



OPERATION STARVE AND STRANGLE

How the Hungarian Government Decided to Put Companies, Independent Media and Civil Society in a Chokehold

20 May 2025

♦ Executive summary

On 13 May, under the guise of transparency and protecting sovereignty, Hungary's government launched an unprecedented attack against civil society, independent media, and any legal entity, including businesses, that the government decides to target for opposing its authoritarian rule. The Bill comes amidst a wider effort to stigmatise and threaten organisations critical of Hungary's democratic erosion, and PM Orbán's threat to carry out a "spring cleaning".

A new Bill on the Transparency of Public Life was submitted on 13 May by a member of Hungary's ruling Fidesz party. The Bill would allow the government to blacklist a broad range of commercial companies, independent non-profit civic and for-profit media organisations and block their access to financial resources if they receive revenues from abroad and are considered to threaten Hungary's sovereignty. Activities funded from foreign resources, including those supported by other EU member states or by EU institutions constitute a threat to Hungary's sovereignty, if they "violate, or portray in a negative manner, or support action against the values defined" in politically cherry-picked sections of Hungary's constitution.

Being blacklisted can strangle organisations by severely limiting their ability to operate. This includes blocking access to "foreign" resources such as commercial income, grants, or donations; imposing burdensome administrative obstacles to receiving domestic funding; and potentially leading to the organisation's eventual dissolution.

The Bill, already under discussion in Parliament, is scheduled for a final vote during the 10-12 June session. Once adopted, the last line of defence against the erosion of democratic norms and fundamental rights in Hungary will be eliminated. Within 72 hours after the law takes effect, blacklisted entities could effectively lose access to their resources.

Given the attack's pace and intensity, we urge the European Commission to take swift legal action against the law, seek interim measures from the EU Court of Justice in the ongoing lawsuit related to the 2023 sovereignty protection law, and ensure full compliance with the Court's earlier judgment in the Hungarian LexNGO case.

♦ The Legal Machinery of Repression

The Hungarian government's sustained series of legal and verbal [attacks](#) on civil society and independent media took a shocking authoritarian step when on 13 May 2025, an MP of Prime Minister Orbán's Fidesz party introduced a Bill in Parliament aimed at enhancing sovereignty protection measures. In reality, the Bill is aimed at blacklisting organisations that the government sees as posing a threat to its ever-tightening grip on power.

Under the Bill on the Transparency of Public Life, the government can designate in a decree any legal entity registered inside or outside of Hungary, upon the proposal of the Sovereignty Protection Office, as "an organisation that uses foreign support to influence public life" and thereby threatens the sovereignty of Hungary [Sections 4 and 5]. There is no effective legal remedy against the government's decision to include an entity on the list.

Entities listed in the government decree will become subject to specific monitoring measures by banks and the Tax Office, which will play a key role in enforcing financial rules misleadingly borrowed from the Anti-Money Laundering framework.

- Any type of entity could be included on the list without exception, including non-profit organisations (associations, foundations), private companies, cultural or educational organisations such as universities, possibly even political parties, and religious organisations;
- Any type and any amount of revenue received from a foreign natural or legal person or foreign state is covered without exception, including commercial revenues, fees for services, grants or other payments received from within the European Union or from its institutions or other international organisations, private donations and gifts, loans, assets, etc.;
- Listed entities will be prohibited from receiving foreign funds, either directly or through intermediaries, or from dual citizens, unless the Tax Office approves the acceptance of such funds in an unknown and unregulated procedure [Sections 7(1)b and 10(3)(b)];
- Banks will be charged with monitoring the listed entities' financial transactions to ensure they do not receive foreign funds. If a listed entity receives funding from abroad, the bank must inform the Tax Office, which can suspend transactions for up to 180 days while deciding whether a transaction falls under the prohibition [Section 10];
- If a listed entity accepts foreign funding without the permission of the Tax Office, the affected funds must be transferred to the state-managed National Cooperation Fund, and the Tax Office will levy a 25-fold fine on the listed entity [Section 11(2)];
- If the concerned amount is not transferred to the National Cooperation Fund, the fine is not paid or prohibited funds are accepted by the listed entity for a second time, the Tax Office will prohibit the listed entity's operations "aimed at influencing public life" [Section 12(1)];
- By being listed, all current contracts of a listed entity involving foreign funding will become null and void. This will require listed entities to stop activities under the contract and return funds received under the contract that have not been used until the date of being listed [Section 35];
- Listed entities will be excluded from the 1% tax designation scheme, cutting them off from a vital source of support provided by Hungarian citizens [Section 7(1)c];
- Hungarian citizens and legal entities can only provide funding (through donations or contracts) to listed entities if they submit a signed statement with full evidentiary power (i.e., handwritten, or signed, typed, and countersigned by two witnesses, or certified by a lawyer) that the funds are from a domestic source [Section 7(3)];

- Executives, founders and members of the supervisory boards of listed entities (covered jointly under the term “leader”) will be required to submit annual asset declarations; Anti-Money Laundering provisions, including extensive ‘know your customer’ screenings applicable to politically exposed persons (PEPs) will apply to them, to their immediate relatives and business partners [Sections 7(1)a, 7(2) and 48];
- Failure to comply with the annual asset declaration obligations will result in an administrative fine of up to 5,000 EUR (may be imposed multiple times) and in the suspension of the leader’s right to legally represent the entity [Sections 17(2) and 17(3)];
- If a leader fails to comply with asset declaration obligations for more than 30 days from the minister’s decision on imposing an administrative fine, the minister will ban the operations of the listed entity [Section 19];
- Failure to comply with obligations defined in the Bill, including those on receiving prohibited funds and submitting asset declarations, can result in the dissolution of the listed entity [Sections 12(2)a, 41 and 44(2)];
- Executives of legal entities that are dissolved because of violating the obligations defined in the Bill will be barred for 5 years from holding executive positions within civic or economic entities or – as a severe restriction on the right to property – from establishing new entities [Sections 40 and 45];
- The Tax Office will gain extensive investigatory powers, including on-site inspections, searches, access to and the right to make copies of any data device, and unlimited access to both state and private records, similarly to those in a criminal investigation but lacking meaningful procedural safeguards [Sections 25, 26, 27, 29, 37, 39, 42 and 51];
- The criteria the Tax Office is expected to use when deciding whether receiving foreign funds by a listed entity is permissible are vague and lack objectivity;
- The Tax Office’s decision can be appealed at the Kúria, which is led by a politically appointed president who has faced significant criticism. There will be no opportunity to request an interim measure in the proceedings before the Kúria, effectively denying timely protection against potentially harmful decisions. Furthermore, the Kúria may not change the Tax Office’s decision, it may only send the case back for reconsideration [Sections 9(3) and 9(4)].

◆ **The Bill’s immediate impact: Silencing watchdogs and shielding government abuse**

The Bill enshrines into law the government’s narrative that labels organisations receiving foreign funding and participating in public life as “political pressure organisations”. It also portrays institutions – including EU institutions and foreign organisations or individuals in or beyond the European Union – that support civil society and the media in Hungary as threats to national sovereignty.

This legislative move aligns with the government’s ongoing efforts to silence independent civil society and media. However, the proposed measures go even further, placing severe pressure on any entity the government deems adversarial, including businesses.

The Bill threatens to eliminate what remains of independent civil society and media in Hungary. It exposes not only NGOs, but also private sector actors and others considered undesirable to the risk of a partial or complete shutdown. This could occur under vaguely defined criteria and opaque procedures that lack essential legal safeguards.

Organisations placed on a blacklist will struggle to survive – they will be cut off from foreign funding and burdened with excessive administrative requirements that hinder access to domestic revenue and support. They could face a complete ban on their activities – or even forced dissolution. As a result of the system of restrictions envisaged by the Bill, the last line of defence to domestically oppose the misuse of EU funding, disinformation, and the erosion of democratic norms and fundamental rights will be eliminated.

As made clear by the statements of government officials and the actions and publications of the Sovereignty Protection Office, the Bill's main targets are watchdog organisations and investigative journalists, alongside independent media, and civil society organisations. Nonetheless, organisations of the corporate sector, such as companies and their professional bodies, as well as religious organisations, may find themselves targeted.

Placing media outlets and civil society organisations on the list will prevent the public from becoming informed about current affairs and news developments, such as government abuse and corruption, or restrictions on fundamental rights and democratic processes.

Domestic monitoring of EU funds, as specifically required by EU law and the strengthening of anti-corruption mechanisms, would cease as these are currently based on the participation of targeted organisations: dozens of independent civil society organisations are participating in monitoring committees of EU funds. Half of the anti-corruption task force set up as part of a milestone in the conditionality mechanism consists of independent civil society organisations and experts. No entity would be providing information and analyses from the ground to critical EU rule of law and fundamental rights mechanisms, including various conditionality mechanisms and the Article 7 procedure. Russian and Chinese influence in Hungary, or the surveillance of journalists using Pegasus spyware, would no longer be exposed.

♦ **Flagrant breaches of EU values, fundamental rights, and internal market freedoms**

Through arbitrary government restrictions and administrative procedures, the Bill flagrantly breaches rights protected under the EU Charter of Fundamental Rights, foremost the freedom of association and freedom of expression, the right to an effective remedy and a fair trial.

The extremely oppressive restrictions of the freedom of expression coupled with a lack of due process guarantees are also a clear breach of the core EU values as enshrined in Article 2 of the Treaty on the European Union, with special regard to the requirements of the rule of law, respect for human rights, pluralism, tolerance and non-discrimination.

The Bill intends to coerce banks and other credit institutions into becoming a part of its abusive machinery and scrutinise client accounts far beyond regular suspicious activity reporting. It would empower the Tax Office to suspend and prohibit any foreign transaction, including transactions coming from within the EU. This insurmountably obstructs, in violation of Article 63 of the Treaty on the Functioning of the European Union (TFEU), the free movement of capital, one of the cornerstones of the single market.

The Bill is incompatible with the free movement of services, in particular, the provision of media services. By weaponizing the Anti-Money Laundering framework to political target organisations, Hungary is risking overcharging the monitoring capacities of financial institutions, resulting in the lack of detection of truly dangerous transactions.

◆ **Recommended urgent steps for the EU and other international institutions**

We call on European Union bodies, and more specifically,

The European Commission,

- to urgently raise with the Hungarian government that the draft legislation, if adopted, would be in flagrant breach of EU values, fundamental rights, and internal market freedoms;
- once the Bill is adopted, to request an interim measure in the ongoing infringement case (C-829/24) pending at the Court of Justice of the European Union (CJEU) related to the 2023 law on the Defence of Sovereignty, for suspending the Sovereignty Protection Office's operation till the Court renders a judgment;
- to refer Hungary to the CJEU under Article 260 TFEU for non-compliance with the judgment in the 2017 LexNGO case (C-78/18);
- to immediately launch a new infringement procedure with the shortest possible deadlines, encompassing the entirety of the new law, and request interim measures to suspend the application of the entire law;
- to prepare for the possibility of further escalation and to consider all available means of support for those affected, including emergency aid and flexible assistance to impacted organisations.

The European Commission, together with the EU's Anti-Money Laundering Authority (AMLA),

- to take all measures necessary to prevent the abuse of the EU's Anti-Money Laundering Framework by the Hungarian government for persecuting and sanctioning organisations arbitrarily for political reasons.

The Member States of the EU,

- to call on the European Commission to act swiftly and decisively;
- to call on Hungary to abandon the Bill both in bilateral and multilateral fora;
- at the forthcoming Article 7 hearing during the General Affairs Council on 27 May 2025, to condemn the Bill and move forward with the Article 7 procedure;
- to prepare for the possibility of further escalation and consider all available means of supporting those affected, including emergency and flexible support to affected organisations.

The European Parliament,

- to consider the adoption of an urgent resolution to denounce this Bill and the targeting of independent media and civil society in line with its earlier resolutions on the situation in Hungary.

We call on the Council of Europe bodies, and more specifically,

- the Parliamentary Assembly, to raise concern and discuss the draft law in its Committee on Legal Affairs and Human Rights, and request the opinion of the Venice Commission;
- the Commissioner for Human Rights, to raise concerns about the draft law and recommend action to prevent violations of the rights guaranteed by the European Convention on Human Rights.

We call on the OSCE Office for Democratic Institutions and Human Rights (OSCE-ODIHR)

- to review, together with the OSCE Representative on Freedom of the Media, the Bill in light of Hungary's OSCE human dimension commitments and, more specifically, the OSCE-ODIHR Guidelines on Freedom of Association and media freedom;
- to prepare to deploy an election observation mission to Hungary's parliamentary elections in 2026.

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Resources

Hungary

[Unofficial translation of the legislative proposal \(version of 13 May 2025\).](#)

European Union

European Commission, [*The Commission decides to refer HUNGARY to the Court of Justice of the European Union considering its national law on the Defence of Sovereignty to be in breach of EU law*](#), 3 October 2024.

Council of Europe

European Commission for Democracy through Law (Venice Commission), [*Opinion on Act LXXXVIII of 2023 on the Protection of National Sovereignty*](#), adopted by the Venice Commission at its 138th Plenary Session (Venice, 15-16 March 2024).

Civil society

- European Center for Not-for-Profit Law, [*Alert: The Hungarian Draft Law on Transparency of Public Life*](#), 15 May 2025.
- Amnesty International Hungary and Hungarian Helsinki Committee, [*Hungary's Act on the Protection of National Sovereignty in Breach of EU Law*](#), 8 February 2024.
- Amnesty International Hungary, [*TIMELINE – Attacks on civil society since January 2025*](#), 20 May 2025.
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- Hungarian Helsinki Committee, [*Disregard for EU values: a snapshot of rule of law issues in Hungary in light of the Article 7 procedure*](#), 12 November 2024.
- [*Hungarian civil society organisations call on EU Member States to finally take action in the Article 7 procedure*](#), 20 June 2024.