



# Hungary

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Civil Group

**Five main social issues addressed by these organizations:** Leisure and Culture, Sports, Education, Health and Social Care, Environment Protection

**Average time established by law to register a philanthropic organization:** 31-60 days

**Average cost for registering a philanthropic organization:** US \$0

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government

### Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	4.0	3.5	3.5	2.5	3.0	3.30

## I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.*

### Question 1: To what extent can individuals form and incorporate the organizations defined?

<b>Score: 4.0</b>
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The Hungarian legislation ensures the right to everyone to establish and join organizations and communities based on freedom of association. The two traditional legal forms of nonprofit organizations are the association and the foundation. In addition to these, the CSO Law (Law CLXXV of 2011 on freedom of association, public benefit status and the operation and support of civil society organizations) recognizes an unincorporated legal form called ‘civil group’ (‘civil társaság’) that operates without legal personality. These three legal forms are considered ‘civil society organization’ as per the definition of the law. Political parties and trade unions are special forms of associations, however, they are excluded from the definition of CSO and regulated by other laws. Therefore, the current questionnaire will not reflect on them. In addition, the Hungarian legislation recognizes additional nonprofit organizational forms, including nonprofit companies, which are also not covered under the questionnaire. In addition, natural persons may create informal communities without registered membership, internal governance structure and regular operation.

Associations are generally permitted to engage in all activities that are not prohibited by a law and correspond with the Fundamental Law of Hungary (i.e., the Constitution). Associations cannot be formed for criminal or military purposes, to violate the rights and freedom of others, or to undertake a public task which is reserved for state bodies (Article 3 (3)-(5) of the CSO Law). In addition, it cannot be formed for the purpose of economic activities and may conduct such activity only if it is directly related to the realization of the organization’s purpose.

Foundations are established for the continuous realization of a permanent purpose. Similarly to associations, there are limitations on economic activities. In addition, foundations cannot be established in the interest of the founder, donor, officer or members of any bodies of the foundation or their relatives (Article 3:379 (4) of the Law V of 2013 on Civil Code). However, Article 3:386 of the Civil Code provides exception for foundations that are engaged in nurturing the scientific, literary or artistic work of the founder or a relative or provide medical assistance, bear the health care costs or support the studies of a relative.

Civil society organizations (CSOs) are registered by the competent county court. The process of registration remains to be lengthy, up to 60 days or even longer in the event that a correction of application is necessary, as the timeframe provided for correction may be up to 45 days and may be extended one time upon request. The Law on the Court Registration of CSOs (Law CLXXXI of 2011 on the Court Registration of CSOs and the Relative Procedural Rules) regulates the list of documents that need to be submitted along with the application. The registration time is shorter – 15 days – in case of simplified electronic registration with template statute. If the court fails to meet this deadline and the decision is not made in the next 30 days, the registration takes place on the following day by course of law (Article 32 (2) of the Law on the Court Registration of CSOs). The Law regulates a

closed list of grounds for rejection and ensures the right to appeal. The decision-making of the county courts is generally independent and apolitical, however, there have been concerns related to the inconsistency of decisions as judges interpret the legal requirements differently in the absence of any central guidance or position ([USAID, 2015](#)).

There is no limitation for the establishment of CSOs by foreigners. Minimum founding assets are not required for associations. For foundations, however, the founder shall provide the founding assets necessary to accomplish the purpose of the foundation (Article 3:382 (1) of the Civil Code). The legislation does not set minimum amount; the sufficiency of the founding asset is decided on a case-by-case basis, depending on the purpose of the organization. The total amount of the founding asset shall be given to the foundation one year after the registration at the latest. The registration process is free of charge.

**Question 2: To what extent are POs free to operate without excessive government interference?**

**Score: 4.0**

The constant alteration of the legal environment, including the adoption of the new Civil Code, caused a serious hindrance to organizations' daily operations and put increasing administrative burden both financially and in terms of time spent on performing such tasks ([EU-Russia Civil Society Forum, 2017](#)). CSOs had until March 15, 2016 to adapt their statutes to the provisions of the new Civil Code, which deadline was extended until March 15, 2017. Smaller organizations were particularly unlikely to be able to change their statutes as needed without external assistance (USAID, 2015).

The governance rules of the new Civil Code are generally permissive, i.e. allow alteration from the law, with certain exceptions. The three categories of exception are: if 1) the law prohibits variance from the law; 2) the different regulation would unambiguously violate the rights of the creditors, employees or the minority members of the legal person; or 3) jeopardize the supervision of the legitimate operation of the legal person (Article 3:4 of the Civil Code). In a few cases the prohibition to differ from the law may unnecessarily restrict the freedom of a CSO to determine internal governance, e.g., the executive director of an association cannot have a term exceeding five years. Also, it depends on the court practice how the other two categories of exceptions are applied. As an example, according to the new Civil Code the board of trustees of the foundations consists of three natural persons out of which at least two need to have a permanent address in Hungary. In case of associations, the executive officers shall all be appointed from among the members of the association; based on the authorization of the articles of association up to one third of the executive officers may be appointed from non-members. According to some experiences, the court practice does not allow difference from these regulations, either.

CSOs can freely cooperate with other CSOs and businesses in- and outside of Hungary and create networks. There are no limitations on using the Internet and all forms of social media. At the same time, the Hungarian government views CSOs that are critical of the government and those who receive funding from abroad as its adversaries and aims to undermine their credibility (see further details under question 8).

CSOs are subject to complex reporting requirements. All CSOs need to prepare and deposit their annual report and public benefit annex at the National Office for the Judiciary, including those that do not have a public benefit status and are not aiming to obtain it in the future. The reports are publicly accessible at the court registry and shall be also disclosed on the organization's website, if such exists. In addition, those CSOs that receive donation or 1 percent tax designation shall develop separate reports on the utilization of these sources of funding.

Despite such stringent reporting requirements, the National Anti-Corruption Program for 2015-2018 has foreseen introducing further measures regarding the transparency of CSOs and examining the possibilities of widening the scope of civil society leaders obliged to submit a declaration of property. In December 2016, the legislative agenda of the Parliament for spring 2017 proposed the amendment of the CSO Law and the scope of those obliged to submit a declaration of assets, with reference to the National Anti-Corruption Program and a related Government resolution from 2015. While the rules on asset declaration remained unchanged, the Parliament adopted the Law on the Transparency of Foreign Funded Organizations in June 2017 burdening CSOs with additional reporting requirements on their foreign resources. The Law is widely viewed by intergovernmental and civil society organizations as a major obstacle to the work of Hungarian CSOs and their interactions with civil society domestically and internationally (see further details under question 7).

**Question 3: To what extent is there government discretion in shutting down POs?**

<b>Score: 4.0</b>
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The general assembly of a Hungarian association is free to decide on the voluntary termination, merger or demerger of the organization. In case of foundations, however, the founder is not entitled to voluntarily terminate the organization. A foundation terminates without legal successor only in the following cases: the organization was established for a definite period and such period expired; the termination of the organization is bound to the occurrence of a specific condition; the organization accomplished its original purpose and the founder did not determine a new purpose; the accomplishment of the purpose became impossible and it is not possible to change the purpose or merge with another foundation; or, it has not carried out activities in pursuit of its objectives throughout the past three years. If any of these cases occurs, the board of trustees is required by law to both inform the founder to take the necessary steps and to notify the supervisory board and the auditor. If the founder does not take the necessary steps within 30 days, this failure constitutes grounds for termination and must be reported by the board of trustees to the court. Finally, voluntary termination may also occur if the founder decides to merge or demerge the foundation, but only if the founder already provided the founding assets for the organization. In addition, the merger or demerger may not derogate the assets or jeopardize the purpose of the foundation.

The procedures for involuntarily termination are different from those associated with voluntary termination. Under Hungarian law, the court may dissolve a CSO upon the court procedure initiated by the prosecutor in case its activity or operation violates the CSO Law: a CSO is formed for criminal, military or unlawful purposes; established to violate the rights and freedoms of others; or to undertake a public task that is reserved for state bodies. In addition, CSOs may involuntarily terminate as a result of bankruptcy and liquidation procedures. The process for bankruptcy and liquidation is, however, quite complex and both the CSO Law and the Law XLIX of 1991 – which defines bankruptcy and liquidation procedures – have to be applied in tandem which may cause difficulties

for CSOs. CSOs shall receive advance written notification about the claim and may dispute it in civil proceedings. Upon the request of the CSO the court may provide up to 90 days delay in payment. The suspension of a tax identification number can also lead to legal and existential uncertainty for CSOs, as demonstrated during the investigation carried out by the Government Control Office against the NGO Operator Consortium and the beneficiaries of the EEA/Norway Grants NGO Fund (see further information under question 8). Also, failure to comply with the new Law on the Transparency of Foreign Funded Organizations may result in high fines and possibly termination (see further information under question 7).

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

### Question 4: To what extent is the tax system favorable to making charitable donations?

Score: 4.0

Since 1 January 2010, individuals and private entrepreneurs have no longer been entitled to tax benefits for charitable donations. Tax benefits were abolished together with several other tax benefits as part of an austerity package during the financial crisis.

As a result, tax deductions are only available for corporate donations and are subject to certain limitations. Such donations are only tax-deductible if they are made to Hungarian CSOs with public benefit status. These deductions allow qualifying firms to reduce the pre-tax profits by 20 percent of the donation if the donation supports the public benefit activity of a public benefit organization. Furthermore, an additional 20 percent of the donation may be deducted if it is provided under a long-term donation contract wherein the donor pledges to continue providing the donation for at least the next three years. It is important to note that tax deductions may be applied up to the amount of the aggregate pre-tax profit.

The process for claiming the deduction – articulated in Article 7 (1) (z) and 7(7) of CIT Law – is simple and a corporation needs only to obtain a certificate from the beneficiary organization and indicate the amount of the tax deduction in its annual financial report.

As of 1997, individual taxpayers can designate 1 percent of their personal income tax to a CSO that carries out public benefit activities as well as some other institutions. Furthermore, according to Law CXXVI of 1996, an additional 1 percent can be dedicated to churches and a specific budget priority.

### Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.0

Associations and foundations enjoy various benefits including exemptions from corporate income tax, local taxes, and other taxes and duties. Limited additional benefits are also available for those associations and foundations that have public benefit status.

The income of associations and foundations is exempt from corporate income tax if it is derived from the following activities: (1) the acceptance of donations; (2) mission-related activities (including public benefit activities); (3) the placement of funds into deposit, security, or company share; and (4) the purchase of real estate, assignment, and transfer of its use is (Act LXXXI/1996 Section 9(1a) and Act CLXXV/2011 Section 2 point 11). Furthermore, there is a tax-exempt threshold under which the foundations and associations shall not pay corporate income tax after income arising from business activity. This threshold is currently set at 10 percent of annual income and the income from business activity shall not exceed HUF 10 million (approximately US \$39,200).

Organizations also benefit from a number of smaller incentives, and not only are foundations and associations exempt from all local taxes but they also enjoy personal duty exemptions from gift duties, inheritance duties, duties on property transfers, and procedural duties. Nonetheless, these benefits are tempered by the fact that Hungarian organizations may only enjoy such exemptions if they have no tax liability on their income from business activities in the previous year. Similarly, vehicles owned by foundations and associations are also exempt from the vehicle taxes provided that they have no corporate tax liability from the previous year.

Finally, limited additional indirect benefits are available for those CSOs that have public benefit status. In addition to the eligibility for tax deductions after a corporate donation, public benefit organizations are also eligible for a higher tax-exempt threshold of 15 percent after income from business activities.

Taken together, the range of CSOs that are eligible to tax exemptions is relatively broad. However, CSOs that benefit from such tax exemptions do not automatically benefit from tax deductible donation. While people are generally allowed to donate to CSOs, only public benefit organizations (PBOs) are eligible to receive tax benefited donations. The number of PBOs, however, declined dramatically due to the new public benefit criteria and the requirements for re-registration. Specifically, the CSO Law introduced an overly narrow interpretation of public benefit activity, and focuses on the CSO's contribution to government tasks – central or at the local government level – rather than the broader meaning of public goods. CSOs have to prove that they have maintained sufficient levels of resources and social support in the past two years. All organizations that were awarded their public benefit status under the former Law CLVI of 1997 on public benefit organizations had until May 2014 to reapply and prove that they complied with the new criteria in order to retain their status. As a consequence, the number of PBOs decreased from 55 percent to 19 percent of the sector ([Central Statistical Office, 2018](#)). In addition, the scope of tax benefits to support team sports, film production and organizations engaged in performing arts was extended and due to the more favorable conditions they gained bigger popularity among domestic companies and thereby discouraged donations to CSOs ([Hungarian Donors Forum, 2013](#)).

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

**Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?**

**Score: 4.0**

Cross-border charitable donations can be sent without incurring additional costs. As described earlier, there is no tax deduction available for donations by individuals, and the same paucity applies to cross-border donations by individuals. In cases involving corporate donations, tax benefits are attainable only for those charitable donations provided to Hungarian public benefit organizations, given that the beneficiary organization has to carry out public benefit activity as per the definition described in the CSO Law. Namely, public benefit activity is defined as an activity that directly or indirectly serves public (governmental or local governmental) duties and hereby contributes to the satisfaction of the joint needs of the society and the individuals. As a result, while Hungarian firms and citizens are not prevented from giving to foreign organizations, they are presented with no incentives to do so.

**Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?**

**Score: 3.0**

In June 2017 Hungary adopted the Law on the Transparency of Foreign Funded Organizations that puts a label and onerous burdens on CSOs that fall under its scope. The law introduces the new category of “foreign-funded organizations,” which applies to all Hungarian associations and foundations receiving HUF 7.2 million (approximately US \$28,300) or more within a given tax year from foreign sources, including individuals, foundations, government aid agencies, and directly from the European Union (EU). Such organizations must notify the court to be registered as “foreign-funded organizations”. Organizations are also publicly labelled meaning they must indicate their status on their websites and in their publications and press materials. The status is published on the CSO Registry and on the electronic portal of the Ministry of Human Capacities. CSOs are burdened with additional reporting requirements on their foreign resources – e.g., they have to report on each transaction they have had with donors who have contributed at least HUF 500,000 (approximately US \$2,000) per tax year, and provide donor’s names, location, etc. Failure to comply with the law (e.g., to notify the court) will result in high fines and possible termination. There are concerns that the law, coupled with a negative campaign by the government, will threaten CSO ability to raise and disburse funds as well as their sustainability and ability to operate. The international community, including the [Venice Commission](#), [CoE Conference of INGOs Expert Council on NGO Law](#), [EU Parliament](#), [UN Special Rapporteurs](#), have all warned that the Law violates international standards, including the rights to freedom of association and expression. In December 2017, the European Commission referred Hungary to the European Court of Justice to challenge the Law. (For further

information see: <http://ecnl.org/hungarian-law-on-the-transparency-of-organisations-supported-from-abroad-what-is-at-stake/>)

The Hungarian government's earlier treatment of the EEA/Norway Grants NGO Fund and organizations funded by Soros Open Society Foundations demonstrate that cross-border funding of CSOs, and especially the human rights and watchdog organizations, has been in jeopardy already in 2015-2016 (see further information under question 8). As early as December 2014 the prime minister intimated in an interview that he would back legislation to force non-governmental organizations funded from abroad to be specially registered to know "who's in the background" of such groups. Foreign funded organizations have been subject to hostile government rhetoric, including accusation of inciting violation of law and interfering with Hungarian politics. In September 2016, the deputy head of the ruling party requested the National Security Committee and security agencies to inspect the organizations "cooperating with the Soros-network". In October 2017, the Prime Minister called for Hungarian intelligence agencies to investigate Soros-funded CSOs and their connections, suggesting that such organizations undermine national security by trying to influence immigration policy.

#### IV. Political and Governance Environment

*The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.*

**Question 8: To what extent is the political and governance environment favorable for philanthropy?**

<b>Score: 3.0</b>
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Hungarian CSOs note a general deterioration of their interaction with national authorities ([Council of Europe, 2016](#)). The government views CSOs that are critical of the government as its enemies and aims to undermine their credibility ([Eötvös Károly Policy Institute et al., 2014](#)). CSOs have been subject to harmful rhetoric denouncing the sector and labelling some CSOs as foreign agents, paid political activists serving foreign interests ([Cabinet Office of the Prime Minister, 2014](#)) and Soros-organizations. Independent CSOs are denied access to State-run media outlets, face funding impediments, are blacklisted from government cooperation and are subjected to excessive and unjustified inspections ([Michel Forst, the UN Special Rapporteur on the situation of human rights defenders, 2017](#)). The investigation carried out by the Government Control Office against the NGO Operator Consortium and the beneficiaries of the EEA/Norway Grants NGO Fund - which has been supporting projects in the areas of democracy and human rights, gender and equal opportunities, empowerment of vulnerable groups and other issues crucial for pluralism - has been emblematic of this tension. Government accusations suggested that the leading member of the Consortium is politically affiliated and the grants may be distributed to support political interests. The Government Control Office (KEHI) carried out a comprehensive investigation on the spending of the Norwegian NGO Funds, despite the fact that the Consortium members, the Norwegian Government and the beneficiary CSOs all claim that KEHI does not have any authority to do so. The tax number of the Consortium members were suspended, the office of two Consortium members were raided in September 2014. The international community, including the Council of Europe Commissioner for



Human Rights (2014) also expressed their concerns. The raids were found to be unlawful by the court in January 2015. Despite the serious accusations raised during the investigation, not a single proceeding had resulted in a conviction (Michel Forst, 2017). Prodded by the Hungarian government to follow suit, local elected representatives in several cities launched attacks on CSOs in 2017, questioning their credibility and compromising their operations. One of the local governments adopted a municipal decree declaring “Soros organizations” undesirable and calling on citizens and local businesses not to provide services to them. Some CSOs have found it difficult to rent an office or organize an event in such municipalities.

The space for CSOs participation in policymaking has also been shrinking. The government prefers to use MPs’ legislative motions, which are exempt from the legal requirement for consultation under the Law CXXXI of 2010 on the social participation in the preparation of the legal regulations. According to the opinions of CSO leaders, professional cooperation with high-ranking officials of state institutions has become almost impossible because differing opinions are depicted by the government as political differences, and in most areas, the decisions are based on political considerations. (EU-Russia Civil Society Forum, 2017).

**Question 9: To what extent are public policies and practices favorable for philanthropy?**

<b>Score: 2.0</b>
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The government measures and negative rhetoric against CSOs, and particularly the human rights and watchdog organizations, generally impede CSOs philanthropic efforts and equal access to resources. The government has made attempts to control how international funding is distributed to CSOs and discredit organizations that benefit from foreign resources, as demonstrated by the EEA/Norway Grants NGO Fund case and the negative rhetoric against Soros foundations. Also, the new Law on the Transparency of Foreign Funded Organizations adopted in June discriminates against organizations that receive foreign funding.

According to the latest statistics (Central Statistical Office, 2018) state funding represented 38 percent of the total revenues of CSOs in 2016. The civil fund, currently known as the National Cooperation Fund (NEA), has been one of the most important governmental source of institutional and project support for CSOs. However, its budget has been subject to major fluctuations since 2009, as the law does not set a minimum amount. The decision-making process is politicized and lacks transparency. The members of NEA’s decision-making body appointed by the government are in the majority; the presidents of the bodies making decisions and controlling the Fund are appointed by the minister and 10 percent of the Fund resources are allocated by the minister in his own scope of authority (EU-Russia Civil Society Forum, 2017). Government contracting of CSOs has practically disappeared, and the remaining contracts also mainly benefit pro-government organizations and churches. Under these circumstances, many CSOs – especially those engaged in advocacy or politically disfavored issues such as women’s rights, LGBT rights, and work with drug users – cannot rely on public sources at all (USAID, 2015).

There are few initiatives that can indirectly promote private giving to Hungarian CSOs. The National Cooperation Fund provides institutional support to CSOs partially as so-called “supplementary normative support”. The support may equal 5 percent of the donations collected and declared by the applicant organization in the previous tax year but may not total more than HUF 500,000

(approximately US \$2,000) (Law CLXXV of 2011, 56. § (1) a), and of 5/2012. (II.16.) KIM Decree, art. 12 (3)). In addition, some county Civil Information Centers organize fundraising training for CSOs. Also, regulation on the percentage designation mechanism underwent some positive changes in 2015. Since then taxpayers can decide to reveal their identity to the beneficiary CSOs which can facilitate long-term collaboration with donors. In 2017, the mechanism was simplified for churches by allowing a one-time designation that is renewed annually until the taxpayer withdraws the designation or replaces it with a new beneficiary church. Despite advocacy efforts, the CSO scheme was not similarly simplified, demonstrating the government's discriminatory treatment of CSOs.

## V. Socio-Cultural Environment

**Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?**

<b>Score: 3.0</b>
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The concept of corporate social responsibility emerged broadly in the first decade of the 21st century though the phenomenon was not completely new (Hungarian Donors Forum, 2013). Corporate philanthropy has a long tradition in Hungary, which was not fully broken in the communist era. For state-run companies it was almost obligatory to develop some form of corporate welfare policy ([Harsányi et al., 2005](#)). However, corporate giving is still more widespread among multinational companies and dependent on the management in case of SMEs.

The 2017 World Giving Index showed a decline in donations, with 17 percent of respondents donating to charities in 2016, compared to 20 percent in 2014 and 24 percent in 2013 ([CAF, 2017](#)). However, crowdsourcing is spreading through websites such as adjukossze.hu, which is operated by the Nonprofit Information and Education Center (NIOK) (USAID, 2015). The collected amount and number of donors have been gradually increasing. In 2015, there were 60 successful campaigns with HUF 21.5 million (approximately US \$84,500) collected by 3,000 donors. In 2016, 69 campaigns were run on the site, collecting nearly US \$100,000 from almost 3,500 people (NIOK, 2015 and 2016).

According to surveys annually prepared by the Association of Community Developers, the public trusts CSOs more than any other institution, including local governments, the police, the church, the courts, Parliament, politicians and the public administration. According to the latest survey (2017), trust towards CSOs has become firmer and more vigorous since 2012. This may be attributed to various reasons, including civil society advocacy efforts becoming more powerful; social reflections to events such as the migration crisis; and the contra productivity of aggressive government measures, including legal constraints and administrative harassment against CSOs ([Péterfi, 2017](#)). However, the public is still unclear about the role and activities of CSOs, especially with regard to activities that can be deemed political in any way. Such activities are often portrayed as interfering with the roles of government and politicians. In this regard, the distinction between party politics and policymaking is often blurred (USAID, 2015). The MACI campaign, which so far has been supported by around 500 CSOs, aims to promote public understanding of CSOs' work and increase 1 percent tax assignments to CSOs ([sziamaci.hu](#)).

## VI. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

### Current state of the philanthropic sector

Hungary has a vivid civil society, including approximately 54,000 registered associations and foundations. In addition, many informal groups have been formed to respond to emerging challenges, such as the influx of refugees (e.g. Migration Aid), poverty and homelessness (Heti Betevő), which later have become institutionalized. More than 154 thousand people work for nonprofit organizations and more than 400 thousand people volunteer in the sector (Central Statistical Office, 2018). The community foundation sector is emerging and there are promising new initiatives (USAID, 2015).

### Three major recent events affecting the philanthropic landscape between January 2014 and December 2017

- Attacks against EEA/Norway Grants NGO Fund: The investigation carried out by the Government Control Office against the NGO Operator Consortium and the beneficiaries of the EEA/Norway Grants NGO Fund has been emblematic of the government's attempts to control independent sources of funding and delegitimize CSOs active in the field of promoting human rights and democratic values. As a response, the sector launched the so-called MACI (Magyar Civilszervezetek/"Hungarian civil society organizations") communication campaign in 2015 that aims to raise awareness of CSOs work and contribution to society (sziamaci.hu);
- Refugee crisis and anti-Soros campaign: In 2015, Hungary was challenged by an influx of refugees, largely from Syria. The government's negative campaign prompted an unprecedented response from civil society. Informal groups emerged to provide care for the thousands of refugees who arrived daily and were neglected by the public welfare system (USAID, 2015). On the other hand, it also prompted unprecedented government accusations against CSOs claiming that the flooding in of migrants is enhanced by those activists "who support everything that weakens the nation states" (Cabinet Office of the Prime Minister, 2015) and the "entire domestic pro-migrant civil sector belongs to the sphere of influence of Soros". This culminated in the national consultation and led to the adoption of the Law on the Transparency of Foreign Funded Organizations in 2017, which stigmatize foreign funded CSOs and influence the general environment for charity and philanthropy; and
- Proliferation of new, digitally based fundraising methods: Private giving is becoming more popular through new fundraising methods such as crowdfunding, SMS and bank transfers through specialized web portal [www.adhat.hu](http://www.adhat.hu) maintained by the Nonprofit Information and Training Center.

### Future development trends in the philanthropic landscape

The environment for CSOs operation will further deteriorate during year 2018. On January 18, 2018, the Hungarian government introduced a package of three draft laws targeting CSOs under the title "Stop Soros" ("Stop-Soros Package"). The revised version submitted to the Parliament in February

targets CSOs that work on migration and asylum in almost any capacity. CSOs that fit such vague criteria would have to obtain a license from the Minister of Interior to continue activities such as conducting advocacy activity and campaigns, producing information materials, engaging volunteers, and using foreign funds. The licensing process could take up to nine months and would include national security screenings. Failure to apply for a license would trigger legal proceedings against the organization that could ultimately result in dissolution by a court. Licensed groups would be required to pay 25 percent tax on any foreign funding or face a fine of 50 percent of their foreign funding. Key international bodies have issued statements expressing grave concerns and calling on Hungary to withdraw the bill (see, [COE Human Rights Commissioner](#), [UN Human Rights Council \(UNHRC\)](#), and [UN Office of the High Commissioner for Human Rights \(OHCHR\)](#)). According to the latest government statements, voting on the Stop Soros Package is expected to take place after the April 2018 national elections.

### **Three key recommendations to improve the environment for philanthropy**

- There is a need for a stable and supportive legal and fiscal environment for civil society. The government and public officials should refrain from the harmful and accusatory rhetoric, which stigmatizes CSOs, particularly those that receive international funding;
- The Law on the Transparency of Foreign Funded Organizations and the draft Stop Soros Package should be withdrawn and the government should refrain from any future measures that hinder CSOs' operation and access to resources. We recommend to re-introduce meaningful tax benefits for individual giving to CSOs in order to incentivize people to donate to CSO; and
- Hungarian CSO sector and especially the targeted advocacy groups need international solidarity, financial and advocacy support now more than ever. Any measure against CSOs have an ultimate impact on the citizens and others benefiting from their public benefit services.