

## Tax Alert

Environmental product  
charge rules amended and  
other developments



# Environmental product charge rules amended and other developments

This issue of our newsletter looks at the new Environmental Product Charge Act and certain provisions of the act amending various business-related regulations.

## Environmental product charge

Environmental product charge is a one stage tax levied on certain goods such as paper used for advertising, packaging, electric and electronic equipment, battery, lubricated oil and tyre.

Far-reaching changes are expected as from 1 January 2012 under the new Environmental Product Charge Act, which has been adopted by Parliament. Below we summarize the key changes.

### Waste Management Agency

Organizations that coordinate recycling efforts will be replaced by a single state-owned entity, the National Waste Management Agency (OHÜ). The OHÜ will use the product charges paid to comply with the taxpayers' waste management obligations through services ordered centrally from waste management service providers.

### Persons covered

Under the new act, the person subject to the product charge liability for paper produced in Hungary for advertising purposes will no longer be the first customer of the first domestic marketer, but instead the first domestic marketer or the first private purpose user (for other domestically produced petroleum products, however, the current rule on persons subject to product charge liability will remain unchanged).

With respect to packaging produced in Hungary, the first domestic marketer and the first private purpose user of packaging materials used for final packaging are included among the persons subject to product charge liability. This change re-introduces the liability of producers of packaging materials used for final packaging to the system of product charges.

### Rates

The product charges either will be reduced or will remain unchanged for all products subject to the charge, with the exception of lubricating oil and paper used for advertising. Commercial packaging and electric and electronic equipment will see the most significant cuts, with reductions ranging from 20% to 70% (e.g. the product charge on large household appliances and mobile phones will be reduced from 83 HUF/kg to 30 HUF/kg and from 1,000 HUF/kg to 100 HUF/kg (i.e. to one tenth), respectively).

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The amended act provides for a reduced product charge for taxpayers that carry out private waste collection and private recycling services in Hungary, depending on the efficiency of the recycling activities (at least 75% of each stream of products and materials must be recycled). The actual rate will depend on the recycling rate calculated and published for each product type, the national average recycling rate of the OHÜ and the specific recycling rate of each individual taxpayer. However, private waste management will not be an option available for paper used for advertising and other petroleum products. The reporting deadline for opting for private waste management is 20 April 2012.

The obligation to indicate product charges on invoices will be limited to two situations: when a taxpayer assumes liability for the charge through an invoice and when requested by clients who are eligible for a refund of the charge.

Under the amended act, the flat rate product charge will be available to taxpayers distributing minimal or small amounts of packaging and taxpayers using products for private purposes (currently, the flat rate is applicable only to agricultural producers with revenue exceeding a certain level). The payment of a flat rate, which ranges from HUF 12,000 to HUF 60,000 per year, relieves taxpayers of all other administrative obligations (such as reporting, record-keeping and filing). The threshold for packaging to qualify as minimal or small will be increased. The reporting deadline for opting for the flat rate product charge is 20 April 2012.

### Exemptions, withholding and refunds

The possibility to obtain an exemption from the product charge by entering into a contract with a recycling organization will be abolished. All other options for assuming product charge liabilities (based on contracts and invoices) will remain in force.

In addition, the option for deducting the product charge of commercial packaging will also be abolished. A new feature, however, is that the product charge will no longer be payable for reusable packaging (both commercial and non-commercial) produced in Hungary, even when the products are first marketed or used for private purposes if the taxpayer provides evidence that over 75% of the packaging has been redistributed. In addition, no product charge liability arises for reusable packaging imported from a foreign country if the taxpayer proves that the packaging was returned abroad for recycling purposes within one year from import.

The option to obtain a refund of product charges paid will continue to be available (e.g. in respect of the sale of products subject to product charge liability to a foreign country in an unchanged form and condition, or the use of products subject to product charge liability as raw materials for the manufacturing of products subject to product charge liability).

### Other recent news

The bill amending business-related regulations concerning the Act on Duties and the Accounting Act has also been adopted by Parliament.

### Duties

Under the amendment to the Act on Duties adopted during the summer of 2010, gifts and inheritances between lineal descendants are not subject to duty even though the obligation to report any property acquisition remains in force. The new bill provides that the tax authorities would not be required to issue a resolution on duty exemption, meaning that taxpayers would not automatically receive certificates relating to their notification. However, a

copy of the document proving the duty exemption may be requested at no extra charge.

### Accounting Act

The changes to the Accounting Act are aimed mainly at developing the process for the mandatory annual training of persons providing book-keeping services and it proposes to establish a more flexible structure that focuses on the professional needs of the relevant individuals. Under the bill, the minister responsible for the accounting regulations would no longer be responsible for designing the syllabus for training programs; instead, a credit-based rating system would be introduced. Organizations involved in training would be able to design their own programs, but would have to request a credit point rating for the program from the minister at the time the syllabus is submitted. Book-keeping professionals could then select the program that best suits their professional needs.

Another focal point of the bill is the gradual increase of the threshold for mandatory audit. Accordingly, audits would not be mandatory for fiscal years beginning in 2012 if the annual net revenue of the business does not exceed HUF 200 million in terms of the average of the two preceding fiscal years. This amount would be further increased to HUF 300 million as from the fiscal years beginning in 2014. All other criteria and conditions specified in the act would remain unchanged.

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please contact one of our tax experts below:

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