



## FINACONT TAX NEWSLETTER

European Committee decision on food supply chain supervision fee and taxes on trading tobacco products



Gábor Kis

„European Committee has initiated an investigation on the healthcare contribution charged on food supply chain supervision fee and trading tobacco products. The Committee has been examining whether these two measures are in line with European Union’s relevant rules and regulations on state subsidies.”

European Committee has initiated an investigation on the healthcare contribution charged on food supply chain supervision fee and trading tobacco products. The Committee has been examining whether these two measures are in line with European Union’s relevant rules and regulations on state subsidies.

In both cases the Committee’s concern is that **these legislations apply steeply progressive tax rates which give selective advantages to companies with low revenue over their competitors** and it might prove to be a prohibited state subsidy. Therefore, Brussels has prohibited to apply these progressive tax rates until the end of the investigation.

**Food supply chain supervision fee can be a cause for concern** as stores selling daily consumer goods do not pay any fee or pay 0.1% supervision fee if they have low revenue, while above a certain threshold they are required to pay 6% of their revenue. Committee says that the revenue-based supervision fee does not raise the suspicion of prohibited state subsidy, but **progressive, sharply rising tax rates give unfair competitive advantages to low-revenue companies over their competitors.**

New legislation on food supply chain supervision fee **came into force on 1 January 2015** and first payments would be due on 31 July 2015. No fee should be paid on revenue less than HUF 500 million, 0.1% fee should be paid up to HUF 50 billion, 1% on higher revenue and 6% should be paid on revenue more than HUF 300 billion.

The announcement also states that restrictions on retail trade in Hungary might have negative impact on market competition and might violate EU fundamental right of freedom. The Committee referred, for example, to the requirement of closing retail companies which generate losses in two consecutive years. Brussels says that the cause for losses might also be the increased supervision fee and so it might infringe the freedom of establishment.

The Committee’s concern about **the healthcare contribution of tobacco products trading** is also related to the steeply progressive tax rates. Furthermore, the Committee has also objection to the fact that tobacco products traders can reduce their liabilities with up to 80 percent if they make certain investments.

Act XCIV of year 2014 on healthcare contribution of tobacco businesses in 2015 **came into force on 1 February 2015**. Under this law businesses trading with tobacco products are required to pay 0.2% healthcare contribution if they have revenue between HUF 30 million and HUF 30 billion, 2.5% on revenue between HUF 30 and 60 billion and 4.5% liability on revenue more than HUF 60 billion.

Furthermore, the Committee announced that they have also been examining whether Hungarian legislation on tobacco products trading is in harmony with EU legislation.

However, they note that **initiating this investigation does not necessarily mean that it has been proved that prohibited state subsidy has been found in both cases**.

On the European Committee's investigation the Hungarian government's official person said that the **government does not intend to withdraw these two taxes**. Their opinion is that Brussels has objection to tax rates and not to taxes.

Please contact our colleagues if you wish to have a detailed interpretation of this legislation as this newsletter offers general understanding.

Should you have any questions, please do not hesitate to contact us.

**Gábor Kis**

**Tax director**



FINACONT Szolgáltató és Tanácsadó Kft.  
H - 1052 Budapest, Ara di utca 16, II. em. 2.  
T. +36 1 345 0092  
F. +36 1 345 0093  
M. +36 20 945 5040  
E-mail: [gabor.kis@finacont.com](mailto:gabor.kis@finacont.com)  
Web: [www.finacont.com](http://www.finacont.com)

There can be diverse practices, methods and taxation manners as a result of various interpretations of tax regulations and related legal resources. The above-written is only for information purposes and could be used only at one's own tax risk in specified cases. In certain cases further opinion of tax authorities or other authorities might further reduce the tax risk.