THE BASIC OF PUBLIC FINANCES IN THE REGULATION OF HUNGARY AND VIETNAM COMPARATIVE ANALYSIS

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ABSTRACT: *The field of finance is an important part of social life, particularly public finance. Public finance is a key instrument for the State to mobilize, allocate, and manage financial resources to meet societal needs, support economic development, and maintain the functioning of the State. As a member of the European Union, Hungary has a well-established legal and institutional framework for public finance, while Vietnam, a developing country with a socialist-oriented market economy, is reforming its financial regulations to adapt to economic development and global integration. In this paper, the authors provide an overview of the main fundamental aspects of public finance law in both countries. At the same time, the authors compare the two systems to highlight similarities and differences. These findings offer a clearer understanding of how legal structures influence public finance policies and provide a foundation for further research on financial law in developing economies.*

KEYWORD: *definition of financial law; fields of the law of public finances; development of Hungarian financial law; delimitation of branch of law; public law.*
JEL Code: *K34*

DOI: **10.62838/cjjc-2024-0074**

1. DEFINITION AND CHARACTERISTICS OF PUBLIC FINANCE LAW IN HUNGARY

Financial history of Hungary's finance is divided into two periods one period before 1987 and the period after 1987 (ERDŐS, 2015).

Before 1987 This stage is “budget fetishism”. The role of the state budget was overrated.

The legal rules are built around three fields:

- Budget law, constituting the bulk of the rules.
- Few regulations on companies' income.
- A few taxation rules concerning individual persons.

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After 1987: This stage is "renaissance of the taxation law”. The financial legal legislation has also increased. The process was helped by *several rules belonging to other legal fields*, like: the introduction of Act VI of 1988 on companies, which abolished the taboo of the state property and gave way to the private property (ERDŐS, 2015).

Some of the prominent regulations in this period

- The transition from the monolithic banking system to the two-level banking system.
- The reform of the taxation law.
- The reform of securities - the appearance of the stock exchange.
- Act XXIV of 1988 on Hungarian investments by foreigners.
- Act XIII of 1989 on the transformation of businesses and companies.
- Act VII of 1990 on the State Property Management Agency and on the management and utilisation of the as-sets belonging to the Agency.
- Act IL of 1991 on bankruptcy, liquidation and final settlement.
- Act VI of 1987 on the income tax of individual persons, Act V of 1987 on the value added tax.
- Act XCI of 1990 on the order of taxation was born.
- Act XXXVIII of 1992 on state finances: The Act includes both the substantive and procedural regulations relating to the passing of the budget, and it defines the general principles of the management of the state finances, and the order of the utilisation of public monies and its supervision.

This period always finance becomes independent of public administrative law.

1.1 Definition:

- *Financial law* includes all the legal regulations, which regulate the financial affairs of the state, the legal relations originating from the financial activities of the state, the financial institutions, procedures, and rules which determine the methods and forms of financial control. The presence of the large institutions of the state is always typical of the legal relation (MEZNERICS, 1977).
- Primarily, *the financial legal relations* regulate the financial affairs established between state power, state administration organizations, local governments and their organs, the financial affairs established between banks, insurance companies and the financial affairs established between all the above organizations and individual persons and businesses (ERDŐS, 2015).

Public finance law is a branch of law that regulates public financial relations, that is, relations between the State or State institutions and social entities, including individuals, businesses and organizations.

1.2 Characteristics:

+ The subject in the public finance legal relationship is always the state or state institutions.
+ The object of public financial relations is money.
+ The method of the regulation is cogent (compulsory).
+ The norms belonging to the public law.

- *The object of the financial legal relation:* is the financial affairs of the state that is all the cases, where the payment, the issue of money and financing are present.
- *The financial legal relation* the parties' subordinate - superordinate relation is typical, because of the presence of the state.
- *The financial legal rules* are imperative, cogent

The differences between the private Private finances and Public finances (ERDŐS, 2011, pp. 9 -10)

	Private finances	**Public finances**
Subjects	private sector, person, companies, organizations, households	Subject: one of the parties is always the State or its institutions
Object	money and finances which are created among the parties of the private sector.	Object: money and finances which are created between the State and the State; the State and the parties of the private sector.
The legal relationship	equality between parties	Subordinate partners
The rules	dispositive rules	Cogent and imperative rules
	Private Law	Public Law

Own source

2. FIELDS OF PUBLIC FINANCE LAW IN HUNGARY

In Hungary, the subject is the basis for dividing the fields of public finances law (ERDŐS, 201, p13). The Fields of regulation of Public Finances the following:

2.1 Law of public finances

- Law of public income (tax, levy, contribution, fee, assent, fines)
- Law of public expenditures
- Affair of public debt

2.2 Law of enterprise finances

Law of enterprise finances involves the finance of *formation, operation and ceasing*

- *Formation*: levy, registration fee, defining the minimum compulsory capital stock.
- *Operation*: payment obligation (tax, levy, contribution, fee, assent, fines), support, the price approved by the public authorities
- *Ceasing*: tax and accountancy rules

2.3 Law of finances of private individuals: inpayhments and the available public support

2.4 Law of finance of organization operation according to the right of association: Organizations that operate under the association as associations, foundations, civil organizations, parties, are considered special because they perform part of the public duties. They can receive financial support from the State such as tax relief, tax exemption. Financial laws regulate appropriate matters in the three stages of formation, operation, and termination. They do not have a mandatory charter capital.

2.5 Law of international finances law of European finances: double taxation agreement, the tax law of the EU.

3. EUROPEAN PUBLIC FINANCES LAW

It covers: fiscal law of EU's member nations, legal acts to resolve the international conflicts, tax policy.

The EU public finances contain:

- The budget of the EU, the procedure of the budget
- The subvention polities
- The tax policy the European tax harmonization
- The law of the financial audit of the European public finance

Similarities in national finance law

- Compulsory norms
- One of the parties in the relation is always the State (EU or its organ)
- The parties in the European public money relation are independent in superior position

4. INTRODUCTION TO FINANCIAL LAW IN VIETNAM

4.1. The financial System in Vietnam

Currently, The Financial System in market economy (the socialist-oriented market economy) consists of five components (VO, 2004, pp 14-17):

- *State Budget (center component)*: The characteristic feature of the state budget finance is that the State is always a party participating in financial relations. The State uses different forms and measures to establish, distribute and use the state budget fund to perform the functions and tasks of the State.
- *Credit*: is reflected through financial relations that arise when entities transfer financial resources on the principle of repayment, thereby creating monetary funds within the economy.
- *Insurance*: is a component of the financial system, expressed by financial relations arising between the insurance buyer (in the form of insurance premium payment) and the insurer in the activities of collecting insurance premiums and paying insurance money.
- *Corporate Finance* is reflected through the financial relations that arise from a company's financial activities, aimed at establishing and utilizing the company's monetary funds.
- *Household (residential) finance and non-business organization finance* are reflected through financial relations that arise in the formation and use of monetary funds

within household, primarily aimed at satisfying consumption needs. These financial relations take various forms, such as income from wages and salaries, payments in the purchase and sale of goods and so on. In addition, household monetary funds are also used for investment in business activities, participation in credit relations, or engagement in financial markets through instruments such as stocks, bonds.

4.2 The Financial Law in Vietnam

4.2.1 Definition:

In Vietnam, there is no distinction between the concepts of public finance law and private finance law in Vietnam. Vietnam simply calls it Financial Law.

Financial law is a set of legal norms to regulate social relations arising in the process of distributing wealth in the form of value to create, distribute and use certain monetary funds to meet the needs of the subjects participating in those relations (ĐINH, 2002, p34).

4.2.2. The social relations regulated by financial law: include 5 groups

✓ *Group of financial relations arising in the field of state budget*

- Establishing and implementing the State budget estimate and budget settlement
- Decentralizing State budget management
- Budget collection
- Budget expenditure

✓ *Group of relationships arising in the business sector (corporate finance) includes:*

- Regulating the formation and use of capital of enterprises
- Relationships on revenue management, costs, and prices of products and services
- Relationships on profit distribution.

✓ *Group of financial relationships arising in the insurance business sector*

✓ *Group of financial relationships arising in non-business organizations and residential areas, socio-political organizations, social organizations, and charity funds*

✓ *Group of relationships arising from the financial market, where the buying and selling of financial resources (including short-term capital market, the stock market for the long-term capital) take place to satisfy the capital needs of the economy.*

4.2.3. Method of regulation: includes 2 methods (VO, 2004, pp 37-38):

- *The command method* is applied in financial relations where one of the parties is the State (a competent state authority) participating as a political power entity and relying on political authority. Under this method, the competent state authority issues decisions and directives that the other parties in the financial relations must comply with, without negotiation. For example, in legal relations concerning taxation, when a taxpayer incurs a tax obligation, they are required to fulfill it and cannot negotiate with the State.

- *The equality and agreement-based method*. According this method, the parties participating in financial relations have equal legal status and freedom of will in establishing rights and obligations in accordance with the requirements of the law.

However, not every financial relation involving the State directly is governed by the command method. Only those financial relations in which the State participates as a political power entity and relies on state authority fall within the scope of command method.

For example, in the relation between the State issuing bonds and citizens purchasing state bonds, the establishment of specific relations is not based on state authority but on mutual agreement. The method applied here is the equality and agreement method.

4.2.4. Financial legal relationship:

- *Subjects of financial relations* include groups:

+ State is a special subject, this subject regularly participates in the State budget relationship

+ State agencies, armed forces, political organizations.

+ Socio-political organizations, social organizations, charity funds

+ Enterprises and other business entities

+ Domestic and foreign individuals

+ Foreign economic organizations, non-governmental organizations

- *Objects of financial relations:* are manifestations of material wealth in the form of value such as: national currency, foreign currency, valuable papers that can be converted into money.

- *Content of the relationship:* includes legal rights and obligation of the parties.

4.2.5 Sources of financial law

- Law State Budget
- Law On Public Investment
- Law On Public Debt Management
- Law Management and Use of Public Property
- Tax Law
    - Law On Tax Administration
    - Law On Personal Income Tax
    - Law On Corporate Income Tax
    - The Law on Export and Import Duties
    - Law On Excise Tax
    - Law On Value-Added Tax
    - Law Environmental Protection Tax
    - Law On Non-Agricultural Land Use Tax
    - Law On Severance Tax
- Law Fees and Charges
- Law On Securities
- Law Credit Institutions
- Law On the State Bank of Vietnam
- Law Insurance Business
- Law On Prices
- Law on Accounting
- Double Taxation Avoidance Agreements (DTAAs)
- Secondary legislation: Decree, Circular, Directive, Resolution…

5. THE STATE BUDGET LAW IN VIETNAM

In the Vietnamese context, discussions on the State's financial relations typically use the term "State Budget Law". The State Budget Law is a part of financial law. The State Budget Law is a set of legal norms that regulate social relations arising from the formation, allocation, and utilization of the financial resources of the state budget (ĐINH, 2002, p61).

The social relations regulated by State Budget Law can be classified into the following groups:

- *Group 1:* includes social relations arising during the process of drafting, approving, implementing, and settling the state budget.
- *Group 2:* Includes social relations arising from the creation of the state budget fund, that is, from the revenue collection process. The sources of state budget revenue are highly diverse, with taxes, fees, and charges serving as the principal sources.
- *Group 3:* includes social relations arising from the creation of the state budget fund, i.e., the revenue collection process. State budget revenue sources are very diverse, of which taxes, fees and charges are the main sources of revenue.
- *Group 4*: includes social relations arising from the use of the state budget fund, that is, from the process of public expenditure.

A key characteristic of the above legal relationships is that there is always only one sanctioning party involved the State or its representative.

State budget system (Art 6, the State Budget Law No.89/2025/QH15)

- The State budget comprises the central budget and local budgets.
- Local budgets comprise provincial-level budgets and commune-level budgets.

State budget revenues and expenditures

✓ *State budget revenue* (Article 5 of the State Budget Law No. 89/2025/QH15)*:*

a) All revenues from taxes and charges and fees for services provided by state authorities.

b) Fees for services provided by public service providers and organizations assigned by competent authorities to provide public services that are transferred to state budget as prescribed by law.

c) Grant aid provided by governments of other countries, overseas organizations and individuals for Vietnam's State, Government and local governments; financial assistance and voluntary contributions from domestic and foreign organizations and individuals.

d) Other revenues prescribed by law.

✓ State budget expenditures *(*Art 5, The State Budget Law No. 89/2025/QH15)

a) Development investment expenditure

b) National reserve expenditure.

c) Recurrent expenditure.

d) Interest repayment expenditure.

e) Expenditure on aid provision.

f) Other expenditures prescribed by law.

Among the state revenues, tax revenue is the most important. Tax Law is a part of the state budget law. This is a regular source of revenue and accounts for a very high proportion in the state budget fund.

6. COMPARISON OF FINANCIAL LAW IN HUNGARY AND VIETNAM

	HUNGARY	VIETNAM	
		Financial law	***The State Budget Law***
Name	Includes: Public Finances; The private Finances are in the civil law	There is no classification; the term "Financial Law" is used as a general designation.	The State Budget Law is a part of financial law.
Definition	***Public finance law*** is a branch of law that regulates public financial relations, that is, relations between the State or State institutions and social entities, including individuals, businesses and organizations	***Financial law*** is a set of legal norms to regulate social relations arising in the process of distributing wealth in the form of value to create, distribute and use certain monetary funds to meet the needs of the subjects participating in those distribution relations.	***The State Budget Law*** is a set of legal norms that regulate social relations arising from the formation, allocation, and utilization of the financial resources of the state budget
The subject matter of legal regulation	Financial legal relations primarily regulate financial relations between state agencies, administrative bodies, local governments and their subordinate entities, as well as financial relations involving banks, insurance companies, and interactions between these institutions and individuals or businesses.	- Group of financial relations arising in the field of state budget - Group of relationships arising in the business sector (corporate finance) - Group of financial relationships arising in the insurance business sector - Group of financial relationships arising in non-business organizations - Group of relationships arising from the financial market	- Group of relations concerning decentralized budget management - Group of relations concerning the budget cycle - Group of relations concerning state budget revenue - Group of relations concerning state budget expenditure

The method of the regulation	mandatory command, and superior-subordinate This branch of law is part of the Public law.	- Mandatory/Compulsory method - Equality and agreement-based method	- Mandatory/Compulsory method Equality and agreement-based method
International law	the regulations of the OECD and the European Union will have a direct impact.	agreements on the avoidance of double taxation	

Source: Authors own sources

There are differences in the terminology used for financial law in Vietnam and Hungary. In Hungary, it is referred to as Public Finance Law, while in Vietnam, it is commonly known as the State Budget Law. However, in essence, there are notable similarities between the two systems.

Firstly, in terms of subject matter, both legal systems regulate social relations that arise between the State and other entities in society.

Secondly, in terms of the object of regulation, both primarily deal with money and financial resources.

However, differences emerge in the methods of legal regulation, particularly in Vietnam.

- In Hungary, the predominant method of regulation is a mandatory, command-based approach, often reflecting a superior subordinate relationship between the State and other entities.
- In Vietnam, while the command method is still widely applied, in certain cases, the principle of equality between the State and other subjects may also be applied.

For instance, in Vietnam, citizens may make voluntary contributions to the state budget, in which case the superior–subordinate model does not apply. According to Decree No. 93/2021/ND-CP on the Mobilization, Receipt, Distribution, and Use of Voluntary Contributions to Support Overcoming Difficulties Caused by Natural Disasters, Epidemics, or Accidents; and to Support Patients Suffering from Rare or Severe Diseases, citizens may voluntarily contribute in these cases. These contributions are voluntary and not mandatory. Another example is when the State issues government bonds to mobilize capital from the public a transaction that is based on civil equality and mutual agreement rather than compulsion.

In Hungary, the regulations of the OECD and the European Union will have a direct impact.

In Vietnam, international regulations will also play a significant role, including agreements on the avoidance of double taxation and other international treaties that Vietnam has signed, particularly in the field of taxation.

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