

2025 Rule of Law Report - additional consultation on single market dimension

Fields marked with * are mandatory.

Introduction

The annual Rule of Law Report lies at the centre of the Annual Rule of Law Cycle, which acts as a preventive tool, deepening multilateral dialogue and joint awareness of rule of law issues. So far, five editions of the Rule of Law Report have been published since 2020.

As announced in the Political Guidelines for the 2024-2029 Commission, a Single Market dimension will be added to the Rule of Law Report to report to address rule of law issues affecting companies, especially SMEs, operating across borders.

Therefore, in addition to the regular stakeholder consultation for the 2025 Rule of Law report which was launched on 29 November 2024 (available [here](#)), **the Commission is now launching an additional targeted stakeholder consultation on the single market dimension of the rule of law**. This short questionnaire covers additional topics that are not yet included in the Report's scope which the Commission considers of particular relevance under this angle. The questionnaire is in particular directed to business stakeholders, but all interested parties are invited to contribute. The deadline for contributions is on 24 January (midnight Brussels time).

Under the questions below, you are invited to provide information both on the **relevant legal framework** as well as information on any relevant developments since January 2024. Under each question, the following types of information may be relevant:

A) Legislative developments

- Newly adopted legislation
- legislative drafts currently discussed in Parliament
- legislative plans envisaged by the Government

B) Policy developments

- Implementation of legislation
- evaluations, impact assessment, surveys
- white papers/strategies/actions plans/consultation processes
- follow-up to reports/recommendations of Council of Europe bodies or other international organisations
- important administrative measures

- generalised practices

C) Developments related to the judiciary / independent authorities

- important case law by national courts
- important decision/opinions from independent bodies/authorities
- state of play on terms, nominations and expired mandates for high-level positions (e.g. Supreme Court, Constitutional Court, Council for the Judiciary, Prosecutor General, heads of independent authorities included in the scope of the questionnaire)

D) Any other relevant developments

About you

* I am giving my contribution as

Civil society organisation/NGO

* Organisation name

250 character(s) maximum

Transparency Interntional Hungary Foundation

Please insert an URL towards your organisation's main online presence or describe your organisation briefly:

500 character(s) maximum

<https://transparency.hu/>

Transparency Register Number

Check if your organisation is in the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making

* Country of origin

Hungary

First Name

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* Publication of your contribution and privacy settings

You can choose whether you wish for your contribution to be published and whether you wish your details to be made public or to remain anonymous.

- ☐ Anonymous - Only your type of respondent, country of origin and contribution will be published. Organisation name, URL, transparency register number, first name and surname given above will not be published. **To maintain anonymity, please refrain from mentioning the name of your organisation and any details from which your organisation can be identified in the rest of your contribution.**
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- ☐ No publication - Your contribution will not be published. Elements of your contribution may be referred to anonymously in documents produced by the Commission based on this consultation.

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[Specific privacy statement targeted stakeholder consultation 2025 rule of law report.pdf](#)

Topics for input on the single market dimension of the Rule of Law Report

* Country covered in your contribution [only one choice possible]

If you wish to submit information concerning several countries, please fill in the questionnaire separately for each country. There is no limit to the number of contributions submitted by a single participant.

Hungary

Specialisation (of judges/specific courts/chambers within courts) and training for the judiciary to deal with commercial cases.

This question complements the questions in the original questionnaire related to quality and efficiency of justice

5000 character(s) maximum

Alternative dispute resolution and mediation

This question complements the questions in the original questionnaire on quality and efficiency of justice

5000 character(s) maximum

Measures for the prevention of corruption in relation to the issuing of official permits (e.g. related to environment, energy and various types of construction)

This question complements the questions in the original questionnaire on the prevention of corruption

5000 character(s) maximum

Reporting on the use of digital technologies to enhance transparency and oversight in public procurement

This question complements the questions in the original questionnaire on the prevention of corruption

5000 character(s) maximum

Safeguards to ensure legal certainty, the stability of the legal framework and non-discrimination.

This question complements the question in the original questionnaire on rules and use of fast-track and emergency procedures, linked to the overall process for preparing and enacting laws

5000 character(s) maximum

While the Government's aim is to stabilise the budget, the predictability and fairness of tax rules continue to be a cause for concern in an economy, where policies are closely intertwined with the general lack of legal certainty and the lack of stability of the legal framework. This is exemplified by the below conflict between the Hungarian government and SPAR Hungary, resulting from a special, sectoral surtax that was disproportionately imposed on the Austria-owned retailer.

In 2024, a major conflict arose between Austrian retailer SPAR's wholly owned subsidiary in Hungary and the Hungarian government on price and tax rules introduced by the Government. Prominent among these measures is the special retail tax, a progressive banded tax that imposes a significant burden on larger, mainly foreign-owned companies. The measures from the Government, which include a 4.5 percent tax targeting the revenues of foreign-owned retailers and a requirement to lower prices across a range of staples, remain in place even though the inflation rate has fallen sharply. According to SPAR's management, these taxes and regulations have cost them HUF 48 billion (€ 117 million), amounting to HUF 3.4 million (€ 8,000), per employee, all of which has driven the company's profit in 2023 to loss. The retail chain submitted a complaint to the European Union and asked the European Commission to open infringement proceedings against Hungary for the special taxes and also for breaching the principle of non-discrimination, as the special taxes hit multinationals more severely than local, smaller firms. Finally, the CJEU ruled that the provisions to oblige retailers to sell certain specific products on prefixed prices violated the EU legislation. One of the multiple chapters of the conflict between SPAR and the Hungarian government involved strong criticism by SPAR CEO Hans Reisch, who claimed that Hungary's Prime Minister Viktor Orbán expressly asked SPAR to allow the premier's son-in-law, István Tiborcz to invest in the Hungarian subsidiary of the Austrian-owned retailer. This information quickly spread in the Hungarian media, a development that instigated the Prime Minister to file a series of press rectification lawsuits. An alarming development is that the Kúria, Hungary's apex court overturned the rulings by lower-level courts and ruled in favour of the Prime Minister, expecting journalists to check validity of contents prior to publication even in cases where statements are only quoted from other media outlets. This decision underlines that the Kúria experiences substantial pressure when it comes to ruling in politically sensitive cases.

Safeguards to ensure the effective independence of supervisory and regulatory authorities with a direct impact on economic operators

This question complements the questions in the original questionnaire on the independence, resources and powers of national human rights institutions, ombudspersons, equality bodies and supreme audit institutions

Cases described below offer insight into the practice of state capture, where supervisory and regulatory bodies fail to carry out their mission, thus they serve as agents of systemic corruption.

State aid to acquire Vodafone by the 4iG company

During the autumn of 2013, the Government gave a carte blanche to exempt certain acquisitions from the oversight by the Competition Office by introducing the concept of “national strategic importance” to exempt certain mergers and acquisitions from cartel oversight. In 2023, the Government adopted a decree to exempt the buyout of Vodafone Hungary telecommunication company by a consortia consisting of the Hungarian state and 4iG, a pro-government private company citing national strategic importance, so the Competition Office could not investigate the more than HUF 700 billion (€ 1.7 billion) transaction. As a result, the company has acquired a monopoly position in 117 municipalities. After a legal challenge, the court ruled in favour of a full-scale cartel oversight. However, the Competition Office firmly holds that it has no mandate to review the deal due to considerations relating to national strategic importance.

Hungarian Electricity Company (Magyar Villamos Művek)

After its own “thorough investigation”, the Competition Office concluded that it does not need to investigate whether the state-owned energy company Magyar Villamos Művek (MVM) is engaging in unfair commercial practices and supposed “fantasy savings”. MVM's method of calculating and displaying savings (for the customer) from regulated electricity prices compared to market prices may exaggerate actual savings and mislead consumers. A court has overturned the decision by the Competition Office and ordered the continuation of the investigation.

Taylor-made tenders and inaction of Public Procurement Authority

Corporations belonging to the interest group of Lőrinc Mészáros, Hungary's top oligarch, and closest ally of Prime Minister Viktor Orbán, were involved in two questionable car tenders. A company named OPTESZ OPUS Zrt. acted as contracting authority, while the winning bidder was the Mészáros M1 Kft., both part of the empire of Lőrinc Mészáros. Essentially, one of his companies awarded contracts to another of his companies. The total net value of the two tenders amounted to HUF 5.4 billion. According to the Public Procurement Authority, there was no conflict of interests.

B+N Referencia Zrt. wins tender in case of restricted competition

Investigative reports indicated that the future winner of a tender by the Directorate General of Public Procurement and Supply, the Government's agency tasked with supplying ministries and other government bodies, was predictable in advance, based on the public call. This suspicion was confirmed when the government-leaning B+N Referencia company, active in the facility management and cleaning industry, won the tender. The case raised serious concerns that the tender process may have been tailored to favour this specific bidder. Despite concerns, the National Investigation Bureau dismissed the complaint, citing the absence of a criminal offence.

ZÁÉV Zrt. wins tender amid controversial exclusions

ZÁÉV Zrt., a construction company owned by Lőrinc Mészáros, won a HUF 1.6 billion contract from the public interest asset management foundation Mathias Corvinus Collegium Foundation after five competitors were disqualified for submitting low-price offers, and the remaining bids were not considered. STRABAG and other disqualified companies filed complaints. The Public Procurement Arbitration Board failed to address the issue. Although the case was reported, no investigation was commenced.

GÉ-65 Mérnökiroda Kft. and Bereg Konstruktor Kft. win tenders amid concerns of price manipulation

The GÉ-65 Mérnökiroda Kft. and Bereg Konstruktor Kft. were awarded construction tenders, despite concerns that prices were predictably set. The amount available to the contracting authority was estimated exactly or within a few forints by the two bidding companies. On complaint, the case was investigated by the authorities, but at the end the National Investigation Bureau, a police body, rejected the case due to the absence of a criminal offence.

Lőrinc Mészáros' former son-in-law under investigation, while Mészáros himself gets away with it

The Competition Office imposed a fine of HUF 1.2 billion for cartel activities on the company of the businessman Zsolt Homlok who was once engaged to Lőrinc Mészáros' daughter and later divorced her. In

standard public procurement for railway construction Homlok's companies bid with the lowest price of HUF 18.5 billion (€ 45 million). The winner, however, was the former father-in-law, Lőrinc Mészáros' V-Híd Zrt. with a bid almost twice as expensive at HUF 35.5 billion (€ 86 million), however the competition authority found their activities completely lawful.

Respect of the good administration principle (including the obligation of the administration to give reasons for decisions)

This question complements the question in the original questionnaire on transparency of administrative decisions

Safeguards (other than judicial review) regarding decisions or inaction of administrative authorities, including remedies

This question complements the question in the original questionnaire on judicial review of administrative decisions

5000 character(s) maximum

Any other points you would like to raise related to the single market dimension in the context of the Rule of Law Report

5000 character(s) maximum

In recent years, a variety of corporate and investment forms that conceal the identity of the owners have gained considerable popularity in Hungary, from private equity funds to preferential shares and trusts. Private equity funds stand out among these schemes: 196 of them were operating at the end of 2024 and the value of assets invested in these funds has now reached around several thousand billion forints. According to Transparency International Hungary's recent study, Hungarian private equity funds have acquired substantial amounts of public money. During the Covid-19 pandemic, for example, some HUF 400 billion (almost € 1 billion) of public money was invested into privately managed funds, of which HUF 175 billion (€ 425 million) was allocated to funds managed by companies linked to the Prime Minister's son-in-law, István Tiborcz at a 30 percent retention rate, where it is not known who the private investors in the funds are. In the meantime, these investee companies of cronies are also being taken care of by the state in other ways – as recipients of subsidies or as winners of public procurement contracts. A new investment program was launched in 2023 majorly for financing private equity funds with a budget of HUF 600 billion (€ 1.5 billion).

Due to an amendment to the law on ultimate beneficial owners, information relating to the identity of investors is not accessible publicly as of 1 January 2024. Moreover, Hungary's anti-money laundering legislation lacked provisions for private equity funds until 2024. Transparency International Hungary signaled this loophole to the European Commission, which confirmed in its response that Hungary has the obligation to hold accurate and complete beneficial ownership information for private equity funds in its national register. Therefore, in July 2024, the Commission started an infringement procedure against Hungary for the incomplete transposition into the Hungarian legal system of the bloc's anti-money laundering rules.

Thereafter, the amendment to the respective Hungarian laws imposed the obligation of due diligence on closed-end investment funds, however only from July 2026 onwards, following the next parliamentary elections scheduled for the spring of 2026, will private equity funds already registered at the time of the amendment's entry into force be obliged to provide data on their beneficial owners.

Different areas for improvement include domestic state aids, where the control system and the transparency of fund allocation are major challenges. State-owned enterprises and state-founded foundations often redistribute resources non-transparently to enrich government cronies. The management of state assets is

also problematic, with public bodies or publicly owned enterprises buying assets above market value without any reasonable justification. Deals of this kind are exemplified by the investments of companies under the ownership of the Főnix Private Equity Fund, which is managed by fund managers linked to the Prime Minister's son-in-law, István Tiborcz into real estate developments, such as the BudaPart project located at the Kopaszi dam and the Dürer-kert project, both of which the Government has committed to acquire by signing pre-emptive sale and purchase contracts worth HUF 255 billion (€ 620 million) and HUF 80 billion (€ 194 million), respectively. Another case of preferential treatment for connected developers happened when the state has purchased 350,000 square metres of unnecessary office space for hundreds of billions of forints from failing, oversized real estate projects, often without due diligence or public scrutiny. This scheme has enriched politically connected developers like István Tiborcz and Attila Balázs, effectively transferring project risks to taxpayers while ensuring private profit. The state's method of registering mortgages exceeding the value of the developers' land further entrenches a system of public expense for private gain. The Central European Opportunity Private Equity Fund's (also linked to the Prime Minister's son-in-law, István Tiborcz) interests include several solar park operating companies through Green Energy Investhor Zrt. One of the latter's subsidiaries, Tatooine Solarpark Kft., was acquired by the state-owned energy holding MVM after the approval of the Competition Office in June 2024. The value of the sale is unknown, as electricity-related investments were exempted from mandatory transparency rules a few years ago. From 2022, István Tiborcz's BDPST Equity became owner of Waberer's, the leading logistics companies in Hungary and the Central and Eastern European region. The company is a supplier to several state-owned companies. Under an agreement signed in 2024, Waberer's will develop a 25,000 square metre logistics park for the Hungarian Post. In 2024, Waberer's bought out the Hungarian state's majority stake in the rail freight company GYSEV Cargo.

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Contact

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