

Annex 3. Hungary

Annex 3.1. Taxes in Force as of 1999

HU°1.1.1.

HU°1.1.2.

Personal Income Tax

(Személyi jövedelemadó)

Legal base:

Law Nr. 117 of 1995.

Beneficiary:

Central government and local governments (due to a tax sharing arrangement fixed in the annual budget law). Tax on private individuals' income from the rental of arable land are wholly payable to local governments.

Tax payable by:

Resident individuals are taxable on world-wide income of any kind.

Basis of assessment:

The law distinguishes 6 classes of individual income, for which different rules with respect to deductions and rates apply:

- income from dependent personal services: all employment in connection with dependent service, contributions paid by the employer into an employee's voluntary pension funds;
- income from independent personal services and entrepreneurial activities: business income, income from liberal professions, royalties on intellectual property rights etc. Taxable income from independent activities may be computed in one of three ways: (1) the taxpayer keeps records of all expenses directly related to his profit-making activity and deducts them from the gross income, (2) the taxpayer reports 90% of his gross income as taxable income, (3) the taxpayer may opt for a lump-sum taxation, if he is engaged in small scale business activities;
- income from capital: interest from savings accounts, treasury bonds, investment fund shares etc, dividends on shares of companies held by individuals. Income in the form of employee shares is considered to be dividend income;
- income from the sale of property;
- miscellaneous income: income from the rental of real property, income from winnings;
- other income not included in any of the above categories: state pensions, unemployment payments, fringe benefits, damages or sums received by insurance for lost income.

Exemptions:

Classes of exempt income are:

- social welfare allowances, family allowance,
- subsidies granted on the basis of the law for housing purposes,
- payments received from foundations, charitable organisations or mutual assistance funds,
- certain fringe benefits (within a limitation) like vacation voucher, meals provided by the employer in kind,

- insurance payments that are not a replacement of lost income.

Pensions received from the state, from private pension funds, from the pension funds of the churches in Hungary, pensions from abroad and scholarships are taxable, but the tax calculated on them is deductible from the charge payable.

Deductions:

There are various tax credits, i.e. amounts deductible from the tax calculated on taxable income; these credits include

- per each dependent the family tax credit is (i) HUF 1.700 per month for one or two dependents, (ii) HUF 2.300 per month for three or more dependents, (iii) HUF 2.600 per month for seriously disabled dependents.
- 30% of school fees for listed high schools. The ceiling of this tax credit is HUF 60.000.
- 30% or 35% of donations given to public interest associations.

Employees may reduce their tax liability by up to 10% of the annual salary up to an amount of HUF 36.000 if their annual taxable income is below HUF 1 million.

Further tax credits are granted for investments in securities, for statutory pension contributions, for voluntary premium payments for pension, health or life insurance, for intellectual activities, for agricultural producers and for savings for the purpose of buying or constructing a dwelling.

Collection:

Tax from salaries must be withheld by the employer. Generally, taxable persons are obliged to file a tax declaration, unless they receive income only from one employer or have only tax-exempt income.

Rates:

As of Jan. 1, 1999 the rates applicable to aggregate annual income are:

Taxable income (HUF)	Tax due on first amount (HUF)	Plus % on excess
up to 400.000	0	20
400.001 to 1.000.000	80.000	30
over 1.000.000	260.000	40

Interest income is taxed at a rate of 0%. Dividends are taxed at a flat rate withholding tax which is 20% for ordinary and 35% for excess dividends like dividends derived from employee shares. Capital gains from the disposal of property are taxed at a rate of 20%. A private individual's income from the rental of real property is taxed at a rate of 20%.

HU°1.2.1.

Corporate Income Tax

(Társasági adó és osztalékadó)

Legal base:

Law Nr. 81 of 1996.

Beneficiary:

Central government.

Tax payable by:

Taxable entities for corporate income tax are

- corporate entities created under company law, i.e. joint-stock companies, limited liability companies, general partnerships and limited partnerships,
- co-operatives, state-owned companies, foundations, associations for public interest purposes,
- associations like lawyer's offices,
- public service companies,
- social organisations, churches, housing co-operatives, voluntary mutual insurance funds,
- risk capital funds.

For dividend tax purposes the taxpayers are the receiving shareholders (legal entities, partnerships without legal entities, associations of persons and other organizations), the dividend tax must, however, be withheld by the paying company.

Basis of assessment:

Resident companies are taxed on their world-wide income; the taxable base is computed from the accounting profits, i.e. gross revenue minus all deductible expenses. Gains from the sale of capital assets are treated as business income.

Exemptions:

Income derived from domestic and foreign dividends is tax exempt. Twenty per cent of the amount incurred on the grounds of research and experimental development can be deducted from the tax base.

Deductions:

All expenses directly related to the income-earning activities of the company are deductible.

Depreciation rates range from 2% - 6% for industrial buildings, for machinery the general depreciation-rate is 14,5%; up to 30% for machinery and equipment put to use after Jan. 1, 1996, and 33% for electronically controlled equipment, computers, industrial robots, solar panels, office equipment and the like.

Losses may be carried forward for 5 years, start-up losses incurred in the first 4 years after a company's formation may be carried forward indefinitely.

There are a large number of tax incentives in the form of tax credits for companies with foreign participation, for large scale or otherwise privileged investments, e.g. in specified industrial zones, or for employment of previously unemployed persons.

Rates:

From Jan. 1, 1997 the flat rate of corporate income tax is 18%. Dividends paid to shareholders (legal entities, partnerships without legal entities, associations of persons and other organizations) are taxed with a withholding rate of 20%.

HU°2.1.

Duty on Inheritance

(Öröklési illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The subject matter of the inheritance duty generally is the acquisition of property on the basis of inheritance. The duty on inheritance must be paid by the beneficiary.

Basis of assessment:

The net value of any property situated in Hungary has been regarded as the basis of assessment.

Exemptions:

There are certain exemptions from duty of inheritance, e.g.

- inheritance bestowed for domestic scientific, artistic, educational etc. purposes,
- in the case of shares and other securities,
- the part of movable inheritance not exceeding the market value of HUF 300.000,
- inheritance of usufruct or use of housing property by surviving spouse.

Rates:

Rates depend on the degree of relationship between the deceased and heir:

- Class I: children, spouse, parents; the rate is 11%,
- Class II: other close relatives; the rate is 15%,
- Class III: others; the rate is 21%.

For immovable property the rates are reduced to 2.5%, 4%, 5%.

HU°2.2.

Duty on Gifts

(Ajándékozási illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The gift duty must be paid by the donee of a gift, consisting of immovable property situated in Hungary, of movable property or of free of charge establishment of rights of pecuniary value, free of charge cession of such rights.

Basis of assessment:

The net value of the gift has been regarded as the basis of assessment.

Exemptions:

Certain donations like shares and other securities may be exempt. Movable property with a value of less than HUF 150.000 is exempt.

Rates:

The applicable rates, like with the duty on inheritance, depend on the proximity between donor and donee and amount to 5% in Class I, 8% in Class II and 10% in Class III.

HU°3.1.1.

Value Added Tax

(Általános forgalmi adó)

Legal base:

Law Nr. 74 of 1992.

Beneficiary:

Central government.

Tax payable by:

All natural persons and legal entities supplying goods or services for profit on a regular or a businesslike basis are obliged to pay value added tax.

Basis of assessment:

The value of goods or services supplied (excluding VAT), and the value of imported goods (including customs duties) have been regarded as the tax bases.

Exemptions:

Enterprises and natural persons with an annual turnover not exceeding HUF 2.000.000 may opt to be exempt from accounting and paying VAT (and forgoing the right to deduct VAT paid on purchases). Transactions relating to health care services, education, financial services, cultural and sports services, gambling, public TV and radio broadcasting, social security, lease of dwellings land property and insurance are exempt (without right of deduction).

Under reciprocity agreements – presently with Austria, Belgium, Denmark, Finland, France, Germany (with the exception of VAT on diesel oil), Italy, Liechtenstein, Luxemburg, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom – non-residents doing business in Hungary may reclaim the VAT paid on Hungarian supplies of goods and services including the importation of goods.

Rates:

The standard rate is 25%, a reduced rate of 12% is applied for basic food, medicines and medical supplies, coal, mineral fuels, electrical energy and most services. A zero rate applies to exports, international transport and related services, text books used in public education and specified medicines and medical materials.

HU°3.1.2.

Local Business Tax

(Helyi iparuzési adó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local governments. Local governments have their own rights to impose this tax.

Tax payable by:

Entrepreneurs, who are registered within the jurisdiction of a municipality might be liable to the local business tax.

Basis of assessment:

The tax base for permanent commercial activities is the net sales revenues of products sold or services provided less the purchase value of goods sold and the value of services provided by subcontractors and less 66% of material costs in 1999, and all material costs in 2000.

For temporary commercial activities the tax is established on the basis of the number of calendar days during which the activity has been performed.

Exemptions:

Some municipalities do not charge such tax or grant tax credits.

Rates:

The maximum admissible rate in 1999 is 1.7%, it will go to 2% in 2000.

HU°3.2.1.

Customs Duties

(Vám- és importbefizetések)

Legal base:

Law Nr. 100 of 1995, 93 of 1990.

Beneficiary:

Central government.

Tax payable by:

All natural persons and legal entities importing goods from abroad provided that the imported goods are not subject to relief from customs duty. The customs clearance fee and the statistical duty is payable only for customs goods imported from non-WTO Member countries. At the same time, on proceedings initiating permission of the importation of goods, services etc. a duty is payable.

Basis of assessment:

The base of the customs duty, the customs clearance fee and the statistical duty is the customs value of the imported goods. The customs value is generally calculated according to the principles of the Agreement on implementation of the Article VII of the General Agreement on Tariffs and Trade. However, there are some exemptions such as goods arriving in non-commercial traffic, goods returned from temporary export for processing outside the customs territory.

Exemptions:

The exemptions are included in the custom law. These articles provide relief from customs duty such as: for goods defined as duty-free in international conventions signed by Hungary, for returned goods, for materials or components sent by a foreign contracting party in order to be incorporated in the export goods manufactured for him, for goods imported free of charge on the basis of guarantee or warranty, for the fuel and spare parts required for the operation of motor vehicles entering to Hungary, for goods grown or raised abroad within the framework of border-region farming.

Rates:

The average mfn (most favoured nations treatment) rate of duty is 12,4% on all products, 33,3% on agricultural products, 15% on fishery products and 7,4% on industrial products. However, in fact the applied rate of duty is much more lower than the average of the mfn duty rates as a result of the free trade agreements. The duty on proceedings initiating permission of the importation of goods, services etc. is HUF 3.000.

HU°3.3.1.

Consumption Tax on Coffee

(Kávé fogyasztási adója)

Legal base:

Law Nr. 78 of 1991.

Beneficiary:

Central government.

Tax payable by:

In general, the tax must be paid by the manufacturer or producer of the products. The importer is liable to pay the tax on imported products.

Basis of assessment:

Generally, the tax base is the market value - not including consumption tax and value added tax - of the products. In the case of imported products, the basis of assessment is the customs value.

Rates:

The applicable tax rate is 12%.

HU°3.3.2.

Excise Duty on Alcoholic Products

(Alkoholtermékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

Generally, the basis of assessment is the quantity of the alcoholic product in hectolitre grade by volume. According to the special regulations, the basis of assessment

- in the case of intermediate products, is the quantity of intermediate product measured in litres,
- in the case of beer, is the quantity of beer measured in hectolitre and Balling (Plato) grade,
- in the case of sparkling wine, is the quantity of sparkling wine measured in litres.

Rates:

The general tax rate is HUF 1.400 per hectolitre grade. Special rules apply to

- spirits, the tax rate is HUF 1.120 per hectolitre grade,
- intermediate products, the tax rate is HUF 66,60 per each litre for carbonated intermediate alcoholic products and HUF 88,80 per each litre for non-carbonated intermediate alcoholic products,
- beer, the tax rate is HUF 312 per each hectolitre and Balling (Plato) grade,
- sparkling wine, the tax rate is HUF 66,60 per litre.

HU°3.3.3.

Excise Duty on Tobacco Products

(Dohánytermékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the retail price and thousand units. The retail price is the amount established by the licensee of the tobacco product tax warehouse or by the importer, that includes tax and value added tax as is indicated on the tax seal.

Rates:

The applicable tax rates are

- a) for cigarettes HUF 2.300 per thousand units and 17% of the retail price;
- b) for cigars, cigarillos and loose cut tobacco 25% of the retail price.

HU°3.3.4.

Excise Duty on Petrol

(Benzin jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rates are as follows:

- 1) for unleaded petrol: HUF 86,90 per litre;
- 2) for leaded petrol and other petrol: HUF 93,90 per litre.

HU°3.3.5.

Excise Duty on Diesel

(Gázolaj jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rate for diesel fuels is HUF 75 per litre.

HU°3.3.6.

Excise Duty on Other Oil Products

(Egyéb ásványolaj termékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rates are differentiated according to the next structure:

- 1) for petroleum products: HUF 93,90 per litre,
- 2) for liquid hydrocarbons from natural gas and other gas products used as fuel for motor vehicles: HUF 86,70 per kg,
- 3) for compressed hydrocarbons in the form of gas from natural gas and other gas products used as fuel for motor vehicles: HUF 41,80 per nm³,
- 4) for benzol and its homologous compounds: HUF 93,90 per litre,
- 5) for lubrication oil: HUF 67,50 per kg,
- 6) for additives (mineral oil): HUF 67,50 per kg,
- 7) for natural gas condensate: HUF 93,90 per litre.
- 8) for heating oil: HUF 75 per litre

HU°3.3.7.

Other Consumption Taxes

(Egyéb fogyasztási adók)

Legal base:

Law Nr. 78 of 1991.

Beneficiary:

Central government.

Tax payable by:

In general, the tax must be paid by the manufacturer or producer of the products. The importer is liable to pay the tax on imported products.

Basis of assessment:

Generally, the tax base is the market value - not including consumption tax and value added tax - of the products. In the case of imported products the basis of assessment is the customs value.

Rates:

The applicable consumption tax rates are as follows:

1. for products made of precious metals other than silver, jewelry made from precious stones etc.: 35%,
2. for passenger cars
 - 2a. with engine displacement up to 1.600 cc: 22%,
 - 2b. with engine displacement greater than 1.600 cc: 32%,
 - 2c. with engine displacement up to 1.600 cc equipped with catalytic converters, and electric passenger cars: 10%,
 - 2d. with engine displacement greater than 1.600 cc equipped with catalytic converters: 20%,
3. for grape wines: 11%.

HU°3.3.8.

Contract Distillation Spirits Tax

(Bérfozési szeszadó)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

Natural person who has fruit-brandy or cognac manufactured from his own or collected fruit.

Basis of assessment:

The tax base is the quantity of the alcoholic product in hectolitre grade (measured at 20 °C) by volume.

Rates:

Two tax rates can be distinguished:

- HUF 500 per hectolitre degree, up to the annual quantity of 50 hectolitre degree, and
- HUF 1.120 per hectolitre degree, over the annual quantity of 50 hectolitre degree.

HU°3.4.1.

Local Tourism Tax on Staying

(Helyi idegenforgalmi adó tartózkodás után)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

Private person who is not a permanent resident, spending at least one guest-night within the area of jurisdiction of a local government is liable to local tourism tax.

Basis of assessment:

The basis of tax is the number of guest nights commenced, or the accommodation fee payable for a guest night commenced.

Exemptions:

The following tax exemptions can be taken into account:

- private person under the age of 18 or over the age of 70;
- private person receiving care in health care institutions or social institutions;
- private person residing in the area of jurisdiction of local government for example on the basis of scholarship, employment etc.;
- private persons, who own or lease a holiday resident which is located in the area of jurisdiction of a local government.

Rates:

The upper limits of the applicable tax rates are HUF 300 per person per guest night, or 4% of the accommodation fee.

HU°3.4.2.

Tourism Contribution

(Turisztikai hozzájárulás)

Legal base:

Law Nr. 90 of 1998.

Beneficiary:

Central government.

Tax payable by:

Enterprises involved in tourism like hotel services, car rentals, casinos, travel agencies, restaurants and other tourism related businesses are obliged to pay tourism contribution.

Basis of assessment:

The basis of assessment is the net sales revenues, or the commercial profit margin, or the net sales revenues after taxation.

Rates:

The applicable rate of tourism contribution is 1 or 2% of the tax base, depending on the type of activities carried out.

HU°3.4.3.

Cultural Contribution

(Kulturális járulék)

Legal base:

Law Nr. 23 of 1993.

Beneficiary:

National culture fund.

Tax payable by:

Producer, importer, publisher, distributor or provider of taxable goods and services is obliged to pay cultural contribution.

Basis of assessment:

The basis of assessment is the net sales revenues derived from taxable transactions.

Rates:

The rates of the cultural contribution vary between 0,5 and 25%, depending on the type of products and services provided.

HU°3.4.4.

Gambling Tax

(Játékadó)

Legal base:

Law Nr. 34 of 1991.

Beneficiary:

Central government.

Tax payable by:

Gambling organizers are obliged to pay the gambling tax.

Basis of assessment:

As for the basis of assessment, the following items must be regarded as tax base:

- in the case of draws and totalizer-type bets: the prize basis;
- in the case of money-winning and gambling machines: the tax item has been defined for each machine;
- in the case of bets based on the bookmaker system and casinos: the net gaming revenues.

Rates:

The applicable tax rates are as follows:

- for draws and totalizer-type bets: 16%;
- for money-winning machines: per each machine, HUF 28.000 per month on money-winning machines included in category I., and HUF 18.000 per month on money-winning machines included in category II.;
- for gambling machines: the annual tax is HUF 60.000 per each machine;
- for bets based on the bookmaker system: 30%;
- for casinos: 40%.

HU°3.5.1.

Land Parcel Tax

(Telekadó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

The owner of the parcel on the first day of the calendar year is obliged to pay land parcel tax.

Basis of assessment:

The tax base is

1. the actual area of the parcel as calculated in square meters, or
2. the adjusted market value of the parcel.

Exemptions:

The following items are exempted from the land parcel tax:

- parcels under building prohibition for the period of the prohibition;
- taxpayers engaged in public transport services;
- the safety zone of buildings;
- parcels registered in the forestry sectors etc.

Rates:

The annual maximum tax rates are

1. HUF 200 per square meter, or
2. 3% of the adjusted market value.

HU°3.5.2.

Building Tax

(Építményadó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

The owner of the building as of the first day of the calendar year is obliged to pay building tax.

Basis of assessment:

The tax is calculated on

1. the net floor space of the building as calculated in square meters, or
2. the adjusted market value of the building.

Exemptions:

Tax-exempted items are including

- temporary residential buildings,
- buildings used for the purposes of social, health care, child welfare and educational institutions,
- buildings owned by budgetary organs, public service organizations and the church.

Rates:

The annual maximum tax rates are

1. HUF 900 per square meter, or
2. 3% of the adjusted market value.

HU°3.5.3.

Local Tourism Tax on Buildings

(Helyi idegenforgalmi adó építmény után)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

Private person who is the owner of a building which doesn't qualify as a residential dwelling is obliged to pay local tourism tax.

Basis of assessment:

The basis of tax is the useful surface of the building.

Rates:

The upper limit of the applicable tax rate is HUF 900 per square meter annually for the building.

HU°3.5.4.

Land Protection Contribution

(Földvédelmi járulék)

Legal base:

Law Nr. 55 of 1994.

Beneficiary:

Central government.

Tax payable by:

The person using the arable land for non-agricultural purposes is obliged to pay the land protection contribution.

Basis of assessment:

The payable land protection contribution must be calculated on the basis of the gold crown value of arable land.

Rates:

The actual land protection contribution has been calculated by multiplying the gold crown value of arable land by a factor that is fixed in the legislation and varies across various types and quality classes of arable land. For instance, in the case of the eight quality class, a forint amount corresponding to the four thousandfold product of the gold crown value must be paid as land protection contribution.

HU°3.5.5.

Communal Tax payable by Private Individuals

(Magánszemélyek kommunális adója)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

According to the relevant legislation, private individuals

1. who are the owner of the building structure on the first day of the calendar year,
2. who own the ground plot on the first day of the calendar year,
3. who rent flats not owned by private persons

are obliged to pay communal tax.

Basis of assessment:

The payable tax is assessed on each building, ground plot or lease right.

Rates:

The annual maximum rate is HUF 12.000 for each taxable item.

HU°3.6.1.

Duty on Onerous Transfer of Property

(Visszterhes vagyonátruházási illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The duty on onerous transfer of property is payable by the acquiring person.

Basis of assessment:

The payable duty must be calculated on the market value of the property acquired.

Exemptions:

The main items that are exempted from the duty on onerous transfer of property:

- acquisition of ownership of a plot of land, if the party acquiring the property builds a residential house on such real property within 4 years;
- acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State;
- acquisition of property by an economic organization through reorganization (merger, demerger) when the newly established economic organization(s) will become the legal successor(s) of the former one(s) etc.

Rates:

The general rate of duty on onerous transfer of property is 10% of the market value of the property acquired. In the case of housing property, the rate of duty is, per flat, 2% up to HUF 4 million and 6% of the amount of market value in excess thereof. In respect of the acquisition of the ownership right in an automobile, the rate of duty is HUF 10 for each cubic centimeter of displacement capacity of the automobile's motor, while in the respect of automobiles powered solely by electric motors the rate is HUF 400 for each kW capacity of the motor. For the acquisition of the ownership right in a trailer, if the permissible maximum gross weight of the trailer is less than 2500 kg, the duty payable is HUF 5.000, or HUF 12.000 in all other cases.

HU°3.6.2.

Motor Vehicle Tax

(Gépjármuadó)

Legal base:

Law Nr. 82 of 1991.

Beneficiary:

Central and local governments. On the basis of the applicable tax sharing arrangement fixed in the legislation mentioned above:

- in the case of tax on domestic motor vehicles: (i) 50% of the amount calculated by the lower tax item is due to local governments, and (ii) 100% of the difference between the applicable and the lower tax item is payable to local governments, while (iii) the remaining revenues are attributable to the central government;
- in the case of tax on motor vehicles registered abroad, the whole amount of revenues is due to the central government.

Tax payable by:

In the case of tax on domestic motor vehicles, the taxpayer is the owner indicated in the column of owner of the traffic licence of the motor vehicle on the first day of the year. In the case if in addition to the owner, the operator (user) of the motor vehicle is also contained in the traffic licence on the first day of the year, the latter is the taxpayer.

In the case of tax on motor vehicles registered abroad, the tax must be paid by the operator.

Basis of assessment:

In the case of tax on domestic motor vehicles, the basis of the tax is the weight of the motor vehicle itself as indicated in the traffic licence (dead weight).

In the case of tax on motor vehicles registered abroad, the basis of the tax is

- the length of stay, for motor vehicles transporting passengers,
- the dead weight of lorries, while in loaded state, the total of the dead weight of the motor vehicle and the load weight, and the distance covered in the territory of the Republic of Hungary, for lorries.

Exemptions:

In the case of domestic motor vehicles, the following products are exempted from the tax:

- a) motor vehicles used for passenger transport and provided with a temporary traffic licence, valid for a period of not more than 30 days,
- b) motorcycles, if the volume of their engines does not reach 250 cubic centimetres,
- c) motor vehicle used for the transport of physically handicapped person,
- d) motor vehicles that are museum pieces,
- e) motor vehicles owned by budgetary organs, churches, social organizations and foundations,
- f) motor vehicles used for local and inter-city public transport services,

- g) motor vehicle that can only be used for communal purposes (ambulance service, fire brigade service, transport of waste),
- h) agricultural tractors.

In the case of motor vehicles registered abroad, the following products are exempted from the tax:

- a) a lorry registered abroad and used for the combined transport of goods on international routes which transports the goods in the territory of the Republic of Hungary,
- b) motor vehicles transporting passengers for a period of 60 days in each calendar year,
- c) motor vehicles transporting free of charge international aid shipment providing prompt support and serving to relieve the consequences of catastrophes.

Deductions:

In the case of tax on domestic motor vehicles, the following tax deductions can be taken into account:

- a) the half of the tax due must be paid on motor vehicles driven exclusively by electricity, pure gas,
- b) a tax deduction of 25 or 50% can be applied for motor vehicles provided with catalytic converter reducing environmental pollution,
- c) in the case of lorries fulfilling international requirements regarding air pollution and/or noise emission, a 25 or 50% tax deduction can be applied,
- d) taxpayer effecting a combined transport of goods with his lorry is eligible to tax benefits amounting to 20, 35 or 50%.

Rates:

In the case of tax on domestic motor vehicles, the annual tax item is

1. at least HUF 600 on each commenced 100 kilograms of the tax base, but not more than HUF 1.000,
2. at least HUF 2.000 per year, but not more than HUF 5.000 per year, for motorcycles, mobile home trailers, caravans and covered trailers,
3. a monthly payment of HUF 2.000 for motor vehicles operated by temporary traffic licence.

In the case of tax on motor vehicles registered abroad, the tax of HUF 50 must be imposed on a motor vehicle transporting passengers for each day after the end of the tax exempt period. A tax of HUF 3 is payable for each tonne of the weight of a lorry, and for each kilometre.

HU°3.7.1.

Breeding Contribution

(Tenyésztési hozzájárulás)

Legal base:

Law Nr. 114 of 1993.

Beneficiary:

Central government.

Tax payable by:

Agricultural producers and companies organizing totalizer-type horse race betting are obliged to pay the breeding contribution.

Basis of assessment:

The breeding contribution must be paid on the basis of (i) net sales revenues derived from selling of agricultural products listed in the relevant legislation, and (ii) the turnover of company organizing totalizer-type horse race betting.

Rates:

The applicable tax rates are differentiated according to the various types of agricultural products - for instance taxpayer dealing with the sale of milk must pay a contribution of 0,5% -, whilst for companies organizing totalizer-type horse race betting a contribution of 0,6% is payable.

HU°3.7.2.

Fishing Development Contribution

(Halászatfejlesztési hozzájárulás)

Legal base:

Law Nr. 41 of 1997.

Beneficiary:

Central government.

Tax payable by:

In exchange for the right of fishing received from the State, the legal entity or the private person having authority to fish must pay fishing development contribution.

Basis of assessment:

The fishing development contribution has been calculated on the fishing value of rivers, lakes etc.

Rates:

The payable charge is determined in a decree issued by the Ministry of Agriculture within the range of HUF 100 and HUF 1.000 per each hectare annually.

HU°3.7.3.

Game-preserving Contribution

(Vadvédelmi hozzájárulás)

Legal base:

Law Nr. 55 of 1996.

Beneficiary:

Central government.

Tax payable by:

This contribution must be paid by any persons authorized to hunt.

Basis of assessment:

The payable amount of contribution must be calculated on the basis of number of big games, pheasants and brown hares.

Rates:

The applicable contribution rates - for each animal - are the following: (1) for big games: HUF 1.000; (2) for pheasants: HUF 50; and (3) for brown hares: HUF 100.

HU°3.7.4.

Water Resource Contribution

(Vízkészlet járulék)

Legal base:

Law Nr. 90 of 1998.

Beneficiary:

Central government.

Tax payable by:

Water users (whose activity needs permission) and industrial consumers (whose annual water consumption is more than 10.000 m3) are obliged to pay water resource contribution.

Basis of assessment:

The tax base is the quantity of water consumption more than 500 m3 per permission. It follows that water consumption below 500 m3 is tax exempt.

Rates:

For water users the applicable tax rates are:

- HUF 1,50 per m3 (basic rate);
- if the actual water consumption is 10% above the permitted quantity, the applicable tax rate is HUF 3 per m3 on the quantity over the ceiling (extra rate);
- HUF 9,50 per m3 when the activity is carried out without permission.

For industrial consumers the applicable tax rate is HUF 4,60 per m3.

HU°3.7.5.

Forest Maintenance Contribution

(Erdofenntartási járulék)

Legal base:

Law Nr. 54 of 1996.

Beneficiary:

Central government.

Tax payable by:

The silviculturist has to pay forest maintenance contribution on the cubic measurement of the cut out wood (subject to licence issued by the forestry authority).

Basis of assessment:

The basis of tax is the gross cubic measurement of the cut out wood.

Rates:

The tax rates are differentiated according to the regions of Hungary and to the types of forest.

HU°3.7.6.

Environmental Protection Product Charges

(Környezetvédelmi termékdíjak)

Legal base:

Law Nr. 56 of 1995.

Beneficiary:

Central government.

Tax payable by:

The environmental protection product charges must be paid by

- a) the first domestic distributor or user for own purposes of Hungarian-manufactured products subject to product charges, and
- b) the importer of products subject to product charges.

Basis of assessment:

The basis of assessment includes:

- 1) in the case of fuels: the excise tax paid on fuels;
- 2) in the case of tyres, packing materials, refrigerants and batteries: the mass of the products;
- 3) in the case of cooling apparatuses: the number of units of cooling apparatuses, distinguished by the nominal refrigeration volume and the quantity of the refrigerant;
- 4) in the case of crude oil products: the volume of crude oil products.

Rates:

There are several annexes in the legislation that contain different tax rates for the relevant products subject to product charges, which means that a general tax rate can not be determined.

HU°3.7.7.1.

Environmental Protection Fee

(Természetvédelmi bírság)

Legal base:

Law Nr. 53 of 1996.

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of environmental protection fees imposed by the local government, and (2) 30% of the sum of environmental protection fees imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The environmental protection fee is payable by those (i) causing any damages to nature conservation areas, (ii) carrying out activities polluting the environment, (iii) doing any businesses without the necessary licence issued by the relevant authority etc.

Basis of assessment:

The environmental protection fee does not have explicit tax base.

Rates:

The actual amount of the environmental protection fee depends on the extent of pollution caused. In the relevant legislation there has been a range of payments that must be taken into account when imposing this fee.

HU°3.7.7.2.

Air Pollution Levy

(Légszennyezési bírság)

Legal base:

Law Nr. 21 of 1986 (Decree of the Council of Ministers).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of air pollution levies imposed by the local government, and (2) 30% of the sum of air pollution levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The manufacturer or producer of a product or service, and the person or company causing certain emissions are obliged to pay air pollution levy.

Basis of assessment:

The basis of levy includes: (a) point sources, (b) building sources, (c) surface sources, (d) breaking the air quality regulations.

Rates:

Different equations are used for the calculation of levy. The applicable charge depends on the risk factor of the polluting material.

HU°3.7.7.3.

Water Pollution Levy

(Szennyvízbírság)

Legal base:

Law Nr. 3 of 1984 (Order of the OVH).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of water pollution levies imposed by the local government, and (2) 30% of the sum of water pollution levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

Legal entities, organizations without legal status and private entrepreneurs causing certain emissions are obliged to pay water pollution levy.

Basis of assessment:

The basis of water pollution levy includes: (1) polluting materials, and (2) toxic materials.

Rates:

The applicable rate depends on the type of polluting material, the water-quality category of the area concerned, the concentration of pollution in the waste water and the characteristics of recipient.

HU°3.7.7.4.

Toxic Waste Levy

(Veszélyeshulladék bírság)

Legal base:

Law Nr. 102 of 1996 (Government Decree).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of toxic waste levies imposed by the local government, and (2) 30% of the sum of toxic waste levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The importer/wholesale provider/owner of a product is obliged to pay toxic waste levy.

Basis of assessment:

The payment of toxic waste levy emerges when the regulations about toxic waste - e.g., preparation of waste management plans, qualifying of toxic waste - are broken.

Rates:

The payable levy depends on the type of breaking the regulations, the amount of waste and the risk category of waste.

HU°3.7.7.5.

Noise Abatement Levy

(Zaj- és rezgésbírság)

Legal base:

Law Nr. 12 of 1983 (Decree of the Council of Ministers).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of noise abatement levies imposed by the local government, and (2) 30% of the sum of noise abatement levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The constructor or operator of a building, establishment is obliged to pay noise abatement levy.

Basis of assessment:

The noise abatement levy is payable when (i) new establishments exceed the established noise limit, (ii) existing establishments exceed the established noise limit, and (iii) new road, railroad or airport exceed the established noise limit.

Rates:

Different equations are used in different cases. The applicable rate depends on the number of rooms, the number of protectable rooms of public buildings in front of which the noise level is higher than the limit, and the degree of exceeding the limit.

HU°3.7.8.

Communal Tax Payable by Entrepreneurs

(Vállalkozók kommunális adója)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

This local tax is payable by entrepreneurs.

Basis of assessment:

The tax base is the adjusted average number of the staff employed by the taxpayer in the area of jurisdiction of a local government.

Rates:

The annual maximum rate of this tax is HUF 2.000 per person.

HU°3.7.9.

Rehabilitation Contribution

(Rehabilitációs hozzájárulás)

Legal base:

Law Nr. 4 of 1991.

Beneficiary:

Labour market fund (extra-budgetary fund).

Tax payable by:

Rehabilitation contribution is payable by employers having more than 20 employees and the number of partially incapacitated workers does not reach 5% of the total number of employees.

Basis of assessment:

In the case of rehabilitation contribution, the basis of assessment is the difference between 5% of the total number of employees and the number of partially incapacitated workers employed.

Rates:

When calculating the actual rehabilitation contribution for a year, the difference mentioned above must be multiplied by HUF 20.628.

HU°3.7.10.

Training Levy

(Szakképzési hozzájárulás)

Legal base:

Law Nr. 77 of 1996.

Beneficiary:

Labour market fund (extra-budgetary fund).

Tax payable by:

Employers are obliged to pay training levy.

Basis of assessment:

The training levy is imposed on the wage costs of employers.

Rates:

The applicable tax rate is 1.5% and 1.3% for employers carrying out agricultural activities.

HU°3.7.12.

Unallocable Tax Penalties

(Adóbüntetések)

Legal base:

Law Nr. 91 of 1990.

Beneficiary:

Central government.

Tax payable by:

All taxpayer whose tax liability and tax payment obligation is prescribed by laws establishing taxes.

Basis of assessment:

Default penalty: in the event of late payment of tax or if budgetary subsidies are used prior to eligibility a default penalty must be paid from the due date or until the date of eligibility, respectively.

Self-revision surcharge: a taxpayer has to pay a self-revision surcharge if correcting the amount of taxes or budgetary subsidies. The self-revision surcharge must be determined by the taxpayer separately for each tax and budgetary subsidy according to the difference of the tax or subsidy declared and corrected.

Tax penalty: tax penalties must be imposed for tax arrears. A tax difference established to the debit of a taxpayer must be considered tax arrears.

Default fine, there are several types of fines, of which the following should be pointed out:

- if a taxpayer meets his obligation to file his tax return following the deadline for filing, such taxpayer must pay default fine on the full annual tax;
- in respect of an erroneous tax return default fine must be paid on the difference of the correct and the incorrect amount of taxes or budgetary subsidies;
- default fine payable in respect of a taxpayer's failure to meet the obligation of tax deduction, the base of such fine is the amount of tax not deducted;
- in the event of a taxpayer's failure to meet the obligation of issuing invoices, receipts etc. a default fine is payable.

Rates:

The applicable rates differ according to the type of tax penalties, the main items are as follows:

- default penalty: it must be calculated as multiplying the penalty base by 1/365 of double the prevailing prime interest rate for each calendar year;
- self-revision surcharge: it must be calculated as 50% of the default penalty;
- tax penalty: the applicable rate is 50% of the tax arrears;
- default fine: different rates must be used, e.g.:
 1. for taxpayers meeting his obligation to file his tax return following the deadline a default fine of 5% is payable if the delay is less than 15 days, 20% for delay less than 30 days, and 30% for delay over 30 days;
 2. in respect of erroneous tax return the default fine is 5% of the difference of the correct and the incorrect amount of taxes or budgetary subsidies;

3. the default fine payable in respect of a taxpayer's failure to meet the obligation of tax deduction is 20%;
4. when a taxpayer fails to meet the obligation of issuing invoices, receipts etc. a default fine up to HUF 100.000 is payable.

HU°4.1.

Employers' Social Security Contributions

(Munkáltatók társadalombiztosítási járulékai)

Legal base:

Law Nr. 80 of 1997, 66 of 1998, 4 of 1991.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar), Labour market fund (extra-budgetary fund).

Tax payable by:

Employers and self-employed persons are obliged to pay social security contributions. The health care contribution must be paid by employers and payers. The employers' sick-leave benefit contribution is payable by employers. The employers' contribution must also be paid by employers.

Basis of assessment:

On any incomes, which are (i) taxed progressively, or (ii) regarded as disbursements in small amounts, or (iii) regarded as benefits in kind according to the personal income taxation and paid to insured employees, social security contributions must be paid. A self-employed person must pay social security contributions on income paid out for his work, but at least on the minimum wage fixed in the legislation.

At the calculation of the health care contribution the following main items must be included in the basis of assessment:

- in the case of the health care contribution expressed in percentage: (i) any incomes which are taxed progressively according to the personal income taxation and on which no social security contributions have been imposed; (ii) the part of dividend income exceeding a limit defined in the personal income taxation; (iii) benefits in kind, on which no social security contributions have been levied etc.;
- in the case of the fixed health care contribution, the payable amount must be determined for each person (employee, partner of a company, home worker, elected office-holders receiving fees etc.).

The employers' sick-leave benefit contribution must be calculated on the basis of a socially insured employee's sick-leave benefit.

The basis of assessment of the employer's contribution includes:

- gross wages paid to employees,
- benefits in kind, meal and vacation allowances which are subject to the personal income tax, and
- 1/4 of the tax on company cars provided within the framework of an employment relationship.

Rates:

Employers' and self-employed persons' social security contributions include the pension security contribution at a rate of 22%; and the health security contribution at a rate of 11%.

The applicable rates of the health care contribution are differentiated according to the following system:

- in the case of the health care contribution expressed in percentage, the applicable general rate is 11%; whilst
- in the case of the fixed health care contribution, the applicable rate is HUF 3.600 per each month and person.

One third of a socially insured employee's sick-leave benefit must be paid as employers' sick-leave benefit contribution.

The applicable rate of the employer's contribution is 3%.

HU°4.2.

Employees' Social Security Contributions

(Munkavállalók társadalombiztosítási járulékai)

Legal base:

Law Nr. 80 of 1997, 4 of 1991.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar), Labour market fund (extra-budgetary fund).

Tax payable by:

Employees and self-employed persons are obliged to pay social security contributions. The employee's contribution is payable by employees. (Employees receiving pension benefit are exempted from these two contributions.)

Basis of assessment:

The basis of assessment with respect to employees' social security contributions includes any incomes paid to insured employees and are taxed progressively or regarded as disbursements in small amounts according to the personal income taxation. The annual ceiling of the base of employees' social security contributions is HUF 1.854.200. A self-employed person must pay social security contributions on income paid out for his work, but a ceiling of the base of HUF 1.854.200 must be taken into account. Gross wages paid to employees must be regarded as the basis of the employee's contribution.

Rates:

Employees' and self-employed persons' social security contributions include health insurance contribution at a rate of 3%, and pension contribution at a rate of 8% or 2% for members of private pension funds. The applicable rate of the employee's contribution is 1.5%.

HU°4.3.

Social Security Contributions paid by Others

(Mások által fizetett társadalombiztosítási járulék)

Legal base:

Law Nr. 80 of 1997.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar).

Tax payable by:

Pension (security) contributions are payable by

- both payer and receiver of certain social benefits (nursing fee, child care allowance, child raising benefit);
- both payer and receiver of unemployment benefits;
- both employers and workers employed within the framework of casual work.

Health security contribution is payable by

- those who are not regarded as insured persons;
- both employers and workers employed within the framework of casual work;
- payer of unemployment benefits;
- partnerships and self-employed persons, in the case of the accident contribution.

Basis of assessment:

As for the basis of assessment, the following bases can be distinguished:

- social and unemployment benefits;
- the monthly minimum wage - fixed in the legislation - for persons who are not insured;
- in the case of casual work a fixed contribution has been determined;
- in the case of the accident contribution, the basis of assessment has been defined according to the next structure:
 1. for partnerships: any personal remuneration subject to personal income taxation and received for the participation of a member - with own pension benefit rights - of the partnership in the running of the company;
 2. for self-employed person with own pension benefit rights: any personal remuneration withdrawn by the self-employed person from his business.

Rates:

The applicable contribution rates are the following:

- in the case of social benefits, a pension security contribution of 22% plus 8% is payable;
- in the case of unemployment benefits, a pension security contribution of 22% plus 8% and a health security contribution of 11% is payable;
- in the case of non-insured persons, a health security contribution of 11% is payable;
- in the case of casual work, a fixed contribution is payable, the actual amount of contribution is depending on the amount of wages paid to employees;
- the applicable rate of the accident contribution is 5%.

Annex 3.2. Tax Changes from 2000 onwards

Main decided tax changes in the Hungarian Tax System for year 2000:

HU°1.1.1.

Personal income tax

The tax credit for workers can be claimed by employees whose incomes are less than HUF 1,2 million per year. (In 1999, this upper limit is HUF 1 million.) Between HUF 1 and 1,2 million the tax credit is reducing. The rate of family allowance is averagely increasing by 30% in 2000; the applicable amounts of tax credits are the following:

- for one or two dependents HUF 2200 per month and per dependent,
- for three or more dependents HUF 3000 per month and per dependent,
- for severely disabled dependents HUF 3400 per month and per severely disabled dependent.

Tax allowance linked to payments to voluntary mutual insurance funds has changed from 50% (in respect of pension funds) and from 25% (in respect of health insurance funds and mutual funds) to 30%. Private entrepreneurs may choose flat-rate taxation, regardless of the type of their activities, if their annual revenues are less than HUF 4 million (instead of HUF 3,5 million in 1999).

HU°3.1.1.

Value Added Tax

The essential of the modification of the law on value added tax is the tightening of the rules linked to tax reclaims, for example:

- as from 1 January, 2000, pre-charged tax on the purchase of products or use of services is deductible in that case, if the taxpayer has already paid the price (including VAT);
- the limit of tax base above which pre-charged tax can be deducted is increasing from HUF 2 million to HUF 4 million;
- the refundable tax exceeding HUF 500 thousand must be paid within 45 - instead of the usual 30 - days of having the tax return submitted etc.

In order to create the necessary consistency with tax rules of EU's countries, the tax rate on some of products of animal origin, vegetable fluids, resin etc. is 25% as from 1 January, 2000. The tax rate on fuel made of plant (bio-diesel) is 0% in 2000.

HU°3.2.1.

Customs duties

The Hungarian Parliament has recently decided on the cancellation of the customs clearance fee and the statistical duty as from 1 January, 2000.

HU°3.3.1.

to

HU°3.3.8.

Excise duty, consumption tax

The most important change connected with these taxes is that the wine will become excise products as from 1 August, 2000, within the framework of EU harmonization. The tax rate will be HUF 5 per litre on grape wine and HUF 20 on other wines.

Rates of excise duties and contract distillation spirits tax:

Products	Tax rate in 1999	Tax rate in 2000	Change
Mineral oils			
Unleaded petrol (HUF/litre)			
octane number 98	86,90	93,00	+6,10
weak octane number 98	86,90	100,50	+13,60
Other petrol, petroleum, benzol and its homologous compounds, natural gas condensate (HUF/litre)	93,90	100,50	+6,60
Diesel fuel (HUF/litre)	75,00	80,20	+5,20
Liquid hydrocarbons from natural gas (HUF/kg)	86,70	43,00	-43,70
Lubrication oil, additives (HUF/kg)	67,50	72,20	+4,70
Compressed hydrocarbons from natural gas (HUF/nm ³)	41,80	22,00	-19,80
Alcoholic products (HUF/hectolitre grade)			
Spirits	1120	1250	+130
Other alcohol products	1400	1500	+100
Grape wine (HUF/litre) - as from 1 August, 2000	11 per cent	11 per cent (until 1 August); 5 HUF/litre (as from 1 August, 2000)	-
Other wines (HUF/litre) - as from 1 August, 2000	-	20	-
Sparkling wine (HUF/litre)	66,60	71,20	+4,60
Intermediate alcoholic products (HUF/litre)			
Carbonated	66,60	77,00	+10,40
Non-carbonated	88,80	97,70	+8,90
Beer (HUF/hectolitre and Balling (Plato) grade)	312	334	+22
Tobacco products (on the retail price)			
Cigarette (thousand units)	HUF 2300 + 17%	HUF 2645 + 17%	+HUF 345
Cigars, cigarillos	25%	25%	0
Loose cut tobacco	25%	26%	+1%
Other consumer's tobacco	25%	25%	0
Contract distillation spirits tax (HUF/ hectolitre degree)			
under 50 hectolitre grade per year	500	540	+40
over 50 hectolitre grade per year	1120	1250	+130

HU°4.1.
to
HU°4.3.

Social security contribution

The most important changes connected with the social security obligation are the following:

- the upper limit of basis of employees' and private entrepreneurs' social security contribution is increasing from HUF 1.854.200 to HUF 2.020.320 per year;
- the monthly amount of the fix health contribution is increasing from HUF 3.600 to HUF 3.900 per capita.

Annex 3.3. Taxes Abolished

HU°1.3.1.

Research and Development Contribution (*Muszaki-fejlesztési hozzájárulás*)

Law Nr. 11 of 1988, abolished since 1994.

Beneficiary:

Central technical development fund (extra-budgetary fund).

Tax payable by:

Business enterprises such as inter alia public companies, co-operatives, business associations, private entrepreneurs etc. Were obliged to pay this contribution.

Basis of assessment:

The basis of the contribution was the basis of assessment of entrepreneurial profit tax of the year preceding the year concerned.

Exemptions:

Those, whose annual turnover had not exceeded HUF 25 million in the year preceding the year concerned, did not need to pay contribution. Contribution did not need to be paid in the case of research and development activities, retail trade activities, catering activities. The newly-founded payer established at settlements economically underdeveloped or concerned by central structural policy decisions had to pay a reduced contribution.

Deductions:

The payer was entitled to an allowance of 80% of the contribution in the case of public services and health care activities, certain consumer's services, sales of popular handicrafts and traditional cottage-industry products; 65% of the contribution in the case of cultural and sport activities; 35% of the contribution in the case of agricultural, sylvicultural and primary wood industry activities. Business association was entitled to 60% (in the first five years) and 40% (from the sixth year onwards) deduction from the contribution, if it was engaged in production, operation of a hotel, its registered capital exceeded HUF 50 million and the proportion of the foreign share was at least 30%. The deduction amounted to 100% (in the first five years) and 60% (from the sixth year onwards), if the business association was engaged in especially important activities.

Collection:

Payers were obliged to pay monthly 1/12 of the annual calculated contribution.

Rates:

The rate of the contribution was 4,5%.

HU°1.3.2.

Profit Tax on Shares in State Property (*Állami vagyon utáni részesedés*)

Law Nr. 80 of 1992, abolished since 15 May, 1994.

Beneficiary:

Central government.

Tax payable by:

State enterprises, trusts, co-operatives managing state property were liable to this charge.

Basis of assessment:

The payable charge had to be calculated by multiplying business profit after taxation by the proportion of state property in the issued capital.

Rates:

The rate of the charge was 25%.

HU°3.2.2.

Previous Differential Producers' Turnover Tax (*Különbözeti termeloi forgalmi adó*)

Law Nr. 109 of 1988 (Decree of the Council of Ministers). This tax was abolished in 1991, however the rule of law was in force until 1997.

Beneficiary:

Central government.

Tax payable by:

The tax had to be paid by (i) the first domestic owners, for products imported, and (ii) economic organizations exporting the products, for products exported. This tax was levied on those basic materials, semi-finished products, consumer's goods, services etc. listed in the legislation.

Basis of assessment:

The basis of assessment included:

in the case of products imported on the basis of rouble account, the difference between the domestic price and the calculated price (appeared on the relevant invoice and corrected with certain items), or the quantity of the product; whilst

in the case of products exported, the export revenues.

Rates:

The applicable tax rates depended on the type of products, consequently a general rate can not be defined.

HU°3.3.9.

Road Fund Contribution (*Útalap hozzájárulás*)

Law Nr. 30 of 1992, abolished since 1999.

Beneficiary:

Road fund (extra-budgetary fund).

Tax payable by:

The taxpayer was the person producing petrol products and the importer of petrol products.

Basis of assessment:

In the last year (1998) when the road fund contribution was in force this was a tax sharing arrangement rather than a separate payment. The basis of the tax sharing calculation was the excise tax paid after petrol products.

Collection:

This was a tax sharing arrangement in 1998 and certain part (see below) of the total excise tax revenues collected after petrol products had to be transferred to the Road fund.

Rates:

In 1998 around 25-30% of the total revenues from the excise tax collected after petrol products had to be transferred to the Road fund.

HU°3.5.6.

Previous Land Tax (*Földadó*)

Law Nr. 79 of 1991, abolished since 1995.

Beneficiary:

Central government.

Tax payable by:

Land tax was payable by those, who (that) use land area on the 31st May of the particular year.

Exemptions:

If the size of the land area used by the taxpayer did not exceed 6.000 m², the taxpayer was exempted from land tax. The newly planted orchard or vineyard was temporarily exempted from the tax.

Deductions:

The taxpayer using technology to protect the environment was granted a tax allowance of 50%.

Basis of assessment:

The basis of land tax was the cadastral net income of the taxable land area used by the taxpayer.

Collection:

Land tax of the tax year had to be paid in accordance with the rule of self-assessment.

Rates:

Tax rates were differentiated according to the various branches of cultivation. For example, in the case of branch of cultivation of garden if the average gold crown value of 1 hectare was 35, the annual tax as per gold crown was HUF 20.

HU°3.5.7.

Previous Building Taxes (*Korábbi építményadók*)

Law Nr. 18 of 1983 (Joint decree of ÉVM-PM), 12 of 1970 (Joint decree of PM-ÉVM), 25 of 1986 (Law-decree), 23 of 1985 (Law-Decree). All of these rules of law have been abolished since 1992.

Beneficiary:

Local governments.

Tax payable by:

According to the relevant rules mentioned above, owners (mainly private persons) of building land, dwelling or buildings used for recreational purposes etc. were obliged to pay these taxes.

Basis of assessment:

These taxes had to be calculated on the basis of acreage (in square meters) of taxable items (building land, dwelling, other building etc.).

Rates:

The applicable rates of taxes depended on various factors:

- location of the taxable buildings, dwellings;
- the number of buildings, dwellings etc. owned by taxpayers;

- the actual area of taxable building;
- type of buildings, for instance different rates were applied to dwelling houses and holiday houses etc.

Local governments were entitled to determine - within a limitation - the actual tax rates.

HU°3.7.11.

Previous Wage Guarantee Contribution

(Bérgarancia járulék)

Law Nr. 66 of 1994, abolished since 1996. .It should be noted that in 1996 the wage guarantee contribution was integrated into the employers' contribution.

Beneficiary:

Wage guarantee fund (extra-budgetary fund), and since 1996 Labour market fund.

Tax payable by:

Economic association, company of certain legal entities, subsidiary company, state-owned company, co-operative etc. were obliged to pay wage guarantee contribution.

Basis of assessment:

The basis of wage guarantee contribution was the gross earning paid by economic organizations (as employers) to their workers (employees)

Collection:

Every month economic organizations were obliged to pay the wage guarantee contribution.

Rates:

The rate of wage guarantee contribution was 0,3%.