A Threat to the Core

Why the New Hungarian Transparency Bill is an Attack on the Foundations of the European Union

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On May 13, 2025, just before midnight, a FIDESZ deputy tabled a new bill before the Hungarian Parliament. The bill seeks to enhance "sovereignty protection measures" – launched in December 2023 by Act no. LXXXVIII of 2023 – by introducing sweeping transparency instruments targeting foreign-funded interference in Hungarian public life. These restrictions purposefully shrink civic space further, roll back protections of fundamental rights and impair the functioning of constitutional democracy in a retrogressive fashion. When adopted, Hungary's constitutional order will fundamentally regress from the state that existed at the time of its accession to the European Union.

Under the proposed bill, the Sovereignty Protection Office will advise the Government on preparing a register of entities that interfere in public life with the support of foreign funding. The National Tax Authority and banks will play a key role in enforcing the rules, which are framed as a safeguard against money laundering. Organizations included in the register will require approval from the National Tax Authority to accept foreign funding, while their ability to receive domestic funding will be restricted. Individuals involved in directing, managing, or supervising such organizations will be required to make annual asset declarations and will be subject to stringent financial sector screening of their personal finances.

Hungarian civil society actors referred to this approach as blacklisting. Márta Pardavi of the Hungarian Helsinki Committee warned: "If this bill passes, it will not simply marginalise Hungary's independent voices—it will extinguish them." If we are to believe Prime Minister Orbán's State of the Nation address from February 2025, this is exactly the intended effect of the new bill. Drawing inspiration from the Trump administration, the Hungarian Government claims to lead a campaign for increased transparency in EU funding in an effort to halt funding for civil society that it views as a "a tool to bankroll left-liberal activist groups, many of which are directly or indirectly tied to George Soros and his influence network."

The Hungarian government is fully aware that these measures run counter to European legal standards. In 2020, the Court of Justice of the European Union (CJEU) ruled that the earlier version of the transparency law (which targeted foreign-funded organizations) violated EU law. The new bill builds on the 2023 sovereignty protection act, which has been strongly criticised by the Venice Commission and is currently subject to infringement action before the CJEU (C-829/24). The Hungarian government's timing is strategic. The debate surrounding the proposed bill coincides with discussions on the European Democracy Shield – a comprehensive project that seeks to address "increasing threats to democratic institutions, systems and processes within the EU and the context in which they operate, both at national and EU level." As the European Commission noted in its brief for the ongoing public consultation: "Foreign actors are also increasingly targeting elections in EU member states and candidate countries. They seek to affect electoral outcomes, but also to undermine trust in electoral outcomes, the public sphere and democracy itself."

It is now on the European Commission to halt the retrogressive measures that Hungary is implementing in an attempt to reshape the Union's founding values (Article 2 TEU), including democracy and the fundamental human rights it entails. Failing to do so would amount to a tacit endorsement of Hungary's efforts to recast the foundations of the Union in illiberal terms

under the guise of creating transparency in the public realm.

Overview

The bill is part of a larger constitutional and legislative package (including a ban on the LGBTQ+ pride march, backed by a new amendment to the Fundamental Law) reshaping the Hungarian public space ahead of the 2026 elections.

The Sovereignty Protection Office is tasked with advising the Government on creating a public register of entities (Article 5) that endanger Hungary's sovereignty through activities aiming at influencing public life (*közélet befolyásolására irányuló tevékenység*) supported by foreign funding (Article 3(3)). The new bill defines foreign funding as any direct or indirect funding from abroad (Article 2(b)). A foreigner is defined as a person with a foreign nationality, including dual citizens (Article 2(a)), including Hungarians living abroad who received double citizenship.

The new bill considerably expands the scope of activities considered to endanger Hungarian sovereignty. The 2023 sovereignty protection act applies to actions influencing the outcome of elections and actions influencing the electoral will (Article 3(b) and (c)). In contrast, the new bill defines "public life"– in general terms – as democratic debate, governmental and societal decision-making processes, and the decisions of individuals exercising public powers (Article 3(3)). In addition, activities requiring registration, as specified in the new bill (Article 3(2)), include any activity or effort that infringes upon, portrays negatively, or advocates for challenging values enshrined in the Fundamental Law, such as:

- Hungary as an independent, democratic, rule of law state (Article B(1));
- the idea of one single Hungarian nation that belongs together (Article D(1));
- the protection of marriage and family (Article L(1)),
- the preservation of peace (Article Q(1));
- the protection of Hungary's constitutional identity and Christian culture (Article R(4)).

Being included in the register has consequences for the entity (organization) and its personnel. The organization's activities will be monitored by the National Tax Authority (Article 9), and its financial transactions will be monitored by banks (Article 10). Such an organization may accept foreign funding only with the permission of the National Tax Authority (Article 7(1)(b)). The scope of this permission is general and covers all foreign funds – not only those linked to activities endangering sovereignty. However, the details of how such permission is to be obtained or denied are not set out in the bill. Existing contracts concerning foreign funding become null and void once an entity is entered into the register, as the performance (fulfilment) of such contracts will become impossible (Article 35).

Furthermore, an entity included in the registry will no longer be eligible to receive funds through 1% redirected income tax donations (a source of funding for charitable causes) (Article 7(1)(c)), and it will be required to obtain a declaration (attested by two witnesses) from any future donor that the funds or support provided is not from a foreign source, either directly or indirectly (Article 7(3)).

Top officials, founders, and members of the supervisory board of such entities included in the register are required to make an annual declaration of assets (Article 7(1)(a), 14(a)), just like members of Parliament, to be mailed in hard copy to the Minister of Justice and published on a government website (Article 15). Failure to file an asset-declaration results in the loss of power of attorney regarding the entity (Article 17(2)), and attracts a fine (Article 17(3)) ranging from 500,000 to 2,000,000 HUF (approximately 1240 EUR to 4970 EUR), which may be imposed repeatedly and is not subject to judicial review (Article 18). If the failure to submit an asset-declaration persists for more than 30 days, the minister may bar the organization from operating altogether (Article 19(1)). Furthermore, such individuals are classified as 'politically exposed persons' (*kiemelt közszereplő*) pursuant to the 2017 against money laundering (Act LII of 2017 on Preventing and Combating Money Laundering and Terrorist Financing, Article 7(1)) and are also subject to enhanced customer due diligence (Article 14(b)).

The procedures outlined in the bill (e.g. inclusion in the registry by the government, granting of permission to receive foreign funding by the National Tax Authority) are unclear, with limited access to judicial review. In the procedure of the National Tax Authority, regular administrative remedies are expressly excluded (Article 9(2)); the final decision is subject to review before the *Kúria* (supreme court) (Article 9(3)).

Background and context

Contestation over restrictions on dissent and civil society – the shrinking civic space – has become a familiar theme in European public discourse in the era of democratic backsliding. The new Hungarian bill fits into a long line of measures targeting civil society organizations and dissenting voices. In June 2020, in C-78/18, *Commission v Hungary*, the CJEU found that the 2017 transparency act (Act no. LXXVI of 2017 on the Transparency of Organisations which Receive Support from Abroad) violated EU law, the free movement of capital, and fundamental rights protected by the EU Charter. Although the Hungarian Parliament repealed the 2017 transparency act in May 2021 under pressure from the Commission (via Act no. XLIX of 2021), restrictions on civil society organizations did not disappear.

In December 2023, the Hungarian Parliament passed the 12th amendment to the Fundamental Law, amending Article R(4) to establish an independent authority to defend Hungary's constitutional identity and Christian culture. This was followed by the adoption of the 2023 sovereignty protection act (Act no. LXXXVIII of 2023 on the Protection of National Sovereignty), which established the Sovereignty Protection Office. This act was widely criticized by supranational organizations, international and domestic civil organizations (Article 19, ECNL, Hungarian Helsinki Committee, and Amnesty International) for the excessive limitations it imposes on civil society in the public sphere. In March 2024 – acting on the request of the President of the Monitoring Committee of the Council of Europe's Parliamentary Assembly – the Venice Commission recommended the repeal of the provisions on the Sovereignty Protection Office. In October 2024, the European Commission initiated infringement proceedings against Hungary concerning the 2023 sovereignty protection act (C-829/24).

According to the Commission's communication, the "broad powers and discretion of the Office will affect a wide range of persons and entities, including civil society organisations, media outlets and journalists in a disproportionate manner." The Commission further asserted that the sovereignty protection law violates

> *"several fundamental rights enshrined in the EU Charter of Fundamental Rights: the right to respect for private and family life, the freedom of expression and information, the freedom of association, the right to legal professional privilege, as well as the presumption of innocence, which implies the right not to incriminate oneself. The Commission also considers that the law violates several fundamental freedoms of the internal market, the e-Commerce Directive, the Services Directive, as well as EU Data protection legislation."*

These warnings did not prevent the Hungarian government from relying on the 2023 sovereignty protection act to introduce additional measures restricting civic space. The new bill follows several public statements by Prime Minister Orbán promising legal measures against foreign-funded organizations and political movements involved in Hungarian political life. On February 22, 2025, in his State of the Nation address, he said:

> *"We will urgently create the constitutional and legal conditions which mean that we will not have to stand by helplessly while fake civil society organisations serve foreign interests and organise political operations under our noses. We should not have to stand by helplessly and watch them pocketing their mercenary's pay in full view of us, flaunting their impunity, citing and expecting international protection."*

He continued:

> *"We need to fight a continuous and increasingly complex battle with the Brusselite head of the Empire. The people from the liberal networks are now retreating to Brussels. This is a well-trodden path from America, already in use during Donald Trump's first presidency. Moreover, laws similar to ours are being passed in patriotic countries – you can see this in Israel and Georgia; there may be more to come, and the liberals will head to Brussels from there too."*

Senior Hungarian officials (such as András Lánczi, the president of the Sovereignty Protection Office) insist that the Hungarian law was fashioned on the US's *Foreign Agents Registration Act* (FARA) of 1938. Yet, in a blog post, Zoltán Kovács, the Foreign Ministry's spokesperson pointed to further (more contemporary) inspiration from Washington: "Just as the United States began cleaning house, freezing USAID funding, and initiating a major restructuring after widespread scandals, Hungary is also taking a decisive steps to defend its democracy from cover political influence."

European standards

The regulatory framework in the new Hungarian bill is styled as anti-money laundering legislation. This is a departure from the approach adopted in the 2023 sovereignty protection act, which was premised more narrowly on national security grounds. Despite this shift in emphasis, the applicable European standards are rather clear thanks to the C-78/18, *Commission v Hungary* judgment of the CJEU in June 2018 on the 2017 transparency law; the Venice Commission's March 2024 opinion on the 2023 sovereignty protection act, and the European Commission's October 2024 infringement action against the 2023 sovereignty protection act (C-829/24).

Key areas of concern include:

– Although the new bill is a complex piece of legislation that imposes restrictions on a wide range of civil and political rights, it is being passed by Parliament through *a rapid and non-inclusive legislative process*, without adequate consultation with opposition or civil society groups. As such, the process of its adoption raises the same concerns flagged by the Venice Commission in relation to the 2023 sovereignty protection act (see esp. para 26). As the Venice Commission noted in 2023, given the government's public statements about its intent to introduce such measures, there was ample time for debate and social consultation of the measures (para 26).

– In 2024, the Venice Commission raised concerns about the *flawed constitutional grounding* of the mandate of the Sovereignty Protection Office with reference to Article R(4), which mentions the protection of constitutional identity but not sovereignty (see esp. para 34). The same concern appears to hold in the case of the new bill and is equally valid for the involvement of the National Tax Authority and banks tasked with protecting sovereignty via financial transparency measures.

– The bill aims to address foreign influence in Hungarian public life in such *sweeping terms* that the Venice Commission found problematic in its 2023 urgent opinion on Poland's legislation to counter Russian influence as well as the opinion on Hungary's 2023 sovereignty protection act, warning that "flawed legislation might open the door for political misuse, have an influence on the electoral process and lead to the violation of human rights" (para 27). In particular, the Venice Commission pointed out that the scope of activities covered by the 2023 sovereignty protection law "goes clearly beyond acceptable transparency obligations on NGOs in relation to foreign funding" in Europe (para 55). As the concept of 'influencing public life' in the new bill goes beyond the sphere of electoral contestation, it stands to reason that the new bill also exceeds the acceptable transparency obligations for civil society organizations.

– The *binary distinction between foreign and non-foreign activities and interests* was previously found problematic by both the Venice Commission and the European Commission, as it does not take account of Hungary's membership of the European Union or Hungary's obligations under the EU Treaties. The concept of foreign funding used in the new bill includes funding originating from any EU member

state or by any EU institution whose seat is not in Hungary.

From the perspective of EU Law, the new bill seeks to restrict the free movement of capital under Article 63 TFEU in a manner that the CJEU found to violate EU Law in its judgment on the 2017 transparency law (C-78/18, esp. para. 62-64). According to the CJEU:

> *"86. The objective of increasing the transparency of the financing of associations, although legitimate, cannot justify legislation of a Member State which is based on a presumption made on principle and applied indiscriminately that any financial support paid by a natural or legal person established in another Member State or in a third country and any civil society organisation receiving such financial support are intrinsically liable to jeopardise the political and economic interests of the former Member State and the ability of its institutions to operate free from interference."*

Given that the scope of the prohibition in the new bill is wider and the sanctions are considerably more severe than in the 2017 transparency law, it stands to reason that the new restrictions cannot be justified as restrictions on the free movement of capital either.

The key terms used in the new bill are *vague and imprecise*, raising doubts as to whether the provisions are accessible and foreseeable – a rule of law (legality) concern previously raised by the Venice Commission regarding the 2023 sovereignty protection act (esp paras 74 es seq.).

Under the new bill's broad definition of interference with public life, any public criticism of Hungary's stance on the rule of law (as required for monitoring compliance with EU standards), or of the current constitutional conception of family and marriage, and related concepts (such as children's rights or gender identity underpinning the recent ban on the LGBTQ+ Pride march) would potentially qualify as an attempt to influence public life. The emphasis is on *potentially*, as the bill operates with such vague terms that the decision-maker will have unbridled discretion. This makes the application of the law completely unpredictable, creating a chilling effect for any civil society or media organization, think tank, or research institute engaging in scrutinizing (and potentially criticizing) the government.

This chilling effect impairs the exercise of fundamental political rights that are essential for the proper functioning of a European democracy – both domestically and at the European level. The chilling effect of the 2017 transparency law was a major concern for the CJEU due to its "deterrent effect on the participation of donors resident in other Member States or in third countries in the financing of civil society organisations falling within the scope of the Transparency Law and thus to hinder the activities of those organisations and the achievement of the aims which they pursue. They are furthermore of such a nature as to create a generalised climate of mistrust vis-à-vis the associations and foundations at issue, in Hungary, and to stigmatise them" (para 118).

In its infringement action against the 2023 sovereignty protection act, the Commission argued that "the Law at issue makes it possible to target activities that are a legitimate expression of the rights conferred by the EU Treaties on EU citizens and organisations and to restrict such activities." The new bill imposes even harsher consequences on organizations as well as on individuals. Similarly to its 2023 precursor, "it makes those citizens and organisations subject to the exercise of state powers that infringe the rules on data protection and are incompatible with a number of fundamental rights, which are the pillars of a pluralistic and democratic society."

The applicable European human rights concerns were set out by the European Court of Human Rights in its 2022 judgment *Ecodefence v Russia* on the Russian foreign agent rules, and will not be recited here.

Beyond questions regarding the legitimacy of the bill's aims pursued and the quality of its legal regulation, the *proportionality* of the measures and the *lack of adequate procedural safeguards* in the new bill are highly questionable.

As the bill does not specify the amount of foreign funding that would trigger registration, it follows that *any* amount of foreign funding is sufficient for being

included in the register. Similarly, there are no limits on triggering heightened scrutiny of the personal finances of key personnel of listed entities. According to the *Blitz*-analysis of a senior legal expert, when this bill is passed, it will be easier to finance terrorism in Hungary than to support an NGO or independent journalism critical of the government.

Procedural safeguards are scant to non-existent in the new bill, with seriously limited opportunities for judicial review. This violates access to justice and access to remedies both under EU and European human rights law.

Next steps?

The mayor of Budapest, Gergely Karacsony, asked the European Commission to take steps to prevent the law from taking effect. This appears to be a tall order, as the Commission has yet to respond in similarly preventive terms regarding the 2025 amendments of the assembly law that enable the banning of the LGBTQ+ march before its 30th anniversary or to the 15th amendment to the Fundamental Law passed in April 2025. This hesitation reflects a sense of trepidation, likely driven by the complexity of the legal issues involved – and is compounded by political considerations.

As the Commission is considering next steps, two concerns merit emphasis:

First, the new Hungarian bill imposes restrictions on political and civil rights, and ultimately threatens the functioning of constitutional democracy in Europe by purposefully removing safeguards that were in place in the Hungarian constitutional order at the time of Hungary's accession to the European Union. In other words, the new bill is a textbook example of constitutional retrogression and needs to be treated as such. The new bill constitutes a departure from Hungary's commitment to the Union's founding values (Article 2 TEU), a political commitment affirmed by its accession to the Union. According the to the CJEU (C-896/19 *Repubblika v Il-Prim Ministru,* para 63), the founding values of the Union are "common to the Member States", and respect for them was a prerequisite for accession; Member States are not at liberty to backtrack on their commitment to these values after accession. The Union retains the powers to defend these values in order to preserve its legal order (Case C-156/21 *Hungary v European Parliament and Council of the European Union,* paras. 124-127).

Second, the new transparency bill is the second piece of Hungarian legislation passed this year that builds on an earlier act currently under scrutiny before the CJEU as a result of infringement action. Just like the act preparing the ban of the LGBTQ+ Pride march, the new transparency bill introduces legal issues that warrant careful consideration under EU law. The President of the CJEU accepted the complexity of the legal issues raised by the 2023 sovereignty protection action act; yet, on February 12, 2025, he granted the Commission's requested for an expedited procedure, noting that the nature of the case requires that it is dealt with in a short time (para 19).

By refusing to await the (expedited) outcome of the pending CJEU case on the 2013 sovereignty protection act, the Hungarian government is plainly violating the principle of loyalty and the principle of sincere cooperation under Article 4(3) TEU, further underscoring the need for a robust response. As the Commission weighs a new infringement action concerning the new transparency measures, it should also seek an interim measure to safeguard the effectiveness of the outcome of the pending case on the 2023 sovereignty protection act. An interim measure preventing the entry into force of the new law would be a crucial step towards halting the retrogression of the founding values and the fundamental freedoms on which the EU is built.

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