

Nonprofit Law in Hungary

Current as of November 2024

This report describes the legal framework governing nonprofit organizations (also known as non-governmental organizations or NGOs) in Hungary, and includes translations of legislative provisions relevant for a foundation or advisor undertaking an equivalency determination of a foreign grantee under IRS Revenue Procedure 92-94.

These reports have been prepared by the [International Center for Not-for-Profit Law](#) (ICNL). Please direct corrections and comments to [Lily Liu](#).

We include hyperlinks to the following information, to the extent available:

- Longer country reports analyzing various aspects of local legislation; and
- Texts of local laws that affect the decision whether or not to qualify a grantee (generally in translation, although ICNL and the Council cannot warrant the accuracy of any translation; in addition, legislative excerpts were selected by in-country contacts, and ICNL and the Council cannot warrant that all relevant provisions have been translated).

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I. Summary

A. Types of Organizations

As a civil law country, Hungary recognizes two forms of non-governmental, not-for-profit organizations (NPOs) that are traditionally recognized under civil law: the association and the foundation.

Hungary recognizes other organizational forms as well, including nonprofit companies, civil groups, public chambers, social cooperatives, and trade unions. The nonprofit company is the non-profit distributing version of a for-profit company form (e.g., a general partnership, limited partnership, limited liability company, or shareholder company). The civil group is an unincorporated legal form which does not have legal personality. Public chambers are rare, as they are formed by an Act of Parliament.

In addition, Hungarian legislation enables associations, foundations, and nonprofit companies to qualify as "Public Benefit Organizations," or PBOs. PBO status is regulated by Chapter VII of Act CLXXV/2011. Since this status reflects that the organization is closer to the equivalent of a 501(c)(3) organization under the United States' Internal Revenue Code, grantmakers interested in this equivalency should inquire as to whether an NPO is a PBO. According to the latest data of the Central Statistical Office from 2022, 25 percent of NPOs have public benefit status in Hungary. [\[1\]](#)

[Act XLIX/2021](#) on the Transparency of Civil Organizations Capable to Influence Public Life requires all associations and foundations with an annual income of HUF 20 million (approximately \$55,555) to submit a report to the State Audit Office. This Act replaces Act LXXVI/2017, which required Hungarian associations and foundations receiving more than 7.2 million HUF (approximately \$24,200) in funding from foreign sources to register as "organizations supported from abroad." The European Court of Justice held Act LXXVI/2017 to be in breach of European Union Law in 2020, leading the Hungarian Parliament to repeal and replace the Act in April 2021 with Act XLIX/2021.

For practical purposes, a grantee that might qualify as the equivalent of a 501(c)(3) organization will most likely be organized as:

1. An association,
2. A foundation, or
3. A nonprofit company.

As noted above, these organizations may also have PBO status under Act CLXXV/2011, as amended.

B. Tax Laws

An association or foundation's income from non-entrepreneurial activities, including public benefit or other mission-related activities, is exempt from corporate income tax. There is a tax-exempt threshold on income arising from entrepreneurial activity, however.

Such a distinction does not apply to nonprofit companies; thus, their economic activities are generally taxable. However, income of a public benefit nonprofit company is not taxed if it is generated from public benefit activities provided under contract with a local government or other institution, where such activities have a separate line in the annual state budget.

A special tax on immigration-related activities was introduced in July 2018 (Act XLI/2018 on Amending Certain Tax Laws and Other Related Laws and on the Special Immigration Tax) that affects CSOs focused on immigration and their donors. The law states that "a special tax on immigration must be paid after the financial support of an immigration supporting activity in Hungary, or the financial support of the immigration supporting activity of an organization with a seat in Hungary." Activities that may be taxed include media campaigns, coalition- and network-building, and advocacy activities that directly or indirectly portray immigration in a positive light. The rate of the special tax on immigration is 25 percent and is imposed primarily on donors. In theory, if donors fail to pay the tax, grantees are then obliged to do so.

Hungary also subjects certain sales of goods and services to VAT, with a limited list of exempt activities.

The corporate income tax law provides tax benefits for donors. The United States unilaterally terminated its double taxation treaty with Hungary in early 2023.

II. Applicable Laws

- Fundamental Law of Hungary

- Act V/2013 on the Civil Code
- Act CLXXV/2011 on the Freedom of Association, Public Benefit Status, and the Operation and Support of CSOs
- Act LXV/2006 on the Amendment of Act XXXVIII/1992 on Public Finances and Certain Related Acts
- Act CXXVI/1996 on the Use of Specified Amount of Personal Income Tax in Accordance with the Taxpayer's Instruction
- Act LXXXI/1996 on Corporate Tax and Dividend Tax
- Act LXXXVIII/2005 on Public Interest Volunteer Activities
- Act CXXVII/2007 on Value Added Tax
- Act CXXV/2003 on Equal Treatment and Promotion of Equal Opportunities
- Act I/2011 on the Labor Code
- Act X/2006 on Cooperatives
- [Act IX/2021](#) on Asset-Managing Foundations Performing Public Tasks in the Public Interest
- Act V/2006 on Public Company Information, Company Registration, and Winding-Up Proceedings
- Act CLXXXI/2007 on Transparency of Subsidies Provided from Public Funds
- Act CLXXXI/2011 on the Court Registration of CSOs and the Relative Procedural Rules
- [Act XLIX/2021](#) on the Transparency of Civil Organizations Capable to Influence Public Life
- Act VI/2018 on Amending Certain Laws Relating to Measures to Combat Illegal Immigration
- Act XLI/2018 on Amending Certain Tax Laws and Other Related Laws and on the Special Immigration Tax
- [Act XIII/2019](#) on Asset-Managing Trust Foundations
- [Act LXXXVIII/2023](#) on the Protection of National Sovereignty
- Government Decree 350/2011 (XII.30) on Certain Issues of CSO Financial Management, Fundraising, and Public Benefit Status

III. Relevant Legal Forms

A. General Legal Forms

Association

An association is a legal entity established for the continuous realization of the common, permanent aim of the members as stated in the articles of association, and having a registered membership (Act V/2013 Section 3:63(1)). At least ten natural persons, legal persons, and/or organizations without legal personality are required to form an

association (Act V/2013 Section 3:64). An association cannot be formed for the purpose of economic activity, though it may conduct economic activity that is directly related to the realization of the organization's purpose (Act V/2013 Section 3:63(2)-(3)). In addition, an association cannot be formed for criminal, military, or unlawful purposes; nor may it be formed to violate the rights and freedoms of others, or to undertake a public task which is reserved for state bodies (Act CLXXV/2011 Section 3(3)-(5)).

The special forms of associations are: alliances, political parties, and trade unions. Alliances may be established and operated by two members. The members may be foundations, associations, civil groups, other legal entities or organizations without legal personality; natural persons cannot be members (Act CLXXV/2011 Section 4(3)).

Foundation

A foundation is a legal person established by a founder or founders for the continuous realization of a long-term purpose, as determined in the founding statute (Act V/2013 Section 3:378). The founder must provide sufficient assets to achieve the foundation's purposes. When the foundation's application for registration is submitted, the founder must have provided at least the amount necessary to begin the foundation's operations; the remaining amount of committed assets must be provided within one year of registration (Act V/2013 Section 3:382). A foundation must elect a board of trustees or may decide to appoint an individual to manage the organization. The founder and his or her close relatives may not constitute a majority in the board of trustees (Act V/2013 Section 3:397(1), (4), (5)).

From 1994 to 2006, Hungarian legislation permitted the establishment of a public foundation, which is a foundation created by the Parliament, the Government, or the municipal council of a local government or a minority government in order to ensure the continuous performance of public duties. However, this form was discontinued on August 24, 2006; no new public foundations may be established after this date (Act LXV/2006 Section 1(1)).

In 2019, Act XIII/2019 introduced the "asset-managing trust foundation," which can have a primary aim of pursuing economic activities and must have a minimum starting capital of HUF 600,000,000 (approximately \$1,500,000). The law recognizes two forms of asset-managing trust foundations: those in the public interest and family foundations. A sub-type of public interest foundation is the "public interest trust foundation carrying out public functions." States may provide asset-managing trust foundations with assets such as real estate and shares in state-owned companies. As of November 2024, there are 31 fully state-established and 4 partially-state-established asset-managing foundations listed in the annex of Act IX/2021. These are predominantly trust foundations that manage higher education institutions.

Nonprofit Company

A nonprofit company is the non-profit-distributing version of an otherwise for-profit company form (e.g., a partnership, limited partnership, limited liability company, or shareholder company). All company forms, in other words, can operate in a nonprofit manner. A company that does so must indicate such in its name, and stipulate in its statute that profit may not be distributed among its members (Act V/2006 Section 9/F(1)-(3)).

Social Cooperatives

Although not NPOs per se, social cooperatives resemble NPOs in a number of aspects, as they are established with the aim to create employment opportunities for their disadvantaged members and otherwise help improve their social situation (Act X/2006, Section 14(1)). Members comprise of registered unemployed persons who are obliged to contribute to the cooperate through their work rather than through financial contribution. Social cooperatives may only be established with the participation of a local (municipal) government or a charity specified in legislation, such as the Red Cross (Act X/2006, Section 15(1)).

Civil Group

The civil group is an unincorporated organizational form which does not have legal personality. A minimum of 3 natural persons may set up a civil group to achieve a shared, non-economic goal and to harmonize their community-oriented activities. A civil group does not need to register with any authority; it may be established merely by adopting a statute. Civil groups also do not need to have financial contribution in order to be established. They cannot carry out business (entrepreneurial) activities (Act CLXXV/2011 Section 5/A(1), (2), and (4)).

Employer and Employee (Trade Unions) Organizations

Trade unions are mentioned in Act CLXXV/2011 Section 4(1) as a special form of association. Their rights and operation are further detailed in the Labor Code (Act I/2011).

Public Chamber (Public Body)

A public chamber—also known as a public body—is a self-governed organization with a registered membership, which is established by an act of Parliament. A public chamber fulfills a public task connected to its members or the activity performed by its members (Act LXV/2006 Section 8/A(1)). Legislation may delegate certain public tasks to public chambers (such as certifying professional qualifications), and may prohibit non-members

from engaging in those activities (Act LXV/2006 Section 8/A(4)). Where not stated otherwise, the rules for associations apply to public chambers (Act LXV/2006 Section 8/A(5)).

B. Public Benefit Status

Public Benefit Organization (PBO)

Associations and foundations may register as PBOs. Other organizations, such as nonprofit companies, may also be authorized by law to acquire PBO status (Act CLXXV/2011 Section 32(1)).^[2] There are several requirements for PBO status, the foremost of which is that the organization must undertake a public benefit activity. Public benefit activity is defined as an activity that directly or indirectly serves the completion of public (i.e. governmental, including at the local government level) tasks, and thereby contributes to the satisfaction of the common needs of society and individuals (Act CLXXV/2011 Section 2(20)).

Qualifying organizations must meet one condition from each of the following two groups of criteria (Act CLXXV/2011 Section 32(4)-(5)):

1. Having "appropriate resources"

Based on the previous two closed fiscal years, one of the following conditions must be met:

1. The average annual income must exceed HUF 1,000,000 (approximately \$2,800); or
2. The after-tax result of the two years counted together must not be negative; or
3. Personnel expenditures—except for the compensation of executive officers—must account for 1/4 of the total expenditures. The value of volunteer work under the Act LXXXVIII/2005 on Public Interest Volunteer Activities can also be considered as personnel expenditure as of September 1, 2017.

2. Having "appropriate social support"

Based on the previous two closed fiscal years, one of the following conditions must be met:

1. The 1 percent of income tax that individuals can designate to certain NPOs and other institutions (see Section V.B) must amount to 2 percent of the total income; or
2. The costs and expenditures arising from the public benefit activity must reach 50 percent of the total costs and expenditures on average over the two years; or

3. At least ten volunteers must permanently (on average over two years) support the public benefit activity of the organization (Act on Public Interest Volunteer Activities (Act LXXXVIII/2005)).

Furthermore, the organization's statute must set forth the following (Act CLXXV/2011 Section 34):

1. The public benefit activity or activities that it undertakes; the public tasks that these activities further; and references to the specific legislative provisions that prescribe those public tasks to the state;
2. That the organization does not exclude non-members from benefiting from its public benefit services;
3. That business (entrepreneurial) activities may be undertaken only without jeopardizing the implementation of the public benefit and other mission-related activities determined in the statute;
4. That the organization is not entitled to distribute its profit and shall spend it on the public benefit activity defined in its statute;
5. That the organization does not undertake direct political activity, and shall be independent from any political parties and not provide financial support to them.

By introducing the above criteria, Act CLXXV of 2011 substantially reformed the concept of and preconditions for public benefit status.

IV. Specific Questions Regarding Local Law

A. Inurement

An association may use its assets according to its purpose; it may not distribute its assets or profit among its members (Act V/2013 Section 3:63(4)).

Likewise, a foundation must manage its assets and use them in accordance with the purpose of the organization and provisions of its statute. The founder, other donors, and their legal successor may not withdraw and reclaim the provided assets from the foundation (Act V/2013 Section 3:384(1)-(2)). A foundation cannot be established for the benefit of the founder, donor, officer, or member of the foundation, or their relatives (except for family trust foundations, see above). Remuneration to the officers of the foundation does not violate this provision (Act V/2013 Section 3:379(4)).

There are other legal limitations related to the possible beneficiaries of the foundations, as well. The foundation may provide financial services from its assets only to someone who is designated as a beneficiary by the statute or the authorized body of the foundation (Act V/2013 Section 3:385). The founder and the donor may be beneficiaries of the foundation

only if the purpose of the foundation is to look after the scientific, literary, or artistic work of the founder. Relatives of the founder and the donor, moreover, may be beneficiaries of the foundation only if the purpose of the foundation is to look after the scientific, literary, or artistic work of the relative, or to nurse, provide support to, bear the healthcare costs of, or finance the studies of the relative (Act V/2013 Section 3:386(1)-(2)).

In order to qualify as a PBO, an organization's statute must state that "the organization does not distribute profits but spends the profits on the public benefit activity defined in its statute" (Act CLXXV/2011 Section 34(1)(c)).

B. Proprietary Interest

Foundations and nonprofit companies can be formed such that founders retain a proprietary interest in the organizations. This is true even for organizations registered as PBOs because Act CLXX/2011 does not preclude such interests. The founders of both foundations and nonprofit companies are entitled to reacquire their contributed assets upon dissolution as long as the statutes contain such a provision (see Sections C.2. and C.3.).

Founders do not retain proprietary interests in associations. In case of the termination of a foundation, the founder must use the remaining assets for a similar purpose, and inform the public about the assets' reassignment. For example, the founder could designate the assets to a budgetary institution, public benefit nonprofit company, or other organization that carries out a public task (Act LXV/2006 Section 1(5)-(6)).

C. Dissolution

1. Associations

The general assembly of an association must have a 3/4 quorum to decide on the dissolution or demerger of the organization (Act V/2013 Section 3:76(1)). The assets remaining after dissolution may be designated to a public benefit organization that was established for the realization of the same or similar purpose as the association. If the articles of association do not include any provision on remaining assets, or if the public benefit organization designated in the articles of association does not or cannot accept the assets, the registering court will give the assets to the National Cooperation Fund with the purpose of supporting CSOs (Act V/2013 Section 3:85(1)). The details of how the assets were used will be published on the Civil Information Portal website. Additionally, remaining in-kind assets will be reported to the National Cooperation Fund and distributed through an open tender procedure. In case the tender procedure remains unsuccessful for six months, the in-kind assets must go to the state. In case the National Cooperation Fund declares them unsuitable to be tendered, the court will give the in-kind assets to the state.

Per the law regarding cultural property, any artistic works or collections go to the state; the property management of a public collection is selected through a tender procedure, free of charge or offset. The utilization of lands falling under the scope of the Law on the National Land Fund is also regulated by the law (Act CLXXV/2011 Section 10/A(1)-(4)).

2. Foundations

Remaining foundation assets are due to the person designated in the statute. The amount designated to the founder, donor, or their relatives cannot exceed the amount they gave to the organization. In case the statute does not regulate it, the founder may dedicate the remaining amount to a foundation or association which has the same or similar purpose as the foundation. In case the founder does not determine the beneficiary organization or the beneficiary organization is not willing or able to accept the assets, the court gives the remaining assets to the National Cooperation Fund (Act V/2013 Section 3:404(1)-(3), Act CLXXV/2011 Section 10/A(1)).

A special clause applicable to foundations with public benefit status provides that in case of the death or dissolution of the founder and if the foundation carries out tasks falling of municipal nature, the founders' proprietary rights are transferred to the appropriate local government (Act CLXXV/2011 Section 13/A).

3. Nonprofit Company

A nonprofit company can only transform into or merge with another nonprofit company or companies (Act V/2006 Section 57/A). In case a public benefit nonprofit company terminates without a legal successor, the members of the company are only entitled to receive the equity capital of the organization at the time of termination, but not more than the amount of the nominal capital they contributed. Any remaining assets will be expended by the court of registration for public purposes in conformity with the provisions of the statute. In the absence of such regulations the court of registration will assign the remaining assets of the company to support the National Cooperation Fund (Act V/2006 Section 9/F(6)).

4. Public Benefit Organizations

The law requires that when an organization loses its PBO status it must pay taxes and other debts owed to the state, and fulfill its duties under contracts for the performance of public services on a **pro rata** basis (Act CLXXV/2011 Section 50). If the PBO itself dissolves, the rules governing the specific legal form (as described above) will be considered.

D. Activities

1. General

NPOs in Hungary are generally permitted to engage in all activities which are not prohibited by law and which correspond with the Fundamental Act of Hungary (i.e., the Constitution) (Act CLXXV/2011 Section 3(4)). However, Act VI/2018 Amending Certain Laws Relating to Measures to Combat Illegal Immigration may restrict NPOs' ability to carry out activities related to asylum and immigration. The Act introduced the offense of "supporting illegal immigration" that criminalizes any "organizational activities" that help asylum seekers submit an asylum claim or obtain a residence permit. The Act may provide the grounds for criminal charges against members of NPOs involved in border monitoring, preparing or distributing informational materials for asylum seekers, or creating or operating networks with the purpose of aiding asylum seekers. The Act also criminalizes the funding of such activities. In November 2021, the European Court of Justice ruled (C-821/2019) that Act VI/2018 violates EU law related to asylum and protection. As of November 2024, the Hungarian Parliament has not yet moved to repeal the Act.

In 2021 a child protection act (Act LXXIX/2021 on Concerted Action Against Pedophile Criminals and on the Amendment of Regulations Protecting Children) prescribed that only organizations listed in an official registry may hold activities related to sexual culture, development, and orientation. As of November 2024, the government has not yet created an official registry, which in effect bans human rights and similar NPOs from undertaking these activities.

2. Public Benefit Activities

Public benefit activity is defined as activity that directly or indirectly serves the completion of public tasks and thereby contributes to satisfying the common needs of society and individuals.

3. Economic Activities

NPOs in Hungary are generally allowed to engage in any economic activities that do not jeopardize the mission-related activity of the organization. Accordingly, NPOs may pursue any sort of income-generating activity (such as investment, trade, etc.) to help finance their operations. An NPO is deemed to be an organization established for primarily entrepreneurial activity if the income from such activity accounts for 60 percent or more of the NPO's total income (Act CLXXV/2011 Section 2(7)).

Associations and foundations must not be established for primarily "economic-business" (i.e., entrepreneurial) activity (Act CLXXV/2011 Section 17(1)). The Civil Code includes stricter regulations on economic activities. Associations and foundations (with the exception of asset-managing trust foundations) may not be formed for the purpose of

economic activity and are only entitled to engage in economic activity that is directly related to the realization of the organization's purpose (Act V/2013 Sections 3:63(2)-(3), 3:379(1)-(2)).

In addition, none of the not-for-profit legal forms may distribute profits to any person. All profits must be used to carry out the purposes of the organization (Act V/2006 Section 9/F(2); Act CLXXV/2011 Section 34(1)(c); Act V/2013 Sections 3:63(4), 3:384).

For PBOs, an exhaustive list of preferred fields of activity no longer exists, but Section 2(20) of Act CLXXV/2011 defines public benefit activity, as discussed above. Entrepreneurial activities may be undertaken by the NPO if they do not jeopardize the implementation of the public benefit and other mission-related activities set forth in the NPO's statute (Act CLXXV/2011 Section 34(1)(b)).

Under the corporate tax law, Hungary generally taxes income arising from an organization's "entrepreneurial activities," which the law defines as "economic activities aimed at or resulting in the acquisition of income or property." Some activities are not considered entrepreneurial activity under the corporate tax law and therefore any associated income is income tax exempt. These include public benefit or other mission-related activities; the acceptance of donations; the placement of funds into deposit, security, or company share; and the purchase of real estate, assignment, and transfer of its use (Act LXXXI/1996 Section 1(1), 9(1a)). Furthermore, there is a tax-exempt threshold on income arising from entrepreneurial activity.

Such a distinction does not apply to nonprofit companies, so their economic activities are generally taxable. Nonetheless, income of a public benefit nonprofit company is not taxed if it is generated from public benefit activities provided under contract with a local government or other institution which has a separate line in the annual state budget for continuous service provision, including the fee and the conditions of amending the fee. In addition, the support and allowance provided to such activity are also not taxed (Act LXXXI/1996 Section 1(1) Annex 6(E)).

E. Political Activities

Act V/2013 places no restrictions on legislative or political activities of NPOs. Foundations and associations may freely advocate for legislation as well as nominate and support political candidates.

However, if the organization is registered as a PBO under Chapter VII of Act CLXXV/2011, its statute must state that (1) it does not pursue direct political activity; (2) it is independent of political parties; and (3) it does not provide financial support to political parties (Act CLXXI/2011 Section 34(1)(d)). [\[3\]](#)

Act LXXXVIII/2023 on the Protection of National Sovereignty established the Sovereignty Protection Office. The Office oversees and investigates organizations with foreign funding which may influence election outcomes or influence democratic discourse or state and social decision-making processes. The Office may use these powers to investigate Hungarian NPO grantees. In February 2024, the European Commission launched an infringement proceeding (i.e., legal action taken against an European Union (EU) country for failing to implement EU law) against Hungary concerning the Act; in October, the European Commission brought the case to the European Court of Justice. [\[4\]](#)

F. Discrimination

Act CXXV/2003 bars racial discrimination by any school that uses a state-accredited curriculum, or that receives direct or indirect financial support from the government. This accounts for the vast majority of Hungarian schools.

G. Control of Organization

In general, no restriction exists on the control of not-for-profit organizations by other organizations or persons. It is possible that a Hungarian NPO may be controlled by a for-profit entity or by an American grantor charity (which requires that the charity specifically so provide in the affidavit).

V. Tax Laws

A. Tax Exemptions

Hungary generally taxes income arising from an organization's "entrepreneurial activities," which the law defines as "economic activities aimed at or resulting in the acquisition of income or property" (Act LXXXI/1996 Section 1(1)). The following activities are not considered "entrepreneurial activities" and therefore any associated income is exempt from corporate income tax: (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 (Act LXXXI/1996 Section 9(1a) and Act CLXXV/2011 Section 2 point 11).

Furthermore, there is a tax-exempt threshold on income arising from entrepreneurial activity. Associations, foundations, public foundations, and public chambers without PBO status do not have to pay income tax so long as their income from entrepreneurial activity does not exceed HUF 10,000,000 (approximately \$27,800) and 10 percent of their total income (Act LXXXI/1996 Section 20(1a)). In the case of PBOs, the tax-exempt threshold is 15 percent of the total income of the organization (Act LXXXI/1996 Section 9(7)).

B. Tax Deductions, Credits, and Rebates for Charitable Contributions

Tax deductions and credits

Individuals are not entitled to any tax benefits for charitable donations. For companies, donations to Hungarian NPOs with PBO status are tax-deductible under limited conditions. Companies may also enjoy tax benefits for donations to the National Cultural Fund, the National Relief Fund, the Damage Mitigation Fund, and higher education institutions. To claim the deduction, the company must be in possession of a certificate for tax purposes provided by the beneficiary organization (Act LXXXI/1996 Section 7(1)(z), 7(7)).

The pre-tax profit may be reduced:

1. By 20 percent of the donation if the donation supports the public benefit activity of a public benefit organization;
2. By 40 percent of the donation if provided to a public benefit organization under a long-term donation contract (i.e., a monetary contribution provided on the basis of an agreement between a public benefit organization and its donor wherein the donor undertakes to provide the donation in the subject year and at least once a year for at least three forthcoming years, in the same or larger amount, without any consideration);
3. By 50 percent if the donation supports the Hungarian Relief Fund, National Cultural Fund, or the Damage Mitigation Fund;
4. By 20 percent if the donation supports a higher education institution managed by a public interest asset-managing trust foundation, or 40 percent in case of a contribution to the institution's endowment; or
5. By 50 percent if the donation supports a higher education institution in the course of a grant agreement, up to the amount of the pre-tax profit on the aggregate.

Rebate of individual taxes to charity

Individuals living in Hungary who pay income tax are also entitled to designate 1 percent of their income taxes to specific NPOs that carry on public benefit activities and some other institutions (Act No. CXXVI/1996). [\[5\]](#)

C. Special tax on immigration-related activity

In July 2018, the government introduced a special tax on immigration-related activities that affects CSOs focused on immigration and their donors (Act XLI/2018 on Amending Certain Tax Laws and Other Related Laws and on the Special Immigration Tax). The law provides that donors must pay a special tax "after the financial support of an immigration

supporting activity in Hungary, or the financial support of the immigration supporting activity of an organization with a seat in Hungary." Activities that may be taxed include media campaigns, coalition- and network-building, and advocacy activities that directly or indirectly portray immigration in a positive light. The rate of the special tax on immigration is 25 percent. If donors fail to pay the tax, grantees are then obliged to do so. In practice, as of November 2024, no organization has been required to declare or pay this tax. [\[6\]](#)

D. Value Added Tax

Generally, all organizations engaged in economic activities are subject to the VAT. The standard rate is 27 percent, with some goods and services taxed at 18 percent and 5 percent.

There is a list of public interest activities which are exempt from VAT if they are provided by public service providers. The following organizations may be considered public service providers: budgetary organs, associations, alliances, civil groups, public chambers, national professional sports federations, foundations, public foundations, churches, nonprofit companies, and other organizations which have obtained PBO status or perform their activities within the framework of a social security or other obligatory insurance relationship for the benefit of insured or other beneficiaries.

Furthermore, organizations may also be considered as public service providers if the following conditions are met: 1) they do not systematically aim to make a profit and they use the profit to maintain and extend their public interest activities; 2) their executive officers (including the board) are volunteers; and 3) they charge prices for the supply of goods or services in compliance with the Act on Price Control Regulations or the prices are lower than those charged on the market for similar goods or services. The exempt services include, among others: health, social services, public education, child and youth protection, day care, psychological assistance, folk art, and sports-related services (Act CXXVII/2007 Section 85(1), (4)).

A sale of assets is exempt from VAT if the asset was previously used for the above activities (Act CXXVII/2007 Section 87).

A donation supporting the public benefit activity of a PBO is also exempt from VAT so far as the donor disposes of the certificate of the beneficiary (Act CXXVII/2007 Section 259(9/A)).

Finally, the purchase of assets by an organization undertaking public benefit activity is also exempt from VAT if it is used exclusively for humanitarian, educational, and charitable causes outside of the EU (Act CXXVII/2007 Section 100).

E. Double Tax Treaty

Hungary has entered into double tax treaties with a number of countries. The United States unilaterally cancelled the treaty in early 2023. When such a treaty is in existence, dividends, interest, and royalties arising in one country and paid in another are subject to tax only in the country where paid.

VI. Knowledgeable Contact

Veronika Móra
Director, Ökotárs – Hungarian Environmental Partnership Foundation
Szerb utca 17-19.
1056 Budapest Hungary
<http://www.okotars.hu>
move@okotars.hu

Footnotes

[1] https://www.ksh.hu/stadat_files/gsz/hu/gsz0043.html

[2] Chapter VII of the CSO Law (Act CLXXV/2011) lays out additional regulations on PBO status.

[3] Under Act CLXXI/2011 Section 2, point 22, "direct political activity" includes "political activity undertaken for the benefit of a political party, nomination of candidates during the Parliamentary election or to the county or metropolitan local government council, nomination of a member of the European Parliament, nomination to the council of a city with county rights, and nomination of a mayor." However, "the nomination of mayor or nomination at the local and minority local government election by certain minority organizations determined by law are not considered as direct political activity."

[4] See [What is the Sovereignty Protection Act?](#) by the Hungarian Helsinki Committee.

[5] See ECNL's paper "[About Miracles and Misperceptions - Lessons from the "percentage mechanism" in Hungary.](#)"

[6] In July 2019, the European Commission referred Hungary to the ECJ on the basis that Act XLI/2018 criminalizes activities in support of asylum applications and further restricts the right to request asylum. The ECJ ruled that this Act violates EU law in November 2021.