

Country report - 2025 Hungarian Bar Association

1. Economic News

In 2025, Hungary's economy showed modest signs of stabilisation following the downturn of the previous year, although growth remained fragile and uneven. Economic performance was supported by gradually recovering household consumption, easing inflationary pressures and a slow improvement in real wages. However, investment levels remained subdued, reflecting continued uncertainty surrounding EU funding and weak external demand.

Inflation declined significantly compared with 2024, falling into single digits during the year, supported by tight monetary policy and easing energy prices. As inflation moderated, the Hungarian National Bank began cautiously easing interest rates, although borrowing costs remained high by regional standards. The forint experienced periodic volatility, driven by global market conditions and ongoing political uncertainty.

Economic growth in 2025 remained moderate. International institutions forecast GDP growth of approximately 2–2.5%, while the Hungarian government projected higher growth of around 3–3.5%, citing expected recovery in consumption and exports. Industrial output, particularly in the automotive and battery manufacturing sectors, remained below expectations despite continued foreign direct investment, notably from Asian manufacturers.

Public finances remained under pressure. Elevated debt servicing costs and constrained fiscal space limited the government's ability to introduce major stimulus measures. The continued partial suspension of EU cohesion and recovery funds weighed heavily on public investment and remained one of the most significant structural constraints on economic performance.

Overall, while Hungary avoided a renewed recession in 2025, economic recovery remained slower than anticipated. Analysts continued to highlight the importance of restoring access to EU funds, improving investor confidence, and implementing structural reforms to support sustainable long-term growth.

2. Political developments

2.1 Hungary's Relationship with the EU

In 2025, Hungary's relationship with the European Union remained strained, with ongoing disputes centred on the rule of law, access to EU funding and fundamental rights, while pragmatic cooperation continued in selected policy areas.

The European Commission maintained the partial suspension of cohesion and recovery funds, citing persistent concerns regarding corruption risks, public procurement transparency and judicial independence. Although the Hungarian government continued to introduce targeted legislative amendments, EU institutions considered these insufficient to guarantee systemic compliance. The continued withholding of funds placed pressure on Hungary's public finances and became a central issue in domestic political debate.

Relations were further complicated by Hungary's position on EU foreign policy. While Hungary ultimately supported extensions of EU sanctions against Russia, it repeatedly raised objections and sought exemptions, particularly in relation to energy security. The government emphasised the protection of national economic interests, reinforcing its broader sovereignty-based narrative.

Hungary also remained in conflict with EU institutions over migration and fundamental rights. The government continued to reject the EU migration and asylum framework and maintained strict border

control policies. Legislative measures affecting LGBTQ rights and freedom of assembly drew renewed criticism from the European Parliament and resulted in additional infringement procedures.

More broadly, Prime Minister Viktor Orbán continued to advance Hungary's policy of "economic neutrality," promoting cooperation with both Western partners and Eastern economies, particularly China. This approach remained a recurring source of tension with EU institutions, especially in the context of strategic autonomy and foreign policy alignment.

2.2 *Domestic Protests and Governance Controversies*

Throughout 2025, Hungary experienced heightened domestic political tension marked by public demonstrations and renewed scrutiny of governance standards.

In February 2025, a demonstration for the independence of the judiciary was organised, free of party politics, but is open to "*all those who consider it important for society to preserve the value of judicial independence*". The Hungarian judges and court workers protested for the first time in history. The protest was strongly supported by other legal professionals and the public.

Public confidence remained affected by the aftermath of the 2024 child-protection scandal, with further protests calling for institutional accountability and reform. Although smaller than those seen in early 2024, these demonstrations sustained political pressure on the government and contributed to declining trust in state oversight mechanisms.

In parallel, government restrictions on public assemblies - including the effective ban on LGBTQ Pride events - triggered large-scale demonstrations in Budapest. Tens of thousands participated in protests opposing the measures, which critics argued infringed constitutional freedoms and EU fundamental rights standards. The events attracted strong international attention and intensified criticism from EU institutions and human-rights organisations.

These developments further deepened political polarisation and sharpened tensions between the central government and opposition-led municipalities, particularly Budapest.

2.3 *Consolidation of Péter Magyar and the Tisza Party*

In 2025, Péter Magyar and the Tisza ("Respect and Freedom") Party consolidated their position as Hungary's principal opposition force.

Following their strong performance in the 2024 European Parliamentary elections, the Tisza Party continued to gain public support, benefiting from the fragmentation and decline of traditional opposition parties. Opinion polls throughout the year frequently showed Tisza matching or surpassing Fidesz in national support.

Magyar positioned himself as a centrist reformist candidate, focusing on anti-corruption measures, restoration of EU funding, institutional independence and economic stabilisation. His political strategy emphasised competence and reconciliation with the European Union, contrasting with the government's confrontational rhetoric.

By the end of 2025, Péter Magyar was widely regarded as the most credible challenger to Prime Minister Viktor Orbán since 2010, fundamentally reshaping Hungary's opposition landscape ahead of the 2026 parliamentary elections.

2.4 *Political Polarisation ahead of the 2026 Elections*

As Hungary moved closer to the 2026 parliamentary elections, political polarisation intensified throughout 2025.

Large-scale rival rallies organised by the governing Fidesz party and the Tisza-led opposition underscored the increasingly binary nature of Hungarian politics. Campaign messaging became more

personalised, focusing on leadership credibility, economic management and Hungary's relationship with the European Union.

Budapest remained a symbolic centre of opposition support, while rural regions continued to favour the governing coalition, reinforcing long-standing geographic and social divides.

By the end of the year, Hungary entered the pre-election period amid heightened political mobilisation, institutional strain and significant uncertainty regarding the outcome of the forthcoming national elections.

3. Legal Updates and New Legislation

3.1 A New *Ex Ante* Intervention Tool in Hungarian Competition Law: “*Undertakings of Cross-Market Significance*”

In December 2025, the Hungarian legislature introduced a new regime into the Competition Act by creating the concept of “an undertaking of cross-market significance” (*piacokon átívelő jelentőséggel rendelkező vállalkozás*). The measure is explicitly described as a “second attempt”: a similar initiative was withdrawn in April 2024 after broad criticism, but the revised proposal was re-tabled on 8 December, 2025 and adopted in an accelerated procedure on 10 December 2025.

The trigger is sector-specific and quasi-preventative. If the Hungarian Competition Authority (“HCA”), based on an expedited sector inquiry in (i) solid mineral raw material mining or (ii) construction, concludes that a company/group has cross-market significance and that competition may become materially and persistently distorted or restricted, it must open a competition-supervision procedure to determine the designation. The statutory assessment is multi-factor (market position, financial strength/resources, vertical integration and cross-market activity, access to competitively relevant data) and the HCA must also seek the position of the mining supervision authority; the “persistent distortion” condition is linked to multi-year patterns (continuous for at least two years, or recurrent within three years).

The real novelty lies in the remedial powers without an infringement finding. Once designated, the undertaking may be subjected to behavioural obligations (including restrictions on self-preferencing, transparency/information duties, and making its offer accessible to others) and – if softer tools are ineffective or disproportionate – structural measures, up to forced divestment of shareholdings or assets. Enforcement can be backed by follow-up monitoring and fines, and judicial review does not automatically suspend execution of the HCA decision.

From a market-impact perspective, this is a marked shift toward *ex ante*, quasi-regulatory competition enforcement in two politically and economically sensitive sectors. It materially increases intervention risk for large or systemically important players, and – because the statute does not fully mirror the granular safeguards seen in some foreign analogues – may create significant compliance and transaction-structuring implications (including for M&A, vertical integration, and data-driven competitive advantages).

3.2 Hungarian Supreme Court on the Interruption of Time-Limitation

In its decision published under nr. BH2025.211, the Hungarian Supreme Court (*Kúria*) held that the Civil Code rules on what interrupts limitation are mandatory (*kógens*) and therefore cannot be expanded by contract. In particular, parties cannot validly agree that a mere payment reminder or demand letter interrupts limitation, because the statutory list of interruption events is exhaustive.

The Supreme Court's core reasoning is structural: interruption-of-limitation rules do not regulate the parties' contractual rights and obligations, but the enforceability of the underlying right (i.e. access to judicial enforcement). As a result, these rules fall outside private autonomy in the usual dispositive sense, absent an express statutory authorisation. The Court also stressed that the legislator deliberately

removed written demands from the interruption grounds when compared to the former Civil Code, in the interest of legal certainty and to prevent “easy” prolongation of enforcement windows.

The practical significance is substantial: the *Kúria* has drawn a hard boundary around contractual freedom in this area, rendering widespread boilerplate clauses (especially in utility and financial contracts) unusable for “resetting” limitation by routine reminders. Consequently, many creditors who relied on contractual reminder-based interruption may discover that large volumes of claims are already time-barred, with immediate portfolio-level impacts.

3.3 *Recent Developments in VAT Exemption Thresholds Affecting Solo Practitioners*

Among the legislative changes adopted in 2025, particular significance should be attributed to the amendment of the VAT exemption threshold, which primarily affects the operation of solo legal practitioners. Pursuant to Government Decree No. 5/2025 (I. 25.), the upper turnover limit for VAT exemption applicable to the 2025 tax year was increased from the previously applicable HUF 12 million to HUF 18 million, with retroactive effect from 1 January 2025.

Following the 2025 amendment, further changes that are particularly favourable to solo practitioners are expected in the coming years. The VAT exemption threshold will be increased in a three-step framework, rising to HUF 20 million in 2026, HUF 22 million in 2027, and HUF 24 million in 2028, as provided for by Act LXXXIV of 2025.

The extended threshold is expected not only to increase the number of solo practitioners opting for VAT exemption, but also to provide additional practical benefits. First, it reduces the administrative burden, as there is no obligation to submit monthly or quarterly VAT returns. Second, it offers greater flexibility in terms of turnover growth, allowing practitioners to expand their activities gradually without being required to enter the VAT regime. Finally, VAT-exempt operation may also constitute a competitive advantage, as services can be offered at net prices, which may be particularly attractive to private clients.

3.4 *Preparatory Drafting of the New Rules for Lawyers’ Escrow Accounts – Decision of the Constitutional Court*

The Constitutional Court of Hungary identified constitutional concerns regarding the current framework governing lawyers’ escrow accounts, particularly in relation to the protection of clients’ funds and the fiduciary responsibilities of legal practitioners. As a result, in its decision, the Constitutional Court held that there was an infringement of Article B) (1) of the Fundamental Law of Hungary in the form of default and called for the action of the Parliament to fulfil its legislative task and update the respective laws by 30 June, 2025.

In response to the Constitutional Court’s decision identifying a failure in constitutional compliance regarding the protection of client assets, the Parliament enacted *Act XXIII of 2025* by the June 30, 2025 deadline, tightening the guarantee rules for lawyers’ escrow accounts. A key element of the reform was the phasing out of the previous collective account practice and the introduction of mandatory sub-account-based escrow management, which enables the complete segregation of client funds and more precise transaction tracking. Furthermore, to enhance the security of escrow management, the legislator established new professional liability insurance limits: as of 2025, any attorney managing escrow funds of HUF 40 million or more must hold professional liability insurance of at least HUF 40 million. Furthermore, the release of any escrow amount deposited at lawyer in excess of HUF 400 million requires the approval of two qualified lawyers. These measures, combined with stricter oversight through the JÜB (Security of Legal Transactions) system, aim to restore public confidence and align the Act on the Professional Activities of Attorneys with constitutional mandates.

3.5 *Impact of the New Decree on Court-Awarded Litigation Fees*

The year 2025 brought a landmark shift in the judicial determination of litigation costs following the entry

into force of *IM Decree 17/2024* (XII. 9. in February, which, in line with the previous guidance of the Supreme Court (Kúria), fundamentally overhauled the former fee structure. The regulation significantly increased the minimum fee thresholds: in cases with an amount in dispute below HUF 10 million, courts are now required to award a minimum attorney fee of HUF 35,000 instead of the previous HUF 10,000 threshold, while the minimum hourly rate in cases of unquantifiable value rose to HUF 14,000. One of the most significant achievements of the new decree is the substantial limitation of judicial discretion; in cases with a value under HUF 10 million, courts are no longer permitted to reduce attorney fees at all and, even in higher-value cases, reductions are only possible upon explicit request and with thorough justification, capped at a maximum of 50% of the statutory fee. By doing so, the legislator has recognised the increasing operational costs of law practices and the importance of contractual freedom, leading in practice to a more predictable and equitable judicial assessment of legal fees.

4. Bar news

4.1 150th Anniversary of the Hungarian Bar Association

The year 2025 marked a historic milestone for the Hungarian legal profession as it celebrated the 150th anniversary of the modern and independent Hungarian Bar Association, tracing its roots back to the foundational legislation of 1874/1875. The events of the jubilee year were closely intertwined with professional renewal, as the second five-year cycle of mandatory legal training commenced at the very start of the anniversary, following the successful conclusion of the first phase on 31 December 2024. Throughout the year, the Bar not only reflected on past achievements but also actively participated in addressing contemporary challenges, such as the development of a new financing and regulatory model for the appointed defense system under the Bar's jurisdiction. The anniversary year thus served both to strengthen professional identity and to adapt to the requirements of the modern age, including increasing digitalisation and tightening ethical expectations.

4.2 "Digital Lawyer Program" – Budapest Bar Association

In 2025, the Budapest Bar Association introduced the "Digital Lawyer Program," a strategic initiative to modernise the legal profession through digital transformation. The program seeks to reduce the administrative burden on lawyers by providing digital tools and standardised workflows for everyday practice, with a strong emphasis on compliance. One of its main priorities is to streamline anti-money-laundering (AML) procedures, including client identification, document collection, record-keeping and reporting. By automating these processes, the program helps ensure that lawyers can meet regulatory requirements more efficiently and with fewer errors. At the same time, it promotes secure data management and confidentiality, which are essential in legal practice. The initiative is particularly valuable for small and medium-sized firms that lack dedicated compliance departments, allowing them to remain competitive without significant additional costs. Overall, the Digital Lawyer Program reflects a broader shift in Hungary's legal sector toward digital administration, increased transparency, and professional standardisation, supporting lawyers as they adapt to EU-level regulatory expectations and the demands of a modern, technology-driven market.

4.3 HBA Delegation to the CCBE

The HBA Delegation to the CCBE remains active, participating in both the day-to-day committee work and, furthermore, in consultative activities, policy, and decision-making at the Standing Committee and Plenary Session levels.

5. Culture

We are proud that the **Nobel Prize in Literature** was awarded by the Swedish Academy to a contemporary Hungarian writer, **László Krasznahorkai**, in 2025.