

## New Hungarian laws help organised crime

While most European governments are struggling with their enormous budget deficit, tax fraud and related corruption is flourishing. According to DG TAXUD, the revenue lost by governments because of tax fraud equals to about EUR 1 trillion yearly, twice as much as the EU27 government deficit in 2012.<sup>1</sup> Moreover, tax fraud often enhances environmentally harmful activities (e.g. tax evasion and tax avoidance related to company cars). Therefore it is of utmost importance for environment protection to combat tax fraud and the corruption related to it.

In Hungary just the opposite is happening. Since the Fidesz Party came to power after the national elections in 2010, more and more legislation are accepted by the Hungarian government and Parliament which help criminals, especially organised crime. Here are just three recent examples:

- According to the new Civil Code accepted by the Parliament in February 2013, local governments can declare secret any document, e.g. any contract, if they consider that it contains “business secret”.<sup>2</sup> Before this law was adopted, all documents, contracts of the local governments which involved public money were accessible for the public. Thus the new Civil Code practically gives green light for corruption practices at local governments, in spite of the fact that corruption in local governments in Hungary has been already widespread and increasing in the last 10 years.
- An amendment to the law on freedom of information (Act CXII of 2011) accepted by the Hungarian Parliament in April 2013 all but ensures that the Government operates in complete darkness. The amendment is alarming for many reasons. Most crucially, it casts a wide net in banning public access to any information handled by public bodies that may be controlled by, for example, the State Audit Office, the Government Control Office, the Public Prosecutor or the Ombudsman. The amendment was passed in an insane two days at a conspicuous time when major NGOs and news portals were about to ask for the bids in a tender for tobacco retail licenses, which reportedly went to Fidesz loyalists. With this law corruption turns into business as usual and discussions will be silenced.<sup>3</sup>
- Act CXV of 2013 accepted by the Parliament on 21 June 2013 makes it practically possible for many rich criminals to get away with his/her crimes without any consequences for him/her. Namely, if he/she buys state bonds for HUF 5 million (this equals to an average net wage of about three years) or more, no authority has the right to investigate where he/she got that money from.<sup>4</sup> Furthermore, the Parliament also decided that this law can be changed only with at least two-thirds majority, which means that it will be nearly impossible to repeal it even if a new government would come to power.

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<sup>1</sup> [http://ec.europa.eu/taxation\\_customs/taxation/tax\\_fraud\\_evasion/missing-part\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/missing-part_en.htm)

<sup>2</sup> See: **New Civil Code: public fund contracts are to become inaccessible**, Transparency International Hungary, 16.08.2012,

[http://www.transparency.hu/New\\_Civil\\_Code\\_public\\_fund\\_contracts\\_are\\_to\\_become\\_inaccessible](http://www.transparency.hu/New_Civil_Code_public_fund_contracts_are_to_become_inaccessible)

<sup>3</sup> See: **The coming dark age of democratic governance in Hungary**, Átlátszó, 08.05.2013, <http://atlatszo.hu/2013/05/08/the-coming-dark-age-of-democratic-governance-in-hungary/>

<sup>4</sup> See: **White Collar Crime – Hungary. The stability savings account: a boon for money launderers?** International Law Office, 19.08.2013, <http://www.internationallawoffice.com/newsletters/detail.aspx?g=a5b1f892-734f-45d0-890a-21502b9fc4d1>

According to the Hungarian Meat Association, at least 40 to 50 percent of the meat sold in Hungary is from the black market, i.e. no taxes are paid after them. In order to remedy the situation the Association has been asking for a drastic reduction of VAT on meat. The government had promised that the VAT on meat will be reduced, however, this was missing from the new tax bill submitted to the Parliament in October 2013.<sup>5</sup> According to Tamás Éder, President of the Meat Association, “the black marketeers mobilised their contacts to the government” in order to impede any VAT reduction on meat.<sup>6</sup> Finally, the government decided to lower VAT on some meat products, however, leaving most of the meat still with the 27 % VAT.

A few months ago Prof. Dr. József Ángyán, Member of the Hungarian Parliament and former State Secretary for Rural Development, left Fidesz, declaring that he is not willing to support any more the unfair practices of the party. Ángyán, who is also a renowned and highly respected university professor, declared the following<sup>7</sup>: “Out of the about 70 Members of the Government (Ministers, State Secretaries) 8 or 10 were appointed by the Prime Minister, all others were in fact appointed by organised crime groups.” He underpinned his statement with concrete examples.

Budapest, January 2014

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<sup>5</sup> Gov't tax bill excludes VAT cut on food, Politics.hu, 22.10.2013,  
<http://www.politics.hu/20131022/govt-tax-bill-excludes-vat-cut-on-food/>

<sup>6</sup> Húsáfa: feketézók lobbiznak a kormánynál (Meat VAT: Black Marketeers Lobbying the Government), 21.10.2013,  
[http://www.agrarszektor.hu/elemszerpiac/elemzesek/husafa\\_feketezok\\_lobbiznak\\_a\\_kormanyal.3301.html](http://www.agrarszektor.hu/elemszerpiac/elemzesek/husafa_feketezok_lobbiznak_a_kormanyal.3301.html) (in Hungarian)

<sup>7</sup> See the video (in Hungarian): <http://www.noltv.hu/video/4972.html>