

ACT XXXIII of 1989

on the operation and financial management of political parties

The societal mission of political parties is to provide an organisational framework for the formation and expression of the will of the people and for the participation of citizens in political life. Therefore, the National Assembly, with a view to giving effect to the right of association and the political rights of citizens and to promoting the democratic articulation and effective representation of the various interests and values present in society, adopts the following Act:

Chapter I

Scope of the Act

Section 1 This Act shall cover associations with registered members that express before the court of registration their consent to be bound by the provisions of this Act.

Section 1/A To political parties,

a) unless this Act provides otherwise, the provisions on merger, division, and liquidation and winding-up procedures of non-governmental organisations of Act CLXXV of 2011 on the right of association, the public-benefit status and the operation of and support to non-governmental organisations (hereinafter the “NGO Act”); and

b) section 11 (3) to (5), 6 and (7) of the NGO Act

shall apply accordingly.

Chapter II

Operation of the political party

Section 2 (1) Political parties shall not establish or operate an organisation in a workplace (place of service, learning facilities).

(2) Only natural persons may become members of a political party.

(3) Only a person who has the right to stand as candidates at the election of the Members of the National Assembly or local government representatives and mayors may be a founder or officer of a political party.

(4) A member of a political party may bring an action against a resolution by an organ of the political party only for a violation of the NGO Act, the provisions on associations of the Civil Code, or this Act.

(5) The prosecutor shall exercise his power to control the legality of the operation of political parties in accordance with the provisions of this Act. The prosecutor shall bring an action against a political party that violates the law.

(6)

Chapter III

Termination of the political party

Section 3 (1) A political party shall terminate with succession if it undergoes

- a) merger with another political party;
- b) merger by absorption with another political party; or
- c) complete division into more than one political party.

(1a) A political party shall terminate without succession if

- a) it dissolves itself;
- b) the court dissolves it;
- c) the court terminates it; or
- d) the court establishes its termination;

and after completing the appropriate procedure for settling its financial affairs, the court deregisters the political party.

(1b) Where the political party undergoes partial division, its legal successor shall be a political party.

(2) The court shall, at a motion by the prosecution service, establish the termination of a political party if it ceases its activity and does not make any arrangement as regards its assets.

(3) At a motion by the prosecution service and without prejudice to the political party's further operation as an association, the court shall establish the termination of the operation of a political party if it does not nominate any candidate for two consecutive general elections of the Members of the National Assembly.

(4) In a situation referred to in paragraph (3), the provisions of this Act shall continue to apply to the financial consequences of the termination of the association.

(5) Where a political party becomes dissolved, its registered representative shall publish a statement in the official gazette *Magyar Közlöny* that includes the following:

a) specification of where the creditors can submit their claims within 90 days from the publication of the statement;

b) whether the political party wishes to establish a foundation.

(6) In a situation under paragraph (5), the political party shall provide the court with its financial management documents after the completion of book closing activities.

(7) Where a political party becomes dissolved, the court shall delete it from the register, provided that the political party made available its financial management documents, and proves that its creditors have been satisfied, and

a) the foundation has been registered; or

b) it has no assets remaining after the satisfaction of the creditors; or

c) it transferred the ownership of its remaining assets to the foundation referred to in section 8 (1).

(8) The court shall notify the Speaker of the National Assembly of its final and binding decision on the deregistration of the political party from the court register.

Section 3/A (1) Simplified strike-off procedure shall not apply in the case of the termination of a political party.

(2) A political party shall not be subject to a bankruptcy procedure.

(3) The insolvency of a political party shall not be established in situations under section 27 (2) a) of Act XLIX of 1991 on bankruptcy procedure and liquidation procedure (hereinafter the "Bankruptcy Act") and section 10 (3) of the NGO Act.

(4) In situations under section 27 (2) b) and c) of the Bankruptcy Act, the liquidation of a political party may be initiated only if its debt reaches or exceeds 10 million forints.

(5) Section 26 (3) of the Bankruptcy Act shall not apply and section 10 (5) of the NGO Act shall apply with the derogation that the moratorium granted by the court shall be extended until the establishment with final and binding effect of the results of the general election of the Members of the National Assembly if the time limit granted by the court at the request of the political party for the settlement of its debts expires within the period from the beginning of the campaign period for the general election of the Members of the National Assembly and the establishment with final and binding effect of the results of the general election of the Members of the National Assembly under the Act on election procedure.

(6) The liquidation of a political party shall not be ordered within the period from the beginning of the campaign period for the general election of the Members of the National Assembly and the establishment with final and binding effect of the results of the general election of the Members of the National Assembly under the Act on election procedure; the time limit set by the Bankruptcy Act for the adoption of the order ordering the liquidation proceeding and of the order adjudicating such an order at the second instance shall be extended by this period.

Section 3/B The assets subject to liquidation shall be the assets owned by the political party at the time its liquidation is ordered and the assets acquired during the liquidation proceeding.

Section 3/C (1) A political party shall not be entitled to funding under section 5 after its liquidation is ordered.

(2) The court shall hold a public interview to establish the assets and liabilities subject to liquidation of the political party within 45 days after ordering the liquidation with final and binding effect. The executive officers of the political party, those who acted as its executive officer within the 10 years preceding the ordering of liquidation, the liquidator, and, where a temporary administrator is appointed, the temporary administrator shall be summoned to the interview. The executive officer of the political party shall fulfil the obligations to provide documents and to make statement under section 31 of the Bankruptcy Act at the interview; former executive officers shall, at the request of the court, make a statement as regards the data on the assets and liabilities of the political party in the period of their management. The executive officer of a political party shall give the liquidator the closing inventory, the final account prepared in line with the rules on final statements of accounts, and the financial statement prepared in line with the provisions of this Act, also for a partial year, in the interview. Additionally, the executive officer of a political party shall provide evidence that the political party met its obligation to make a final tax return under the Act on the rules of taxation.

(3) For a violation of an obligation specified in paragraph (2), the court shall impose a fine ranging from 100 000 forints to 900 000 forints on the executive officer or former executive officer of the political party. The fine may be imposed repeatedly.

Section 3/D (1) A political party shall not be subject to simplified liquidation procedure.

(2) In addition to those specified in the Bankruptcy Act, the following shall not be allowed to acquire ownership in the sale of the assets of the political party in a liquidation proceeding:

a) an executive officer of the political party, of a company established by the political party, or of a foundation established by the political party in accordance with section 9/A;

b) a person who held an executive officer position within the 10 years preceding the ordering of the liquidation of the political party;

c) if established by the political party

ca) a company;

cb) pursuant to section 9/A, a foundation;

d) a relative within the meaning of the Civil Code of the persons referred to in points a) to b).

Section 3/E Assets remaining after the completion of the liquidation of a political party shall be transferred by the court to the foundation referred to in section 8.

Section 3/F If a political party terminates without succession, creditors may claim damages up to the amount of their outstanding claims from the executive officers of the political party according to the rules on extra-contractual liability, provided that the executive officer of the political party failed to take the interests of the creditors into consideration after the emergence of a condition threatening to cause insolvency of the political party.

Chapter IV

Assets and financial management of the political party

Section 4 (1) The assets of a political party shall comprise fees paid by the members; funding from the central budget; funding by the parliamentary group of the political party to be charged against the budgetary expenditure appropriation ensuring the operating conditions of the parliamentary group; real estate provided by the state free of charge pursuant to section 5; asset contributions by natural persons holding Hungarian citizenship; estates of natural persons under testamentary disposition; economic and entrepreneurial activities referred to in section 6 of the political party; and after-tax profits of a single-member limited liability company established by the political party.

(2) With the exceptions specified in paragraph (1), legal persons and organisations without legal personality shall be prohibited from providing asset contributions to a political party; a political party shall be prohibited from accepting asset contributions from a legal person and an organisation without legal personality.

(3) A political party shall be prohibited from accepting asset contributions from another state. A political party shall be prohibited from accepting asset contributions from a foreign organisation regardless of its legal status and from a natural person other than a Hungarian citizen. A political party shall be prohibited from accepting anonymous donations; such a donation shall be paid in for the purposes of the foundation referred to in section 8 (1).

(4) A political party that accepted asset contribution in violation of the rules under paragraphs (2) and (3) shall, once called upon by the State Audit Office, pay its value to the central budget within fifteen days. In case of default, the debt shall be collected as taxes. Funding provided from the central budget to the political party shall be reduced by an amount equal to the value of the asset contribution accepted.

(5) Where asset contribution was provided to a political party in kind, the political party shall provide for its valuation (assessment of its value). If a political party accepted prohibited in-kind contribution in violation of the rules under paragraphs (2) and (3), the value of that contribution shall be established by the State Audit Office.

Section 5 (1) By virtue of this Act, the political parties eligible for funding from the central budget shall, free of charge, acquire from the state the ownership of the real estate listed in Annex 3 according to the ownership proportions specified therein in accordance with paragraph (2).

(2) A political party shall be eligible for funding in accordance with the provisions of this Act. 25 per cent of the amount available for the funding of political parties under the Act on the central budget shall be distributed in equal shares among the political parties that won a mandate in the National Assembly from a national list. The remaining 75 per cent of the amount shall be made available to the political parties in proportion to the votes cast for the political party and the candidates of the political party pursuant to the parliamentary election results. A political party shall not be eligible for funding if it does not receive 1 per cent of the votes cast by voters participating in the voting.

(3) For the purposes of the distribution of funding, election results shall be taken into account from the first day of the month following the constitutive sitting of the National Assembly.

(4) The amount to be spent on political party funding shall be determined by the Act on the central budget. Funding shall be disbursed quarterly, on the first day of each quarter.

Section 6 (1) A political party may carry out the following economic and entrepreneurial activities to cover its costs and increase its assets:

a) it may publish and distribute publications, sell badges and other items symbolising the political party, and organise political party events, to increase awareness of its political objectives and activities;

b) it may exploit and alienate for consideration the real estate and movable property owned by it.

(2) A political party shall not pay corporate tax for its economic and entrepreneurial activities referred to in paragraph (1).

(3) A political party may establish a single-member limited liability company, but it shall not acquire shares in any other company.

(4) A political party may invest its funds in securities with the exception of share purchases.

(5) The legal consequences specified in section 4 (4) shall apply accordingly to a political party violating the provisions of paragraphs (1) to (4).

Section 7 Where a political party undergoes consolidation or merger by absorption with another political party or complete division into more than one political party, the legal successor political party shall acquire ownership of its assets. If the political party undergoes division, it shall determine the proportion and method for the distribution of assets in a division plan.

Section 8 (1) Where the political party declares itself dissolved or the court dissolves or terminates it, or establishes its termination, the ownership of its assets remaining after the satisfaction of the creditors shall be transferred to a foundation established by the National Assembly. A committee, comprising one representative from each political party that won a mandate from a national list, delegated by the National Assembly shall develop the detailed objectives and the method for using the foundation.

(2) Where a political party terminates by the declaration of its own dissolution, it may itself establish the foundation referred to in paragraph (1) or may offer its assets remaining after the satisfaction of creditors to an already operating foundation.

Section 9 (1) Political parties shall publish the financial statement under Annex 1 by 31 May each year in the official gazette *Magyar Közlöny*, as well as on their website if they have one.

(2) Contributions exceeding five hundred thousand forints that were given in a calendar year shall be indicated in the financial statement separately, specifying the name of the contributor and the amount.

(3) In other respects, the general rules on the financial management of associations shall apply to the financial management of political parties.



Chapter IV/A

The foundation pursuing a scientific, awareness-raising, research or educational activity to support the operation of a political party

Section 9/A (1) A political party may, with a view to developing political culture, establish a foundation eligible for funding under this section from the central budget to pursue a scientific, awareness-raising, research or educational activity in accordance with the provisions of a separate Act.

(2) Funding shall be disbursed each calendar quarter, on the first day of the quarter concerned.

(3) A foundation shall be eligible for funding in a quarter if

a) it has been established by a political party that is eligible for support in accordance with section 5 (2) on the first day of the quarter concerned; and

b) its objective specified in the deed of foundation is aimed exclusively at an activity referred to in paragraph (1).

(4) The amount of funding for foundations eligible for funding calculated for a calendar year shall not be less than the sum of appropriations planned for the year preceding the year concerned in the Act on the central budget for the funding of foundations pursuing a scientific, awareness-raising, research or educational activity in support of the operation of a political party.

(5) The funding shall be made available to the foundations in proportion to the votes cast for the political party that established the foundation concerned and the candidates of this political party in the previous general election of the Members of the National Assembly.

(6) For the purposes of the distribution of funding, the results of the general election of the Members of the National Assembly shall be taken into account for the first time from the first day of the calendar quarter following the formation of the National Assembly.

(7)

(8) Funding under this section shall be granted to only one foundation per political party.

Chapter IV/B

Contribution not constituting prohibited state aid

Section 9/B The transfer of state assets referred to in section 1 (2) f) of Act CVI of 2007 on state assets shall not constitute prohibited state aid.

Chapter V

Control of the financial management of the political party

Section 10 (1) The State Audit Office shall be authorised to control the legality of the financial management of a political party.

(2) State administration organs shall not be authorised to exercise economic and financial control over a political party.

(3) The State Audit Office shall check every two years the financial management of the political parties that received regular funding from the central budget.

(4) Should the State Audit Office detect that a political party acted unlawfully in terms of financial management, it shall call upon the political party to restore the lawful situation. In case of a more severe violation or if the political party fails to comply with the call, the President of the State Audit Office shall invite the prosecutor to initiate the proceeding under section 11 (3) of the NGO Act.

Chapter VI

Final provision

Section 11 (1) This Act shall enter into force on the day of its promulgation.

(2) Upon entry into force of this Act, all legislative provisions containing provisions as regards a political party or a member of a political party shall be repealed in respect of the political party or the member of the political party.

Section 12 Chapters I to IV, Chapter IV/B, Chapter V, sections 15, 16 and 17, and Annexes 1 to 3 qualify as cardinal on the basis of Article VIII (4) of the Fundamental Law.

Section 13

Section 14

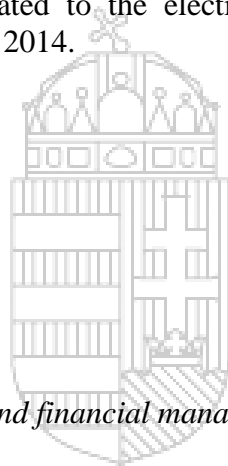
Section 15 Where a registered association intends to operate as a political party, it shall notify the court that it commits to adhere to the Act on the operation and financial management of political parties and shall, at the same time, submit to the court its articles of association.

Section 16 An association may operate as a political party if, when submitting its application for registration and the notification referred to in section 15, it submitted to the court its balance sheet under Annex 2.

Section 17 The provisions of this Act introduced by Act LXXXVII of 2013 on the transparency of campaign costs related to the election of the Members of the National Assembly shall apply from 1 January 2014.

Section 18

Section 19



Annex 1 to the Act on the operation and financial management of political parties

Financial statement

Revenue:

1. Membership fees

HUF

2. Funding from the central budget

HUF

3. State aid for the parliamentary group of the political party

HUF

4. Other contributions, donations

(specifying any contribution exceeding 500 000 forints)

HUF

5. Revenue from the profit of the limited liability company established by the political party

HUF

6. Other revenue

HUF

Total revenue in the marketing year concerned

HUF

Expenditure:

1. Funding for the parliamentary group of the political party

HUF

2. Funding for other organisations

HUF

3. Amount spent on the establishment of undertakings

HUF

4. Operating expenditure

HUF

5. Purchase of equipment

HUF

6. Expenditure on political activities

7. Other expenditure

HUF

Total expenditure in the marketing year concerned

HUF

Annex 2 to the Act on the operation and financial management of political parties

BALANCE SHEET

Designation of assets in HUF

1. Fixed assets and investments

11. Real estate

12. Machines, equipment and devices

13. Vehicles

16. Non-operating fixed assets

17. Depreciation of fixed assets

18. Welfare fixed assets

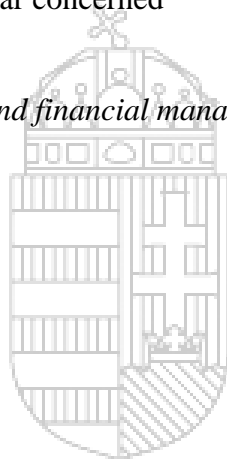
19. Investments

2. Inventory

21. 22. Materials

23. Consumables

25. Work in progress and semi-finished products



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26. Finished products

27. 28. Goods

29. Welfare inventory

3. Finance and bank accounts

31-32. Money and bank accounts

33. Accounts receivable

35. Employee accounts receivable

37. Other accounts receivable

38. Separate accounts receivable

39. Active accruals

Total assets

Source of assets in HUF

3. Cash

326. Investment allowance

34. Accounts payable

35. Employee accounts payable

36. Accounts payable to the central budget

37. Other accounts payable

39. Passive accruals

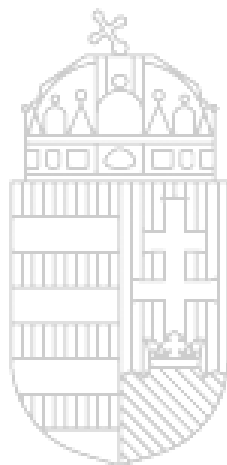
4. Funds

41. Fixed asset funds

42. Current asset funds

43. Reserves

44. Participation funds



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45. Funds of assets lent and borrowed

46. Other funds

48. Separate funds

49. Annual balance sheet and profit accounts

Total resources

Annex 3 to the Act on the operation and financial management of political parties

List of real estate transferred to the ownership of political parties

Designation of the real estate	Name of the political party	Ownership proportion
Budapest II, Bem tér 3	Hungarian Democratic Forum	1/1
Budapest V, Mérleg u. 6	Alliance of Free Democrats	1/1
Budapest V, Belgrád rkp. 24	Independent Smallholders, Agrarian Workers and Civic Party	1/1
Budapest VI, Lendvay u. 28	Alliance of Young Democrats	1/1
Budapest VIII, Köztársaság tér 26	Hungarian Socialist Party	1/1
Budapest XII, Nagy Jenő u. 5	Christian Democratic People's Party	86/100
	Independent Smallholders, Agrarian Workers and Civic Party	14/100