ARTICLES

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AN INVESTOR'S JOURNEY FROM AGRICULTURAL LAND TO SOLAR POWER PLANT IN HUNGARY

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Abstract. *During the establishment of a solar park with a large area requirement, a preliminary problem arises that legal entity investors cannot acquire the ownership of property outside the scope of the Land Transfer Act until it is taken out of agricultural use. For this reason, there are two ways to change the land use prior to the first phase of the investment. One is the acquisition of the right of use under the scope of the Land Transfer Act and the subsequent securing of the ownership of the area with a pre-purchase agreement, while the other is the acquisition of ownership through the intervention of the local government.*

Keywords: *solar park, major investment, land transaction, strategic agreement, cultivation branch, municipal property, municipal land usage.*

Introduction

In recent years, we have all faced with changes in the price of electricity. Nowadays, companies and investors who act responsibly, adapting to the changed circumstances, invest in industrial solar systems in order to significantly reduce future energy price fluctuations. With the current electricity prices, the investment will pay for itself within a few years, thus bringing back the amount of the investment. It is especially beneficial for businesses with high energy consumption that their energy costs can be planned, their dependence on energy providers is reduced,

they gain a competitive advantage, and in the midst of carbon neutrality efforts, it represents a non-negligible marketing advantage.

In the context of agricultural law and the Hungarian real estate structure, there are two main problems that a legal entity investor has to face when he wants to establish a solar power park on an exterior land under cultivation. Firstly, the Land Transfer Act does not allow legal entities to acquire ownership of lands subject to the Land Transfer Act *(Act CXXII of 2013 on Transactions in Agricultural and Forestry Land — hereafter referred to as: Land Transfer Act of Lta. — Section 9 (1) c): "Ownership of land may not be acquired by legal persons, except as provided for in this Act.")*, and secondly, the land involved in the investment is almost without any exceptions owned by different owners, often in joint ownership, and registered as separate properties under separate parcel numbers at the Land Registry Office, which makes the whole contracting and land acquiring procedure extremely lengthy and complicated.

My present article aims to highlight some elements of my PhD research, which aims to reveal the regulations regarding the implementation of solar power parks by legal entities that feeds back electricity into the central system.

The first solution: the preliminary sales contracts[1]

To overcome the difficulties of legal entities in acquiring land ownership, my first — less efficient — proposed solution for any investor is to enter into long-term leases with the owners of the property to be acquired in order to obtain the right to use the land to be affected by the investment. These leases must be concluded for a period of at least 6 years, since the Lta. states that land use right shall not exist on condition that the party acquiring the land use right undertakes in the contract for the transfer of land use right (hereinafter referred to as: "land use agreement") to maintain compliance with conditions set out in the Lta. during the term of the land use agreement, and not permit third-party use of the land, and to use the land himself, and in that context to fulfill the obligation of land use[2].

So with a long-term lease agreement investors get the right to use the land — on which they want to accomplish their investment — agriculturally. With this they won't be able to start their investment, so at the end of this term the land utilization

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[1] *See more: István Olajos*. A Földforgalomhoz kapcsolódó szerződések anyagi és eljárási kérdései in Publicationes Universitatis Miskolcinensis Section Juridica at Politica [Material and procedural issues of contracts related to land traffic in Publicationes Universitatis Miskolcinensis Section Juridica at Politica] 2017/1. Pp. 381–392.

[2] Lta. section 42 (1) compare to: *István Olajos*. Földjogi Kiskáté — kérdés, felelet a magyar földjog aktuális kérdéseiről in Miskolci Jogi Szemle [Land Law Review — questions and answers on current issues of Hungarian land law in Miskolc Law Review], 2017/2. különszám. Pp. 409–417.

has to be changed from agricultural usage to industrial utilization. In order to do so, at the same time the investor signs the lease agreement, the parties also have to sign a preliminary sales contract, which can be closed after 6 years — by the end of the lease agreement, to acquire the ownership of the industrial land[1].

According to the Lta., ownership acquisition rights shall exist on condition that the acquiring party undertakes in the contract for the transfer of ownership not to permit third-party use of the land, and use the land himself, and in that context to fulfill the obligation of land use, and agrees not to use the land for other purposes for a period of five years from the time of acquisition *(Lta. section 13 (1))*. This 5 year restriction is what makes it necessary to sign at least 6 years long lease agreements.

This solution is problematic not only because of its length, but also because the Hungarian agricultural law also includes the institution of the pre-lease right, which belongs to every natural and local agricultural legal person according to the § 46 of the Lta. These persons may conclude the lease contract instead of the investor, in the order provided by the Lta, which makes it impossible to carry out the investment. There are some given cases listed in the act, in which the pre-lease right cannot be exercised, namely "The right of first refusal shall not apply

— to any lease agreement between close relatives; or

— to farm-transfer contracts which aim to transfer the land use right; or

— to lease arrangements between an agricultural producer organization, as the land user, and any member thereof who has at least 25 percent ownership share, or his/her close relative, or any person employed by such organization for at least three years, as the landlord;

— to any lease arrangement for forest land between a forest management association, as the land user, and its member, as the landlord;

— to lease arrangements relating to farmsteads *(Lta. section 48 (1))*.

In practice, neither the right of first refusal nor its exceptions can benefit the large investor, as they essentially facilitate the acquisition of land use right by farmers under a leasehold, and thus work against a large investor. The high degree of luck element precludes an investor from acquiring the land use right through a lease agreement and then using the pre-contractual sale and purchase methodology to acquire the property.

Should any investor be lucky enough that no person entitled to their first right of refusal exercises their first refusal right, a lease contract is concluded between the landowner and the investor, after the contract has been approved by the specialized administrative body *(Lta. section 51 (1))*. From this moment, the lessor is not allowed

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[1] *Csilla Csák*. A fenntarthatóság természeti erőforrásgazdálkodás jogi szabályozása in Műszaki Földtudományi Közlemények [Legal regulation of sustainability in natural resource management in Geotechnical Engineering Publications], 2013/2. P. 73–86.

to change the purpose of the land utilization for 5 years. If any investor is about to start a big solar power park investment on the 1st of June 2023, the actual works could only start in 2029, and until that time comes, the investor is obliged to use the land agriculturally, for which big companies are not ready for.

Problems arising from the preliminary sales contracting

The right of land use acquired by the lease agreement does not allow the use of the agricultural land for industrial purposes. The solution to this issue is to acquire the ownership of the property.

Since legal persons, including business companies, cannot acquire the ownership of agricultural lands in Hungary — with the narrow exceptions set out in the Lta. — the acquisition procedure must be structured properly, and before the conclusion of the sales contract, arrangements must be made to ensure that the land is transferred in a state in which the property is extracted from cultivation, this being the case, the restrictions on agricultural lands do not apply and the legal person carrying out the investment can acquire the land.

Given that this is a long period of uncertainty, it is advisable to settle the obligations of the parties in a preliminary sales contract concluded at the same time as the long-term lease agreement, in which the investor's obligation is essentially limited to financing the extraction. I must mention the jurisprudential point inherent in the pre-contract, namely that the seller's obligation is not merely to transfer the "thing" (the property) — "dare" –, but to perform acts which will bring about a future thing or state of affairs requiring his active intervention — "facere". Thus, the pre-contract falls into the category of "emptio spei", a contract for something that will happen or create in the future and is unascertained.

According to the § 215 of the 6th book of the Act V of 2013 of the Civil Code (hereafter referred to as: Civil Code), the parties have to implement in the preliminary sales contract their names and contractual status, the purchase price, the payment's structure and the exact data of the property in order to be able to identify it. To avoid legal loopholes in the future, it is also important that the preliminary sales contract also makes clear that by the purchase price both parties understand the price of the industrial land in 2029. The payments structure could consist about the next steps:

— The first 10% of the price could be paid at the time of the preliminary contracting,

— the next 10% is due as soon as the construction plan is ready,

— after that the next 50% comes by the "ready to go status" when the owner provides the construction permits,

— and the final 30% after the investor gets registered as the owner of the property.

After this, we should look at the problems arising from the closing of the sales contract. There are four main concerns I would like to mention:

1. The first one is that the Lta, and the Hungarian land transaction law can change at any time during this 5-year period and the investor has no control over it.

2. The second concern is that not only the land transaction law could be the subject of change, but also the Act CXXIX. of 2007 on the Protection of Agricultural Land — and with it the land protection law — might see changes at any moment, and the investor cannot intervene.

3. The next big question is the legal principle known as the "Clausula rebus sic stantibus", which enables the seller to file a civil lawsuit against the investor, because the circumstances have changed since the signing of the preliminary sales contract — usually the price of the real estate got higher.

4. The fourth and last problem is that we have to compare this solution to the other one — and this will become clear as soon as I explain the method of the strategic investment agreement. The preliminary contracting takes a lot of time (at least 6 years) until the investor can finally start carrying out the investment, and far more expenses, which he has to take as a loss and lost profit, and no investor likes lost profit.

The first two of the concerns mentioned above do not require further explanation, but I would like to explain my economic position on the third.

According to the §73 of the 6th book of the Civil Code "if the parties agree to conclude a contract between each other at a subsequent date, and they determine the substantial terms of this contract, the court may form the contract at the request of either party in accordance with the agreed terms (…). Either party may refuse to conclude the contract if he proves that

a) due to circumstance that occurred following the conclusion of the pre-contract, the performance of the pre-contract under the same terms would harm his substantial legal interest;

b) the possibility of a change in the circumstances was not foreseeable when the pre-contract was concluded;

c) the change in circumstances was not caused by him; and

d) the change in circumstances falls outside his normal business risk" *(Civil Code Section 6:73 (1) and (3)).*

The rising of real estate and property prices is now a well-known fact in Hungary. Looking at the period of 2011–2019, roughly 90% of the sold agricultural lands were ploughs[1].

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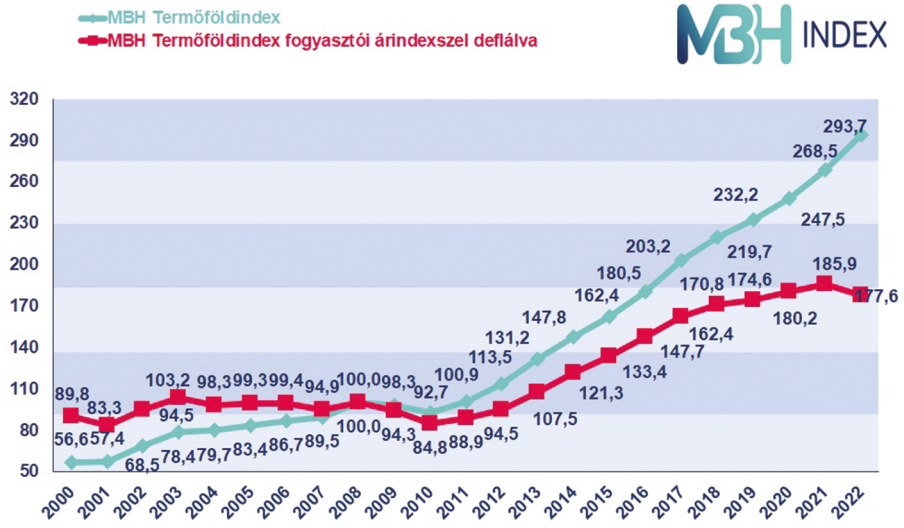
[1] *Csilla Csák*. Land prices — Slide 1 II. Miskolci Agrárjogi Fórum 2023. március 22 [Land prices — Slide 1 II Miskolc Agricultural Law Forum 2023 March 22.]: https://elearning.uni-miskolc.hu/zart/mod/folder/view.php?id=84215 (date of download: 28.12.2023).

In recent years, the price of a hectare of land has risen to 4–5–6 million forints, but similar prices of around 4.5–5 million were also seen at state auctions[1].

Based on this increase, land prices could reach up to 7–9 million forints per hectare by the time the final sales contracts are concluded in 2029. These are the foreseeable circumstances that parties should expect when entering into a pre-contract, but the increase in land prices is not necessarily predictable on a linear basis.



(The table is available on the AgrárUnió website)[2]

Recently a parabolic increase has started in land prices, which may already justify a reference to clausula rebus sic stantibus. If prices continue to rise, it can be invoked by the seller, and if there is a drastic fall, it can be invoked by the buyer.

If the conditions of the clausula rebus sic stantibus are fulfilled, the party may refuse to comply with the pre-contract, i.e. to conclude the contract. There is no guarantee that the legal relationship will remain unchanged; factors and circumstances may always arise which require a "review" of the original contractual relationship. In a "prospective" contractual relationship, where parties undertake to enter into a contract in the future (pre-contract), a change of circumstance is

[1] Agrárszektor: Óriási változások várhatók a földpiacon: jön az új szabályozás? [Farming sector: huge changes in the land market: new regulation coming?] AGRARSZEKTOR.HU 2023. DECEMBER 1. 06:01 in https://www.agrarszektor.hu/fold/20231201/oriasi-valtozasok-varhatok-a-foldpiacon-jon-az-uj-szabalyozas-46336# (date of download: 29.12.2023).

[2] AgrárUnió. Töretlen a termőföld árak emelkedése [Unbroken rise in farmland prices]. AGRÁRGAZDASÁG 2023.08.23. in https://www.agrarunio.hu/hirek/agrargazdasag/10752-toretlen-a-termofoldarak-emelkedese (date of download: 28.12.2023).

relatively easy to remedy: the parties have the possibility to enter into a contract with modified content. On the other hand, the contracting party may refuse to conclude the contract if the above conditions are met. In this case — i.e. where the contract is lawfully refused — the contract is not concluded at all. (Juhász, 2020 [13]–[14])

The lack of foreseeability of certain circumstances is a ground for exemption from the obligation to conclude a contract. Foreseeability always refers to the possibility of the entity involved (in this case, the contracting party) to "foresee the future" and its limits, and this is what is assessed in the contractual relationship. It is important to note that the case-law also links the foreseeability or unforeseeability of a circumstance or cause to the test of what is normally to be expected, and considers a given factor to be unforeseeable — at the time of the conclusion of the contract — if the party could not have foreseen it even if it had exercised the care normally to be expected. If the factor had been foreseeable to the contracting party under the standard of reasonableness, the party's claim cannot prevail because it cannot base its claim on its own negligence[1].

My point is that the economic perspective of the new Civil Code and Hungarian private law properly assess and offer excellent legal solutions to the unpredictable price increases of all real estates, including agricultural lands. In my opinion the emphasis is primarily on the parties' willingness to seek consensus, since they have the option to set a different purchase price from the price set in the preliminary contract when the final contract is concluded — this depends only on the ability and willingness to pay the existence of the intention to sell or buy — and to invalidate the preliminary contract at the same time. If, however, the parties fail to reach a consensus, the final contract can be enforced in court, but the final sales contract can be avoided by invoking unforeseeability in the course of the lawsuit.

The second solution: concluding a Strategic Investment Agreement with the local municipality

Now that the difficulties with the pre-purchase and leasing are clearly visible, I do not know of any investor who would like to set up a solar park in Hungary using this method. In order to overcome these shortcomings, I have tried to develop a second solution, which already meets the requirements of the business world, the so-called Strategic Investment Agreement *(Somoskői (author): In the present case this agreement will govern all aspects of the legal relationship between the parties, and in Hungarian law this agreement has contractual force)*.

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[1] *Ágnes Juhász*. A bírói szerződésmódosítás jogintézményének alkalmazhatósága a hatályos Ptk. és a kapcsolódó bírói gyakorlat szerint [13]–[14] Polgári Jog 2020/3-4 [The application of the legal institution of judicial contract modification is based on the current Civil Code and according to the relevant court practice [13]–[14] Civil Law 2020/3-4]. — Tanulmány in https://net.jogtar.hu/jogszabaly?docid=a2000203.poj (date of download: 28.12.2023).

The main part of this solution is to conclude an investment agreement between the investor and the local municipality, where the investor's primary obligation is essentially to finance the purchase of agricultural lands by the municipality.

The agreement may provide monitoring right for the investor to follow the relevant municipal asset management decrees and, if necessary, to attend the meetings of the municipal council with the right of consulting.

After the Strategic Investment Agreement is signed, the investor provides the municipality the funds needed to buy the agricultural lands for industrial purpose and the municipality can start the project, by providing the land usage right to the investor. In order to do this, the municipality will have to change its property order and its local constructional regulation. It should create a subsection stipulating that, if the municipality promotes energy investments from external sources, it must consent to the land user's industrial energy investments on the agricultural land in question, at the same time as it grants the right to use the land. This is important because the agricultural land acquired by the municipality will become the property of the municipality and the purpose of the acquisition is an industrial purpose, regulated by the municipal decree, namely the realization of an energy investment, so the land cannot be used for any other purpose.

Since the ownership of the land will not be acquired by the investor, but the municipality will become the owner from the investor's resources, the investor will need legal guarantees to protect its interest. This will be explained in more detail later on, but essentially it will be mortgages, prohibition on alienation and encumbrance, and the right to purchase, that will provide the legal protection for the investor.

Based on this solution, both the investor and the municipality can request the change of land utilization, and if an investor wanted to start a big solar power park investment on the 1st of June 2023, the construction project could end long before 2029 regarding the solar park, and could start the industrial activity — the generation of electricity — as soon as the state permission is provided after the completion of the construction.

The costs and expenses incurred on the investor's side under this proposed solution are only the price of the lands, and the expenses of the advisors, advocates and administrators.

Asset management issues

According to the Act CXCVI of 2011 on National Wealth, local governmental property, financial assets, shares, rights of property, their preservation and prudent management, which are the exclusive property of local governments, are part of the national wealth. Local governmental property can either be common property of business property.

Common property is used directly for the performance of compulsory municipal functions or the exercise of ambits. This category is not subject of our current examination and does not need to be discussed further.

Assets that form no part of the common property are the business assets of municipalities. Most of the business assets are marketable, while some assets are of limited marketability. Business assets are not subject to a prohibition on encumbrance or alienation and can therefore be encumbered or mortgaged, but they are also subject to the requirement that they should support the operation and purposes of the municipality[1].

The budget support system for local governments is currently based on a task-based funding system, whereby the National Parliament provides funding for their mandatory operating expenditure through the task-based funding system. Thoughtful management of business assets is an excellent way to overcome the financial problems of local governments[2].

In 2011, the National Parliament re-regulated the operation of local governments, their system of duties and competences, recognizing the right of local voters to self-government, taking into account the European Charter of Local Self-Government, and passed the Act. CLXXXIX of 2011 on Local Governments in Hungary (hereafter referred to as: Lgh.).

The Lgh. defines the municipalities' own revenues as income, profits, dividends, interest and rental from own activities, business and the use of municipal property, as mentioned above. In addition, it points out that own revenue also includes local and municipal taxes; funds received; fees, fines and charges payable to the municipality under a special law; and the total amount of the tax revenue of the municipality and its institutions[3].

One of the most important tasks of the local municipalities, which is not mentioned in the law, is to manage and preserve the assets of rural communities[4].

The land purchased with the investor's financing will form part of the municipality's business assets, which, as can be seen above, are marketable and encumberable.

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[1] *Csaba Lentner*. Önkormányzati pénz- és vagyongazdálkodás [Municipal financial and asset management] Dialóg Campus kiadó Budapest, 2019. Pp. 43–44.

[2] *Zoltán Varga (ed.)*. Jogi kihívások és válaszok a XXI [Legal problems and answers in the 21st century]. században 2. Miskolc, 2023. *Erdős — Szondi*, p. 36.

[3] *Csaba Lentner*. Önkormányzati pénz- és vagyongazdálkodás [Municipal financial and asset management] Dialóg Campus kiadó Budapest, 2019. Pp. 32–34.

[4] On the role of rural communities see more: *János Ede Szilágyi*. A vidéki közösség, illetve a vidék [Constitutional definition of rural community and rural areas] sui generis alaptörvényi meghatározása in Publicationes Universitatis Miskolcinensis, Sectio Juridica et Politica, Tomus XXXVII/2 (2019). Pp. 451–470 compare to: *János Ede Szilágyi*. A vidéki közösség koncepciójának változó kategóriája és jelentősége a föld, mint természeti erőforrás viszonyában [Changing the category and meaning of rural community in relation to land as a natural resource] in Publicationes Universitatis Miskolcinensis, Sectio Juridica et Politica, Tomus XXXVI/2 (2018). Pp. 485–502.

Ultimately, this is not what will make the municipality interested in the cooperation, as it will only be an intermediate owner, transferring the ownership to the investor. It will share in the benefits of the investment and property development through an increase in local business tax, which must be paid during the solar energy production[1].

On local taxes, in particular local business tax[2]

An important element in the functioning of local governments is financial independence, which implies the right to adequate sources of revenue to ensure the operation of the municipality and the performance of public functions, and to contribute to the achievement of local financial autonomy.

In Hungary, local taxes are negligible compared to welfare states, accounting for barely a quarter of total resources.

With regard to the above description of the municipalities' own revenue, it can be said that in practice all sources are of minor importance, with the exception of local taxes. Local taxes are those taxes levied at the municipal level, the rates of which may be set at the local level and which are used in whole or in part at the local level. There are definitions which do not consider use to be a compulsory element of the concept, but it is this feature which distinguishes local taxes from shared or devolved central taxes and traditional central taxes.

We should not ignore the fact that if the tax rate is set at the local level, but the amount collected has to be paid to the central government, then we cannot essentially talk about a local tax, as the municipality will only be performing the task of collecting the tax, and will not directly benefit from it.

In Hungary, the right of local governments to set taxes was introduced in 1990. Although local taxation existed before, the current categories can only partly be traced back to the historical payment obligations.

An important element of the change of regime for local financial autonomy was the adoption of the Act C of 1990 on local taxes, which gives municipal governments the opportunity to exercise local sovereignty in taxation and thus to develop local tax policy. The power to introduce local taxes has not changed much in the last twenty years, and since then, the councils of each municipality have been able to decide by local decree within the limits set by the Local Taxes Act. The imposition of local taxes has never been without limits: the type and level of taxes that can be levied, the

[1] *Péterné Olaj — Éva Járja*. Az ingatlanfejlesztő, ingatlankivitelető társaságok helyi iparűzési adó alapjának meghatározása in Adó [Determination of the local tax base for development and construction companies in the field of taxation] 2008/8. Pp. 37–40. Compare to: *Attila Kovács*. A helyi iparűzési adó aktualitásai [Current local business tax cases] in Adó 2022/7. Pp. 68–77.

[2] *Horváth M. Tamás, Bordás Péter, Vezendi-Varga Judit*. Államháztartási jog és közpénzügyek [Public finance law and public finance]. Debrecen University Press, 2023. Pp. 129–151.

lower and upper limits of the tax rates, and the discounts and exemptions that can be applied are laid down by law. This method is sometimes called a closed-list local tax assessment system which refers to the fact that the autonomy of local authorities to levy taxes is essentially limited to deciding whether or not to impose certain taxes.

International practice tends to use this type of local tax collection method, with far fewer examples of open list tax collection. The latter is understood to mean that local governments are free to set taxes at their own discretion, i.e. they can regulate not only the rate but also the subject and the subject of the tax at local level, which does not exclude the possibility of certain restrictive conditions being set by central legislation.

Five local taxes are currently subject to closed list assessment in Hungary: building tax, land tax, municipal tax on individuals, tourism tax and local business tax. Systematically, the first two are property type taxes, the second two are communal type taxes, while the last one — local business tax — is an occupational type tax. In general, the most important of these is the local business tax, which accounts on average for 40% of domestic revenue structure as a whole. Moreover, this type of local taxes' revenue is most dependent on local opportunities and endowments. The factors that most determine the taxing capacity of a municipality are the size of the municipality, the structure of its population, the type and value of its property stock and the presence of businesses in the municipality.

With regard to local business tax, it can be said that it makes taxable the business activity carried out on a permanent basis in the territory of the municipality, which is the activity of the entrepreneur for profit or income in this capacity, i.e. business activity. An entrepreneur carries on a business activity in the territory of the municipality if he has his registered office or place of business there, regardless of whether he carries on his activity wholly or partly outside his registered office (place of business).

The subject of the local business tax in principle is the entrepreneur, and all assets managed under a trust[1] under the scope of the Civil Code. The tax liability arises on the date on which the business activity starts and ceases on the date on which the activity ceases.

In the case of business activities, the taxable amount is the net turnover less

— the sum of the purchase value of the goods sold and the value of the services supplied;

— the value of subcontracted services;

— the cost of materials; and

— the direct costs of basic research, applied research and experimental development charged in the tax year.

[1] See more about trust: *Tiborné Czapkó.* A bizalmi vagyonkezelés [Fiduciary management of assets] in Adó 2021/11. Pp. 34–39.

Depending on the amount of the net turnover, the entrepreneur may reduce it in bands, as provided by law. If the entrepreneur carries on a permanent business activity in the territory of several municipalities or abroad, then the base of the tax must be apportioned by the entrepreneur in the manner most suited to the specific characteristics of the activity, as set out in the Annex to the Act. A simplified determination of the tax base is also possible.

The municipality has the possibility to grant tax exemptions or reductions to certain entrepreneurs. This exemption or reduction may only be granted to entrepreneurs whose tax base (at the enterprise level) calculated according to the law does not exceed HUF 2.5 million. The municipality may determine a tax base of less than HUF 2.5 million for the purposes of eligibility for the exemption or reduction. An important guarantee rule is that the scope of the tax exemption, tax reduction, must be the same for all entrepreneurs. The Local Tax Act provides for two forms of exemption, which, without going into the details of the rules, are as follows:

— Exemption of the regulated real estate investment company *(The rules for regulated real estate investment companies — and thus the exemption for them — may also be aplicable in our case, if a public limited company is going to implement the solar project, but I intend to do my research on this later. The relevant law is the Act if CII of 2011 on Regulated Real Estate Investment Companies)*: the regulated real estate investment company and the pre-contracting company and their project company are exempt from the local business tax.

— Exemption for purchasing cooperatives: purchasing and selling cooperatives are exempted from business tax, which exemption is a de minims aid and can be granted in accordance with the rules of the Commission Regulation (EU) No 1407/2013.

From 2000, the local business tax rate is capped at 2% of the tax base[1].

A further possibility for tax relief is the institution of tax reduction, according to which the tax payable for the tax year to the municipality where the company has its registered office or place of business may be deducted — up to the amount of the tax — from the tax payable for the tax year to the municipality where the company has its registered office or place of business, up to the amount of the tax deducted, up to a maximum of 7.5% of the toll payable for the use of dual carriageways, motorways and main roads, proportionate to the distance travelled.

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[1] The calculation of the local business tax rate to be paid by the investor is no longer a legal question, but an economic one, the methodology of which is explained in more detail in *Sándor Bozsik, Miklós Fellegi, Pál Gróf, Gábor Süveges, Judit Szemán*. Adózási ismeretek példatár [A model book of tax knowledge]. Miskolci Egyetemi Kiadó. 2013. P. 68. Compare to: *Sándor Bozsik*. A magyar adórendszer nemzetközi összehasonlításban, különös tekintettel a gazdasági válságra adott válaszra in edited by János Tibor Karlovitz: Kulturális és társadalmi sokszínűség a változó gazdasági környezetben Komárno, Slovakia: International Research Institute xThe Hungarian tax system in international comparison, with special attention to the response to the economic crisis. Edited by János Tibor Karlovics: Cultural and Social Diversity in a Changing Economic Environment. Komárno, Slovakia: International Research Institute]. (2014). Pp. 52–61

As of 2015, the revenue from local business tax has become earmarked. This means that the municipal local business tax revenue set by the municipal government is first in the case of the metropolitan municipality, as defined in a separate law — to the local the local public transport function, the local public transport function in particular, the revenue in excess of the total amount required for the to finance social benefits falling within the competence of the body of representatives of the municipality may be used. From the local business tax levied by the municipal government from the local municipal tax is used to finance the personal and the related employer's contributions and social security contributions tax and social security contributions.

Guaranties of the investor — obligations of the municipality

Since the ownership of the land will be acquired by the municipality, it is advisable to stipulate in the strategic investment agreement that all relevant sales contracts to be concluded by the municipality will include a mortgage[1], a prohibition of alienation and encumbrance[2] and a right of purchase[3] in favour of the investor for the amount of the financing[4].

First and foremost, it will require the municipality to open a dedicated bank account for the entire duration of the financing and to settle all purchase prices and costs incurred from this account, reporting quarterly to the investor[5].

In the strategic investment agreement, the investor can determine the payment structure, since it is the investor who will provide the funds, which will benefit the municipality — and therefore its citizens — in the long run.

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1 See more: *Graf Von Bernstorff, Christoph*. Jelzálogjog az Európai Unió államaiban in Magyar Jog [Mortgage law in the states of the European Union in Hungarian law]. 1997/10. Pp. 613–618. Compare to: *László Leszkoven*. Az aljelzálogjog in Közjegyzők közlönye [Sub-mortgage law in the Notary Bulletin]. 2000/9. Pp. 6–10.

2 See more: *Balázs Bodzási*. Az elidegenítési és terhelési tilalom szabályozása a Ptk.-ban és megsértése során alkalmazandó jogkövetkezmények in Magyar Jog [Prohibition of alienation and encumbrance provision in the Civil Code and legal consequences applicable in case of violation of Hungarian legislation]. 2020/4. Pp. 189–198. Compare to: *Tamás Ujvári*. Elidegenítési és terhelési tilalom a magyar jogban in Magyar Jog [Prohibition of alienation and encumbrance in Hungarian legislation]. 2004/7. Pp. 414–426.

3 See more: *Ádám Bukli*. A biztosítéki célú vételi jog [The right to purchase for security purposes] in Studia Iuvenum Jurisperitorium. 2012/6. Pp. 205–222. Compare to: *László Leszkoven*. A biztosítéki célú vételi jog néhány kérdéséről in Gazdaság és jog [On certain issues of the right to purchase for collateral purposes in economics and law]. 2004/12. Pp. 16–21.

4 See more: *Gergely Szalóki*. A biztosítéki vételi jog és zálogjog szabályozásának kapcsolata a bírói gyakorlatban [Relationship between the regulation of the right to purchase securities and the right of pledge in judicial practice] in De iurisprudentia et iure public. 2011/1. Pp. 148–155.

5 See more: A pénzforgalmi számla feletti rendelkezés joga és a képviseleti jog in Adó-kódex [Right to dispose of a payment account and right of representation in the Tax Code]. 2017/8. Pp. 38–39.

In the case of the investor's mortgage, I propose the use of a blanket mortgage[1], which means that the mortgage is registered on all the title deeds of the land purchased by the municipality up to the total amount provided by the investor[2].

The prohibition of alienation and encumbrance makes it impossible for the municipality to sell the land involved in the investment without the consent of the investor. The prohibition itself cannot be removed from the land register until the investor has granted permission to do so, which is conditional on full payment of the mortgage.

The right of purchase gives the investor the possibility to acquire the lands owned by the municipality by unilateral legal declaration, if necessary, without the consent of the municipality.

Closing words

The present introductory article on my PHD research topic also indicates the wide range of areas of jurisprudence it touches upon. However, in addition to the agricultural, environmental, civic, administrative, asset management and financial issues outlined in this article, the energy law aspect of the field is also significant, as it is not unimportant how solar energy, which is considered green energy[3], can be integrated into the energy supply system and at what price[4] the investor can sell it. I will address these questions in the further development of this article.

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[1] For more information on blanket mortgages, see: *Balázs Bodzási*. A keretbiztosítéki jelzálogjog szabályozása a magyar jogban in Állam- és jogtudomány [Regulation of the framework law on pledge mortgages in Hungarian legislation in state legal science]. 2010/3. Pp. 259–296. Compare to: *Géza Rapoch*. A keretbiztosítéki jelzálogjog átruházása in Jogtudományi közlöny [Assignment of framework deposit right under a mortgage]. 1930/3. Pp. 25–27.

[2] For more information regarding the land registration issues, see: *István Olajos — Ágnes Juhász*. The relation between the land use register and the real estate registration proceeding with regard to justification of the lawful landuse in Journal of Agricultural and Environmental Law. 2018/24. Pp. 164–193. Compare to: *Réka Pusztahelyi*. New Act on Real Estate Register in Hungary (from the viewpoint of civil law) in Davorin, Picler: Dubravka, Lasicek ed. Zakon O Vlastnisvu, Drugim Stavarnim Pravima, 1997–2022.: Stavarno Pravo U 21. Stoljecu Osijek, Croatia. 2022. P. 59.

[3] *Orsolya Bányai — Attila Barta*. A települési környezetvédelem elméleti és gyakorlati megközelítései [Theoretical and practical approaches to the protection of the urban environment] Gondolati Kiadó Budapest, 2018. P. 291. Compare to: *László Fodor*. A falu füstje — A települési önkormányzatok és a környezetvédelem a 21. század eleji Magyarországon [Village smoke — Municipal authorities and environmental protection in Hungary at the beginning of the 21st century] Gondolat Kiadó Budapest, 2019. P. 480.

[4] *István Olajos — Éva Gonda*. A villamosenergia és földgázszolgáltatás Magyarországon, különös tekintettel a Magyar Telekom szolgáltatásaira in Miskolci Egyetem Közleményei: Anyagmérnöki Tudományok [Electricity and natural gas supply in Hungary, with special attention to Magyar Telekom services at the University of Miskolc. Publications: Materials Science]. 2013/1. Pp. 83–93.

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