Hungary: latest budget reforms

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Reforms affecting the state budget have been announced by the Minister for National Economy.

The reforms include changes to the tax and social security systems.

Since the Government was elected in May 2010, business leaders and economists have called for changes to the income and expenses side of the state budget. However, the proposed changes involve fewer than expected cost-reducing items and are being funded to a considerable extent by additional pension receipts flowing into the state budget following a recent change in the law.

This means there is no reduction in the special levy currently payable by banks and other financial institutions. This was originally introduced for a three-year period in 2010 as a temporary measure to mitigate the financial consequences of the economic crisis. Its rates (which are the highest by comparison with the rest of Europe) will now not be reduced as planned.

The same budgetary constraints also mean that the hoped-for reduction in corporate income tax rate will not come into effect. Rates are currently 10% on profits up to HUF 500 million and 19% on the excess, and were supposed to be reduced to a flat 10% rate from 1 January 2013.

The only good news for businesses is that the reform package did not mention the so-called ‘chips or snacks tax’– a tax on fast food and carbonated drinks which the Government has been considering over the past few months.

For further information on this tax analysis and thought, please contact:

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