

## *Taxing Energy Use 2018*

### **Hungary**

This note describes the taxation of energy use in Hungary. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Hungary:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

### 1. Energy tax profiles for Hungary

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

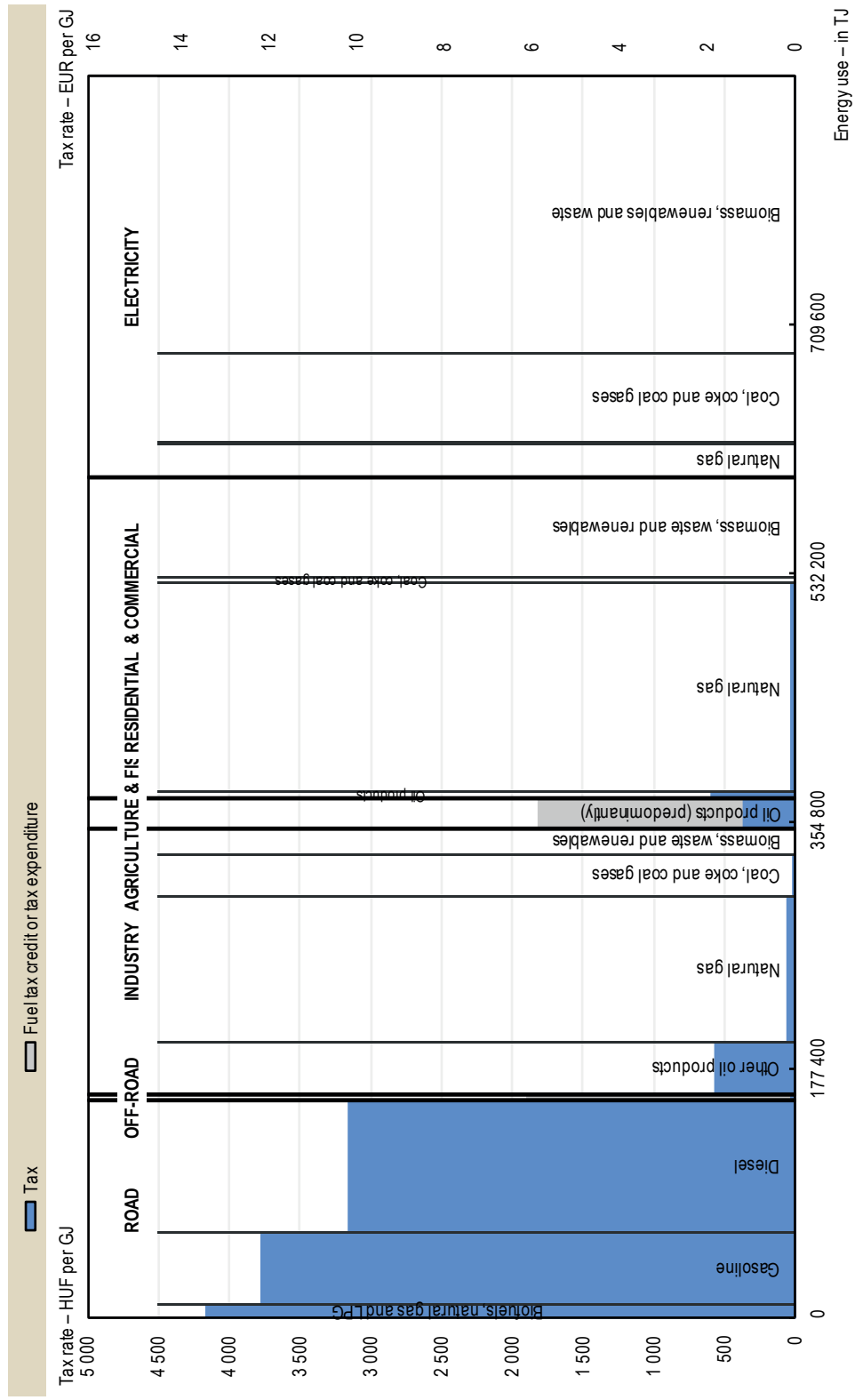


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and carbon emissions from biomass

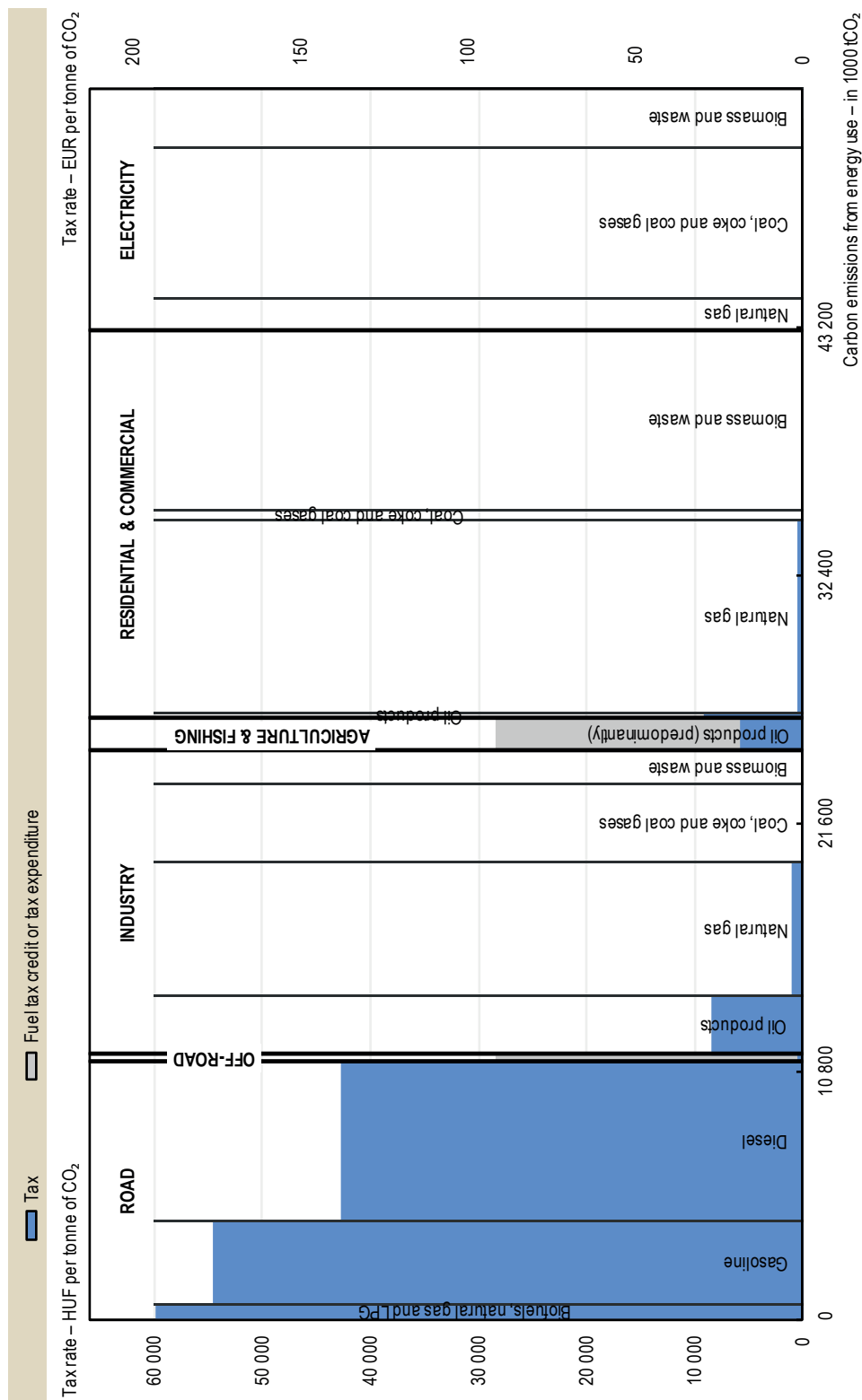


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass

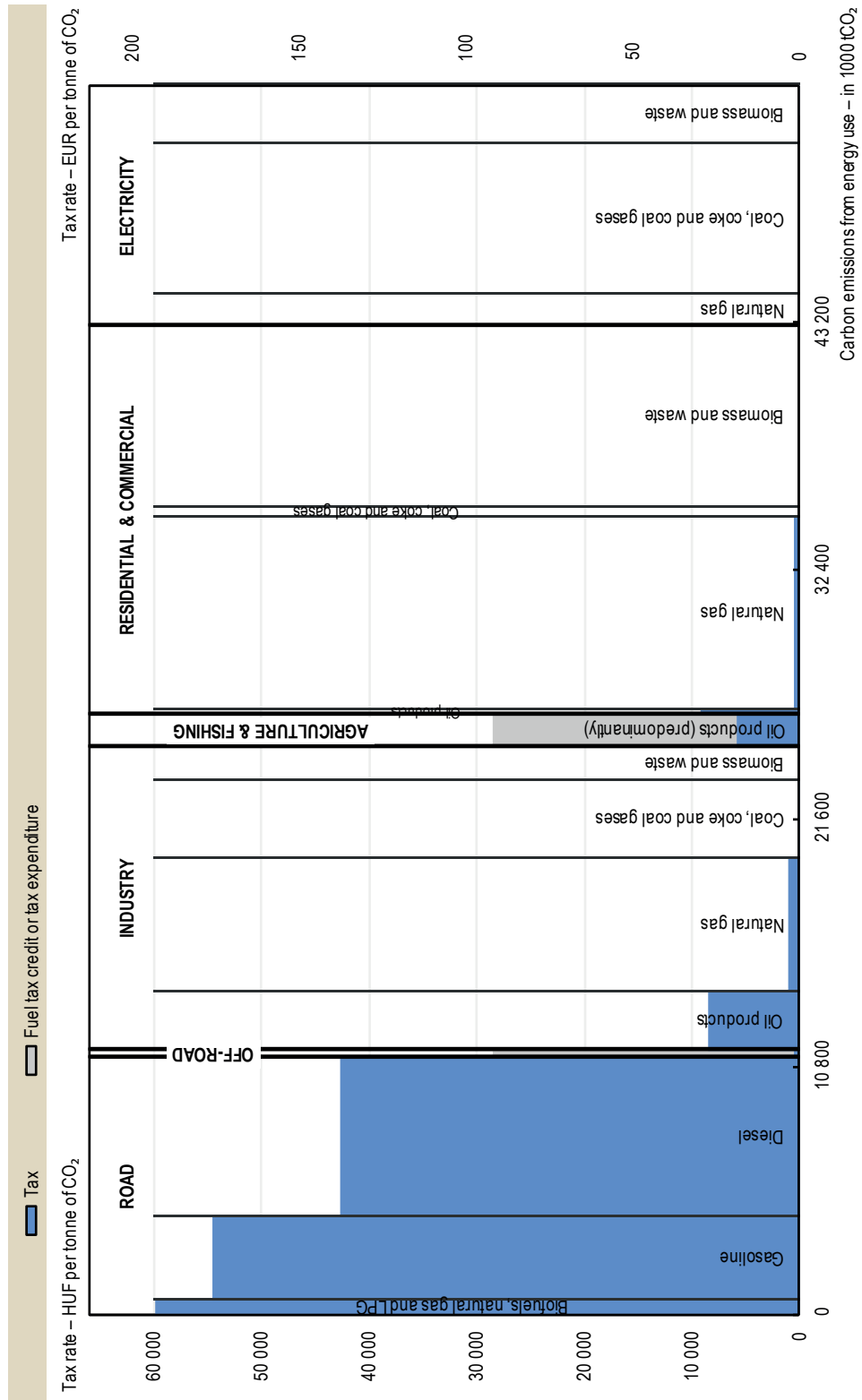
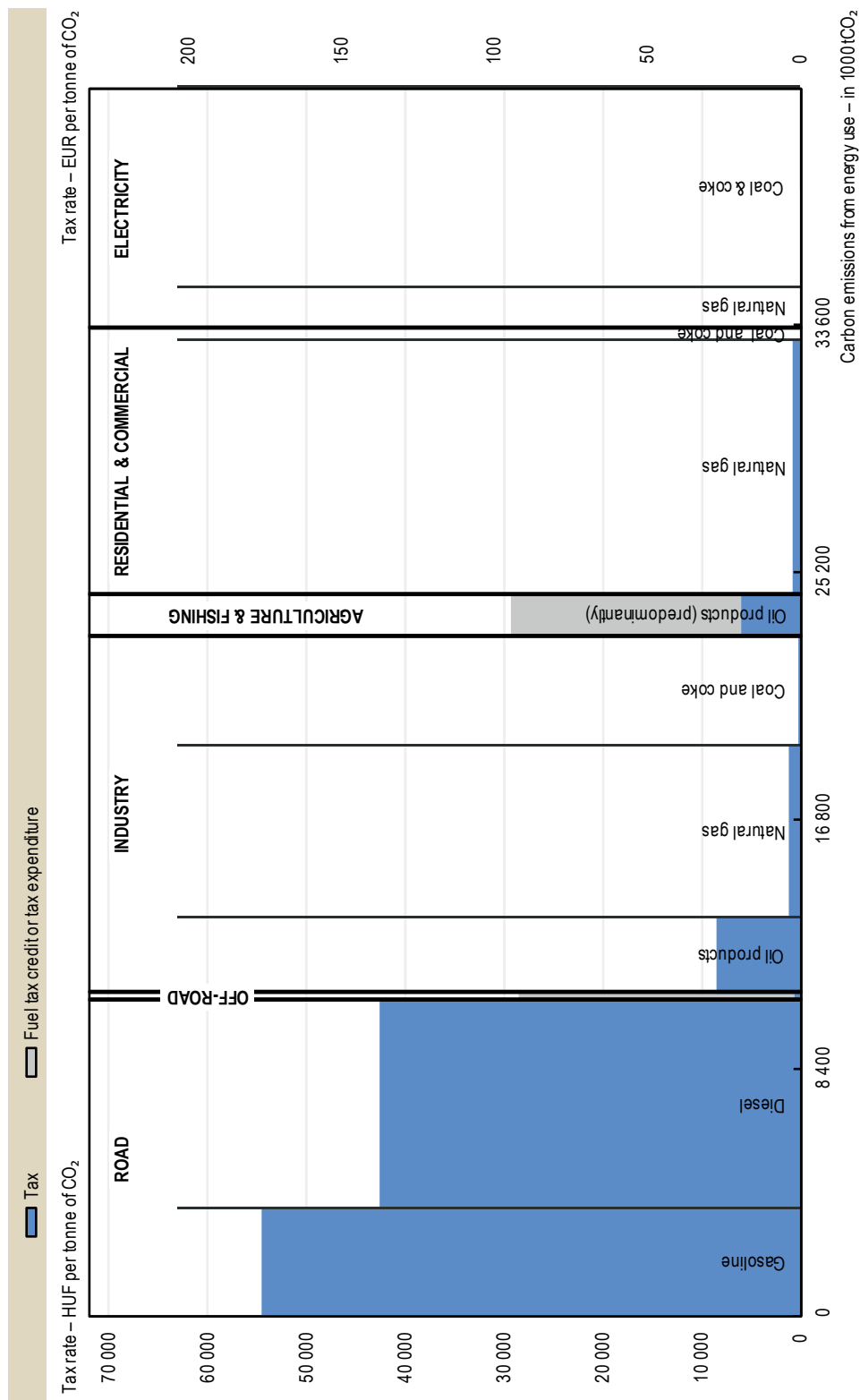


Figure 4. Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output and carbon emissions from biomass



## 2. Country-specific notes

This note describes the taxation of energy use in Hungary. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Hungary participates in the European Union emissions trading system (ETS), not shown in the energy tax profiles.<sup>1</sup>

### *Energy and carbon taxes*

Energy taxes in Hungary are levied within the framework of the 2003 EU Energy Tax Directive, which sets minimum rates for the taxation of energy products in member states. Within this framework, the main taxes on energy use in the Hungary are the following:

- An energy tax applies to oil products, natural gas and coal and coke consumption. The rates at which this tax applies differ across fuels and different users, as described below.
- Electricity output is taxed (per MWh) when used by industrial and commercial users, electricity use by households is untaxed.

These taxes are included in the energy tax profiles of Hungary, but the tax on electricity output is only included when separately indicated (see below). Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

### *Effective tax rates on energy use for different fuels and users*

The tax rates on different fuels and uses are linked to Hungary's energy use<sup>2</sup> to calculate effective tax rates on energy use (in EUR/TJ and HUF/TJ) or CO<sub>2</sub> emissions from energy use (in EUR/tCO<sub>2</sub> and HUF/tCO<sub>2</sub>). Energy use and the CO<sub>2</sub> emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Hungarian energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, biofuels are taxed at the highest effective tax rate, since they are taxed at the same rates as their

1. The OECD's [Effective Carbon Rates](#) contains information on emissions trading systems.

2. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

fossil fuel equivalents. Gasoline is taxed at a lower rate in terms of TJ and in terms of CO<sub>2</sub>. Diesel, natural gas and LPG are also taxed, but at lower effective rates than biofuels and gasoline.

- Only pipeline transport is taxed within the **off-road** sector. Natural gas for pipeline use is shown as taxed at the industry rate.
- Fuels used in the **industry** and the **residential and commercial** sectors are taxed, but natural gas and coal and coke consumed by households are untaxed, and fuels used for combined heat and power (CHP) generation are untaxed.
- Fossil fuels used in **agriculture and fishing** sector are taxed, but diesel consumed by agriculture activities is taxed at a lower statutory rate.
- Fuels used to generate **electricity** are untaxed; electricity output is taxed (per MWh) when consumed by industrial and commercial users.

### *Assumptions and caveats*

- In Hungary, two tax rates are levied on fuel oil according to its sulphur content. According to data provided by Hungary, fuel oil with sulphur content of less than 10 mg per kilogram is the most widely-used type of fuel oil used. For this reason the tax rate corresponding to this type of fuel oil is shown in the graphs.

Where not separately indicated, these assumptions have been arrived at in consultation with national officials, or otherwise are based on previous *Taxing Energy Use* publications.

### *Reported tax expenditures and rebates*

The following tax expenditures are included in the *Taxing Energy Use* data for Hungary:

- A full tax reduction applies to diesel consumed in railway transport, domestic navigation and domestic aviation.
- A partial tax rate reduction applies to diesel consumed in the agricultural sector.

Reported tax expenditures or rebates might be averaged with tax rates on other energy uses, in which cases they are not visibly identifiable in the graphical profile. Additional detail on the treatment of tax expenditures is available in Chapter 1 of *Taxing Energy Use 2018*.

## *Sources*

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the sources included in *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, no country-specific sources were used.