



ENSURING THAT POLLUTERS PAY

Hungary



Hungary's revenue from environmentally relevant taxes remains close to the EU average. Environmental taxes stood at 2.26% of GDP in 2019 (EU-27 average: 2.37 %). The largest portion of the environmental taxes were the energy taxes at 1.72% of GDP, against an EU average of 1.84 %. Transport taxes represented 0.31% of GDP (below the EU average of 0.45%), taxes on pollution and resources represented 0.23% (above the EU average of 0.08%). In the same year, the environmental tax came to 6.18% of total revenues from taxes and social security contributions (slightly above the EU average of 5.76 %).¹

Hungary currently has several environmental economic instruments in place, including an air pollution fee and a water abstraction charge. These are described below.

Further options

Taxing biomass fuels to improve air quality

Biomass used for home heating contributes strongly (over 80%) to emissions of particulate matter (PM) in Hungary. The country could consider introducing a tax on solid fuels in the residential sector in order to reduce PM emissions. The tax would be based on the calorific value, the average emission per fuel category and the

environmental cost of the emissions. When revenues are recycled (e.g. through income tax), this could lead to a modest increase of GDP of 0.009% for 2030, but a small decrease in employment of around 0.005% - 0.01%

Beverage container tax

In order to increase the proportion of beverage packaging waste recycled, Hungary might (once again) consider introducing a deposit-refund scheme (DRS). A beverage container tax, linked to a return rate, is an efficient way of incentivising beverage packaging producers to secure a high recycling rate. Hungary could use the example of Norway, which has such a tax with two elements: a basic tax and an environmental tax. Packaging covered by an approved return scheme is subject to a lower environmental tax rate, depending on the return rate. For containers with a return rate less than 25%, producers pay the full amount of both taxes, but above 25%, the environmental tax is inversely

proportional to the return rate. Containers with a return rate of at least 95% are exempt from the environmental tax. In this way, manufacturers are incentivised to increase recovery rates for their packaging, or to use packaging that is more easily recovered in order to avoid a higher rate of tax.

Part of the revenue should be used for monitoring and enforcement. The remaining part of the revenue could be used for funding improved collection and sorting infrastructure during the first few years after implementing the tax. Once a proper collection and sorting infrastructure is in place, the revenue can be used to reduce other non-environmental tax burdens (e.g. labour tax).

Examples of economic instruments

AIR POLLUTION FEE²

An air pollution load charge was introduced in 2003 and applies to emissions of nitrogen oxides, sulphur dioxides and non-toxic dust. The charge is based on Act LXXXIX of 2003 on environmental load charges which also introduced charges on water pollution and soil pollution load.

The annual revenue collected by the state was 5.607 billion HUF in 2019, but this is a total income from air, water and soil pollution fees, and the breakdown is not

available publicly.

The charge is paid by point-source emitters, mainly in the industry and power sector. Exemptions are applied to domestic emitters, district heating suppliers and to all emitters in emergency situations.

Since the introduction of the charge in 2003, no major changes have taken place and no evaluations on the effectiveness of the charge have been carried out by the government.



CHARGE ON WATER ABSTRACTION³

This Charge is regulated by the Act on Water Management no. LVII. of 1995. and the 43/1999. (XII. 26.) KHVM decree (updated by 34/2016. (VIII.2.) BM decree). This MBI is subjected to all water users with water right permit (there are specific exceptions defined in the Act).

The level of the charge depends on the permitted water use. If the usage of the water is more than 110% of the permitted water use, the tariff is 9 HUF/m³. If less,

the tariff is 4,5 HUF/m³. If the consumption is 80% or less, than the charge calculated after 80% of the consumption.

NGOs (environmental, consumer, green business networks, citizen science groups, etc)

One of the most relevant NGOs in environmental topics is Levegő Munkacsoport [Clean Air Action Group] -- <http://levego.hu/en/>

Stakeholders

NGOs (environmental, consumer, green business networks, citizen science groups, etc)

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¹ https://ec.europa.eu/eurostat/databrowser/view/env_ac_tax/default/table?lang=en

² <https://ieep.eu/uploads/articles/attachments/38588884-7624-4f96-b9cf-5e60c4223fab/HU%20Air%20Pollution%20Charge%20final.pdf>

³ https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qse006h.html

⁴ <https://www.vkj.gov.hu/>

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