there is such committee in the condominium. The rules for the voting in writing (delivering the proposal for the resolution, compiling the information to be attached to it, the deadlines for the voting, checking the validity of the votes, counting them, determining the number of "yes", "no" and "abstention" votes, announcing the results of the voting) must be defined in the deed of foundation or in the by-law.

(7.) Regulations concerning partial general assembly meetings

According to point 31. the deed of foundation or the by-law can contain provisions on the general assembly meeting held in the form of partial assembly meetings. As the new law on condominiums contains only the general provisions for the general assembly meeting even in the case of partial meetings, the districts for the different partial assembly meetings, the rules for the assembly sessions, the provisions for the items in the agenda and the manner of counting the votes, taking the minutes and announcing the resolutions of the general assembly must be laid down exactly in the deed of foundation or in the by-law.

b). The by-law contains proposals for regulating the following issues not covered by the law resulting from the specific situation of the condominium and the legal relationship between the co-owners.

- the authority of the general assembly, its prerogatives, the convening of the general assembly, the compulsory content of the letter of invitation, the content of the proposal for a resolution (written material attached), the procedural order of the voting, the manner of announcing the resolutions of the general assembly, in conformity with the provisions of the deed of foundation,
- the rules for the preparation and the procedural order of the general assembly meetings,
- voting and passing resolutions in writing, without convening the general assembly and the procedure of announcing them,
- the authority and the co-operation of the common representative and the executive committee, the manner and frequency of its supervision,
- the regulations concerning the reports for the general assembly,
- defining certain functions within the executive committee and the auditing committee, defining the scope of authority, the procedural order of the committee meetings,
- the regulation of the system of requirements for the contract to be made with the common representative,
- the regulation of other issues concerning the order of procedures,
- settlement of the accounts with the co-owners on the financial situation, the requirements concerning the form and the content of the settlement, its frequency, transparency and accessibility,
- the deadline for the payments of the condominium fee. The default interest rates to be applied in case of default,
- the rules for hiring outside experts (who can ask for it, what are the upper limits for the fee, for what purposes, etc.),
- organizing and scheduling a survey of the condition of the building, defining who the participants can be, submitting the statements and the proposals to the committees and the general assembly,
- the requirements for extra documents beside the compulsory requirements,
- setting up a system of administration,
- creating the system of supervision. Technical, financial, accountancy, legal and other types of supervision,
- the form of co-operation (regulating the flow of information) between the co-owners and the common representative, the common representative and the committees, the committees and the co-owners,
- the compulsory regulations concerning the financial activity, exercising the right to sign the bank account, regulations concerning the cash withdrawn from the account, the operation of the condominium's own cash desk,
- maximizing the fee to be paid for certain services,

- determining the standards for certain services (e.g cleaning the building, the order of comprehensive cleanings, keeping the garden, central heating etc.),
- regulations concerning the use of rooms in joint ownership,
- procedures to be followed when private property is let out,
- regulations for the tenants,
- irregular management in case of a larger condominium (housing estate blocks, several detached houses on a single lot), for example partial assembly meetings, more than one budget, the definition and the comprehensive regulation of the districts for partial assembly meetings,
- the order of parking,
- the regulations concerning the keeping of pets,
- determining the order of keeping and watering the garden,
- insurance issues,
- other regulations necessary for the management of the condominium.

4. The resolution of the general assembly

The resolution of the general assembly is basically a short-term strategy, usually a one-year program of action determining the objectives and the financial plan of a financial year.

F. The authority and the procedural course of the general assembly

The new law (no.: CLVII/1997) on condominiums invests the general assembly with a wider scope of authority than the former regulations. The new law on condominiums refers the specific decisions concerning the operation and the financial management of the condominium and personal issues to the authority of the general assembly together with all the other issues which the deed of foundation or the by-law does not refer to the authority of any other person or institution. Through this provision the law intends to increase the activity of the owners concerning the common property and also wants to make the general assembly the supreme decision making body of the condominium thereby reducing the number of debates that may arise owing to steps or measures taken by the common representative.

Although the authority of the general assembly involves first of all the condominium community and the common property within the condominium, the new law on condominiums invests the general assembly with a new prerogative involving the private property of the co-owners and their partial licenses resulting from the private ownership. Such regulations are the following:

- the possibility of abolishing and selling common property which is attached to private property,
- decisions forbidding a change in the use and in the way of utilization of a private ownership non-residential unit,
- the possibility of having a lien registered on the private property of a co-owner who is in default

Through these regulations the law intends to help maintain the operational ability of the condominiums, facilitate the proper use of the residential buildings and the peaceful residence and besides that, to hinder the attitude of certain owners who misuse their ownership rights and frustrate the effective management of the condominium with no proper justification.

The decisions needed for the management of the condominium are made by the organs appointed by the law on condominiums (CLVII/1997), in the deed of foundation or in the by-law. The supreme body (exercising a prerogative decision authority) of the condominium is the general assembly.
The common representative or the executive committee, the auditing committee and - especially in larger condominiums - other professional committees formed for a definite or special task are subordinated to the general assembly.

1. The composition of the assembly

The assembly consists of the total of the members (the co-owners) of the condominium community. The co-owners have equal rights, there is no difference between them, their voting power is determined by their ownership proportion. The rights of the co-owners are identical, they only differ quantitatively in accordance with the ownership proportions. That is the reason that certain co-owners with large ownership stakes may have decisive vote concerning the assembly's decision, against what appears to be a majority (regarding the number of people) of co-owners.

2. Participation of co-owners at the general assembly

The co-owners usually personally represent their ownership stakes at the general assembly.
In case the co-owners are unable to attend the meeting personally, he/she may have him/herself represented by someone else. This requires written authorization certified by two witnesses. The authorization may be valid for one occasion or it may be general as well.
The authorization entitles the person authorized to take part in the affairs of the condominium and to take responsibilities in the owner's name.

Representation by the beneficiary: the beneficiary (the user of the apartment) has certain limited ownership rights and partial licenses but is not an owner so he /she cannot be a member of the general assembly. Direct legal relation is only possible between the co-owners, the beneficiary is in legal relation with the owner of the housing unit and not with the co-owners. However, taking into consideration that the beneficiary is supposed to cover the expenses related to use and management, it often happens that the beneficiary represents the ownership stake at the general assembly sessions of the condominium. The representation of the beneficiary at the assembly meeting is only valid if the owner and the beneficiary have agreed on covering the expenses and on the representation at the assembly meeting, and submit this agreement or the substituting written declaration to the assembly. Based on the declaration, the beneficiary may also be a member of the general assembly, without that an authorization is required.

3. The efficiency of the general assembly

The efficiency of the general assembly and the management of the condominium are substantially determined by the number of the co-owners attending the session, and the activity they perform during bringing decisions in common matters. They may have a significant effect on bringing the optimum decisions with their constructive opinions and proposals. The execution of the general assembly resolutions is much more efficient if it is based on the personal decisions of the co-owners.
Therefore a lot of attention should be paid to the organization of the assembly sessions.

4. Convening the general assembly

The provisions regarding the convening of the assembly are set by paragraph (1) point 15. of the Act no.: 11/1977. According to that, it is the common representative's (the executive committee's) task to convene the assembly. That is to be done at least once a year, or more often if necessary. There may be certain cases when the common representative (the executive committee) does not convene the general assembly although he/she was requested to, and the session would be necessary. In order to avoid such cases, the law entitles the auditing committee, or in case there is not one, any co-owner to convene the general assembly in important matters. The criterion for that is that one-third of the co-owners should give their consent.

In order to avoid problems related to the convening of the general assembly - and the validity of the resolutions made - the new law (CLVII/1997) on condominiums makes the rules for convening the assembly far stricter and regulates them through specific provisions

According to the new law (CLVII/1997, point 25.) convening the general assembly remains the task of the common representative or the executive committee and there is no change in the required frequency of the assembly sessions: they must be held at least once a year, or more often if necessary. According to a new provision the general assembly session on the annual report and on the budget must be held every year before the deadline set by the by-law but not later than 31 May. Regulations concerning the invitation have become stricter: every co-owner must be notified in writing - except the urgent cases - 8 days in advance of the assembly session. The items for the agenda of the meeting and the proposals for resolutions must be attached to the invitation.

In case the common representative or the executive committee fail to perform their duty to convene the general assembly, the auditing committee is entitled to convene the assembly.

The new law on condominiums contains provisions which are different from the earlier regulations on the cases when the common representative or the executive committee does not convene the general assembly on the request of the co-owners. The new law makes the convening of the assembly compulsory if co-owners possessing at least 1/10 of the ownership stakes (there used to be a requirement of 1/3) request it in writing, stating the agenda and the reasons as well.

5. The quorum of the general assembly

According to the law, the general assembly has a quorum if at least two-third of the co-owners are present. Attendance is not to be calculated in accordance with the number of the participants but with the ownership proportions.

The provisions of the new law (CLVII/1997) on condominiums are different from the earlier regulations in this respect as well, because they require the presence of co-owners having more than half of the ownership stakes for the quorum of the general assembly. There is no change, however, in the respect that the co-owners have a voting power at the assembly session in accordance with their ownership stakes.

If the properly announced general assembly session does not have a quorum due to the low number of the co-owners, a repeated session is to be convened.

The regulations concerning the repeated general assembly session have been made much stricter by the new law on condominiums, according to which the repeated assembly session must be convened not earlier than 3 days and not later than 15 days after the first assembly session which did not have a quorum, with the same agenda as the original. The date for a repeated assembly session if the first one should not have a quorum can be stated in the invitation to the first session as well.
The repeated session has a quorum concerning the original agenda, regardless of the ownership proportion represented by the co-owners who are present, and this has to be stated in the invitation.

6. The decision authority of the general assembly and the decision-making process

The new law (CLVII/1997) on condominiums regulates the most important decision authorities, in which only the general assembly is entitled to bring decisions and this right cannot be transferred either to the common representative (the executive committee) or to any other committee. This, of course, does not contradict the fact that the preparation for the decision-making is performed by the common representative or the committee(s).

According to the earlier regulations the decisions had two groups:

- the cases which required a unanimous decision by all the co-owners (100% agreement),
- the cases which required a decision by the general assembly. The assembly brought a decision by majority votes, which meant that the decision of the assembly comprised the votes of the majority of the attendants.

The new law (CLVII/1997) on condominiums brought about essential changes in the authority of the general assembly; it defines different alternatives for the decision-making - in view of the significance of the cases - and the deed of foundation and the by-law can also require voting proportions.

According to the (CLVII/1997) law on condominiums the assembly can make a decision

- through simple majority,
- through qualified, two-third majority (of the co-owners who are present),
- through qualified, two-third majority, compared to the total of the ownership stakes,
- through the 100% agreement of all the co-owners.

a). On the basis of the new law (CLVII/1997) on condominiums (point 22.) the general assembly is entitled to make a decision through a <u>simple majority at the assembly session</u>

- According to paragraph 2 of point 9 of the law in the case of a condominium which consists of several buildings the majority (considering the ownership proportions) of the owners of housing units in one or more than one of the buildings can require the court to register the foundation of an independent condominium, if this does not conflict with the rightful interests of the owners in the existing condominium.
- According to paragraph 1 of point 14 the general assembly can require a co-owner to notify the common representative (the chairperson of the executive committee) about the following:
  - ◊ change of ownership in private property,
  - ◊ his/her address and personal particulars which are freely accessible in the real estate register and public data of legal persons,
  - ◊ the above particulars of the person renting his/her property,
  - ◊ the number of persons living in his/her separate property.

  According to paragraph 2 of point 14 the co-owner can be forced to provide the information specified in paragraph 1 c-d. if the fee for the utility services is to be paid by the tenant and the co-owners have an obligation of guarantee or if the fee for the utility services has to be distributed among the co-owners according to the number of persons living in the flat.

- Based on paragraph 1 of point 19, on the basis of a decision by the assembly any co-owner can request the court to abolish joint ownership on any part of the building which can be turned into a separate unit or which can be incorporated to extend an existing private unit if this does not infringe on the justified interest of the minority.
- According to point 22 the general assembly is to decide on the following:
  - ◊ the use, utilization, maintenance and renovation of parts in the buildings in joint ownership and undertaking responsibilities involving the whole condominium community,
  - ◊ the election, the removal and the remuneration of the common representative or the chairperson and the members of the executive committee (according to paragraph 3 of point 23 the office bearers can be removed at any time),

◊ approving the annual budget and the report on the accounts of the condominium and giving the common representative or the executive committee the approval of accounts; we should mention that giving the approval of accounts means that the annual accounts and reports are accepted and that the general assembly has approved the management activities of the common representative or the executive committee for the given year,

◊ the rules of the building,

◊ all matters which the deed of foundation or the by-law has not referred to the authority of the common representative, the executive committee or the auditing committee.

- According to paragraph 1 of point 24 if a co-owner is at least six months in arrears of the condominium fee, a lien can be registered on his or her property.

b). Resolutions of the assembly when a <u>qualified majority (2/3 of those present)</u> is needed

- Paragraph 1 of point 6 defines the organs of the condominium community and their authority, rights and duties and the rules concerning the condominium fee in the by-law if the deed of foundation does not contain them. The provisions of the deed of the foundation can be invalidated by the general assembly at the same time it formulates the by-law. (The repeated assembly cannot bring this resolution).
- According to paragraph 2 of point 6 the by-law is accepted by the founders' meeting consisting of the co-owners signing the deed of foundation.
- According to paragraph 3 of point 12 requests concerning a change in the use or the manner of utilization of a non-residential unit can be denied if they would result in disturbing the normal operation of the condominium or the peaceful residence in the building.
- Paragraph 2 of point 23 is about amending the by-law.

c). A 2/3 majority decision of the total of ownership stakes in the condominium is needed for the following:

According to paragraph 2 of point 3 the deed of foundation can authorize the condominium community to exercise the right of sales through a resolution of the general assembly concerning common property - except a part of a property or movable property - if it can be made a separate unit. The resolution must also contain provisions on the definition of the common ownership proportions belonging to the private property. The resolution of the assembly is a document suitable to be registered in the property records.

In the management of the condominiums there have been several cases when changing the role of certain common ownership rooms (e.g. laundry, mangling room), which can be turned into separate units and sold, was proposed. The roof space is a similar case, as it can be turned into attics or used for constructing a new floor. Acquiring the ownership rights, however, is essential for construction, and the plans should be suitable for approval from architectural aspects as well. Unanimous approval can be rarely achieved in practice, in several cases the minority denies approval on unreal or not justifiable grounds. (We note

that this 2/3 majority assembly decision can only be applied if the deed of foundation gives authorization for it.)

d). A unanimous (100%) decision is needed for the following:

- According to paragraph 1 of point 23, decisions on expenses exceeding the scope of the normal management of common ownership parts of the building. (Point 39 contains the interpretation of expenses exceeding the scope of normal management. This provision of the law is in conformity with the rules of the Civil Code on common property.)
- According to paragraph 2 of point 11 the new law on condominiums keeps the requirement of unanimous agreement for amending the deed of foundation. A change in the deed of foundation must be reported at the land registry office.

7. The settlement of legal disputes concerning resolutions of the general assembly

It may occur that a resolution of the assembly offends the interests of a co-owner. Both the previous and the new law provides a chance to redress such offense. The repeal of a resolution of the general assembly must be initiated at court.

The resolution of the assembly is disputable, in case:

- it violates the provisions of the law or the deed of foundation (according to the new law (CLVII/1997) on condominiums, those of the by-law as well). A decision can violate the law, for example, if it intends to modify the deed of foundation through a majority decision.
- it results in substantial offense of justifiable minority interests. For instance, the acceptance of a budget that does not come up to the standards of reasonable management may offend justifiable minority interests.
- a lien is registered on the property of a co-owner who is in default.

8. The deadline set for impingement

Sixty days from the passing or the announcement of the resolution.

The new law on condominiums maintained the possibility of legal remedy. The expire of the deadline, however, results in forfeiture of rights, i.e. the court can refuse the petition without considering it in merit.

9. The subject of the impingement petition

It is a crucial question which resolution or what part of it is impugned by the petition. The submission of a not well-prepared, inaccurate petition or the inadequate defense of the common representative may result in the entire resolution of the assembly being overruled. In

such an event the life of the condominium may become practically paralyzed in the absence of an operative resolution.

G. The role of the common representative (executive committee) in the management of the condominium

The law ordains the election of a common representative or an executive committee for the administration of the common affairs, who (which) is obliged to perform the representation of the condominium and the administration of the common affairs subordinated to the general assembly between two assembly.session periods.
In case of larger condominium buildings representation requires more professional skills and knowledge, therefore the provisions of the new law (CLVII/1997) on condominiums require the persons involved in professional management of property to obtain professional qualification after a certain introductory period of grace.

The previous law had a negative approach concerning the scope of authority of the common representative (the executive committee), that is, he/she (it) had prerogatives to decide and to act in all matters the general assembly has not referred to its own authority.

The new law (CLVII/1997) on condominiums provides an itemized list of the tasks of the common representative or the executive committee concerning the management of the condominium and ordains the compulsory items in the content (points 33-37) which are absolutely necessary for the approval of the account and the approval and the execution of the budget.

According to the new law (CLVII/1997) on condominiums the common representative or the executive committee acting in their prerogatives are obliged :

point 33

- to prepare and execute the resolutions the general assembly making sure that they conform to the provisions of the legal regulations, the deed of foundation and the by-law,
- to take all the necessary measures for the maintenance and the renovation of the building,
- to inform the co-owners about the contribution they are to make to cover the common costs (the condominium fee), to collect this fee and to assert the claims of the condominium community in respect to it.

point 34

The common representative or the executive committee is obliged to prepare a proposal for the annual budget containing the following:

- the incomes and the expenses that can be expected concerning common property broken down by types of costs
- the planned maintenance and renovation work
- the amount of the contribution the each co-owner is to make to cover the common costs .

point 35

The annual accounts prepared by the common representative or the executive committee must contain the following:

- the planned and the actual costs by the different types of costs and the distribution of the common costs broken down according to the rules set by the deed of foundation or the by-law and within this the maintenance broken down according to the jobs that have been performed,
- the planned and the actual incomes according to the sources,
- the closing balance of the difference between the above two items according to the place where the funds are managed,
- the financial obligations of the whole condominium community for the given year,
- the prescribed amounts for the contributions to the common costs for each co-owner.

We must definitely mention that by giving the approval of the accounts, the acceptance of the activity of the common representative and the approval of the activity related to it can take place after the annual accounts have been accepted and this can prevent the - very often useless - disagreements arising afterwards. Giving the approval of the accounts, of course cannot mean a resignation from the rights for compensation which may become justified only later in time.

point 37

The common representative or the chairperson of the executive committee is entitled to perform the representation of the condominium community in front of the court and other authorities as well.

1. What does it mean to exercise the rights of representation?

The concept of representation is contained in points 219-222 of the Civil Code. It basically means that in the case of a condominium the common representative (the executive committee) represents the condominium community against a third party in front of a court or other authorities. The legal statements made and the responsibilities taken by the common representative (the executive committee) must be regarded as if the co-owners themselves had made or taken them. It is not valid to limit the authority of the common representative (the executive committee) against a third party.

The new law on condominiums does not intend to limit the rights of the common representative or the chairperson of the executive committee for representation regulated by the previous law. However, the new law will not prevent the condominium community either from hiring a lawyer to represent the condominium in matters which require comprehensive legal knowledge instead of relying on personal representation by the common representative or the chairperson of the executive committee.

2. The activity of the common representative (the executive committee) comprises the following major tasks

The main tasks not specifically mentioned in the law but related to the daily operation and the operative activity :

a). Ensuring the management (operation) of the condominium

Performing this duty is mainly the upkeep, the management and the maintenance (occasionally the renovation) of the condominium and as such means practical tasks and an activity program.

The main management and operational tasks:

- keeping the common areas of the condominium and the sidewalk in front of the building clean from any dirt or snow, ensuring that it is not slippery,
- the required illumination of the common areas of the building,
- maintenance of the garden,
- provision of a superintendent for the elevator,
- provision of central heating.

The above mentioned tasks are usually performed by someone employed by the condominium or by an outside contractor. In case of an employee the rights of the employer are exercised by the common representative (the executive committee):

- provision of waste removal,
- provision of utility services (water, sewage, electricity, gas),
- supervision of the provision of the services and of metering.

Performing the main tasks of maintenance:

- Monitoring the technical condition of the building, periodical (annual) recording and checkup of its condition, scheduling the main repairs.
- Ensuring a permanent secure operative state of the central equipment and machinery of the building (e.g. elevator, central heating equipment, etc.). The regular supervision and maintenance are done through flat rate contracts.
- Performing the required correction of defaults and maintenance works of the jointly owned machinery and equipment.
- The maintenance works are usually carried out by an external constructor. However, it is the common representative's task to set and to order the work to be carried out (to obtain price proposals, to check the constructor's references), to supervise construction, to accept the completed work, to exercise the statutory rights.
- To order the required expertise, to assist to the performance of the obligatory supervisions by the authorities (e.g. elevator check-up, chimney -sweepers' expertise, etc.).

Major utilization tasks:

- To exercise the lessor's rights regarding the jointly owned premises that are let out.

The condominium community can realize income from:

- Letting out the flats remaining in common property,
- Letting out the premises in common property used for non-residential purposes (cellar, laundry, drying room, bicycle or baby carriage store room),

- Place utilization: billboards, neon signs (on the roof or on the facade), parking places, displays or advertisements in the gateway or around the entrance.

The using or renting contract can be for a definite or for an indefinite time.

b). Performing the accounting and book-keeping duties of the condominium

All financial actions (incomes and expenses) of the condominium have to be recorded in accordance with the accounting regulations concerning condominiums.

The book-keeping rules prescribe two-way accountability:

- book-keeping (in compliance with the rules of single accounting) based on the financial performance of the condominium, necessary for the drawing up of the balance sheet at the end of the year,
- statement of accounts for the co-owners, which is a report on the incomes and the expenses of the condominium.

The new law (CLVII/1997) on condominiums (points 34-35) contains regulations for the most important data to be included in the annual budget and the statement of accounts.

The statement of accounts, of course, has to be in accordance with the plan for the budget, as the co-owners can understand the statement of the accounts and assess the management of the condominium if the data are comparable. In contrast to the budget and the statement of the accounts based on different practice, which was strongly debated, the new law on condominiums clearly defines the minimum for the obligatory items in the budget and the statement of accounts.

3. The responsibility of the common representative (the executive committee)

The responsibility of the common representative (the executive committee) involves the management of the condominium. His or her legal, technical, economic and financial knowledge and expertise has a major influence on the successful management of the condominium. The organizational and communicational skills of the common representative are important criteria for the co-operation of the co-owners.
The representation rights and the contract of agency also mean that the common representative is obliged to represent the interest of the condominium community, and in case the required results are not achieved , he or she can be held responsible.

H. The role of the auditing committee in the supervision of the condominium's management

The previous law on condominiums named only one committee as eligible: the auditing committee. The reason for that lies in the importance of its duties. It is the auditing committee through which the condominium community controls the financial management performed by the common representative (the executive committee).

The new law (CLVII/1997) on condominiums confers a more prominent role on the auditing committee as it ordains its active participation in the preparation of decision-making beside keeping its general rights for supervision. The new law makes it compulsory for larger condominiums (more than fifty flats) to form an auditing committee. The members of the auditing committee, in view of their duties, must have adequate financial and economic expertise.

By defining its duties the law (point 38) authorizes the auditing committee

- to supervise the performance of the common representative or the executive committee and to check the cash-flow of the condominium at any time,
- to give its opinion on the proposals submitted to the general assembly, especially on the budget and statement of the accounts and also on the bills exceeding the limit set by the deed of foundation or the by-law,
- to make proposals concerning the person and the remuneration of the common representative, the chairperson and the members of the executive committee,
- to convene the general assembly if the common representative or the chairperson of the executive committee fails to perform their duty concerning this.

1. The main fields of supervision by the auditing committee

a). The supervision of the budget proposal prepared by the common representative

- does it come up to the formal requirements set up by the by-law or the resolutions of the general assembly,
- does its content provide a good basis for the resolution of the general assembly, is it suitable for effective debate, does it contain all the expected the incomes and expenses and are they planned at a realistic price? Are the items in the budget detailed enough to be used effectively in arguments about the budget?

b). The supervision of the common representative's report

- does the report contain the real expenses and incomes?
- does the division according to the ownership proportions meet the requirements of the deed of foundation and the by-law and the resolutions of the general assembly?
- does the report on the financial situation show a realistic picture?
- does the report contain all the allocated funds?
- are the closing balance of the previous year and the opening balance of the concerned year identical?

c). The supervision of performing the duty to submit the balance and that of whether the balance contains all the assets and resources properly.

d). Supervision in the course of the year

- are the accounting duties performed in compliance with the regulations?
- do the vouchers contain the real expenses of the condominium?
- do the vouchers also meet the formal requirements?
- supervision of the vouchers and of the financial discipline,
- do tax and social security returns comply with the regulations?
- do the wages accounting comply with the regulations?
- is the form and the content of the bills (rent, etc.) issued by the condominium acceptable?
- supervision of the measures taken in order to recover the due payments.

The auditing committee is obliged to report its experience gained through the supervision to the general assembly and document the supervision properly.

If the auditing committee detects any act of the common representative which violates the interests of the community, it is obliged to inform the general assembly about it.

I. Publicity and public relations in condominiums

1. How can PR work be useful?

Axiom no.1: The ability of intonation is not identical with the ability of exchanging information

Axiom no.2: The ability of exchanging information is not identical with the ability of influencing others' behavior

PR work helps this.

Objective: to review the activity of those present from the point of view of communication, presenting an approach which can help.

2. The characteristics of life in a condominium from the point of view of PR

a). Communication trends

common representative	auditing committee
executive committee	residents, owners
	utility works
	permanently servicing companies
	occasionally servicing companies
	municipal asset and property management
	owners who utilize their housing units

b). Communication situations

- direct: consulting hours
  general assembly
  committee sessions
  consultation with the servicing companies

- indirect (written): announcement by the committee
  memorandum by the committee
  general assembly
  - invitation
  - preliminary material
  - information about the decisions

c). The most common types of conflicts

- the amount of the condominium fee
- the utilization of premises in common ownership
- co-owner with default in payment
- the amount of the honorarium
- accounts on the municipality's stake in case of mixed ownership buildings
- offense against the norms of human co-existence
- people with children vs. people without children
- pet owners vs. people without pets
- the procedural order of the arbitration committee

d). The basic conditions of operation from the point of view of the co-owners

- to live in a well-maintained building
- not to deal very much with the affairs of the condominium

3. Tactical considerations

To talk everything over.

WHAT SHOULD BE TAKEN CARE OF?
(SITUATIONS WITH AUDIENCES)

a). Preparation

- choosing a **date**

  ⇒ when do most people get home?

  ⇒ what is on TV that night?

- preparation of the **location**

  ⇒ it should be suitable to seat at least 80% of the total number of people

  ⇒ it should not be too far from the building, but the suitability of the premises is more important than the proximity of the location

  ⇒ the illumination and the temperature conditions should be suitable

- preparation of the **subject-matter**

  ⇒ invitation - it should be exact and informative (location, date, duration, topic, participants and their functions),

  - it should be delivered in time

  ⇒ written sketches of the oral presentations

  ⇒ distributing these sketches a few days after the invitation (their additional function is to confirm the date of the invitation)

  ⇒ preparation of the signs showing the way to the premises

  ⇒ invitation and

  preparation of the moderator

  ⇒ creating suitable conditions for sound and/or video recording if needed

  ⇒ deciding on who is to be invited, personal coordination with the people invited and personal invitation (it matters who are being sent, and who are coming)

b). Implementation

- last checkup of the premises
- attendance sheet (several empty ones)
- keeping the fundamental documents of the condominium available
- compliance with the pre-set agenda
- proper role-fulfillment (the science of when to speak and when not to)
- identification of the active co-owners

c). Follow-up activities

- written acknowledgment of the activity of the guests and the moderator
- written information for the co-owners about the new resolutions
- the involvement of the active co-owners into management affairs

J. Ways of performing common representation

1. Who is eligible as common representative

The new law (CLVII/1997) on condominiums - in view of the fact that the common representatives perform the management of highly valuable assets - requires those engaged in professional property management activities to obtain professional qualifications after an introductory period of grace.
All of us should acknowledge that keeping the condition and the value of real estate is in the interests of not only the owners but the whole national economy as well. The effective - or often ineffective - management of the condominiums has an impact on the everyday life of hundreds of thousands of families living in condominiums. The content of the manual - although its size allowed us to include only the most important or most practical information - also proves that property management requires considerable expertise and comprehensive professional knowledge.

The previous regulations did not contain provisions on the eligibility criteria of the common representative. The new law requires a professional qualification, and according to point 36 the following persons cannot be common representatives chairpersons of the executive committee) and cannot perform condominium management activity:

- those who were sentenced to imprisonment for committing a crime until they are not exempted from the disadvantageous legal consequences of their imprisonment,
- those who are barred from such activity by a binding court ruling in force,
- individual entrepreneurs and companies whose stated purpose is to be involved in such activity and have failed to perform their financial obligations which are related to this activity and have been supported by a legally binding court ruling,

a). Common representation performed by "professional" management

In foreign countries - especially in the case of condominiums with a large number of flats - it is accepted and common practice to employ professional management organizations.

In Hungary the companies involved in property management (the former IKV and its legal successors). In condominiums which remained in mixed ownership after the privatization of state-owned (municipality-owned) residential buildings and flats the function of the common representative is performed by the above mentioned companies until the founders' meeting takes place, and if they are elected at that meeting, after that as well. (This form - that is, representation through the principle of majority, not through election - is called "forced representation" in practice. Concerning its real legal content -according to the Civil Code - this representation belongs to the category of management with no authorization.)

Beside the former property management companies and their legal successors, limited liability companies, limited partnerships and other forms of economic organizations involved in professional property management were formed.

Those entrepreneurs who perform common representation as their "full-time job" belong to the category of these "professional" property managers.

b). Common representation performed by the co-owners and the executive committee

In case any of the owners of the condominium disposes of the required expertise for the performance of common representation, he or she may perform this function on a voluntary basis or for an honorarium. This results in effective operation mainly in smaller condominiums.

In the case of larger condominiums, if the condominium community does not want to commission an external person or organization to perform common representation, the foundation of an executive committee is the most advantageous.

c). Commission of an external individual (natural person) for an honorarium

d). Commission of a lawyer or a lawyers' office through a contract

2. Finding a common representative

If the condominium takes enough care of choosing the common representative, the operation in the future can be expected to reflect a more efficient and economical management. It is useful to elect a smaller committee (3 members) from among the owners to appoint the most suitable common representative and to find the possible candidates.

3. Selection of the candidates

Usually, the committee consults other condominium communities, gets in touch with the professional property management companies and entrepreneurs in the neighborhood or may advertise as well. If suitable candidates are found, they have to be asked to submit a tender and indicate reference buildings. When investigating the tenders, the former performance of the candidate under various circumstances must be examined.

If the committee finds the suitable candidate(s), contact must be established with them

At the job interview, the committee is to decide·

- what the candidate is actually experienced in,
- whether the candidate has the necessary experience and skills to meet the expectations of the condominium community,
- whether the personality of the candidate is compatible with the building and the owners,
- whether the candidate can be contacted and is available when he or she is needed,
- whether the condominium community can afford to pay the candidate

The committee elected for this purpose must convene to discuss all the information gathered and the weak and the strong sides of the candidate. One or more candidates may be asked for a subsequent interview if the committee could not decide what the best choice would be. The general assembly is authorized to make the final decision. When the general assembly elects the candidate to perform the function, it is advisable to create a contract containing the conditions of the commission. The commission can also be established through a resolution by the assembly or through making a contract of agency. Making a contract of agency for the performance of common representation beside the resolution of the general assembly is more advantageous for both parties and provides more guarantees than commission established through general authorization.

III. MAINTENANCE OF BUILDINGS

A. Condition Survey

The responsibility of the managing committee (common representative) regarding building maintenance and renovation refers generally only to the part of the building in common property. The maintenance and renovation of the individual units are the responsibility of the individual owners (tenants).

The individual properties are regarded as independent real estates, but there are other partial real estates belonging to them beyond the actual individual property in the proportion of the share of common property falling the owner. (Share of property as per the foundation document.) Hence any individual property shall not exist without a share of common property and conversely.
As the maintenance is concerned the individual property is maintained by the actual owner, expenses are to be born by the owners, the expenses of the maintenance of the common property (building area, equipment) are to be born by the owners the in proportion of their share of the common property.

Regarding the projecting of maintenance the condominium is to be thoroughly known in details, its status is to be surveyed, the tasks are to be identified and technically justified and the work to be done is to be weighed and scheduled.
The successful operation of a condominium depends many times on properly formulating the tasks of building maintenance. A good maintenance ensures the long-term stability of the building while simultaneously ensuring the lowest cost to the co-owners.

Prior to the building condition survey, the structure of the common property, its parts, submits, the bordering points between the common and individual property are to be definitely clarified. Disposition rights, supply and maintenance liabilities of the public utility companies and authorities are also to be included in the analysis.

B. Central Building Service Equipment

1. Heating Equipment

a). Individual Heating

- The owner/user of the unit/premise bears full responsibility for the condition of the heating and hot water supplying equipment

- The chimneys and smoke channels are commonly owned. It is recommended to request the professional advice of a chimney cleaning service during the acquisition of the building and to verify the state of the chimney every 3 years.

- The chimney cleaning service shall inspect and report on the condition of the chimney holes, the strength of the draft and the condition of the chimney once a year

b). Central Heating

- Central heating is intended to supply regular heating, hot water or both for one building or a maximum of two buildings in a common network, irrespectively to the state of its fuel.
- The comprehensive regulation of central heating equipment is found in decree no. 2/1966. ÉVM.
- The border point between the common property and individual property is the closing valve of the hot water pipe. The radiator (heat transfer device) and the pipe up to it are regarded as the equipment of the apartment. All other parts are common property and are to be maintained as such.
- A committee may be established to decide upon the heating, including its period and intensity for heating, the distribution of actual expenses among co-owners and any units or portion of the condo which might be excluded from the heating supply network.
- A qualified stoker should be employed and his duties are to be laid down in writing.
- An authorized firm should be hired to conduct a cold and hot test run and an annual air pollution test. The results of both tests are to be recorded.
- Regarding the supervision of the central heating system, it is advisable to use a highly skilled, well versed specialist to advise on issues ranging from the fire protection measures to the design of the heat transfer devices in the apartments.

b). District Heating

- District heating is a kind of central heating system supplied by a heating power station and through heating centers.
- The district heating (in Budapest is supplied by FŐTÁV) is responsible for the maintenance of the heating centers themselves, the main lines up to the main closing valve of the vertical pipelines, and the hot water tanks located in the heating centers.

2. Other central building service equipment

a). Elevator

- The elevator operator company should hire an elevator operator, possibly a person living in the building, and establish an alarm bell from the cabin of the elevator up to his/her residence.
- According to degree no. 17/1973.(V.16.) ÉVM, an elevator supervisor is to be assigned and s/he shall conduct inspections in each quarter of the year and draw up records on their results. This should be done independently from the ÉMI supervision.
- It is recommended to conclude a contract for regular maintenance and repairs for the upkeep of the elevator.

b). Central Ventilation

- A ventilation system supplying fresh air to a large number of apartments is called central ventilation equipment.
- The operator is responsible for the maintenance of the air ducts, the driving motors of the exhaust system, the electric conductors and the automatic control system.
- The ventilation must not be discontinued, even temporarily, in kitchens using gas as fuel and not having natural ventilation.

c). Water Pressure Intensifying Device

- It is recommended to conclude a maintenance contract with a specialist who is willing to provide round the clock attendance so that the complex Water Pressure Intensifying Device equipment can run uninterrupted.
- Because such equipment supplies drinking water, the public health regulations shall be strictly adhered to.
- The usual devices run by mains of 380 V and they supply 6 bar pressure. Therefore, the premises of the devices are to be kept closed and to be inspected each 2 - 3 days.
- It is worthy to consider whether the water pressure intensifying device is to be disengaged and a new connection of larger capacity is to be installed to the water conduits.

d). Central Television Aerial

- In case of cable television network, the signals operating the individual TV sets are regarded as individual services and the cost of maintenance is usually included in the network fee.
- Before the establishing of a new AM micro or other central aerial, and before the repair of an existing one, it is recommended to receive a decision of the General Assembly regarding the charging of expenses as common expenses (telecommunication copyrights, etc.).
- The consent of the Common Representative is required if any of the residents intends to install an individual aerial by using the common property. The technical specifications are to be prescribed for granting permission.

e). Remote Control Gate with Telephone

- This is an electronic remote control and a telecommunication line operating between the main gate and the individual apartments.
- The lack of this system does not restrain habitability though in a condominium it is regarded as an minimal up to date supply.
- The basic technical requirements are as follows: clear audibility of the speech, legibility of the list of residents, safe opening and closing of the gate.

f). Central Garbage Collector System

- The vertical ducts of the garbage collecting system passing all the floors of the building are regarded as a part of the common equipment.
- The mechanical parts, the ducts and their joints are maintained against the common expenses.
- Care is to be paid to the regular discharging, cleaning, insect, rodent and odor control.

C. Public Utility Services and Suppliers

1. Water

- The ownership of the supplier and its maintenance responsibility refers to the water meter of the main pressure pipe entering the real estate.
- The pipeline belongs to the common property within the boundary of the real estate from the above point to the closing valve of the consumer tap.
- Considering that the water is one of the most expensive public utility services, one of the most important activities is the monitoring of the measuring of the supplier.
- The discovering and repairing of leakage and breaks either detected or suspected due to over consumption is important not only because of the high water charges but because the leakage may cause great damage to the building and the units.
- Various problems are associated with the distribution of water charges among the residents. The charges may be distributed according to the proportion of the ownership, in the function of the number of rooms, the grade of the comfort or according to the number of persons. The matter of individual meters for individual apartments brings about new questions. These residents are usually willing to pay for their actual metered consumption but not for the wastes originated from the bad condition of the common pipeline. It is to be noted here that the individual meters are suitable to measure the proportional consumption and they may be easily tampered with.
- It is recommended to call for a decision by the General Assembly on the mode of the distribution of the water charges.

2. Sewage System

- The rights and responsibilities in connection with the drain pipes begin at the border of the plot and have their end at the connection to the apartments to the vertical pipe line.
- The cracks, breakage and leakage of the drain pipes are as dangerous to the status of the building as those of water pipes. Therefore, their immediate repair is important.
- The actual expenses incurred in connection with the drain pipes are proportional to that of water consumption. Hence, the settling of the drain charges takes place along with the water charges.
- It is recommended to pay attention to the various allowances and bonuses, such as the

sprinkling allowance in Budapest during the summer months During this time, there is a reduction in the drain fees.

3. Electricity

- The connecting point of the supplier of the electricity is at the side of the building in case of an overhead line and at the border of the plot in case of an underground cable.
- The main watt-hour meter of the building, which measures the common consumption and its switchboard, belong to the supplier too.
- The common property is from this point to the watt-hour meter of the individual consumers.
- The condition of it requires close attention because of its high flammability.
- It is necessary to conduct periodic tests of electric shock protection or even a test of lightning protection.
- Opportunities for immediate savings appear only by reducing the consumption. Examples include the use of an automatic switch of the staircase lighting, use of bulbs of exact required capacity, etc.

4. Gas

- The property right of the supplier reaches the boundary of the plot and in the case of an inaccessible plot or vacant plot, it reaches the free end of the incoming pipe.
- Common property is from there to the equipment of the consumer.
- The cost of avert of danger and repair of pipelines in common property are to be reimbursed.
- The expenses of preventing maintenance of the supplier also subject of reimbursement.
- It is recommended to exhibit the gas supplier's telephone number in a visible place in case of leaking gas.

5. Garbage

- The garbage transfer is the responsibility of the municipality, and the costs are reimbursed by the condominiums.
- Regarding Budapest, at present a rent is to be paid for the garbage cans and one can of 240 liters is provided for 12 apartments.
- Regarding other settlements, the garbage fees are set according to the size of the building and the number of residents.
- The costs incurred in connection with the damage or loss of garbage cans are charged to the residents.
- To keep the can clean is the responsibility of the user.

D. Building Condition Survey

No extraordinary competence is needed to carry out the below examination. But in the case of certain details, especially technical ones, experts or persons well versed in the field might be of help.
The point is to have a thorough examination including every detail. At least two persons must be present, one spotting the problems, overlooked by the other. The observations shall be recorded and a sketch shall be drawn about the discovered problems.
Write down every observation. The more information available, the easier the renovation and upkeep.
To simplify matters, the chapter divides the building and its systems into smaller parts. The examination should proceed from the bottom to the top.

1. Basement

Corridors: Are they clean and well lit? Are they not blocked up?

Exits: Are they marked? Are they not blocked up? Do they work?

Lighting: Is lighting adequate in the basement premises, even in corners? Do built-in furnishings work? Are the switches clearly indicated? Are they not blocked?

Trash Room: Are the trash cans separated from the ground and lying on loading slabs? Are the cans in proper condition? Do their covers close tightly? Are there rats or other rodents? Are the floors swept and clean? Does the place have an unpleasant smell?

Meters: Are the gas, electricity and water meters easily accessible to meter men and the inhabitants? Are the meters clean and properly protected from damage? Are they well lit?

Storage Rooms: Are they cleaned, safe and properly lit? Are all the objects deposited there entered into the inventory? Are the objects placed on loading slabs or shelves to prevent wetness due to leakage?

Doors and Windows: Are they intact and in good condition? Do the locks work? Do functioning units work? Has heaps of trash not blocked doors? Do windows and doors tightly fit their frames so that heat cannot escape?

2. Lobbies and Halls

In-building Communication System (Gate Telephone): If there is an inner communication system, does it work? Can speech be heard clearly through the microphone? Are the names of tenants clearly readable on the communication board?

Remote Control Buzzer: If there is one, does it work? Does the gate open with buzzing and lock again when buzzing stops?

Mail-boxes: Are they clean and in proper condition? Do they open and close well? Do the locks work? Are the names of the tenants clearly shown?

Staircases: Are the stairs in good conditions? Are all steps properly repaired? Has no step coverage been removed which could cause an accidents? Are the stairs properly lit? Are they clean and obstruction free? Are the rails intact and fixed firmly?

Apartment Doors: Are they clearly indicated showing the apartment number or the

resident's name? Are the doors in satisfactory condition, having no holes, broken locks or hinges?

Lighting: Are all halls, staircases and other common premises properly lit? Are all the bulbs in place? Do all the built-in fixtures (e.g. switches) work? Are the switches within easy reach? Are they properly indicated?

Ceiling, Walls, Floors: Are all the surfaces clean and in appropriate condition? Are there holes and/or cracks? Has paint peeled off? Is the painting on walls and ceilings fresh? Is the floor coverage fixed well? Has no covering unit, tile or floor carpet come off?

3. Building Exterior

Roofing and Skylights: Is the roof in adequate condition? Are the seals at connections satisfactory? Do the joints fit tightly? Are there no cracks or clefts where elements of the roofing material might get placated? Are there no holes in the roof? The roof is not collapsed? Water can run off freely without collecting? Tin isolation around skylights is adequate? The roof is clean and free from litter or debris?

Roof Drainage: Are the drainpipes and waterspouts clean and free of blockage by leaves or debris? Are seals around rain ducts intact? Does water collect around the pipes which could cause leakage?

Waterspouts: Does the rain pipe connect to a waterspout where necessary? Are waterspouts in good condition, not rusty or broken? Do they channel off water at a certain distance from the wall or does water flow on the wall of the building?

Abutments: Are all parapets intact and vertical? Are the coping-stones fixed? Are there no cracks or loose stones? Is the tin sealing around the foot of abutments firm and strong?

Smoke channels and chimneys: Are chimneys vertical and intact? Is the condition of chimney bricks and mortar satisfactory? Is isolation around smoke channel openings and chimney undamaged and with the right caulking material? Are all smoke channel openings and chimneys intact? Are there no broken or bent chimneys? Are chimneys and smoke channels clean, not blocked by debris fallen into them? Are they protected from blocking by rain-caps or screens?

Masonry Facade: Is the general status of the brick and plastered surfaces of the external walls of the building satisfactory? Are bricks missing or is plaster washed off at places? When one wall used to be common with another building, is it now firm and weather- proof?

Windows: Are all windows in place? Is their external condition adequate? Are window panes missing? Are window structures fixed firmly into the outer wall? Are there no cracks or openings where water can leak in? Are the window frames sealed well? Are the window frames weather proof? Are the outer sills firm, not rotten? Do they carry the water off the wall?

Doors: Does every door work? Is a door missing? Are the lubrication and fixing of hinges adequate? Do all locks work? Do keys open/close the locks? Are bumpers and door isolation in proper condition? Are entrances clean and free of debris? Are water collectors at basement windows empty and free of leaves or litter?

Emergency exits: Are all emergency exits intact with the walls of the staircase leading to the emergency exist freshly painted? Does the plaster base show through somewhere? Are staircases and ladders fastened to the building properly? If the fire-stairs are an extending

ladder, can it be easily and quickly put into use? Are emergency exits and ladders easy to reach and not blocked by plants, furniture or other junk?

Courtyard: Are the courtyards clean and free of trash? Is the flooring smooth? Are the curbs intact? Is the light-shaft clean and without trash or debris?

Sidewalks: Are sidewalks around the building in proper condition? Are there no bad cracks in them? Is no piece missing from sidewalks?

Gates and Fences: If there are gates and fences surrounding the building, are they in good condition? Do the gates open easily and close easily? Is the paint on the gates and fences fresh and not overgrown by vegetation?

Lighting: Does every external light work? Is there a bulb in every illuminator? Is every light set in the right direction? Are bulbs protected? Are dangerous places e.g. wind- breaks and gateways sufficiently lit? Are sidewalks lit properly to prevent accidents?

Water Pipes: Are water pipes going across the courtyard or air-shaft? Are the pipes around the building clean and free of debris? Are they capable of carrying off water? Does water run down the spouts easily, without collecting? Are the pipes tightly fixed in concrete? Has the concrete any cracks? Are the pipes protected against blockage by material washed or stuffed into them?

Buttresses: Are the ground walls and retaining walls in good conditions, not bent or crooked? Are plants removed enough from the walls? Is the ground around the building hard enough? Are there pits where rainwater from the roof can collect?

Wind-breaks: Are front and rear wind-breaks in good condition? Are the steps leading to them firm? Are there broken or missing steps? Are the rails intact and strong? Are wind-breaks properly lit?

After conducting the survey during a few weeks, you will be in possession of the set of rough data and information which we shall complete by taking into consideration the demands of the co-owners.

E. Maintenance and Renovation Plan, Professional Conditions for Execution

1. Preparing maintenance and renovation plan

As a result of surveying the building status, you obtain a list of problems. For financial reasons, it is often difficult to address all of the building's problems at once. Good building management calls for the regular and sometimes professional maintenance of the equipment still safely operating as well as their continuous maintenance.

The Common Representative should submit the findings of the survey to the committee of the condominium responsible for maintenance and renovation. In their session, the participants should set an order of importance with respect to maintenance and renovation work and determine the professional requirements..

This should be followed by a session of the general assembly where the results of the survey are outlined along with the proposals which were formulated by the Common Representative and the maintenance committee. The final order of importance of renovations and the

maintenance program is to be approved by General Assembly resolution.

2. Repair or Replace?

In the course of maintaining a building, it must be decided from time to time whether something broken is to be repaired or replaced. The decision is based on both technical and financial considerations. The condominium association may only be able to afford the repair of the item at present even though its replacement will be needed sooner or later.

When a job is work-intensive (where the cost of work far exceeds the cost of materials), replacement is advisable. Though costing a bit more, in the long run it will save money. For example, if a window frame is decayed, it takes a carpenter many expensive work-hours to replace rotted pieces, while the outcome is only a half new window. A little more money will buy a brand new window that will last much longer.

On the other hand, when the bulk of the cost is materials, it is generally better to pay for repairs only. When a cheap and simple repair work is to be done very often we save money by replacing that thing in the long run. Should an oil heater need repeated setting and repairs , not only servicing must be paid but probably the equipment does not work efficiently enough and burns too much oil in vain. Save the money and buy a new oil heater. This is a much better investment.

3. Practical Advice during the Period before Placing Orders

You are advised to get prepared. Do not hesitate to become informed of products, materials, so that you can decide on what you need. For instance, it is not the same to select strip parquets, oak parquets or acacia parquets as each provides a difference in finish and price.

Prepare a cost estimate. During the preparations the expected cost is to be determined and approximately 10% is added. There can be a chance for savings, if the investor himself procures the material and avoids the overhead of the contractor.

All opportunities to alleviate the actual costs of the work, while not jeopardizing the quality, should be explored.

4. Writing a Scope of Work

The first step in negotiating with a contractor is to define, in specific terms, the job to be done. The detailed definition of the work in writing is the scope of work or specification. The specification of work is an official description of the job on the basis of which the contractor places his offer. The specification will be part of the work contract obliging the contractor to carry out the work as stated. The specification is a detailed document containing the description of the work the materials to be used and methods to be applied, guarantees, licenses and other necessary conditions.
The specification leaves nothing to the imagination nor the judgment of the contractor. Specifications are not always necessary, but it is most advisable in those cases involving complex jobs requiring precise instructions.

To draft the specification, the assistance of an architect, engineer or construction manager is usually necessary. Scopes of work for simpler jobs can be done alone.

The specification is followed by inviting bids. Written bids should be asked from at least three contractors.It often helps to get a lower price offer if the contractors know others have also been invited to bid on the project. The specification of work, as the invitation for bids, should be accompanied by a letter asking the contractor to give written cost estimates, schedule of payment required and references.

Schedule of payment varies by contractor, but usually a prepayment of 20-30% is made to cover the procurement of materials. There is no justification for 100% prepayment. Installments are to be paid at set periods during the execution of the work. At least 10% of the amount to be paid should be kept until the completion of the work, when it has been made certain the work has been done at the required quality. A new roof may seem adequate until it starts raining. Retaining a certain proportion of the final amount may ensure the contractor returns to upgrade work, if needed. It is customary to hold back the security for one or two weeks. Asking for a longer period is not fair toward the contractor unless errors have been spotted. At the same time, there may be cases when retaining a fraction of the final amount is not enough security. Many contractors jeopardize their good reputation rather than return to rectify a mistake.

5. Checking References

When checking the references, call the former clients of the contractor. If possible, visit the other buildings where the contractor has performed work. Ask the former clients if the work rendered came up to their expectations. Was the work done on schedule? What was the work morale of the contractor and his employees? Did they leave a mess or were they neat and orderly? Surprisingly, much can be learnt of a contractor when you know how clean he leaves a site. When checking the references, the main point is to see how conscientiously the contractor carries out the work. Don't spare your energies. It's worth the trouble, because good experiences can be gained.

6. Comparing Bids

Having invited at least three offers, you must compare them and choose one. You mustn't simply choose the cheapest bid. It may only be cheap on paper but turn out to be a bad choice. You must see if the quality of work and materials offered in that bid is at least as good as in the others. How is the work scheduled and what is the deadline? What are the references like? If the lowest bid passes a thorough check, it is the one to be chosen. But if the contractor with the best references has a bid which is slightly higher than the rest, it may be better to go with him in spite of the price.

7. Entering into a Contract

Every agreement or contract has at least four parts: 1. the specification of the task, 2. payment, 3. deadline of work, 4. signatures.
Apart from defining the amount to be paid, the disbursement of payments must also be specified. Disbursement of payments must be adjusted to the schedule of work. It must be

stipulated that 10% of the amount will be retained until a fixed date after the termination of the work in order to have opportunity to check the work thoroughly. Certain contracts also specify the penalty for delayed performance. Other conditions can also be set, e.g., times of day available for work, access to apartments, time of emptying boilers or water pipes and time of filling them again. Finally, the contract must be signed by the contractor and the Common Representative. Both parties must have at least one copy of the agreement. It is common practice to use the bid of the contractor as an agreement. If every point of the bid is satisfactory, sign it and return the original to the contractor while keeping a copy for yourself. Should certain points of the bid require modification, ask the contractor to send a new bid including the modifications. Sometimes separate contracts are to be drafted to include all the aspects. It cannot be stressed enough that the only tool for a legal procedure, in case of disputes, is the contract or agreement.

8. Supervising the Work

The work of the contractor should be supervised by the Common Representative of a condominium. Supervision in most part means monitoring the contractor's work. When problems are spotted, they must immediately be reported. Don't wait until the completion of the work or paying the final disbursement to the contractor if a partial phase has to be repeated. A contractor can best be motivated to carry out the work by keeping back payments. Upon completion of the work, the person asked to supervise it does so by checking the quality of the work against the stipulations of the contract. In case of doubt, it is useful to ask another specialist of the field for a check prior to paying the final 10%.

9. Sign-off

The Common Representative of the condominium should perform the tasks of supervision during the work. He should immediately discuss his remarks and objections with the contractor. After the work has been completed, there is a sign-off procedure where both parties agree weather the contract was completed satisfactorily. They have to make a list of the missing work or things to be repaired and agree in the amount to be withdrawn till the completion of the necessary work. It is important that supplementing deficiencies can be set out only for insignificant repair works which does not hinder in the operation.

F. Contracting an Entrepreneur for Major Repairs or Renovation

1. Hiring an Architect or Engineer

To prepare and carry out the major repairs and renovation work, it is advisable and often necessary, to hire an architect or engineer. Firstly, an architect or engineer must be contracted to check the building for architectural problems. This is especially important when doubts of structural problems have been raised. Secondly, an architect or engineer can be hired to draft the scope, the specification of work to be done or to make the drawings to define the work to be executed in detail. Certain repairs cannot be launched before the building authorities have approved the plans submitted by an architect.
Finally, an architect or engineer is required to supervise and monitor the contractor's work. He is also to be consulted about the disbursement of funds for each phase of work performed.

2. Sample Contract Between Owner and Entrepreneur

Agreement made on .....(date) between..... (entrepreneur), registered head-quarters and ..... (address) (hereinafter Condominium) under the following terms.

First paragraph:

Commissioning the entrepreneur

a) Condominium and Entrepreneur agree that Entrepreneur carries out the work specified in the Second paragraph under the conditions stipulated by the present Contract.

b) Entrepreneur acknowledges that the running and management of the Condominium is the responsibility of the General Assembly, and he is obliged to regularly consult with the Executive Committee of Condominium, or any organ or person empowered by thereof.

Authorized person: .....name .....address .....phone number

Second paragraph:

Definition of work to be done

Entrepreneur is obliged to perform the following works under the conditions set by the present Contract: (the work has to be specified in due detail so that the contractor will see clearly what his duties are. If need be, the Specification can be enclosed.)

Third paragraph:

Contracted price and payment obligation

Condominium is to pay ..... (amount) to the Entrepreneur in return for the performance of work specified by the present Contract. Approved by the Condominium, the payment is to be phased as follows:

% of performed work	Date of execution	Sum
.....	.....	.....

Fourth paragraph:

Duration of time for the execution of work

Work specified in the present Contract is to begin on ..... (date) and concluded on ..... (date) the latest. (If necessary, various partial deadlines can also be set.)

If the work cannot be performed for causes beyond Entrepreneur's control, he is to inform Condominium of the causes for delay in writing. Should Entrepreneur fail to do so, or fail to list a cogent reason for delay, Entrepreneur has not performed the contract but breached it.

Fifth paragraph:

Modification of the contract

Condominium and Entrepreneur agree that the modification of the specification of work to be done or price to be paid requires the written consent of both parties.

Sixth paragraph:

Warranty

Entrepreneurs warrants the work for a year. According to the guarantee, the work is to be performed by Entrepreneur in adequate quality, free from material or technical errors. In case of reclamation s pertinent to warranty Condominium is entitled to turn to Entrepreneur within a year of the date of final payment.

Seventh paragraph:

Cleaning of work site

Entrepreneur acknowledges that after the conclusion of work he is obliged to remove all construction waste and remains without delay, and hand over the work area clean and tidy.

.....	.....
customer	entrepreneur

3. Sign-off Form

Drawn on .....199..

Participants being present on behalf of customer .....

on behalf of contractor.....

Subject: The technical handing over - taking over procedure of the work laid down in Contract concluded on ..... 199.. and having been advised as completed by the contractor.

Deadline as per Contract.....

Date of actual completion .....

The work is hereby taken over / not taken over as completed both in quantity and in quality. *

The invoice against the work taken over can be presented.

Reason of refusing the taking over: .....

.....

.....

.....

Until the deficiencies are not supplemented .....% of the invoice may be withheld.

After completing the supplementing of the deficiencies an other new record is to be drawn.

Budapest, ...199...

.....	.....
Customer	Entrepreneur

*Please strike out the one you do not need.

IV. FINANCIAL PLANNING AND FINANCING

A. Preparing the budget

The coverage for running a condominium is to be provided by the co-owners themselves. The condominium budget is a plan or a statement of estimates related to the running of the condominium owners' common property, defining how to handle costs incurred over a year. The budget worksheet is a useful instrument in estimating the expected costs. (A sample is to be found in Appendix "I".)

When preparing a budget, the first step is to define the costs that can be expected to arise in the following year. After that other costs can also be calculated if the expected revenues exceed the amount to be spent.

Certain costs can be determined in advance, while we can only make estimates concerning other items. On the whole, the expenses included in the budget for the following year determine the size of the income the condominium will need in order to finance its operation. This serves as a basis to calculate the contribution the owners will have to make to pay the common costs (the condominium fee).

If the condominium fee has to be increased, a well-prepared budget can help to explain the owners why it is necessary. Except for extraordinary cases, the condominium fee does not have to be increased during the year if the budget is prepared in detail and with proper care. The preparation of the condominium budget helps the owners to plan their own expenses and strengthens their trust in the executive committee and the management of the condominium community.

When preparing the budget, a wide variety of information coming from different sources is used. The most important indicators in determining the operational costs of the condominium are the costs incurred during the previous years. The experience and the proposals of other condominiums can also be used in estimating the items in the budget.

We should not forget that the expenses are different every year. On the basis of the inflation rate we can plan a rise in costs like the price of detergents and repairs. If the rise of the water and sewage fee can be planned in advance, this can also be used in preparing the budget. Fuel consumption may change depending on the winter weather and the changes in the price of oil and gas also have an impact on the heating costs. It is also advisable to plan certain costs concerning maintenance and repair which cannot be foreseen in advance. It may happen even in the case of a well-prepared budget that it has to be modified because of certain, unforeseeable expenses.

B. The financial year

The operating budget is always to be prepared before the beginning of the financial year concerned. The term "financial year" means the period which serves as a basis for the condominium community when making their annual financial reports. The annual financial report is prepared for a calendar year (i.e. from January 1 of the year through December 31) or for another twelve-month period.

Note: The budget for central heating and hot water services are best to prepare for the "heating year", that is, for the period from May 1 through April 30.

C. The expenses of the condominium

Certain costs can be calculated in advance with precision. These are the following:

- the wages and other payments for the employees;
- management fees, which can be determined in advance;
- maintenance contracts, for example concerning the elevator or the boiler;
- payments to the renovation fund , which have to planned in advance each year;
- property tax;
- water and sewage fee.

Note: We should note that most of the condominiums pay the water and sewage fee using common funds, no matter where the water is used; in flats, in the garden or in other common premises. In this case, however, the costs do not necessarily have to be paid in proportion with the ownership shares. The general assembly may decide to distribute the water and sewage fee according to the number of permanent residents. In this case a separate accounting has to be done about it.

With the introduction of a separate meter for each owner, the owners of more and more flats pay the fee for the measurable water consumption directly to the utility company. In such cases the utility company deduces the consumption of the separate meters from the consumption shown on the central meter and only charges the condominium with costs of the difference. The consumption of the condominium equals the consumption of the flats without separate meters and that of the common premises. In such cases only the consumption of the common premises can be shown as common costs, which are to be paid according to the ownership shares. A flat rate is to be set for the flats without a separate meter.

- insurance fees, in connection to which a contract is made in advance,
- the installments of the loans taken out by the condominium.

There are certain expenses that depend on events which cannot be foreseen in advance with confidence. Therefore it is necessary to make preliminary estimates concerning the following expenses:

- costs of litigation and other expenses induced by legal procedures,
- renovation and maintenance costs (it is advisable to anticipate problems in this field. If, however, there is a remainder in this field, it can be used for development or the reserves);
- maintenance services provided by entrepreneurs (the size of these partly depends on how much work the owners are willing to perform);
- fuel - oil or gas - (it is advisable to anticipate a rise in the prices and a cold winter);

Note: The costs of central heating has to be accounted among the consumers according to the decree 2/1966 (III.31.) ÉM. and not according to the ownership share.

- capital investment costs (these depend on partly on the condition of the building, and partly on the amount of money received from the owners on a regular basis and in separate payments).

Note: As regards renovation and maintenance costs, special capital investments and professional services, the condominium may use the information offered by other condominium associations and organizations in support of condominiums, such as the National Association of Flat Owners (LOSZ).

- banking costs (the extent of these may vary, but they cannot constitute considerable expenses);
- administrative costs (the extent of these also depends partly on how much work the owners are willing to perform.)

D. Planning the income

The condominium association is likely to have several sources of income. These have to be indicated on the budget worksheet. The sources can be the following:

- fees and other sources of income, the amount of which can only be estimated in advance;
- revenues from letting or selling commercial or residential units owned by the condominium community;
- special, occasional payments by the owners used to finance capital improvements in order to avoid having to finance these from the regularly paid condominium fee or from the fund raised from the payments;
- interest revenues from investing the money in the reserve funds;
- any other revenue due during the next year.

E. Estimating the condominium fee for the next year

All the expected revenues, beside the regularly paid condominium fee, must be deduced from the cost estimates in the budget. The difference must be covered by the condominium fee. The amount to be paid by the individual owners is determined by multiplying the total amount of the condominium fee by a fraction corresponding to the ownership share the owner has in the condominium. This amount must be divided by twelve to get the monthly condominium fee to be paid by the owner.

F. Revision of the budget in case the common expenses of the condominium appear to be excessive

It may happen that while preparing the budget, the contribution to the common costs by the co-owners is too high and may be hard for the residents to pay. In this case the estimated expenses and income must be revised. Other sources of income may be found to cover the additional expenses. It is likely, however, that some anticipated expenses will have to be reduced or

canceled from the budget in order to reduce the costs. Useful but not indispensable investments like the development of an in-house communication system will probably have to be postponed. Perhaps only some roof repairs can be undertaken during the year instead of replacing the entire roof.

It is to be noted, however, that there might be certain developments that will entail sparing for the condominium community (e.g. measures introduced to save energy), therefore such investments should if possible have sufficient appropriation from the budget so that running costs could be reduced through building development. A major water pipe improvement (e.g. replacement of a vertical line) may cause smaller and cost-intensive repairs concerning the given lines unnecessary.

One of the methods of good financial management is all-round and precise financial record keeping. This may provide reliable information over the year, since a comparison of budgetary items with the actual spending and receipts can be of great help for us.

G. The renovation fund

The creation of a renovation fund became obligatory under Paragraph 11 of Law 11 of 1977; this provision, however, has been abolished by Decree 33/1992 (29. 05.) of the Constitutional Court as being against the Constitution.

Even if the law does not make it compulsory, it is in the interest of the owners to make an estimate of the costs of larger repairs and renovations in advance. Planning in advance helps the owners to avoid more serious difficulties in financing these non-recurrent expenses.

When planning the renovation costs, in the first step it must be determined as precisely as possible, which parts of the building require larger repairs or replacement, when these are due, what other jobs must be or should be performed in the building. Sometimes it is very difficult to calculate the life-span of the systems and the equipment to be found in the building and the costs of their replacement. The life-span of a system or a piece of equipment depends on several factors; whether it was installed properly, what quality it is, how properly it was maintained, what tear and wear and what weather conditions it has been exposed to.

If the manager of the condominium has information on the maintenance of the systems in the building and their maintenance in the past, it is easier to foresee what larger repairs and renovations are needed in a given period, for example during three or five years. If the rate of inflation is relatively stable, the manager of the condominium can make estimates of the costs of repairs and renovations and this can help to prepare the budget.

The information gathered through the survey of the conditions of the building will help to make these decisions.
Prudent planning makes it possible to accumulate a renovation fund throughout time, so the owners do not have to pay large sums which cannot be foreseen. There is an interest revenue from the fund as well, which is also useful if a loan has to be taken out. (There is an example of the budget of larger repairs and renovations in Appendix "J".) The legal issues related to renovations and the creation and the use of a renovation fund are discussed separately in chapter 1. on legal issues.

1. Fund creation

Savings can made in several ways. When using savings deposits, however, the best way is to create a renovation fund. When a renovation fund is created, provided the amount of it meets the provisions of legal regulations and has been placed with a bank, borrowings can be subsidized by the state if

- The general assembly voted to approve to create a renovation fund;
- The renovation fund creation has been started from the date specified in the provisions of Paragraph. 11 of Decree No. 106/1988 (26.12.) of the Council of Ministers modified by Government Decree no. 76/1992 (30.04.);
- The amount of the renovation fund equals the amount specified in Decree no. 10/1977 (01.07.) of the Ministry of Finance modified by Decree 10/1992 (30.04.) of the Ministry of Finance.

The first condition for creating such a fund is that the majority of those present at the general assembly vote to create such a fund. On that basis, the common representative opens the account for the renovation fund and ensures that the co-owners pay the amount prescribed.

Creating a renovation fund is more advantageous than other forms of savings because not only interest is accrued to the fund but it also entitles the condominium to receive subsidized credit. Under the frequently amended Government Decree No. 106/1988 (26.12), those condominiums that create a renovation fund get state subsidies for the payment of monthly installments by the co-owners with a private personality to repay a loan obtained for the renovation or modernization of the common premises of the condominium. The state subsidy provides to half of the monthly installment, but it cannot exceed the due interest rate.

Individual co-owners of the condominium (the borrowers) have to pay the installments reduced by the subsidy to the banking institution. Creating a renovation fund is mandatory for condominiums having more than six apartments. Subsidized credit via the creation of a renovation fund has two conditions. One is the date the fund was created, the other is the extent of contribution by co-owners.

The condominium has to create the renovation fund within 90 days of its foundation, or if takes place later, of taking the building into use or possession. When a building is mixed ownership, the 90 days must be counted from the date of sale of the 7th apartment. If the deadline was missed, the support can only be had if 5 years of continuous fund creation at the prescribed rate have passed.

The obligatory contribution to the creation of the renovation fund is specified by Decree 10/1977 (01.07) of the Ministry of Finance, modified by 10/1992 (30.04) of the Ministry of Finance. Accordingly, the amount of contribution is the following:

- within 15 years of taking possession of a residential building or of previous renovation, 4 HUF/m^2 per apartment in a block without elevator and 6 HUF/m2 per apartment in a building with elevator.
- from the 16th year of taking possession of the building or of previous renewal until the reconstruction or repeated renovation of the building, 6 HUF/m2 per apartment in buildings without elevator and 8 HUF/m2 per apartment in buildings without elevator.

The amount specified in the modifying decree was binding for condominiums founded after the announcement of the decree, i.e. April 30, 1992. As for condominiums founded before the enactment of the decree, the new amount applied only as of January 1, 1993. Before the modifying decree, the amount to be contributed to the creation of the renovation fund was half the amount specified by the decree.

The creation of the renovation fund must be separately handled in the cases where condominiums have mixed ownership. Before the enactment of the modifying decree, no contribution was to be made to the fund apartments in local government possession. When, however, reconstruction was necessary, the local government had to pay according to its property share for the renovation when settling the bill the latest.

Under the modified decree, local governments must also contribute to the renovation fund after their housing stock. Should they fail to satisfy this obligation, they also deprive the individual co-owners of the possibility of subsidized credit.

2. Regulations concerning the utilization of the renovation fund

On the basis of Decree 10/1977 (01.07) of the Ministry of Finance, the proceeds of the renovation fund can be used in order to cover the following jobs:

- Any technically necessary repair work that is related to the normal use of the building and that is done on a regular basis; which

  - ensures the renovation of a building in bad condition or as a result of which the building is restored to its original state and reliability by renewing, reconstructing or replacing the various building structures or central equipment;

  - facilitates to prevent of any faults in the various building structures or to achieve a longer lifetime thereof;

- Any modernization or reconstruction resulting in an improvement in normal usability or economic operation of the building;
- Construction work required by the construction authorities to be done by the condominium co-owners as well as any modernization, reconstruction or procurement necessary to change the conditions of public utility services;
- Any other work that has been approved by the general assembly of the condominium on an item by item basis and is aimed at the renovation of the building.

3. Information regarding the opening of a renovation fund account

In order to open a renovation fund account, condominiums should submit (as per the requirements of OTP Bank) the following information to the bank.

- The resolution (minutes) of the general assembly that includes the decision to create a renovation fund and open an account for it. When the condominium manages several buildings, resolutions are to be made building by building. This is done because the characteristics of the individual buildings may be different, resulting in a difference of the amount of the renovation funds.

- The resolution (minutes) of the general assembly should contain the number of apartments in the building. For buildings with mixed ownership, the number of apartments owned by the state or local government should also be included as well as the floor area for each apartment and the monthly amount to be paid as a contribution to the renovation fund calculated for the entire building. (The bank is interested in the global amount only. The breakdown that shows the amounts to be paid by the individual owners is an internal matter of settlement to the condominium.)

- The permit to put the building under use is also to be submitted. (If this document is not available for buildings older than 16 years, it is enough to record the date in writing.) If a complete renovation has taken place, the date of it has to be proved.

Related to the above, it is to be noted that the general assembly is not required to make any resolution regarding the number of apartments in the building as well as their respective floor areas because these details can be found in the list of the exclusive property shares in the foundation document of the condominium. *The resolution is required in order to establish the amount of renovation fund to be created* as well as in order to control the accuracy of the calculations pursuant to the law.

When establishing the amount of the renovation fund, the bank takes into consideration a complete renovation of the building for older buildings. Though laws mention only renovation, that generally means a complete renovation. Therefore, when the condominium has been renovated in part only - some of the building structures have been renovated which did not result in the complete restoration of the original technical condition and reliability, e.g. only a renovation of the roof has taken place - the contribution to the renovation fund will be of a larger amount for buildings older than 15 years.

a). Lending to condominiums with renovation funds

When the condominium wants to take out a loan for renovation and modernization work, it can apply for it by submitting the budget approved by the general assembly and the expense allocation sheet that has been prepared based on the budget. The columns of the expense allocation sheet should contain the following:

- Name of the owner;
- Floor no. and door no. of the apartment;
- The size of the property share;
- The expense proportional to the property share;
- The amount of the down payment;
- The amount of the loan;
- The amount of Renovation Fund contribution paid.

The expense allocation sheet must contain each owner including the owners of non-residential space and each owner must sign the sheet except for those who pay their respective expenses in one sum. For condominiums under mixed ownership, the signatures of the person authorized by the state and the person authorized by the local

government are also necessary for the property share in state ownership and for the property share in local government ownership respectively.

The expense proportional to the property share can be covered from three sources by the co-owner:

- From cash, which will be entered in the down payment entry;
- From the renovation fund contribution paid;
- From the amount of the loan applied for.

When a co-owner receives a forgivable loan or an interest-free loan they are considered to be cash contributions. The amount of the loan that the condominium may receive can be no more than 50 percent of the cost of renovation. The remaining 50 percent is to be financed from the renovation fund and from cash. State property management bodies and local governments cannot take out a loan to cover their expenses proportional to their property shares. They may only use cash for that purpose. The co-owners who have to make their contribution partly or completely in cash should make their payments to the renovation fund account.

The following documents are to be submitted in order to procure the loan:

- The budget;
- The resolution of the general assembly regarding the renovation;
- The expense allocation sheet;
- The page of titles from the land register not older than 3 months for each co-owner's registered unit;
- The credit application forms of individual co-owners who apply for the loan together with income confirmations
- The apartment owners who are pensioners should attach their pension slip for the last month and present their pension confirmation in order to validate their pension numbers;
- A confirmation to be used as evidence that the apartments of the persons applying for the loan is insured.

The bank will give a loan to the owners who are credit worthy and hold a housing insurance policy. The loan amount is not globally approved by the bank for the condominium but is made up of loans approved individually for (and to be repaid individually by) the co-owners.

If an owner is not yet registered in the Land Register, the change in ownership is accepted based on the margin remark put to the edge of the page of title. The new owner should be registered in the Land Registry before the draw-down is made because only then will the bank be in the position to have their mortgage registered.

If there is no obstacle to the approval of the credit application, the bank will open the loan account in the total amount approved. The amount of down payment is transferred to the bank from the renovation fund account by the common representative.

It should be noted that the credit is approved and used based on the net budget or net invoice. The net budget or invoice means the amounts without VAT. No credit is extended for the purpose to cover VAT (i.e. to cover tax payments to be made to the state).

b). How can condominiums that do not have a renovation fund take out a loan?

The condominiums that do not have a renovation fund can take out a loan to cover the costs of renovation. The procedures and requirements for obtaining credit are the same as for those who possess a renovation fund. The only difference is the interest rate and the installment.

c). Some legal issues related to renovation fund creation when apartments are sold

At present, about half of the condominiums create renovation funds. When an apartment is sold in a building with a renovation fund, a lot of disputes arise about

a). whether the former co-owner is entitled to recover his contributions made to the renovation fund,

b). whether the purchaser is obliged to pay for the arrears the former co-owner may have

The answer to the question in section a) above is clearly "no". The former co-owner cannot claim back the contributions he has made up to the date of sale because

- making contributions to the fund is not linked to the person of the owner but derives from the responsibilities related to the common property.
- these responsibilities are specified in the resolution of the general assembly.
- the contributions made to the fund belong to the whole condominium community.
- the contributions could be withdrawn from the fund only if the general assembly of the condominium brought a resolution to stop creating the fund and to pay back the amount. Such a decision, however, would be disadvantageous for the rest of the co-owners who stay in the condominium. Therefore, the former co-owner cannot expect such a decision to be made.

The former co-owner who leaves the condominium may request to recover his contributions, but not from the condominium community but from the buyer in the sales contract.

The answer to the question in section b), on the other hand, is clearly yes. The new co-owner buys the apartment together with the related rights and responsibilities. If the responsibilities include paying contributions to the renovation fund and the seller co-owner had some arrears in it, the new co-owner has to pay the arrears to the community. The new owner may claim the amount back from the former owner. and may turn to court if this liability has not been clarified in the course of the sale.
We suggest that in case apartments are sold in condominiums, both the purchaser and the seller should specify in the contract whether the condominium has a renovation fund and if

it has, whether this fact has been considered when establishing the sales price together with the fact that the seller has no arrears.

V. INFORMATION REGARDING HOW TO HANDLE THE MONEY

A. The way money is handled in condominiums

The way the condominium handles its money depends on the size of the condominium as well as the consequent size of their cash turnover. E.g. in the case of condominiums of two to six apartments the cash turnover is not large. There are no substantial continual common expenses and depending on the architecture of the building sometimes they only have to cover water supply and sewage fees. Money is handled in cash only. Cash is deposited and cash is withdrawn from the petty cash.

For middle-sized or large condominiums it is not advisable to handle money through petty cash only. On one hand for security reasons (criminals might be tempted). On the other hand the lack of bank interests causes a loss to the condominium.

When the condominium, regardless of its size, pursues some taxable activities, they are to open an account under the Law on Taxation. Depending on the business activities pursued by the community, three kinds of accounts can be advised for condominiums to open.

- A separate account for collecting funds necessary to operate the building
- A separate account for collecting central heating (not district heating) fees
- A separate account for depositing contributions to the renovation fund

B. Conditions to open, maintain and operate bank accounts

The processes of opening and operating account(s) by the condominium is regulated by the resolution of the general assembly. The original of the resolution or a certified copy thereof should be submitted to the bank. In its resolution, the general assembly should specify the following.

- A list of the kinds of expenses (and their purposes) for which the community of the condominium wishes to open an account or accounts;
- Who has the right to operate the account(s) based on the resolution.
    - When the condominium is represented by a common representative, who is a private individual, he or she must be certified by presenting the resolution.
    - When the representative is an executive committee, the resolution of the general assembly must also specify the name of the member(s) of the executive committee who is/are entitled to operate the account(s) in addition to the head of the committee.
    - When the representative is a legal person (a limited liability company or a limited partnership enterprise), the name of the persons within the management company who have the right to operate the account(s) must be listed.

When specifying the person(s) who have the right to operate accounts, it is also advisable to record the persons' name and address, who exercise this right when the common representative is not available (is on vacation or on sick-leave).

The right to operate an account means to be allowed to withdraw money from the account. Based on the resolution of the general assembly, the bank will open the account *in the name of the condominium* and handle it as *the deposit of the condominium*. When opening the account, a decision should be made whether the contributions will be collected by the common representative or the co-owners will make their payments individually by check.

It is advisable to use a non-cash method which can be

- either a check (deposit slip) or
- transfer within the bank in the case of owners with current accounts at OTP bank.

In order to use this latter method, the co-owner must give a commission to the OTP bank branch that keeps his/her account to transfer a specific amount in the condominium fee to the account of the condominium each month. (This method is fairly common since it is secure and modern.)

C. Book-keeping

1. The provisions of the Law on Accounting regarding condominiums

The Accounting Act No.18 of 1991 also contains provisions for condominiums. In accordance with international accounting principles, the act spells out rules which provide the foundation for reliable and realistic information on the state and financial situation of the property. The implementation of the act is regulated by the decree no.157/1992 XII. 4. According to point a, of par 3. a condominium is qualified as "other organization" for the application of the Accounting Act.

We note that an amendment of the government decree which currently regulates the obligations to prepare a balance sheet and detailed book-keeping can be expected to be passed in 1998 and it will have to be applied in 1999 when making the annual report for 1998.

2. Basic principles of accounting to be observed in one-entry book-keeping, simplified book-keeping and simplified balance-sheets

Paragraph 15 of the Act specifies the accounting principles that must be observed when questions are to be decided in the course of making the annual report and keeping the books and in deciding on certain particular issues which may arise in actual practice. Basic principles pertinent to condominiums with one-entry book-keeping and simplified balance-sheets are the following.

a). Principle of Continuous Operation

When preparing the annual report and keeping the books, the point of departure must be that the condominium can maintain itself in the foreseeable future and thus can continue its existence with no stopping or radical decrease of its operation for any reason.

b). Principle of Truthfulness

The items recorded in the books and included in the accounting must be found to be properly maintained and transparent for outsiders as well. Their evaluation must comply with the principles of evaluation laid down in the Accounting Act and with the pertinent procedures of evaluation.

c). Principle of Clarity

Book-keeping and accounting must be made clearly, intelligibly and in an orderly fashion as required by the Accounting Act.

d). Principle of Consistency

Consistency and comparability in both the content and form of the accounting and the underlying book-keeping must be ensured.

e). Principle of Continuity

The opening items of the calendar year must correspond to the closing items of the previous year. The evaluation of assets and resources and the registration of results can only change according to the enacted rules of the law.

f). Principle of the Turnover of Money

Those keeping simplified balance-sheets must record the income from sales other revenues and expenditures in the books in the actual period of receipt or payment.

g). Principle of Caution

Loss/profit cannot be determined if the actual receipt of revenues is uncertain. When determining the results of the current year, foreseeable risks and expected losses can be taken into account by calculating the value loss and creating target reserves even if they become known between the turning day of the simplified balance-sheet and the date of making the balance. Value reductions and losses must be reconciled regardless of whether the overall result of the year is gain or loss.

h). Principle of Gross Accounting

Returns and expenses along with assets and liabilities cannot be reconciled against each other nor can they be combined.

i). Principle of Individual Evaluation

In book-keeping and when preparing the annual report, assets and liabilities must be recorded and evaluated individually.

j). Principle of the priority of the content over the form

Events in the economy are evaluated in book-keeping and the annual account not according to a legal formula but according to its economic content.

k). Principle of essential information

All information the omission and the misrepresentation of which influences the economic decisions is classified as essential.

l). Principle of comparing costs and benefits (principle of economy)

The benefits to be gained from the information included in the annual report should exceed the costs of producing the information.

D. The accounting policy of condominiums

The Accounting Act ordains that economic enterprises are to prepare an accounting policy, in the following recommended form:

- The form of the account: simplified balance sheet
- The recommended regulations to be prepared within the framework of accounting policy:
  - a/ The regulations for stocktaking, inventory and disposal of assets and liabilities
  - b/ The regulations for assessing assets and liabilities
  - c/ Cash management regulations
- Accounting principles: According to the Accounting Act, as described in detail in the manual.
- The method of determining the profit: The condominium, as a non-profit organization is not aiming at making a profit, the purpose of its activity is to maintain the common property. Therefore the profit shown at the end of the financial year is the remainder of the condominium.
- The time for preparing the balance sheet: May 31 of the year following the given year, according to the provisions of the Accounting Act. The accounting policy of the condominium can set a different date for preparing the balance sheet, as it is

advisable to approve the account for the given year and accept the budget for the following year in the first quarter of the year.

- Amortization policy: As the condominium does not make a "profit" in the sense defined in the Taxation Law, no amortization can be accounted for. It is advisable to monitor the extent of the amortization of existing tangible assets, so that their replacement and renewal will be possible to plan.

- The criteria of qualifying extraordinary items: It is advisable to record the arrears in the common costs and the rents so that a lien can be registered on the individual property of an owner who is in at least six months in arrears with the condominium fee according to paragraph 22 of the condominium law.

According to the provisions of the Civil Code, the liens registered - if there are no separate regulations for them - are executed in the order of their registration, if the lien does not provide coverage for the arrears with the condominium fee, the general assembly must make a decision to write off the bad debts according to the general provisions of the Accounting Act.

E. One-entry book-keeping

1. Contents of one-entry book-keeping

The contents of one-entry book-keeping are defined by point (1) of paragraph 80 of the Act. It stipulates that the person doing one-entry book-keeping must keep an accounting record (cash turnover accounting) of the monetary means in his possession and their sources, as well as of the cash turnover and financial operations which shows the changes in these assets and liabilities truthfully, continuously, clearly and in a closed system.

One-entry book-keeping is based on the reconciliation of monetary receipts and monetary expenses (cash turnover accounting) in connection to which various additional and analytic records must be kept continuously as required by the simplified balance sheet showing the financial standing of the condominium and the performance of other requirements. Data on stocks necessary for making the balance are ensured by inventories.

A law-bound central requirement of one-entry book-keeping is that all entries in the registers must be based on vouchers.

Under the Accounting Act, the person responsible for the continuity of book-keeping and the truthfulness of data entered is the person authorized to represent the condominium (common representative, president of the executive committee). Accordingly, the account compiled on the basis of regularly kept books is to be approved by the general assembly of the condominium and signed by the person entitled to represent it.

2. Book-keeping of cash turnover

Paragraph 80 of the Accounting Act specifies the requirements of the accounting of cash turnover. The registration system applied must be such that the entire cash turnover be shown in a closed form ensuring the congruency of accounting and also providing the data of cash turnover necessary for tax accounting.

The book recording the cash turnover actually means the book-keeping of the bank account and the cash turnover. The difference or balance between the income and expense turnover of the bank account and the cash constitutes the actual balance of account and amount of cash. Therefore, in the registration of cash turnover, the balance must be shown both of the bank account and the cash, which must be equal to the closing balance of the bank statement at the point of time of issue and to the actual amount of money in the cash box. The exact correspondence proves that the cash turnover should be recorded in the books without fail and numerically correctly.

The book-keeping of cash turnover as defined by the law is to register the monetary means in the bank account and in the cash box by their source, to monitor and record their use and their transformation into other financial means within a closed system.

3. Ledger

In the case of one-entry book-keeping, the accounting of condominiums is to be done in the ledger. The ledger is a standardized printed document which is to be authorized by the tax authorities before opening. Book-keeping in a ledger is an accounting technique concentrating on cash turnover, which arranges the mobility of money and financial accounts in a transparent and systematic way. The indicators of the cash turnover items entered into the ledger must also be shown:.

Indicators

- serial number (pre-numbered);
- date;
- number of the document;
- text.

Cash turnover entries

- bank account: deposit, withdrawal, balance
- cash: deposit, withdrawal, balance

Detailing entries

- Sales income and other income;
- Other income that do not generate profit;
- VAT to be paid
- Production/managing costs and other expenses
    - purchases of materials and goods;
    - salaries;

- taxes on salaries;
- other production/managing costs and expenses;
- empty entry for free use.

- Other expenses

Deductible VAT

Receivable: Increase, Decrease;

Payable: Decrease Increase;

Accounting the financial profit/loss (remainder): Decrease, Increase

Registered capital and capital reserves: Decrease, Increase

A posting into the ledger can only be made based on an accounting document completed properly and only when the economic event involves movement of actual cash (transfer). An accounting document can be any internal or external document whose purpose is to serve as a record of an economic operation.

Legal rules spell out that the cash turnover items be posted in the ledger parallel with the mobility of cash or the receipt of the bank notification. Entering in the detailing entry is done simultaneously with the income-expense columns of the bank or cash invoices.

a). Rules about how to post the different kinds of cash turnover items in the ledger

The cash turnover items between the bank account and the cash should always be entered in the expense column of one cash turnover entry and in the income column of the other cash turnover entry. When posting any other cash turnover item, income and expense should always be entered in one cash turnover entry and in one detailing entry. When closing items, they do not have to be posted in a cash turnover entry nor do they have to be entered in a detailing entry only.

Some of the detailing entries have one column, while others have two columns. When using the two-column entries, one always has to start with the cash turnover entry:

- If the item is to be posted in the income or first column of the cash turnover entry, then parallel to that the amount is to be entered in the second column of the related detailing entry.
- If the item is to be posted in the expense column of the cash turnover entry, then parallel to that the amount is to be entered in the first column of the related detailing entry.

b). The numerical relationship between the entries of the ledger

There is a strict relationship between the cash turnover and detailing entries of the ledger. This relationship can be used when checking the correctness of accounting. The figures of postings should be checked for correctness at least *once a year* as part of the process of closing the books at end of year.

The best way to check figures for correctness is to do it page by page in the ledger. The process of checking and/or reconciling is substantially simplified by the carry forward (closing) line of the ledger form. The carry forward line has two lines where the totals of the various entries should be clearly stated. The totals of the two carry forward (closing) lines should be equal. If this is the case, the figures of the postings in the ledger are correct. The fact that the two totals equal each other do not guarantee, however, that the content of postings are correct.

Opening the ledger at the beginning of next year. The first thing to do when entering postings on January 1 is to post the opening items in the course of which the closing items from the previous year are put in the entry columns that are opposite to the columns of the closing items.

c). Ledger related analytical records to be maintained on an obligatorily basis

In addition to posting cash turnover items in the ledger, analytical records should be maintained. These would include the required details of the ledger items as well as the non cash turnover items that do not have any effect on profit and loss and equity calculations.

The list of required records is the following:

- **The maintenance of debts by purchasers (appendix no. 3.)**

Enterprises (condominiums) are required to maintain the debts by purchasers if they accept payments against sales not only in cash.

Related records must include the details of each invoice that has not been paid or issued against cash (date of invoice, buyer's name, grand total of invoice, amount of VAT, amount of settlement).

The records must be closed at the end of the year. The amount of receivable must be calculated by adding up the amounts of unsettled invoices and based on the total amount, the VAT charged is to be calculated.

- **The maintenance of liabilities towards suppliers (appendix no. 4)**

Only those are required to maintain the liabilities towards the suppliers who settle their procurement and services they make use of not only in cash.

Related records must include the details of each invoice that has not been settled in cash or received against cash in the same way as purchasers are maintained.

At the end of the year, the records must be closed. The amount of payable must be established by adding up the unsettled invoices and based on this, the amount of VAT charged in advance is to be calculated.

- **Maintenance of payments on which income tax is to be paid (attached with the detailed VAT explanation)**

Related records must be kept according to a person by person breakdown including the persons' legal position (employee, pensioner employed, etc.). Those earnings items that are to be added to the tax base, are to be maintained separately from the items that are not to be added to it (on which withholding tax is to be paid).

In relation to the earnings items paid to employees that are to be added to the tax base the following additional details must also be recorded: date of payment, gross amount of the salary or wages, the personal income tax advance deducted from the gross amount, the amount of superannuating contribution deducted from the gross amount, any other deductions and the amount paid.

Regarding the earnings items paid that are to be added to the tax base, records must include the following: the date of payment, the gross amount of earnings, deductions and the amount paid.

- **Individual maintenance of material assets**

The kind of material assets that can be bought by a condominium are, for example, the following: pavement cleaning machine,
lawnmower,
computers.

Under the Accounting Act, the purchase value (price) of material assets equals to all the money paid for the procurement and commissioning of the asset up to the date of commissioning including any expenses that can be directly linked to the asset.

Therefore, the following items are considered to be part of the purchase value:
purchase price (excluding VAT),
transportation cost,
cost of building a foundation,
cost of assembling,
cost of installing,
customs duties.

When installing a material asset, the minutes to be created can be found in Appendix 6. Based on the gross value defined in the minutes, an individual asset inventory card is to be prepared in the format as per Appendix 5. Material assets with a value under HUF 20 000 are also to be recorded for security reasons.

- **VAT maintenance in compliance with the Law on Taxation**

In a chronological order and with reference to the related document in a separate entry, records must include the following:

- the amount of sales that serves as a basis to charge VAT
- the amount of VAT to be paid on the income received against the amount of sales
- the amount of VAT charged in advance for invoices posted as costs and expenses

- an accounting of the VAT in connection with the financial settlement against the budget.

- **Maintenance of securities and investments**

Analytical records must be kept on the securities and investments that are possessed by the condominium. Records must include the following:

- the date and the value of the acquisition and/or investment
- the date and value of the sale and/or the withdrawal.

4. Rules on taking inventory in case of one-entry book-keeping

Those who use the cash turnover accounting method have to make an inventory in order to prepare the simplified balance-sheet including an itemized list of the quantity and value of assets and liabilities on the rule-off date of the simplified balance-sheet (December 31).

In case of assets and liabilities for which the value is maintained only, the inventory is to be made based on the book values that are to be confirmed by reconciliation.

In case of assets and liabilities that are to be maintained both in quantity and value, an inventory is to be taken on the rule-off date (December 31) in the following way:

- In case of assets on which no quantity and value records had been kept in a way specified by accounting requirements only the quantity is to be established.
- In case of assets on which both quantity and value records had been maintained, the inventory is to be taken based on data valid on the rule-off date.

5. Settlement of Income

The income of the condominium must be recorded in the appropriate cash turnover entry as well as in the detailed entry.

Income earned from interest, received indemnification, conventional fines, income received from the sale of different items, amounts received through VAT refund and revenues received for the provision of different external services must be settled as "other income." (A different section contains the requirements concerning the VAT.) At the same time, this must be recorded in the analytical bookkeeping according to appendices 4 and 4/a.

6. Settlement of costs and expenses

Incurred costs and other expenses must be recorded in the appropriate cash turnover entry as well as in the detailed entry.

The acquisition of materials and goods (cleaners, etc., for example) is posted to the "Acquisition of Materials and Goods" entry. Goods and equipment are settled in the ledger as

expense at the time of acquisition. Tangible assets must be taken into inventory regardless of the fact that they have been settled as expense in the ledger.

Solid, liquid and gas energy supply expenses, power supply expenses, water supply and sewage disposal expenses are to be settled in the "Utilities Fee" entry.
Gross salary amounts, other payments to persons, professional fees, meal contributions, amounts paid as reimbursement for the use of vehicles in private ownership for official purposes, representation costs, commission fees and other payments to the general representative or other elected officer are posted to the "Salary" entry. Keeping a separate detailed register by titles is also effective.

When salaries, professional fees and commission fees are settled, the gross amount is to be calculated with a separate expense entry filled out for the gross amount and an income entry for deductible items. This may include fees for personal income tax, health insurance, social security tax, employee contributions, etc..

Amounts accounted and paid after salaries are posted to the "Social Security Tax" entry.

Other costs and expenses not listed so far (transportation, insurance, banking, court expenses, taxes, interests, etc.) have to be settled in the "Other" costs and expenses entry as well as in the appropriate cash turnover entry. This entry contains the cost of renovating and maintaining the building and the value of acquired tangible goods.

Amounts of the VAT are settled in the "Prepaid VAT" entry.

7. Settlement concerning receivable

There are a lot of cash disbursements in the cash turnover of the condominium which are not final expenses or cannot be classified as such at the time the payment is made. These are financial accounting items classified as receivable. The entry for receivable is divided into two columns in the ledger: addition and decrease. The turnover balance of the two columns shows the current amount of receivable settled in the entry.

The following may be regarded as receivable:

- Securities, financial receivable handed over temporarily and other receivable
- Cash advances, provisions - employee receivable - budget receivable.

8. Settlement of payable

The condominium may receive income which is actually not an income for the condominium because at the time this amount is received a paying obligation arises. This must be recorded in the ledger. The payable amount is to be settled with a payment - after the payment the liability ceases to exist. There are two columns in the ledger for posting payable, the decrease and addition column.
The most common debit-type financial settlements are personal income tax advances deducted from salaries and commission fees, health insurance and social security contributions as well as other deductions not to be paid to the condominium

9. Settlement of financial profit and loss

The financial profit and loss (P/L) is the yearly accumulated balance of the income entry and the cost/expense entries of the ledger. If the turnover in the income entries is greater than the turnover of the cost and expense entries, a profit was earned, in the opposite case a loss has occurred.

Posting P/L is done according to the following principles: the finalized totals of the detailed income and expense entries must be determined; the total of the detailed income entry must be put in the "additions" column of the P/L settlement; the total of the detailed expenses must be put in the "Decrease" column of the P/L settlement.

After posting the P/L, the detailed income and expense entries must not have a closing balance.

10. Ledger rule-off

According to applicable accounting regulations, the ledger must be ruled-off once a year; nevertheless, rule-off and reconciliation must be done for every page and in each month.
The end of year rule-off of the ledger consists of the following tasks:

- posting the necessary reconciliatory items (with the description and depreciation of receivable maintained in the ledger, items concerning financially non-reconciled VAT settlements),
- reconciling data from the maintained analytical registers concerning entries of the ledger with data from the ledger,
- reconciling the closing balance of the "Cashier" entry with the actual cash amount,
- reconciling the closing balance of the bank account(s) entry(ies) with the closing balance(s) from the bank statement(s),
- checking and ensuring the numerical coincidence of the appropriate turnover figures are in the ledger balance,
- settlement of P/L ,
- posting totals,
- determining the total turnover.

Basically, checking the correctness of cash turnover figures is ensuring the compulsory numerical coincidence between the cash turnover posted to the bank account and cashier entries on the one hand and the turnover posted to the detailed entries on the other.

Compulsory numerical coincidence must be ensured according to the following:

Entry			**Turnover**	
		I		II
Bank Account		Income		Expenditure
Cashier		Income		Expenditure
Final Income	—		Income	
VAT to be paid			Income	
Final Expenditure	Expenditure			
Deductible VAT	Expenditure			
Payable		Additions		Decrease
Payable		Decrease		Additions
P/L Settlement		Decrease		Addition
		Total I		Total II

After completing a page in the ledger, a rule-off should be done and that would give the amount for carrying forward. Special attention must be paid to fill in the amounts only into the empty entries. The "debit" items should be written in the top row and "credit" items in the bottom row.

Page Reconciliation: the total of the top rows must balance with the total of the bottom rows. An end-of-month rule-off should be done each month and that should consist of checking the actual content of the ledger as well as reconciling the figures. The reconciliation of figures consists of the same kind of checking as a page rule-off. Checking the content of the ledger includes, among other tasks, the following:

- checking the balance of the bank and cashier entries against the statement and available cash;
- reconciling the rental fee "Income" entry with the analytical record;
- comparing the amount entered in the paid and pre-paid VAT entry with the recorded VAT amount;
- verifying that the balance of the personal income tax, health insurance, and social security entries corresponds to amounts not yet paid.

Closing items have to be posted to the bank, cashier, receivable, payable, and P/L entries so that the balances are written with the opposite sign in front and added up in the next row.

F. Statutory Reporting

Condominiums with single-entry bookkeeping must prepare a simplified balance sheet at the end of the year. The structure and contents of the simplified balance sheet are specified by law. Data in the simplified balance sheet has to be prepared in accordance with the ledger, analytical records, and actual inventories The structure and contents of the simplified balance sheet have to meet the requirements specified by law.

1. The required break-down of the simplified balance sheet

ASSETS

A. Investments

1. Non Tangible Goods
2. Tangible Goods
3. Invested Financial Assets

B. Working Assets

1. Inventories
2. Receivable
   - receivable resulting from expenses
   - receivable related to cash transfers e.g. VAT to be paid
3. Securities
4. Financial Assets

LIABILITIES

C. Own Capital

1. Capital Subscription
2. Capital Reserves
3. Profit Reserves
4. Profit according to the simplified balance sheet

D) Reserves

E) Specific reserves

F) Payable

1. Long-term payable
2. Short-term payable
   - payable resulting from cash income
   - payable not relater to cash transfers
   - VAT charged in advance

2. Regulations concerning specific items of the simplified balance sheet

In the balance sheet the receivable originated in the acquisition of securities for investment purposes and in the separation of financial instruments tied up for a long term must be included among the investments. The loss in value in connection with these receivable and the loss in the rate of financial investments in foreign currency must be accounted as expenditure (closing item), whether the enterprise has a profit or a loss.

When preparing a simplified balance sheet, the amortization of the non-tangible and tangible goods must be accounted whether the enterprise has a profit or a loss.

In the simplified balance sheet the self-produced stock (unfinished production, semi-finished and finished goods, livestock) can also be shown at a sales price reduced by the costs that can be expected to rise and the calculated profit.

The value of foreign currency deposits accounted separately among the receivable in the cash turnover register converted into forints must be included among the financial assets. The general rules must be applied when determining the balance sheet value of the foreign currency deposits, the loss in the rate must be accounted as expenditure (closing item), whether the enterprise has a profit or a loss.

The profit reserves are calcolated by deducting the specific reserves, the payable, the capital subscription, the capital reserves, the profit according to the simplified balance sheet and the reserves from the asset value according to the simplified balance sheet. The profit reserves may change according to the titles in points (6), (7), and (11) of paragraph 26 of the

Accounting Act. According to point (6) d) of paragraph 26 the sums received in the profit reserves and according to point (7) d) of paragraph 26 the sums paid from the profit reserves are to be registered in the cash turnover register under revenues free from income tax and under expenditure not relevant for income tax respectively.

In the simplified balance sheet the following is classified as **reserves**:

a) self-produced stocks on the assets side and the total amount of customers reduced by the VAT not accounted together with the budget and

b) on the sources side the amount of suppliers not related to the closing balance of purchased stocks reduced by the VAT not settled in the budget and the amount of short-term liabilities according to point (7) and the difference in the amount of the total of specific reserves (it can be negative as well).

When making specific reserves in order to provide coverage for the losses that can be expected on account of the receivable, the amount of the VAT included in the receivable must not be accounted if the VAT charged has not been accounted in the budget (it did not have to be included in the tax report). Specific reserves have to be included only in a simplified balance sheet and they must not be accounted.

According to points 7 and 20 of Appendix no. 1. of the Accounting Act the receivable and the payable resulting from the delivery of goods and the performance of services must be shown in an invoiced amount - approved by the buyer as well - which contains the VAT as well. The amount of VAT to be paid or to be deducted which has not been accounted in the budget (not included in the tax report yet) cannot be shown in the amount of the receivable and payable and these amounts have to be shown in a separate line in the balance sheet and their amount has to be deducted from the amount of receivable and payable.

When preparing the balance sheet, the general rules are to be applied in evaluating the receivable and the payable but the difference in the rate resulting from a change in the rates must not be accounted as expenditure, it can only be accounted when financial performance takes place.

The losses due to a change in the rates in foreign currency payable resulting from cash revenue must be considered when determining the balance sheet value and have to be accounted as expenditure (closing item), whether the enterprise has a profit or a loss.

If the enterprise receives a grant on the basis of a law, a government decree, an international agreement or a municipality decree to finance its operation, the amount received is to be included in the cash turnover register and in the simplified balance sheet as the payable. The payable resulting in this case has to be abolished at a time and in an amount - accounting it as taxable income - when and in what amount costs (production and administration costs or depreciation) are matched to the spending of the money received. If the objective for which the grant was provided failed to be materialized by the deadline set in the grant agreement, but the money received does not have to be repaid, the part of the grant recorded among the payable must be accounted as taxable income

In the simplified balance sheet among the short term payable not related to cash transfer the following must be included: the debts towards the suppliers, the amount of the dividends (share) due (to be payable) for the owners, the amount of the payable not accounted in the

cash turnover register but due in the given period, not resulting from the delivery of goods, performance of services, taking out of loans (December wages, social security contribution, other) and the taxable items accounted (shown) in the budget but not settled financially, which have produced no cash transfer yet.

The amount of the dividends (share) for the given year must be determined in a way not to allow the amount of the own capital reduced by the tied-up capital reserves and the tied-up profit reserves to drop under the amount of the capital subscription even after the dividends (including the amount paid as advance payment from the approved amount during the year) have been paid.

The detailed content of the items not mentioned above are contained in Appendix no. 1 of the Accounting Act, which is self-explanatory. In the case of individual items the relevant provisions included in Appendix no. 1 of the Accounting Act must be considered, except those that cannot be applied on account of the cash turnover approach of one-entry book-keeping (points 1. e)-g), points 2. d) and e), points 5. d) and e), and points 14., 15., and 23.).

3. Additional Records (analytical accounts)

Taking into consideration that only cash turnover items are recorded in the ledger, it is necessary to maintain items not belonging into this category and any occurring changes applicable to them. Besides, keeping detailed records is necessary for those entries which contain more than one title, such as the already mentioned salaries, receivable and payable maintained by titles, etc.

These records do not form a closed system with the cash turnover accounting, but their maintenance is necessary for keeping up with the current situation and for preparing reports. No additional records are to be kept on the stocks; the related figures of assets and figures in the simplified balance sheet serve the purpose of the inventory at the turn of the year.

Additional records must be kept on the following:

- receivable
- payable
- tangible goods
- immaterial goods

Among the receivable, a separate record must be kept on the following items:

- debts of customers
- advances
- employee receivable
- payable of members and tenants

Long term and short term payable must be shown separately. In the delivery records only those amounts have to be recorded which are not paid for in cash.

Individual records have to be made on tangible goods. According to the Accounting Act, the value of tangible goods acquired for less than HUF 20,000 can be settled as depreciation deduction when they are acquired, therefore, these do not have to be recorded and may not appear in the simplified balance sheet.

The purpose of the supplementary registration of immaterial goods is to determine the depreciation amount to be accounted

4. Inventories

According to accounting regulations an inventory containing the itemized listing of the quantity and value of the condominium's assets and liabilities as of 31st December, in a way which can be checked, must be prepared for a simplified balance sheet.

G. The taxation of condominiums

1. Tax regulations

Parliament regulates the procedures to be followed in Act XCI of 1990 on the order of taxation, which has been modified several times.

According to the law on tax administration the tax authorities are the following:

- Office for Tax and Financial Auditing and its committees;
- National Customs and Financial Bureau and its committees;
- Notary of the Local Government;
- Central Office for Computation of Rates and Duties.

2. The condominium, as taxpayer, has the following obligations in order for taxes to be assessed:

- Submitting tax returns and statements.
- Tax assessment (individual tax returns, assessing taxes for the employer/payer);
- Tax return;
- Payment of taxes and tax advances;
- Issue and safekeeping of advises;
- Keeping records (bookkeeping);
- Submitting data;
- Tax deductions, tax collection.

If the condominium has an arising tax liability (e.g. salary, commission fee or professional fee paid to the common representative or income resulting from utilizing common property) it

must report it to the appropriate first degree tax authority within 15 days of the event. Rules for reporting and declaring the tax obligation, as well as rules for the safekeeping of advices are specified by law.

The general rule concerning filing tax returns, tax assessment and payments to state and local government tax authorities is that the amounts need to be rounded to the nearest HUF 1000 amount, except for the personal income tax of private individuals and land tax (from HUF 499 rounding down, from HUF 500 rounding up).

The condominium must file a yearly tax return for each different type of tax following the year to be taken into account for taxation purposes in the order of payment deadlines, declaring in detail data necessary for determining the tax base, applicable tax exemptions, concessions and the basis for these concessions, and the amount of tax. This obligation exists even in the case when the condominium has fulfilled its obligations towards the tax authorities or when it would fulfill them at a later date.

According to article 20 (sections 5-6) of the law on taxation, the tax return must be submitted even in cases when no tax payment obligation exists in the given year, when tax has already been paid or will be paid later on.

3. Value Added Tax

According to legal regulations, taxpayers have to pay the VAT after domestic sale of goods, provision of services and after imported goods.

The taxpayer is the natural person, legal entity, or organization without legal entity who (which) can acquire rights for itself, accept responsibilities and perform economic activities on its own behalf.

The owners' association is the taxable person in relation to movable property and real estate which is jointly owned and used. Cases of condominiums renting jointly used real estate and activities of condominium employees performed on external request are the occur most often in the categories of sale of goods and provision of services.

The VAT categories from January 1 1994, are the following:

0%
12%
25% (reversed 20%.)

The tax is always 25% except for goods and services specified by law.

When a condominium is established, tax authorities must be notified and a tax identification number is issued for the condominium. At registration the condominium must indicate whether:

- It will be liable to paying the VAT;
- It chooses subject based or object based tax exemption.

In case the actual income of the condominium for the previous year or the planned income for the current year does not exceed HUF 2,000,000, it may choose subject based tax exemption. Condominiums choosing subject based tax exemption are not liable to pay taxes

but they also cannot exercise their right for tax deductions. The tax exemption lasts until the end of the tax year. After this period, the condominium has the opportunity to chose again.

Subject based tax exemption ceases to exist if the income of the condominium exceeds HUF 2,000,000 in the current tax year, apart from income resulting from performing activities falling into the object based tax exemption category. Subject based tax exemption which ceased to exist cannot be chosen again until the end of the second tax year following the termination of the right. For the period of subject based tax exemption, the condominium cannot request tax deductions in the future.

The condominium may chose the object based tax exemption if it performs activities which fall into the object based tax exempted category defined by law. The condominium is not obliged to chose subject or object based tax exemption if its income does not exceed HUF 2,000,000 or if it performs activities which fall into the object based tax exempted category; it may choose to pay the VAT.

a). Arising tax liabilities

Tax liabilities arise at the date indicated as execution date on the invoice, simplified invoice and document substituting the invoice issued after the service has been performed, except in cases specified by law.
When a simplified invoice is used, the execution date is the same as the date of issuing the simplified invoice. With services provided continuously, the execution date is the due date of a particular installment. The law on VAT allows a 60-day grace period to pay the VAT of services provided continuously from 1 January 1997 on, if the party receiving the services did not pay the price by the deadline shown in the invoice. Condominiums with single entry bookkeeping have arising tax liability at the time of paying the counter value, taking the actual amount paid into consideration.

b). The tax base:

The tax base for selling products and providing services:

According to point /1/ of paragraph 22 the tax base is the sales price of the product or the services provided. On the basis of point /6/ of the same paragraph the tax base is not the price of the product or the services but the market value of it (them), without taxes, at the time the obligation for paying the tax arises if

- the sales price of the product or the services is unproportionally low compared to the market value, without taxes, at the time the obligation for paying the tax arises and if
- selling the product or providing the services takes place for the following:

  a./ the present or former owner or member of the taxpayer,

  b./ a party with close business links with the taxpayer,

  c./ a party with a legal relationship to the taxpayer according to point /2/ of paragraph 5.,

  d./ a senior office holder, a member of the supervising committee or an auditor of the taxpayer (enterprise),

  e./ a close relative of the taxpayer or the parties listed in points a./-d./.

c). Tax Deductions

The right for tax deduction may be exercised only by those taxpayers who have single or double-entry bookkeeping and who choose to pay the VAT. The right to deduct taxes may only be exercised if the taxpayer has an authentic document indicating the amount of payable tax. Such documents are the following:

- Invoice, simplified invoice and documents substituting an invoice;
- Resolution stating the amount of tax;
- Other documents and advises which contain authentic data suitable to determine the amount of tax.

If the taxpayer performs activities which are liable to tax and also others that are not liable to tax, the amount of tax calculated in advance must be separately maintained, since only tax resulting from the performance of taxable activities may be re-claimed.

If activities liable to tax and those not liable to tax cannot be clearly separated, a proportioning method must be used for dividing the amount into a deductible and a non-deductible part. Rules on proportioning are contained in part 1. of appendix 3 of the law.

Accordingly, $L = A \times LH$ and
$N = A\ L$, whereas

A: amount of tax charged before, used in the proportioning;
L: deductible part of the tax amount charged before;
N: non-deductible part of the tax amount charged before;
LH: deduction ratio, which is the result of the following ratio:

- nominator: income resulting from tax deductible activities calculated without the amount of tax
- denominator: value of the nominator added to the value of income resulting from nondeductible activities. When calculating the deduction ratio, budget assistance and other received funds, contributions, etc. concerning nondeductible activities qualify as income. The deduction ratio must be calculated to four decimals.

d). The obligation to issue an invoice

§ 45.

If the invoice is a simplified invoice and after issuing the document which replaces the invoice the taxpayer

- modifies the amount of the tax transferred or the items required to determine it, or
- intends to charge and transfer the tax afterwards, it is obliged to issue a correction invoice, a document replacing the simplified invoice.

The correction invoice, the simplified invoice and the document replacing the invoice must contain:

- a sign indicating that correction has been made
- the information necessary to identify the original invoice, the simplified invoice and the document replacing the invoice,
- the new items corresponding to the modification.

e). Renting common property of the condominium

The condominium may rent its common property by signing a contract for rooms, apartments, shops, basements, etc. According to the Law on VAT, the provision of residential and other supplementary services (SZJ 11111), the utilization of real estate (SZJ111900), as well as managing residential real estate (SZJ112100) and letting residential real estate (SZJ 11112) are not liable to tax; the provision of parking space is an exception to this (SZJ111112).

4. Personal income tax

Legal regulations: CVII Act of 1995 modified several times. According to article 3, section 5 of this Act and according to section j. of article 97 of the amended 1990 XCI Act on taxation, a condominium is classified as a *payer*.

According to the above mentioned legal requirements, all regulations applicable to *payers* are applicable to condominiums as well.

- The condominium as a payer must deduct the tax advance from the salary of its employees and pays this amount.
- On the basis of the tax return of the employees received by the end of the year - if the employee does not have any income apart from his or her primary occupation - the condominium as a payer calculates the payable tax, files the tax return, pays the necessary amount, and in case an excess amount was paid, pays back the necessary amount.
- In case the employee has a secondary occupation or has another regular source of income, the condominium as a payer deducts the personal income tax advance and pays the amount.
- For all other income liable to paying tax advances including all income not resulting from the primary occupation of the employee (occasional work) which does not exceed the amount of HUF 3.000, it deducts the amount of tax (40 percent withholding tax).

The General Assembly of the condominium has the right to vote for a professional fee to be paid to one of its employees based on his or her work. This may be done in *one amount* or in monthly installments. This income falls into the category of earnings obtained from independent activities, from which certified and existing costs may be deducted. Therefore the income earning private individual will do a tax self-assessment (Law on VAT, articles 12-13).

The table to calculate the tax

§ **30** The amount of the tax in case of the following income brackets:

0 - 50,000 HUF	20%		
250,001 - 300,000 HUF	50,000 HUF and	22% of the part over	250,000 HUF
300,000 - 500,000 HUF	61,000 HUF and	31% of the part over	300,000 HUF
500,001 - 700,000 HUF	123,000 HUF and	35% of the part over	500,000 HUF
700,001 - 1,100,000 HUF	193,000 HUF and	39% of the part over	700,000 HUF
Over 1,100,000 HUF	349,000 HUF and	42% of the part over	1,100,00 HUF

Calculating the tax advances paid by the employer, the payer of the wages

point 47
The employer, the payer of the wages - with the exception defined in section /6/ - is to deduct one-twelfth of the tax calculated for the monthly wages multiplied by twelve from the regular monthly wages it pays to the employee.

The tax advance calculated in this way must be reduced by a tax allowance, which amounts to 20 % of the wages earned in the tax year, but cannot exceed 4,200 HUF for each relevant month. A month is considered relevant if a private individual is entitled for wages in that month. A month in which a private individual is entitled for wages more than one time and/or from more than one payer counts as only one relevant month.

5. Obligation to pay VAT as a result of utilization of common property

Utilization of common property may consist of the following:

- use of rooms, land and garden
- using of the wall of the condominium building for advertising purposes

If utilizing the common property results in income for the condominium, article 75. of the law on personal income tax specifies (regardless of the number of contracts and regardless of the fact whether the income will be paid to the owners or used to directly cover the common costs) that the co-owners must pay a 20% withholding tax on the income regardless of the fact whether they are liable to pay VAT on the income resulting from this activity.

The 20% tax is assessed, deducted and paid by the payer when making the payment. When applying this provision, the condominium counts as a payer only if the income from utilizing the common property comes from a private individual or if the tax was not assessed and deducted for any reasons.

It may happen that the condominium sells the premises in common property (storage space, garage, laundry room, roof space, janitor's flat, commercial premises, etc.). The income from this is determined by the condominium on the basis of articles 61. - 63. of the law on personal income tax. In this case the condominium must only assess the size of the income for each property share and the private individuals do a self-assessment of tax after selling real estate.

When assessing the income content the following must be considered:
If the value at the time the contract is made cannot be assessed in the way laid down by the law, 75% of it must be deducted from the income and 20% of this amount must be paid as tax. The tax must be assessed in the tax report of the private individuals and must be paid at the time the tax report for the given year is submitted.
The co-owners receive their share from the income of the condominium when the payment is made, so their income cannot be considered to come from interests. Therefore their tax liability must be assessed according to the rules for other types of income which are to be merged under one heading. The condominium counts as a payer, so the co-owners must deduct a tax advance from the amount paid.

6. The employer's and employee's contributions

The employer (the condominium) must pay the employer's contribution each month after the gross income earned in the employment.
The rate of the contribution is 4%.

The employee's contribution must be paid after the gross income received from the employer in the primary occupation of the employee, i.e. they are deducted monthly from the salary of the employee.
The rate of the contribution is 1.5%.

A tax return must be filed (no. 3) for the monthly contributions by February 15th of the year following the year to be taken into consideration for taxation purposes.

7. Tax Calendar

Personal income tax advance:

- The amount of the tax advance deducted by the employer, which must be paid by the 12th of the month following the month to be considered for taxation.
- The amount of the tax advance deducted by the payer, which must be paid by the 12th of the month following the month to be considered for taxation.

Value added tax: must be paid by the 20th of the month following the one to be considered for taxation purposes; tax may also be re-claimed after this date.

Employer's and employee's contributions: must be paid by the 20th of the month after the settlement month.

Tax payable maintained by the tax authorities must be paid to the specified accounts which are maintained for the different types of taxes.

Condominiums as payers or employers are obliged to provide information on the earnings paid to those they employed and the deductions they have made during the year and on their personal particulars.

The deadline for the obligation to provide information: 31st March of the year after the one concerned. The forms, when filled, must be sent to the tax authorities together with *an*

Attachment sheet. The forms are to be submitted in one copy and the attachment sheet in three copies.

Besides this, condominiums *must submit the tax report sheet no.3 to the Tax Office (on the types of taxes) by 15 February of the year after the one concerned.*

Those, whose VAT and personal income tax liabilities were under 2 million HUF in the second year before the year concerned, can make a *tax report annually.*

The parts on taxation in this manual were prepared on the basis of the regulations in force in 1998. The authors would like to call the attention of the common representatives to the changes that may occur in tax regulations in the future.

H. The social security contributions to be paid by the condominium

The condominium must pay 39% social security contributions and the employees must pay 3% health security contribution and 7% superannuating tax after the taxable income resulting from independent and non-independent activities. The upper limit of the obligation to make these payments is 1,565,850 HUF per year or 4,290 HUF per day. Those who have more than one insurance relations at the same time are to pay the 7% superannuating tax in all those legal relations under the above mentioned limit but they are to pay the 3% health security contribution only in the relationship, where their working hours are or above 36 hours per week.
As a consequence of the first sentence in this paragraph, the fee paid to office bearers is no exception to the obligation to make these payments, unless the amount of the fee is under 30% of the officially determined wages.

Health care contribution was introduced on 1 January 1997, which employers are obliged to pay if they employ natural persons on the basis of a contract made for the performance of work, taking part in it or creating results achievable through work. The amount of the contribution is 2,100 HUF. No health care contribution is to be paid for the period of sick-leave, maternity leave and child care leave and in the case of employees having more than one employment if one of the employers proves that it pays the contribution.

All these contributions must be paid to the account of the Health Insurance Directorate by the 10th of the month following the one to be considered for taxation purposes and at the same time the liability must be reported on the summary report sheet. The report must be submitted on a floppy disk if the employer employs more than 10 persons. The certificate on the payment of the amount due in the previous month is to be attached to the report.

The present regulations of the law on social security require the condominium to acquire the necessary statements from the employees, whether they receive a fee or a honorarium and the payments must be made only after that.

I. Local taxes

1. Local taxes in general

The basic responsibility of local governments is the provision of local public services. Such tasks must be accomplished with the characteristics of the given environment being taken into consideration. Therefore conditions for an independent economic managing of local governments have to be established. One way of doing this is the system of local taxes.

The amended 1990. C. Act on local taxes, which took effect January 1, 1991, authorizes residential (community, urban, metropolitan and district) local governments to levy local taxes on their territory. According to this law the local government is authorized to levy the following types of taxes.

a.) Property-based taxes (building and land taxes);

b.) Local entrepreneurial tax;

c.) Community type taxes (public utilities, tourist industry taxes).

From the above mentioned types of taxes, the building tax - from among the group of property based taxes - and the entrepreneurial tax is applicable to condominiums.

2. Building tax

All buildings or parts of buildings used for residential or non-residential purposes found within the jurisdiction of the local government are liable to building tax. The land necessary for the proper use of the building is also considered to be part of the same building. All rooms within the building, regardless of their purpose, are liable to taxation.

a). The subjects of the building tax

According to article 12 of the law, the subject liable to tax is the owner in whose possession the building is on January 1st of the current year. In case of more than one owner, the owners are liable to tax according to their share of property. If a registered legal right exists for obtaining benefits by utilizing the building (rent or lease), the person liable to tax may exercise this right. In case of a condominium or a resort area, the owners are independently liable to taxation, therefore the given community is liable to tax for the utilization of common property.

b). Exemptions from the building tax

Article 13 contains the detailed regulations on tax exemptions. In case of condominiums and resort areas buildings and parts of buildings which may be exempted from the building tax are the following:

- rooms used (or rented) by social, health and child care, as well as educational institutions,

- historic buildings
- other property belonging to the residential or resort area.

c). Assessing and terminating tax liability in the use of building tax

Tax liability will take effect *on the first day of the year after a residential permit was issued or renewed.* Tax liability is terminated on the last day of the year during which the building ceased to exist. Terminating the use of the building does not effect tax liability.

d). Building tax base

The base for tax depends on the decision of the local government and it is either

- the useful internal floor area of the building measured in m^2 or
- the adjusted market value of the building.

e). Building tax rates

The upper limit of the tax rate is the following:

- if the tax is assessed on the basis of the useful floor area expressed in m^2:
- if the tax is assessed on the basis of the market value: 3 percent of the modified cash value.

f). The payment of the building tax

Section 14, Appendix 2 of the amended 1990 XCI Act defines the deadlines for paying the building tax: the subject liable to paying the tax must pay this in two equal installments. The first installment being paid by March 15th of the current tax year and the second by September 15th of the current tax year.

If the assessment of the tax has not occurred by the given deadlines, paying the tax has to be done in the way and by the deadline specified by the local government.
Article 28 of the above mentioned law specifies that tax payers with bank accounts must fulfill their obligation by transferring the funds. Those who do not keep an account must use a transfer or domestic postal order. The amount of tax payable to the local governments must be transferred to the tax account specified by the local government.

According to legal regulations, the owners of the condominium, because of their status of private individuals, are liable to paying both types of taxes. These include the building and land tax, as well as the community-type public utility and tourist industry taxes.

3. Entrepreneurial tax

a). Tax liability

The local entrepreneurial tax has been due since September 5th, 1991. From this date on, the following are to pay the tax - within the jurisdiction of the Municipality of the Capital City,

- every person who is involved in a domestic, business activity, on his or her behalf and at his or her own risk, for the purpose of earning a profit, and whose activity is legally classified as an entrepreneurial activity, and
- legal persons,
- other organizations involved in business activities.

b). Exemption from paying the local entrepreneurial tax

In the following cases the local entrepreneurial tax does not have to be paid:

- In cases where the yearly net income resulting from catering and trading in shops does not exceed HUF 1.000.000 and in other cases of trading where the amount does not exceed HUF 500.000.
- The entrepreneur must report to the tax authorities the expected yearly amount of tax for the current year within 15 days of the start of the business activity or within 15 days after the local government regulation about levying the tax has taken effect.

c). Assessing the tax base and the payment of taxes

The yearly tax advance must be paid in two equal installments by March 15th and September 15th.

The entrepreneurial tax advance must be 90 percent of the expected yearly amount of tax and the remaining obligation must be fulfilled by December 20th.

Tax payments, including tax advances, will be directed to the Metropolitan Local Government tax collection account no. 218-98969 548-490019-0859 kept with OTP Communal Branch.

The difference between the assessed tax advance and the amount of the yearly payable tax is to be settled in the tax return which must be filed by May 31st of the year following the year to be considered for taxation purposes. The differential is to be paid by the deadline for submitting tax returns or it may be re-claimed after this date.

d). The tax base and the amount of the tax

The tax base is the net income received from the sale of products or provision of services, from which 33% of the material costs can be deducted.

The amount of the tax: 1.4 percent of the tax base net income

Net income resulting from sales: *The net income resulting from entrepreneurial activity or cash turnover needs to be taken into account* depending on the applicable accounting regulations for housing co-operatives, condominiums, foundations, social organizations, institutions founded by those above mentioned, etc.

J. Documentary principles and documentary discipline - accounting advice - safekeeping advice

The rules for documentary principles, documentary discipline and accounting advises are contained in articles 84 to 87 of the 1991 XVIII Accounting Law. According to the law on accounting, for every economic transaction and event which changes the set of registered assets, as well as the source or configuration of registered assets, an advice must be issued. The details of the advice must be recorded in the accounting register.

The law also specifies that only details of correctly filled advices may be recorded in the accounting registers. Every external and internal document prepared in order to record the accounting details of an economic transaction and event is considered as an advice. In order for an advice to remain authentic and appropriate, it is important that all eventual corrections are done in the proper fashion.

The most important rules concerning the modifications on advises are the following:

- When modifications are done, the original entry must be crossed out but the entry must still remain legible. The modified data will be written above the crossed out number or text. The date of the modification and the signature of the person doing the modification must be recorded.
- Cashier's and banking advice must not be modified. A new journal entry will be filled out instead of the old, incorrect one and all reversed advice (and their copies) must be saved.
- Advice issued by a third person must not be modified!
- It is the duty of the issuer to correct an advice filled out incorrectly or to issue a new or corrected advice after canceling the old one.

The advice must be issued at the time of the economic transaction or event or at the time when the economic measures are taken. Recording the accounting details of advice must be done according to the following legal regulations:

- Details of advice issued for economic transactions affecting financial assets must be done parallel with the transfer of funds, *at the same time when the banking notification arrives*, and in the case of items concerning other financial assets the deadline is *the 15th of the month following the month in which the transaction was executed.*
- Advice for other economic transactions and events must be recorded after the economic transaction or event has taken place but <u>before the accounting rule off date</u> (except if other regulations specify this differently).

K. Pre-Numbered Forms

All forms necessary for handling cash or those which may be misused by an unauthorized person must be handled and registered as pre-numbered forms. All pre-numbered form registers must contain the following:

- Name and number of the form;
- Date of purchasing the form;
- Serial number of the block (from - to);
- Date when the block was first used;
- Date when the block was withdrawn from use.

L. Safekeeping of advice

The accounting law contains the following specifications concerning the safekeeping of advice:

- The simplified balance sheet, the supporting general ledger, the analytical review, and the inventories must be preserved for 10 years.
- The accounting advice must be preserved until the right to assess tax lapses (presently this period is 5 years).
- The safekeeping system of advice must be such that the journal entries may be inquired upon.

Advice may be taken away from their place of safekeeping only after issuing a receipt.

The common representative of the condominium will prepare, for approval by the General Assembly, the yearly budget proposal based on the accounting rule-off results which are approved by the auditing committee or the executive committee. A final settlement needs to be prepared for the funds management of the condominium, as specified in Appendix no. 8. This needs to be divided among the owners of the condominium according to their proprietary ratio and with a content detailed in Appendix no. 9. The settlement for the reviewed period needs to be done for each owner and the closing outstanding and/or surplus amount must be indicated (Appendix no. 10).

The charges for central heating and hot water supply are settled at the end of the heating period, April 30th, and not at the end of the fiscal year. For this purpose, the following must be prepared:

the budget according to Appendix no. 11,
the settlement of costs according to Appendix no. 12,
the individual settlements of costs.

M. Advice used with the sale of products, provision of services and with other incomes and expenditures

In cases of selling a product and providing services, the form of advices to be used is specified in articles 43 and 70 of the 1992 LXXIV VAT Act. According to the law, an invoice, a simplified invoice, a document substituting an invoice or a receipt must be filled out when selling a product

or providing a service. The contents of an invoice, simplified invoice, document substituting an invoice or a receipt are specified in articles 13, 16 to 18, and 20 of the VAT Act.

An invoice must be given when a product is sold or a service is provided and the payment is not done using cash. *A simplified invoice* must be given on the customer's request in case of a sale or provision of a service when the payment is done in cash or with an instrument substituting cash. *A substitute invoice* is given if the counter value of the sale or service is not defined in financial terms. *A receipt* is issued by every sale or provision of service if the customer does not ask for a simplified invoice.

A standard advice or a special advice suitable for tax authority identification may be given as an invoice, simplified invoice or as a receipt, provided it has the minimum contents required by law. An advice suitable for tax authority identification may be given as a document substituting an invoice provided it possesses the contents required by law.
The following standard forms may be used as invoices, simplified invoices and receipts:

- Invoice (to be used with a typewriter) MSZ 3492-89
- Block of Invoices (to be filled out by hand) MSZ 16114-89
- Cash Payment Block (for simplified invoices) MSZ 16114-90
- Block of Receipts MSZ 16133-90

For every other cash income and cash expenditure apart from sales and provision of services the following must be used:

- cashier's income advice MSZ 16116-87
- cashier's expenditure advice MSZ 16116-87.

FINANCIAL-ACCOUNTING APPENDIX

Appendix 1	Budgeting Plan
Appendix 2	General Ledger
Appendix 3	Accounts Receivable Register
Appendix 4	Supplier Accounts Payable Register
Appendix 4/a	Revenue Journal Voucher
Appendix 5	Equipment Register
Appendix 6	Installation Record
Appendix 7	Simplified Balance
Appendix 8	Yearly Accounting of the Condominium Management
Appendix 9	Year End Accounting per Owner
Appendix 10	Yearly Common Cost Accounting
Appendix 11	Central Heating Budget for One Heating Season
Appendix 12	Yearly Heating Costs per House
Appendix 13	Yearly Heating Costs per Unit

BUDGET PLAN

.....
name (address) of condominium

I. Operational cost	HUF / month
1./ - I. caretaker	.....
- II. caretaker	.....
- elevator inspection	.....
- elevator duty fee	.....
2./ Wage additives	
- Social Security 44%	.....
- Employer's tax	.....
3./ Public utility fees	
- water	.....
- sewage	.....
- electricity	.....
4./ Garbage collection, garbage can rent	.....
5./ Elevator maintenance	.....
6./ Telephone fee reimburse (for the caretaker)	.....
7./ Common representative fee	.....
8./ Detergent	
I. Total operational cost:	.....
II. Renovation cost	
- Total maintenance cost	.....
I.+II. Total common costs:	.....
III. Rental fees (net):	
- cabinet, frontage	.....
- commercial places	
IV. Common costs to assign:	
(I.+II.)-III.	...../ HUF/year
.....	

Total number of units: .....
Total floor area: ..... m^2

Common cost / m^2-: .....HUF

2 sz. melléklet.

_____ évre

Sorszám	Kezdő: befektetett eszközök a mérlegtételek bruttóértéke	Kezdő: befektetett eszközök egyéb bemutatási kezelésű befektetés és értékpapír				Kezdő: egyéb kötelezettségek	Kezdő: tőke	Növekedés	Csökkenés	Növekedés	Csökkenés	Növekedés	Csökkenés	Csökkenés	Növekedés	Csökkenés	Növekedés	Csökkenés	Növekedés	Csökkenés	Növekedés	Csökkenés	Növekedés
								Követelések						Kötelezettségek						A pénzügyi eredmény elszámolása		A tőke és tőkeelemek	
	Ft	Ft	f	Ft	f	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	Ft	f	Ft	f	Ft	Ft
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26																									
27																									
Áv.																									

A. Sz. m. 505/ul. r. sz. Kucsnel Kft. Alami Ny. Rt. -4

Naptárévre is bevezet hasznosul

NAPLÓFŐKÖNYV

Sorszám	Kelet	A bizonylat száma	Szöveg	Bankszámla Bevétel Ft	f	Bankszámla Kiadás Ft	f	Bankszámla Egyenleg Ft	f	Pénztár Bevétel Ft	f	Pénztár Kiadás Ft	f	Pénztár Egyenleg Ft	f	Bevétel: Az árubeszerzés árbevétele és bevételek Ft	f	Bevétel: Egyéb, eredményt nem befolyásoló bevételek Ft	f	Bevétel: Forgóeszköz árfolyamának forgalmi adó Ft	Termelési-vállalás: anyag- és árubeszerzés Ft	f	Termelési-vállalás: munkabér Ft	f	Sorszám
			Áthozat																						Átv.
1																									1
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			Árnyak																						Áttv.

Számlaszám:

Oldal:

Kelet 19 ..... év	Szöveg	Tartozik	X	Követel	Napló hív.
	Áthozat:				
	Átvitel:				

B. Sz. ny. 13—80/F. r. sz. - Számlalap - Pátria—Nyomdi, 04 027 - 300 000 - 1 31015 Pátria Ny. (sm 3333)

MSZ 3477

Számlaszám:

Oldal:

Kelet 19 . év	Szöveg	Tartozik	X	Követel	Napló hiv.		
	Áthozat:						
	Átvitel:						

B. Sz. ny. 13—80/F. r. sz. - Számlalap - Pátria—Nyomdi. 04 927 - 300 000 - 1 31915 Pátria Ny. (sm 3333)

MSZ 3492

118

Előirányzat változások

..... u. ..... sz.

Feljegyzések:	Január	Február	Március	Április	Május	Június	Július	Augusztus	Szeptember	Október	November	December
	±	±	±	±	±	±	±	±	±	±	±	±
Változások egy. + —												
Előző havi előírás												
Záró előirányzat												

Befizetések

Feljegyzések	Január	Február	Március	Április	Május	Június	Július	Augusztus	Szeptember	Október	November	December
	±	±	±	±	±	±	±	±	±	±	±	±
Össz.												
Hátralék növ. +												
Túlfiz. csökk. +												
Össz.												
Hátralék csökk. —												
Túlfiz. növ. —												
Össz.												

19 ..... év

Bevételi naplóbizonylat

OLDAL SZÁM:

Fő Alá Ém	sorszám	NEVE	A bérlemény bruttó előírása			I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.	Nyitó F	I. be-fiz.	I. T	II. be-fiz.	II. T	III. be-fiz.	III. T	IV. be-fiz.	IV. T	V. be-fiz.	V. T	VI. be-fiz.	VI. T	VII. be-fiz.	VII. T	VIII. be-fiz.	VIII. T	IX. be-fiz.	IX. T	X. be-fiz.	X. T	XI. be-fiz.	XI. T	XII. be-fiz.	XII. T
						ELŐÍRÁS VÁLTOZÁSOK forintban													forintban																							
		Áthozat:																																							
	1																	1																							1
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	4																	4																							4
	5																	5																							5
	6																	6																							6
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	7																	7																							7
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		Összesen—Átvitel:																																							

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BERUHÁZÁSOK, TÁRGYI ESZKÖZÖK
(műszaki és egyéb berendezések, gépek, felszerelések, járművek)
egyedi nyilvántartó lapja

A főkönyvi szla. száma:

Az értékcsökkenési leírás módja és változásai

Oldalszám

Az adótörvényben meghatározott értékcsökkenés leírása, időtartama ... év

A várható használati idő terv szerint: ... év ... év

Év, n év, hó						
Lineáris leírási kulcs (%) — számviteli tv. szerint						
Lineáris leírási kulcs (%) — adó tv. szerint						
Degressziv leírási kulcs (%) — bruttó értékre vetítve						
Degressziv leírási kulcs (%) — nettó értékre vetítve						
Abszolút összeg						
Teljesítmény arányos leírás egységkulcsa:						
Tényleges teljesítés mennyisége						
„0"-ra leírás éve terv szerint						

Megnevezés

A vállalkozó megnevezése:

A gyártó megnevezése | A szállító megnevezése

LTI-száma | Nyilvántartási (leltári) száma: | Gyártási száma, jele: | A beruházás kezdete:

A beérkezés kelte | Üzembe helyezés kelte | okmányszáma | Állományba vét. biz. száma: | A felújítás utáni használatba vét. időpontja:

Tömege, teljesítménye, mérete | Rendszám, alvázszám, motorszám:

A könyvelés kelte	A bizonylat száma	Szöveg	Db	Bruttó érték			Értékcsökkenés			Nettó érték	Napi hiv
				növekedés	csökkenés	egyenleg	növekedés	csökkenés	egyenleg		
1	2	3	4	5	6	7	8	9	10	11	12

B. Sz. ny. H-61/új r. sz. - Pátria-Lyomelli - 41 sz. - S 8141)

SPSZ 6[illegible]

1-1

A könyvelés kelte	A bizonylat száma	Szöveg	Db	Bruttó érték			Értékcsökkenés			Nettó érték	Napló hiv
				növekedés	csökkenés	egyenleg	növekedés	csökkenés	egyenleg		
1	2	3	4	5	6	7	8	9	10	11	12

Az értékcsökkenés elszámolása

Év	Számviteli törvény szerint	Adótörvény szerint	Eltérés	Év	Számviteli törvény szerint	Adótörvény szerint	Eltérés

Feljegyzések:

Költséghely (költségviselő) változásának	
kelte	száma

Feljegyzések.

Gr.a.ell

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Vállalat:	Üzembehelyezési (aktiválási) jegyzőkönyv	Gyáregys. (telep)	Biz. száma

Azonosítási adatok	Üzem (klts.-h) sz.	J.-könyv old. sz.
		1

1. Az állóeszköz megnevezése: _____

2. Generáltervező neve, címe: _____ beruh.e.szám: _____

3. Rendelő szerv: _____ rend, kelte: _____ sz.: _____

4. Gyártó váll. neve, címe: _____

gyártási év: _____ gyárt. szám: _____

5. Szállító váll. neve, címe: _____

szállokmány sz.: _____ beérk. időp.: _____

6. _____

7. _____

Tartozékok:

Értékelszámolás és könyvelés

Új és használtan vásárolt állóeszközök:

	A beszerzési ár és felmerült költségek részletezése (önk.)	Aktiválható költségek Ft	Nem aktiválható költség Ft
1			
2			
3			
4			
5			
6			
7			

Kontírozta T	Kontírozta K			
		Összesen:		
		Kerekítés + :		db
		Bruttó érték:		melléklet

Térítés nélküli átvétel

		Kontrozás T	Kontrozás K
Bruttó érték:			
Ért. csökk.:			
Költségek:			

A kalkulációt 19 _____ hó _____-n

_____ összeállította _____ ellenőrizte

A befejezetlen beruházások nyilvántartásából kivezette 19 _____ hó _____-n

Nyilvt.sz.: _____ beruh.ny.-tartó

Üzemeltetésre átvette 19 _____ hó _____ nap

Feljegyzés:

Állományba vétel

Egyedi nyilvántart.	Üzemi nyilvántart.	Kelet, aláírás	Főkvi könyvelés
száma:	száma:		19 _____-n kont. _____ könyv _____

FÜTI 83-394

123

Vállalat:	Üzembehelyezési (aktiválási) jegyzőkönyv	Gyárégys.(telep)	Biz. szama

J-konyv old. sz.: 2

SZÖVEGRÉSZ

1. Felvétetett:
(hely, dátum)

2. Jelen vannak:

3. Megállapítások, észrevételek:

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Aláírások:

7. 12. melléklet

a vállalkozás megnevezése

cégjegyzék száma

címe

adószama

EGYSZERŰSÍTETT MÉRLEG

Fordulónapja:

Fajtája:

ezer forintban

Sor-szám	A tétel megnevezése	Előző év	Jelentős összegű helyesbítések	Tárgyév
1.	**A) Befektetett eszközök (I.+II.+III.)**			
2.	I. Immateriális javak			
3.	II Tárgyi eszközök			
4.	III. Befektetett pénzügyi eszközök			
5.	**B) Forgóeszközök (I.+II.+III.+IV.)**			
6.	I. Készletek			
7.	II. Követelések (8 +9 -10. sor)			
8.	Pénzkiadásból származó követelések			
9.	Pénzmozgáshoz nem kapcsolódó követelések			
10.	le: fizetendő általános forgalmi adó			
11.	III. Értékpapírok			
12.	IV. Pénzeszközök			
13.	**ESZKÖZÖK (aktívák) ÖSSZESEN** [(1.+5. sor) egyezően a mérleg 27. sorával.]			
14.	**C) Saját tőke (15.+16.+17.+18. sor)**			
15.	I. Jegyzett tőke			
16.	II. Tőketartalék			
17.	III. Eredménytartalék			
18.	IV. Egyszerűsített mérleg szerinti eredmény			
19.	**D) Tartalék**			
20.	**E) Céltartalékok**			
21.	**F) Kötelezettségek (22.+23. sor)**			
22.	I. Hosszú lejáratú kötelezettségek			
23.	II. Rövid lejáratú kötelezettségek (24.+25.-26. sor)			
24.	Pénzbevételből származó kötelezettségek			
25.	Pénzmozgáshoz nem kapcsolódó kötelezettsegek			
26.	le. előzetesen felszámított általános forgalmi adó			
27.	**FORRÁSOK (passzívák) ÖSSZESEN (14.+19.+20.+21. sor)**			

Kelt:

E. M. E. 01. - Kamipress

P.H.

a vállalkozás vezetője
(képviselője)

KÜLSŐ SZOLGÁLTATÁSI TEVÉKENYSÉG EREDMÉNYÉNEK LEVEZETÉSE

☐☐☐☐ ÉV

adatok E FT-ban

Sor-szám	Megnevezés	Előző év	Tárgyév
1.	I. Külső szolgáltatási tevékenység bevételei		
2.	Belső szolgáltatási tevékenység bevételei		
3.	Együttes bevétel		
4.	II. + Külső szolgáltatási tevékenység bevétele		
5.	– Külső szolgáltatási tevékenység költségei (ráforditásai)		
6.	Pénzforgalmi könyvvitel szerinti külső szolgáltatási eredmény		
7.	± Vásárolt készletek készletváltozásának értéke		
8.	– Befektetett eszközök tárgyévi értékcsökkenési leírása		
9.	± Pénzügyileg realizált vállalkozási eredmény		

Keltezés: _____ _____

közös képviselő

Terv. 1706/új r. sz. - Pátria Rt - (Fsz 5-9222)

8 a.u

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Bp. .... sz. társasház

..... ÉVI GAZDÁLKODÁS VÉGELSZÁMOLÁSA

Megnevezés	tervezett	tényleges	eltérés + —
KIADÁSOK			
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17			
Összesen			
BEVÉTELEK			
18			
.			
.			
.			
20			
Összesen:			
FELOSZTANDÓ KÖLTSÉG			

FORRÁSOK: Tárgyévi nyitó pénzeszközök + — ..... Ft
Közös költség befizetések ..... Ft
Bevételek összesen ..... Ft
Kamat, jóváírás ..... Ft
Egyéb .... Ft
Források összesen: ..... Ft

FELHASZNÁLÁS: Kiadások összesen
.....
.....
Felhasználás összesen: ..... Ft
Év végi záró pénzeszközök: — ..... Ft

Kelt: ..... év ..... hó ..... nap

....
számvizsgáló bizottság közös képviselő

127

9 m. well.

ÉVVÉGI ELSZÁMOLÁS

Em. ajtó	Tulajdonos neve	Rész-arány	Áthozat az előző évről		Tárgy-évi kiadás a tul.-ra	Tárgyévi záró	
			túlfiz.	hátral.		túlfiz.	hátral.
1	2	3	4	5	6	7	8

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10.AA.uu

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ÉRTESÍTÉS AZ ..... ÉVI KÖZÖS KÖLTSÉG ELSZÁMOLÁSRÓL

.....részére

..... cím

Értesítjük, hogy a Bp. ..... u. ..... sz. ..... em. ..... ajtó alatti lakástulajdont az 199 ..... év ..... hó ..... naptól 199 ..... év ..... hó ..... napig terjedő időszakra a közgyűlés által elfogadott végelszámolás alapján ..... Ft terheli. Az időszakra eső végelszámolás a tárgyi tulajdon részre ennek megfelelően az alábbi:

.....	évi záró hátralék	.....Ft
.....	évi záró túlfizetés	.....Ft
Tárgyévi befizetés		.....Ft
Tárgyévi kiadás (tulajdoni arányra):		.....Ft
Tárgyévi túlfizetés:		.....Ft
Tárgyévi hátralék:		.....Ft

19 ..... év ..... hó ..... nap

közös képviselő

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Budapest, ... ker., ... u. ..... sz. ingatlan központi fűtés költségeinek

Elszámolása

19...../19..... fűtési évre

1. Fűtési idény alatt leszállított — Ft .....

   I. o. szén ..... q — .....

   II. o. szén ..... q — .....

   koksz ..... q — .....

2. Tűzifa vagy alágyújtós ..... q vagy db — .....

3. Szállítási, rakodási, kocsikísérési, szénátrakási költség — .....

4. Központi fűtők részére (segédmunkások is) a fűtési idény alatt kifizetett munkabér (salakkihordás is) — .....

5. Fűtők és segédmunkások részére kifizetett munkabér (salakkihordás is) SZTK járuléka és egyéb szoc. teher (munkaruha, tisztítószer) stb. — .....

6. Egyéb költségek (villanymotoráram-díj, kazán és tüzelőanyag tárolóhelyiségek, fűtőberendezések tisztításához felhasználásra került tisztítószerek, munkaeszközök költsége. — Ft .....

7. Összes költség (1÷6 sorok) — Ft .....

8. Üzembentartással kapcsolatos ügyviteli költségek (7. sor után 4%) — .....

9. Felosztható költségek összesen (7+8 sorok) — Ft .....

10. Próbafűtés miatt felhasznált ..... q szén értékének jóváírása — .....

11. Összes költség (9—10)

12. Melegvíz szolgáltatásnál figyelembe vett személyek száma ..... fő

13. Melegvíz szolgáltatás költsége (személyenként és havonta 8,— Ft) — .....

14. Fűtésre felosztható költségek (11÷13 sor) — ....

Összesen fűtött légköbméter ..... m³

Egy fűtött légköbméterre eső költség .... Ft

Az 1/1963. ÉM NIM. sz. rendelet 23. § (1) bek. alapján a közölt fűtési, illetve melegvízdíj összegével kapcsolatban, az elszámolás kifüggesztésétől számított 8 napon belül íráshan kifogást lehet emelni. Az eszrevételt, illetve kifogást a kerületi Házkezelési Igazgatósághoz kell írásban postán bekuldeni. A határidő elmulasztása jogvesztéssel jár.

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Budapest, 19 .....

130

C. Hig. 64—2. r. sz. — Pátria-Nyomdi. 11 574 — 16 000 — 86-04110 PNy Kkfbár

a ..... sz. ingatlan központi fűtés költségeinek elszámolása

19 ...../19 ... fűtési évre

Sorszám	Emelet, ajtó	Tulajdonos neve	Helyiség m^2-re	1 m^2-re eső ktg.	Éves fűtési költség

FŰTÉSI KÖLTSÉG EGYEDI ELSZÁMOLÁSA

.....ker. ..... u. ..... sz. ingatlan központi fűtés költségeinek elszámolása 19 ..... /19 ..... fűtési évre

Sorszám	Emelet, ajtó	Bérlő neve	Bérl. lm3-re	1 lm3-re eső ktg.	Évi fűtési költség	Melegvízszolg. szem.száma	Melegvízszolg. 1 főre jutó Ft ktg.	Összes évi költség	19 ..../19 .... f. évi hátralék	19 ..../19 .... f. évi túlfiz.	Összes fizetendő	F. évi befiz.	F. év végi hátralék	F. év végi túlfizetés
Sorszám	Emelet, ajtó	Bérlő neve	Bérl. lm3-re	1 lm3-re eső ktg.	Évi fűtési költség	Melegvízszolg. szem.száma	Melegvízszolg. 1 főre jutó Ft ktg.	Összes évi költség	19 ..../19 .... f. évi hátralék	19 ..../19 .... f. évi túlfiz.	Összes fizetendő	F. évi befiz.	F. év végi hátralék	F. év végi túlfizetés
Sorszám	Emelet, ajtó	Bérlő neve	Bérl. lm3-re	1 lm3-re eső ktg.	Évi fűtési költség	Melegvízszolg. szem.száma	Melegvízszolg. 1 főre jutó Ft ktg.	Összes évi költség	19 ..../19 .... f. évi hátralék	19 ..../19 .... f. évi túlfiz.	Összes fizetendő	F. évi befiz.	F. év végi hátralék	F. év végi túlfizetés
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