



BOOK REVIEW

A long awaited manual
on foundations

“The foundation – a historical, typological, functional, taxation and asset management omnibus” was published in 2021 by HVG-ORAC. The authors are B. Szabó Gábor, Menyhei Ákos and Sándor István, all of whom were co-authors of the handbook “Fiduciary asset management” on the Hungarian trust.

Foundations play an important role in society, primarily in the non-profit sphere. They provide a legal framework for civil alliances pursuing various charitable goals. Their development and role in history can be linked to charity. However, over time their purpose extended to private matters, such as asset management of family wealth.

In Hungary, foundations also formed part of the history of law, initially based on case law, then further regulated by supervision by the state. Specific legislation for foundations was enacted at the turn of the last century, with the democratic transformation. This was followed by a rapid catch-up of the regulations with their Western European counterparts, and with the introduction of the asset management foundation in 2019, the Hungarian rules on foundation became most competitive.

This handbook provides a detailed overview of the regulation of foundations in Hungary. For better understanding of the current regulations, the book contains a description of the historical development of foundations as well as an international comparison. These are followed by the nature and background of the regulation of foundations, differentiation from other similar legal instruments, and a description of the specific types of foundations. The book also contains an analysis of the establishment, governance, legal treatment of assets, asset distribution, transformation and termination of foundations, with specific mention in each segment of the relevant tax and accounting rules. In addition to a general overview of the regulations on foundations, the authors also provide detailed guidance on asset management foundations that were introduced in 2019 in Hungary.

This handbook highlights that with the introduction of asset management foundations, the legislators had the goal of extending the function of foundations from the non-profit sphere to asset management roles, making it possible for foundations to carry out business activities. An existing or newly created foundation registered with the competent court in Hungary may carry out asset management functions specified in its deed of foundation. The applicable Hungarian regulations are based on Swiss, Austrian and Liechtenstein law, however arguably they surpass those by creating one of the most competitive systems internationally.

The authors highlight the areas of application of the asset management foundations, specifically asset protection, privacy and business secret protection, generational wealth transfer and tax planning. Further, the book contains information on the establishment and governance of asset management foundations, the supervision and limitation of asset management, the exercising of founders' rights, the amendment of the deed of foundation, the termination of asset management foundations, fiduciary asset management carried out by asset management foundations and identification of the ultimate beneficial owners in relation to asset management foundations and the fiduciary asset management carried out by asset management foundations.

In addition, the book describes public asset management foundations, currently used for reforming the system of higher education in Hungary, and compares them to “normal” asset management foundations.

In summary, this handbook gives detailed guidance on the regulation of foundations and thus may be recommended for practicing lawyers, businesspersons and individuals engaged in the non-profit sector.