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Country report - 2024 Hungarian Bar Association

1. Economic News

In 2024, Hungary's economy faced significant challenges, including high inflation, a technical recession, and declining business confidence. The European Commission reported that economic growth was forecast to increase from 0.6% in 2024 to 3.1% in 2026, with consumption set to be the main growth driver. Inflation remained elevated, driven by increasing demand, a 15% minimum wage increase in December 2023, and currency depreciation. The OECD projected GDP growth to increase gradually to 0.6% in 2024, 2.1% in 2025, and 2.9% in 2026.

In January 2025, business confidence sank to a 50-month low, reflecting deteriorated expectations in retail and services sectors. Additionally, Hungary faced energy challenges due to a gas dispute with Ukraine, prompting the government to seek EU intervention to restore gas transit routes.

Despite these hurdles, the government anticipated a 3.4% economic growth in 2025, though external forecasts remained more conservative. The economic outlook highlighted the need for structural reforms to enhance productivity and resilience against external shocks.

2. Political developments

2.1 Hungary's Relationship with the EU

In 2024, Hungary's political relationship with the European Union (EU) remained contentious, characterised by disputes over governance, the rule of law, and financial aid, while also reflecting strategic cooperation in certain areas.

The EU continued to withhold €13 billion in cohesion and recovery funds due to concerns over rule-of-law violations, corruption, and judicial independence in Hungary. The Hungarian government implemented some reforms, including new anti-corruption measures and steps to improve judicial independence, to meet EU conditions. However, the European Commission deemed these efforts insufficient for unfreezing the funds. The standoff strained Hungary's economy, with the government leveraging domestic narratives about EU overreach to maintain public support.

Prime Minister Viktor Orbán's government also threatened to veto the renewal of EU sanctions against Russia, citing concerns over energy security and the transit of Russian gas. Hungary ultimately backed the sanctions after securing EU guarantees on energy supply, highlighting its pragmatic approach despite public opposition to sanctions.

With regards to broader EU Relations, Hungary opposed the EU's proposed mandatory migrant relocation scheme and continued to advocate for strict border controls. The government framed migration as a sovereignty issue, frequently clashing with Brussels on this front. Hungary also sought exemptions and delays in meeting EU climate targets, arguing that the costs of the green transition disproportionately affected less affluent member states. Lastly, regarding judicial independence, the European Court of Justice issued rulings against Hungary in several cases, including one related to media freedom and judicial autonomy, further straining relations.

More generally, Prime Minister Viktor Orbán continuously promoted Hungary's "economic neutrality" strategy, fostering ties with both Western powers (EU, NATO) and Eastern players like China and Russia. This strategy occasionally put Hungary at odds with EU positions, especially on foreign policy.

2.2 *Resignation of President and Justice Minister*

In February 2024, Hungarian President Katalin Novák resigned following public outrage over her decision to pardon a man convicted of covering up child sexual abuse at a state-run children's home. The pardon, granted in April 2023 during Pope Francis's visit to Hungary, came to light in early 2024, leading to widespread protests and calls for her resignation. In a televised address, Novák acknowledged her mistake and apologized to the victims. The controversy also led to the resignation of Judit Varga, the former justice minister, who had approved the pardon. Varga announced her withdrawal from public life, resigning from her parliamentary seat and her role as the leader of the European Parliament election list for the ruling Fidesz party.

In response to the scandal, Prime Minister Viktor Orbán proposed a constitutional amendment to prevent the possibility of pardoning individuals convicted of crimes against minors, emphasizing a zero-tolerance policy toward paedophilia. This incident marked a significant political upheaval in Hungary, challenging the ruling Fidesz party's stance on family values and child protection.

2.3 *EU Parliamentary Election Results / the Rise of Péter Magyar and the Tisza Party*

In the 2024 European Parliament elections held on 9 June, Hungary experienced a significant political shift. The ruling Fidesz–KDNP coalition, led by Prime Minister Viktor Orbán, secured 44.82% of the vote, translating to 11 out of Hungary's 21 seats in the European Parliament. This result marked Fidesz's weakest performance in EU elections to date.

The newly established Tisza ("**Tisztelet és Szabadság**" – in English: "Respect and Freedom") Party, under the leadership of Péter Magyar, made a remarkable debut by capturing 29.60% of the vote, earning 7 seats. This outcome positioned Tisza as a formidable opposition force, challenging Fidesz's long-standing dominance. Péter Magyar was initially involved in Fidesz, Hungary's ruling party, holding several government roles before becoming disillusioned with its leadership in 2024. After criticising the aforementioned controversial presidential pardon, he left Fidesz and founded the Tisza Party. Tisza's platform focuses on anti-corruption, transparency and democratic reforms. His critiques of government corruption and cronyism have resonated with many Hungarians, leading to significant public support. The nearly 30% of the vote secured by the Tisza Party in the 2024 European Parliamentary elections marked the highest percentage for a non-Fidesz party since 2006.

As of January 2025, polls indicate that the Tisza Party holds a double-digit lead over Fidesz ahead of the 2026 general elections. Magyar's commitment to anti-corruption and his vision for Hungary's future have positioned him as a significant challenger to Orbán's long-standing leadership.

2.4 *Budapest Mayoral Elections*

In the 2024 Budapest mayoral election held on 9 June, incumbent Mayor Gergely Karácsony secured a narrow victory over challenger Dávid Vitézy. The initial count showed Karácsony leading by just 324 votes, with 47.53% (371,467 votes) to Vitézy's 47.49% (371,143 votes). Given the slim margin, a recount was conducted, focusing on previously invalidated ballots. After the recount, Karácsony's lead was confirmed, though reduced to a mere 41 votes. The National Election Commission declared him the winner. This election was noted for being the closest in Budapest's history, reflecting a deeply divided electorate and competitive political landscape. Despite the tight race, Vitézy conceded defeat and congratulated Karácsony on his re-election.

3. **Legal Updates and New Legislation**

3.1. *Incorporating the NIS2 Directive into Hungarian law*

Arguably the legal buzzword of 2024 was "cybersecurity". Significant developments occurred in Hungary regarding the transposition of the NIS2 Directive. According to the deadline set by the

European Union, member states were required to transpose the directive into their national law by 17 October, 2024. Hungary initiated this process earlier and, in May 2023, adopted Act XXIII of 2023 on Cybersecurity Certification and Supervision (referred to as "Kibertantv."), aiming to incorporate the provisions of the NIS2 Directive into domestic law.

As a result, organisations operating in "high-risk sectors" had to identify themselves as falling under the scope of the law and register with the cybersecurity supervisory authority (the Supervisory Authority for Regulatory Affairs).

However, the legislative framework was further refined and, in December 2024, the Hungarian Parliament passed Act LXIX of 2024 on Hungary's Cybersecurity (referred to as "Kibertv."). This new law repealed the previous Kibertantv. and introduced more comprehensive and detailed regulations in the field of cybersecurity. The purpose of Kibertv. is to ensure the protection of electronic information systems and cyberspace in parallel with the spread of digitalisation, as well as to comply with the requirements of the NIS2 Directive. It also imposes new obligations on the companies and organizations covered.

3.2 Introduction of the New Electronic Land Registry in Hungary

The Hungarian real estate registry is undergoing significant changes starting from 15 January, 2025, when the new electronic real estate registry system, known as E-ING, comes into effect. With the introduction of E-ING, real estate-related administration will become fully electronic. This means that, in the future, land registry applications must, as a general rule, be submitted via electronic forms.

For simpler cases – such as the registration or deletion of ownership rights – an automated decision-making process will be implemented, enabling faster administration. The new system will also make legal representation mandatory: only specially trained and qualified attorneys, legal counsels, or notaries will be able to act on behalf of clients.

The E-ING system offers numerous other advantages for users. The introduction of electronic signatures enhances the security of transactions. The three-dimensional land registry enables more precise registration of vertically overlapping properties (e.g., underground structures). The new system will also integrate with other official registries, ensuring that data is updated automatically and keeping property records up-to-date.

3.3 Implementaion of NACE Rev2.1 Codes in Hungary

A new TEÁOR (Standardized Classification System of Activities) took effect on 1 January, 2025. The current TEÁOR '08 system will be replaced by the new TEÁOR '25. The goal of the transition is to enable more accurate classification for businesses and align Hungary's system with the European Union's updated NACE classification system.

The TEÁOR '25 system introduces several major changes. Certain national economic sectors will expand or split, some economic activities will be reclassified into new sectors, while others will cease to exist or undergo transformation. The structure of the code system will also be modified, potentially affecting the classification of companies' primary activities.

3.4 Changes in Court-Awarded Litigation Fees - How the Kúria's Recent Landmark Decision Shaped New Legislation

In a recent landmark decision (Pfv.II.20.887/2023/6.), the Hungarian Supreme Court (Kúria) emphasized that courts should only limit attorney fees in exceptional cases. The case involved a three-year-long litigation where the first-instance court awarded 1,016,000 Hungarian forints in attorney fees, acknowledging the significant work performed by the legal representative. However, the appellate court reduced this amount by half, citing a perceived disproportion between the fees and the attorney's efforts.

The Kúria overturned this reduction, underscoring that attorney fees represent compensation for services rendered, often already paid by the client during the litigation. The court highlighted that such

fees are not the attorney's net personal income but cover various operational expenses, including bar association dues, liability insurance, office rent, utilities, employee salaries and necessary equipment.

The Kúria asserted that altering the fee agreed upon in the attorney-client contract infringes upon the principle of contractual freedom and should only occur if the fee is blatantly excessive compared to market rates and common sense. Any assessment of disproportionality must be based on objective criteria, evaluating the attorney's actual activities and the agreed fee, with courts providing specific, case-related justifications for any adjustments. General or subjective reasoning is insufficient and violates the obligation to provide a reasoned judgment.

The Minister of Justice has responded to the progress triggered by the Kúria's decision by revising the rules on the award of attorneys' fees with a new decree (IM Decree 17/2024 (XII. 9.)), which will replace the previous legislation from February 2025 and confirms, with minor differences, the new direction initiated by the Kúria.

The decree states that the winning party in litigation may recover the full amount of the lawyer's fee fixed in the legal services contract, provided that the fee is reasonable and in line with market standards. This regulation incorporates the Kúria's emphasis on contractual freedom and the operational realities of legal practice, ensuring that courts cannot arbitrarily reduce the agreed attorney's fee unless it is manifestly disproportionate. By enshrining this principle in law, the decree aims to standardise judicial practice, promote predictability of legal fees and maintain the integrity of lawyers' agreements. As a result of the above, a noticeable increase in the attorney costs awarded by courts is expected in the near future.

3.5. *Preparatory Drafting for the New Rules for Lawyers' Escrow Account – 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. The Constitutional Court called for the action of the Parliament to fulfil its legislative task and update the respective laws by 30 June, 2025.

In response to this decision, legislative efforts are underway to reform the regulations governing lawyers' escrow accounts. The proposed legislative amendments aim to enhance transparency, ensure stricter compliance with fiduciary duties, and bolster safeguards for clients' assets held in escrow. These reforms are anticipated to propose stricter compliance requirements for attorneys handling escrow accounts in order to restore public confidence in the legal profession's management of escrow accounts and align existing practices with constitutional mandates.

The legal community is closely monitoring these developments, recognizing the significant impact they will have on the practice of law in Hungary.

4. Bar news

4.1. *Controversy Over Appointed Defense System*

On 29 October, 2024, Dr. Bence Tuzson, Minister of Justice, held a meeting with Dr. Dezső Havasi, President of the Hungarian Bar Association, without prior disclosure of its agenda, where he reaffirmed his earlier proposal – developed without consultation with the Bar - to centralise the disbursement of all appointed defense fees under the Ministry of Justice. Additionally, he informed the Bar Association President that these fees would be financed by contributions from lawyers who choose not to participate in the appointed defense system. Dr. Dezső Havasi immediately opposed the proposal, expressing constitutional concerns and emphasizing its potential legal ramifications.

Critics argue that the plan would fail to guarantee effective legal defense, as it would compel lawyers with no criminal law experience to take on appointed cases. Additionally, the option for lawyers to pay

a fee in lieu of participation raised concerns that the state was shifting its obligation to provide defense onto the legal profession itself.

In response to these objections, the ministry proposed a compromise: doubling the current budget allocated for appointed defense and potentially entrusting the Hungarian Bar Association with managing the system. Under this arrangement, the Bar Association would oversee both the appointments and funding through a public service contract, with legislative authorization to establish comprehensive regulations. The new system is expected to take effect in 2025, pending the finalization of its details.

4.2. *End of the First 5 Year Cycle of Lawyers' Mandatory Training*

On 1 January, 2020, the Hungarian government adopted new legislation making continuing professional education compulsory for lawyers, post-qualification, along the lines of post-certification training and education that tax advisors and accountants had been obliged to obtain for many years.

This requirement obliged all practicing lawyers to accumulate a set number of professional development points through accredited courses, workshops, and legal conferences. The initiative aims to enhance legal expertise, ensure compliance with evolving legislation, and strengthen professional standards across the Hungarian legal community.

Legal professionals anticipate that the Hungarian Bar Association will conduct a thorough evaluation of the first five-year cycle, which concluded on 31 December, 2024. Such an assessment would provide valuable insights into participation rates, compliance levels, and areas for improvement, thereby informing potential adjustments to enhance the program's effectiveness in subsequent cycles.

4.3. *HBA Delegation to the CCBE*

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