



FINACONT TAX NEWSLETTER

Changes in the environmental product fee and public health product tax effective from 1 January 2018



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Environmental product fee

An important change is that, from 1 January 2018, the Act on Environmental Product Fee **does not include commercial packaging and packaging material** definitions.

With regard to the reduction of administrative burdens an important change is that **the product fee regulation started to apply classification rules in force on 1 January**. Previous legislation used the classification rules and tariff headings of the Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, in effect on 1 January 2010, to define products subject to product fee. **Furthermore, the scope of the Act has also been modified due to the product classification differences between year 2010 and year 2018.**

For example, monitors used for information purposes (e.g. ones at airports or in customer service centers) fall within the scope of the Act **from 1 January 2018**, just like cameras with one camera tube (e.g. security cameras, webcams).

Considering the fact **that products identified with a tariff heading may be included in more than one categories under this legislation, Annex 1 to the Act lists electrical and electronic (E+E) products according to their tariff headings but without grouping them into categories.**

A favorable change for businesses concerned is that, in addition to the introduction of a uniform product classification, product fee is also unified from 1 January 2018. **A fee of HUF 57 / kg is charged for all kinds of electrical and electronic equipment**, which is a significant fee reduction compared to the charge of HUF 114 / kg paid earlier on consumer electronics and dispensing machines and the charge of HUF 304 / kg on radio telephones.

The definition of **scope of advertising paper** has been changed to solve legal interpretation problems of the provisions.

Customer's declaration was required by earlier regulations also for products that were not covered by the scope. However, the law amendment **excludes publications and periodicals distributing non-commercial advertisement in at least 50% of its whole printed area and publications and periodicals published by public benefit organizations, the government or municipality in its core work from the scope of exceptions.** Therefore, regulation on making declarations in relation to advertising papers has been amended in a way that product fee should not be paid on products subject to this liability if the customer of the obliged party declares that one of the exemption requirements exists when submitting his order..

With amending the law the earlier **issue of the accrual of office paper and book base paper** was also solved.

The law amendment also **clarifies** that the liability is calculated based on the **advertising paper function of the product** if a it fulfills both **advertising paper and office paper functions.**

From 2018 the **product fee payable after motor vehicle parts** subject to this liability and the **flat rate of applicable product fee** are **reduced with 50% for pure electric cars and with 30% for hybrid cars.**

Public health product tax

The most important amendment of law on public health product tax is that it also reduces the administrative burden on taxpayers by **introducing the legal institution of tax offering.**

A provision related to **healthcare programs**, entered into force on 1 January 2016, allows the taxpayer to **reduce the amount of the product tax payable with the costs and expenditures** of such programs in the tax assessment period.

The amendment of 1 January 2018, similarly to the tax offering related to corporate tax, allows taxpayers to **offer at least 10% of their payable tax as a contribution to the healthcare program organized by the health care administration office by declaring it in their tax return.** The amount offered is transferred by the Hungarian Tax and Customs authorities to the bank account of the health care administration office within 15 working days from the filing date of the tax return.

In addition to the tax offer, **previous tax reduction options also remained in force** so that the taxpayer can exercise both options, **but the sum of tax reduction and tax offer may not exceed the 10% of the amount of the product tax to be paid** in the tax period.

It is important to draw attention to the fact that **corporate tax offer is different** from the tax offer specified in the Act on public health product tax in two important aspects. The first one is that the tax offer can be made in each tax period, tax incentives not used may not be accumulated, these tax reductions will

be lost if they are not validated in the year of tax reduction or if the taxpayer do not make a declaration on them. Another important difference is that the tax offer can only be made to healthcare administration office (e.g. OGYÉI).

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.

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There can be diverse practices, methods and taxation manners as a result of various interpretations with regard to the tax regulations and the connected law sources. The above listed changes are only for information, can be used only at one's own tax risk in specified cases. In certain cases a further proposal of tax authorities or other polities can reduce the tax risks.