

The background of the slide is a golden-yellow color with a dense, repeating pattern of various international currency symbols (such as the dollar sign, euro, pound, yen, and franc) rendered in a 3D, embossed style. The symbols are scattered across the entire background, creating a textured, financial theme.

Extra taxes in Hungary

„Boomerang effect”

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Conceptual and systematic difficulties

- **Budgetary balancing measure :**

 - >> „*tax*”.

 - >> „*other*”: nationalisation, creation of state monopolies, etc.

- **Extra (sectoral) tax:** temporary tax on certain, usually profitable sector (e.g. natural monopolies)

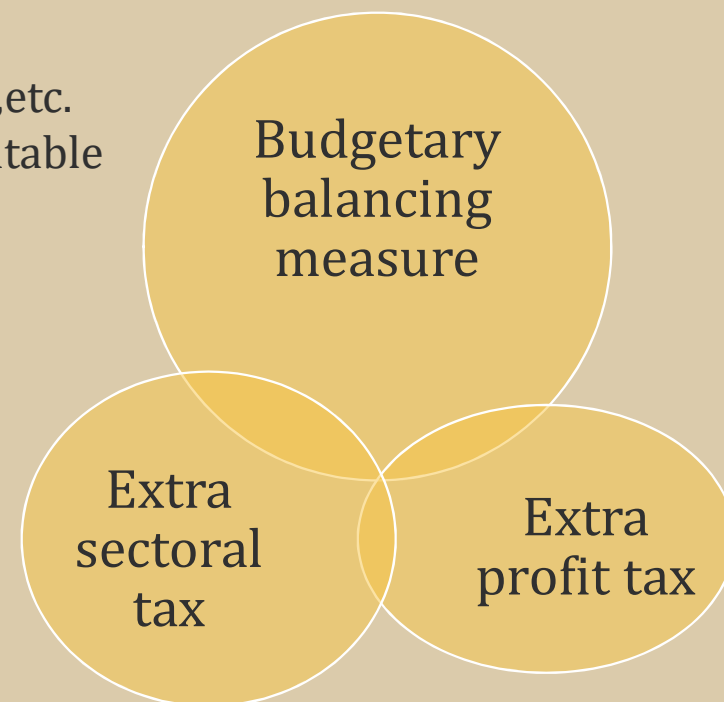
- **Extra profit tax:** temporary tax on benefits arising a given economic situation



extra taxes \neq extra profit taxes
 Σ sectoral taxes

Hungary:

- Constitution: tax liability on the basement of tax bearing capacity & „*participation in the economy*”
- extra taxes: de iure (namely), de facto
- planned temporary \leftrightarrow become permanent element of tax system



EU methods of affecting tax policy of Member States

Legal basis	Competent institution(s)	Results	Affects - Consequences
tax harmonisation TFEU Art. 115-116	Council (unanimously)	- Directive	Introduction, modification, repeal of <i>tax regulation</i> , <i>repayment</i>
Infringement procedure TFEU Art. 258-260	Commission, Court of Justice of the EU	- Statement >> necessary measures - Lump sum, penalty payment	
State aid TFEU Art. 107-108	Commission (Court of Justice of the EU)	- Abolish or alter state aid rule	
Preliminary ruling procedure TFEU Art. 267	Court of Justice of the EU	- Validity and interpretation of acts (court of MSs)	Infringement procedure
Excessive deficit procedure TFEU Art. 126 Regulation 1467/97/EC Regulation 1173/2011/EU	Council (Commission – reverse decision-making mechanism), Parliament	- recommendations (tax policy) - € area MSs: fine, deposit, EIB-credit override	2014-2020, 2021-2027 Suspension, reduction of commitments, payments >> EU budget funds, loans
Rule of law procedure Regulation 2020/2092/EU, Euratom	Council (Commission – reverse decision-making mechanism), Parliament		

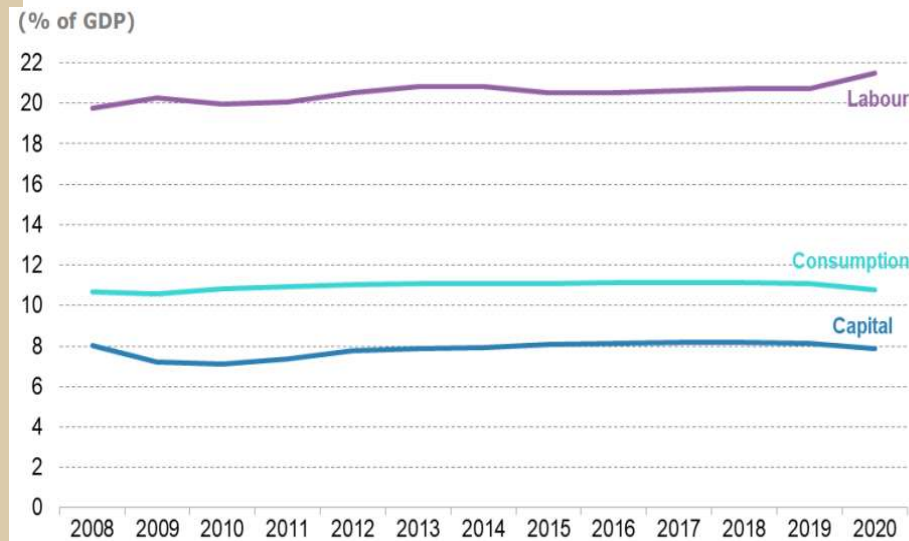
Trends in the EU and Hungary (2008 – 2023)

EU

- Tax harmonisation efforts
- >> Euro Plus Pact
- >> global minimum tax
- Remaining green tax reform

EU -27

- Increase in labour tax revenue to 21.5%*
 - Less reduction in consumption and capital taxes
 - Tax revenue: 40.1 % of GDP (2020)
- TAX REVENUE BY TAX BASE, EU-27

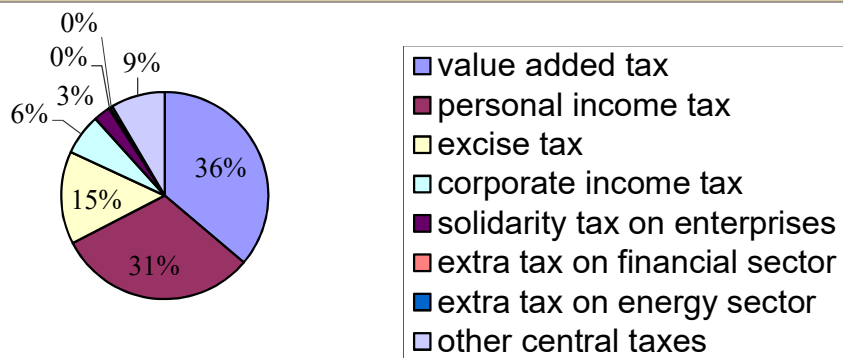


Source: European Commission, DG Taxation and Customs Union, Data on Taxation, based on Eurostat data.

Hungary

TAX COMPETITION

- Tax burden shift away from labour on to consumption
- Highest VAT rate: 27%
- Lowest corporate tax rate: 9%
- Property tax revenues stagnate at low level
- Extra taxes are widespread in times of economic depression
- Tax revenue: 36.3% of GDP (2020)

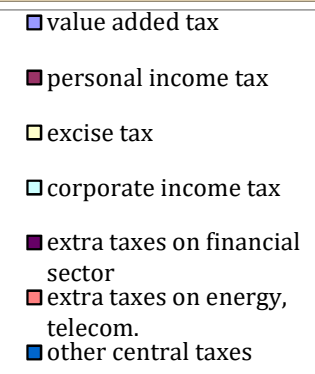
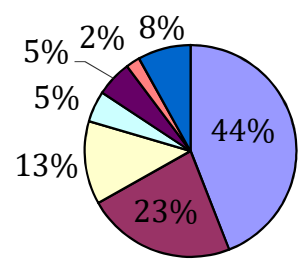
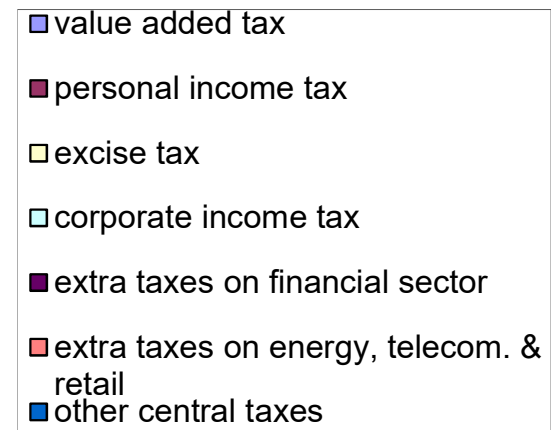
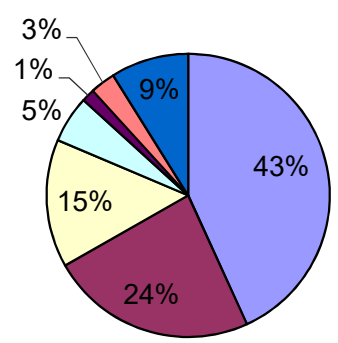


2009

VAT: 20% (5%)
 Corporate tax: 16% (10%)
 PIT: 18%, 36%
 (Social security: 46%)

VAT: 27% (5, 18%)
 Corporate tax: 10%, 19%
 PIT: 16%
 (Social security: 45.5%)

2012



2015
 VAT: 27% (5, 18%)
 Corporate tax: 9%
 PIT: 15%
 (Social security: 43.5%)

2023
 VAT: 27% (5, 18%)
 Corporate tax: 9%
 PIT: 15%
 (Social security: 31.5%)

2023

Tax rates

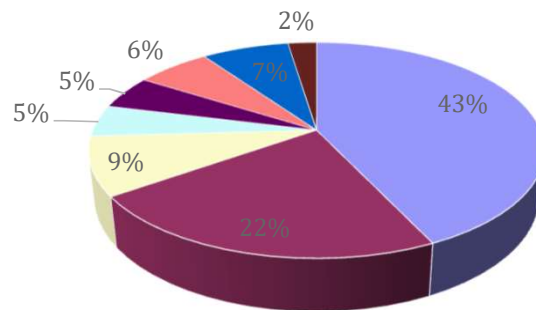
VAT: 27% (5, 18%)

Corporate tax: 9%

PIT: 15%

(Social security: 31.5%)

Central budget revenues (2023)



■ value added tax

■ personal income tax

■ excise tax

■ corporate income tax

■ extra tax on financial sector

■ extra tax on energy sector

■ other central taxes

■ other extra taxes

Extra sectoral/profit taxes in Hungary

(3 periods)

I. period (2006-2009)

2006: recession + undisciplined fiscal policy >>
after election budgetary constraints

Extra taxes: soften breaks in the tax system
neutral, market & EU law conform

I. period (2006–2009)

Correction of budget balance

Corporate tax:
 2004-2005: 16%
 2006-2007: 10, 16% (5M HUF, cond.)
 2008-2009: 10, 16% (50M HUF, cond.)
 2010-2016: 10, 19% (500M HUF)

Afterlife

1. Solidarity tax on corporations (09.2006.-2009.)

- general = sector neutral
- solidarity (not extra profit)
- temporary
- tax base: earning before tax
- tax rate: 4%

1. Solidarity tax on corporations

- from 2010: mainly repealed, except high profit enterprises (incorporated into high corporate tax rate (16% >> 19%))
- 2017: reduced profit tax of Σ enterprises (9%)

2. Contribution of credit institutions (2007)

- not extra, not crisis, not temporary
- tax base: state supported credit revenue
- tax rate: 5%

2. Contribution of credit institutions

- repealed from 2017

3. Extra profit tax on Energy sector (2009 – ?)

- tax base: profit before tax
- tax rate: 8%
- temporary (2+2 years)
- extra profit tax = „Robin Hood tax”
- assigned use (Pigeouvian tax)

3. Extra profit tax on Energy sector

- incorporated
- from 2013: from assigned → general tax revenue, tax rate: 8 → 31%!!! [in 2023: 41%]
- expanding the range of taxpayers (2013, 2017, 2022)

II. Period (2010-2012) and its afterlife (2013-2021)

- 2008: financial, economic crisis,
- 2010: new government: unorthodox economic policy

Extra taxes: break-through → EU procedures

- 2012: excessive deficit procedure → modify extra taxes

II. period (2010–2012) Extra (crisis) sectoral taxes

Corporate tax:
2010-2016: 10%, 19% (500M HUF) ↓
2017: 9%

	Afterlife	Other measures
<p>1. Extra (crisis) taxes on financial sector: 1%</p> <p>a) Extra tax on financial (incl. credit) institutions (2010-2012) - tax base: net revenue, insurance fee, total balance sheet, etc. - tax rate: 5,6% (later reduced)</p> <p>b) Extra tax on credit institutions (2010-2012) - tax base: profit before taxation - tax rate: 30%</p> <p>c) EARLIER <u>Contribution of credit institutions (2007-2016)</u></p>	<p>1. <u>Financial sector</u></p> <p>a) incorporated</p> <p>b) repealed from 2018</p> <p>+ from 2013: transaction fee + insurance tax</p> <p>+ in 2014: contribution of credit institution</p> <p>+from 2015: distribution and investment fund tax</p>	<p>- <u>Foreign currency credit</u> (conversion to HUF, fix the exchange rate, final payment with state support, etc.)</p> <p>- 2010: <u>nationalisation of private pension system</u></p> <p>- from 2013: National Bank: <u>loans to enterprises</u> (from foreign exchange reserve)</p>

Planned temporary

II. period (2010–2012) Extra (crisis) sectoral taxes

Corporate tax:

2010-2016: 10%, 19% (500M HUF)

2017: 9%



Other measures

2. Extra (crisis) sectoral taxes: 3%

a) Extra sectoral taxes on energy sector (2010-2012)

- tax base: net revenue
- tax rate: 0.3%, 1.05% (5 billion HUF)

b) Extra tax on retail trade (2010-2012)

- tax base: net revenue
- tax rate: 0,1% (0,5-30 billion HUF), 0,4% (30-100 billion HUF), 2,5% (above 100 billion HUF)

c) Extra tax on telecommunication (2010-2012)

- tax base: net revenue
- tax rate: 4,5% (0,5-5 billion HUF), 6,5% (above 5 billion HUF)

a) Energy sector taxes

- From 2013: extended to public utilities → **tax on networks**
- Market failures (natural monopoly), scale economies
 - Nationalisation
 - transfer of asset

b) Retail trade

- **2015**: bigger shops cannot be open on Sunday

c) Telecommunication:

- from 2013
- #### telecommunication tax

- EU: infringement procedure, preliminary ruling procedure

Other affected sectors:

1. **Medicine production and distribution** grown fees (from 2010)

2. Advertising tax (from 2014)

- Progressive
- EU has suspended its application

Etc.

III. period: 2022–2023

- Covid-19 pandemic
 - Ukrainian - Russian war
 - Extra taxes: return to extra taxes & broaden it
-

Preceding events

March of 2020 in Hungary after COVID-19: State of Emergency

1. Emergency: 26 March, 2020 – 28 June, 2020 [40/2020. (III. 11.) Government decree]
2. Emergency : 4 November, 2020– 8 February, 2021 [78/2020. (XI. 3.) Government decree]
3. Emergency: 8 February, 2021 – 31 May, 2022 [27/2021. (I. 29.) Government decree]
4. Emergency: 31 May of 2022 – 01 November, 2022 [203/2022. (VI. 8.) Government decree]
5. Emergency: 01 November, 2022 – 27 June, 2023 [425/2022. (X. 28.) Government decree]

COVID-19

Russian-Ukrainien
conflict

Crisis management & restoring the budget balance

PRICE CAP

15 October, 2021 – 30 April, 2023

Basic foodstuff

15 October, 2021– 30 April, 2023

Fuel (not exist)

15 November, 2021 – 31 December, 2022

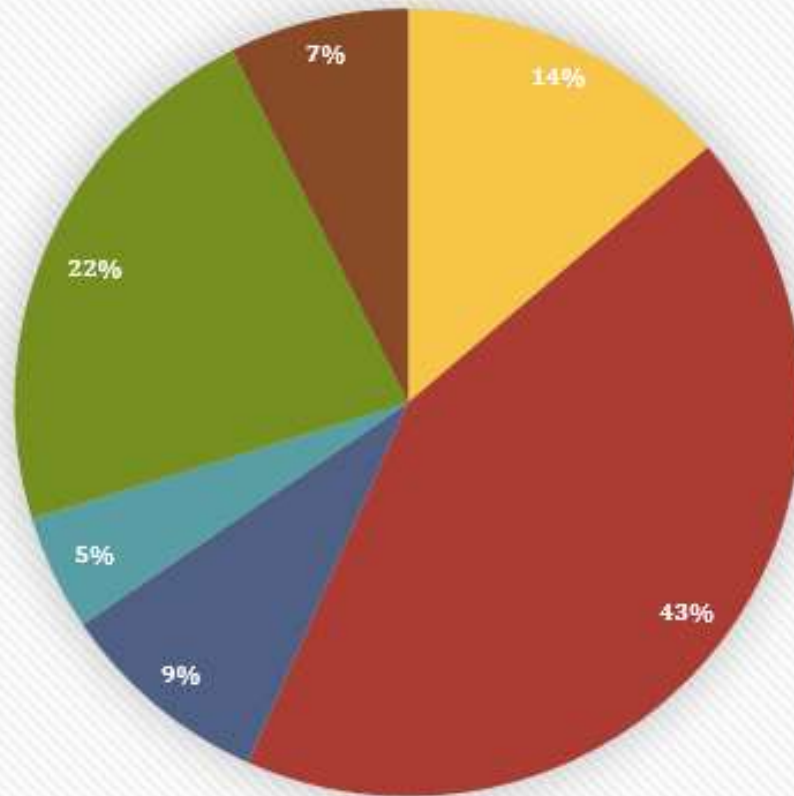
EXTRA PROFIT TAX

01 July 2022 – 31 December, 2023????

1. Energy sector
2. Bank and insurance sector
3. Retail sector
4. Air transport
5. Telecommunications sector
6. Medicine distributors sector
7. Advertising sector

Affected
sectors

Central Budget revenues (2023)



Central budget revenues

- VAT: 43%
- PIT: 22%
- Excise tax: 9%
- Corporate tax: 5%
- Extra profit tax: 14%
- Others: 7%

Utility Protection Fund(Million HUF) 2023		National Defense Found (million HUF) 2023	
Energy sector	716100	Financial Organizations	337 900
Mining Royalty	334 000	Financial transaction tax	323 500
Contribution of Airlines	35 200	Insurance tax	179 700
Medicine distributors sector	122500		
Telecommunications	96 400		
ALL:	1 304 200	ALL:	841 100



197/2022 Government decree

- Energy sector:31%
- Mining Royalty: 15%
- Contribution of Airlines: 6%
- Medicine distributors sector: 5%
- Telecommunications tax: 1%
- Financial Organizations tax:15%
- Financial transaction tax: 14%
- Insurance tax: 8%
- Retail extra tax: 1%

Conclusions



Disfunctions of extra taxes regulation

1. Approach of the EU:

- Adaptation to the economic political situation or enforcement of political interest
- Exclusive EU competence: examination of state aids <-> MSs competence: tax policy

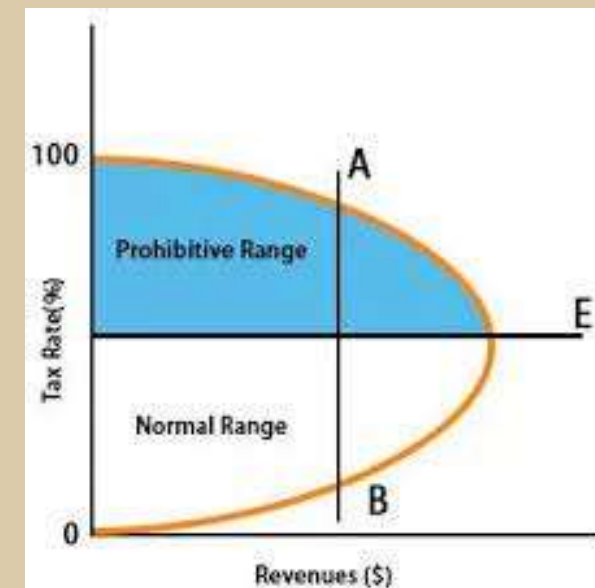
2. Hungary:

- Why these sectors ?! 2010-2012: profitable sectors in case of general economic crisis
2022-2023: beneficiaries of epidemic/energie crisis?

• SHORTCOMINGS

- Rule of law: retroactive effect
- Planning temporary tax <-> incorporate in tax system →
→ fragmented tax system → growing administrative costs
- OVERBURDEN of sectors (Laffer curve – optimum tax rate, tax evasion)
- Company: additional costs → decreasing opportunity and willingness to invest
- Transfer of tax burden to consumer → influence consumer behavior, reduce demand
>> reduces competitiveness of the sector,
restrains economic growth ↔ intention of extra taxes

3. Importance: boomerang effect – return, getting bigger...risks?!



Thanks for your attention! 😊

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