

Taxing Energy Use 2019: Country Note – Hungary

This note explains how Hungary taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.

The note complements the Taxing Energy Use 2019 report that is available at <http://oe.cd/TEU2019>. The report analyses where OECD and G20 countries stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.

The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Hungary can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO₂, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.

Structure of energy taxation in Hungary

Energy and carbon taxes in Hungary are levied within the framework of the 2003 European Union (EU) Energy Tax Directive, which sets minimum rates for the taxation of energy products in EU member states. Within this framework, as at 1 July 2018, the main taxes on energy use in Hungary are the following:

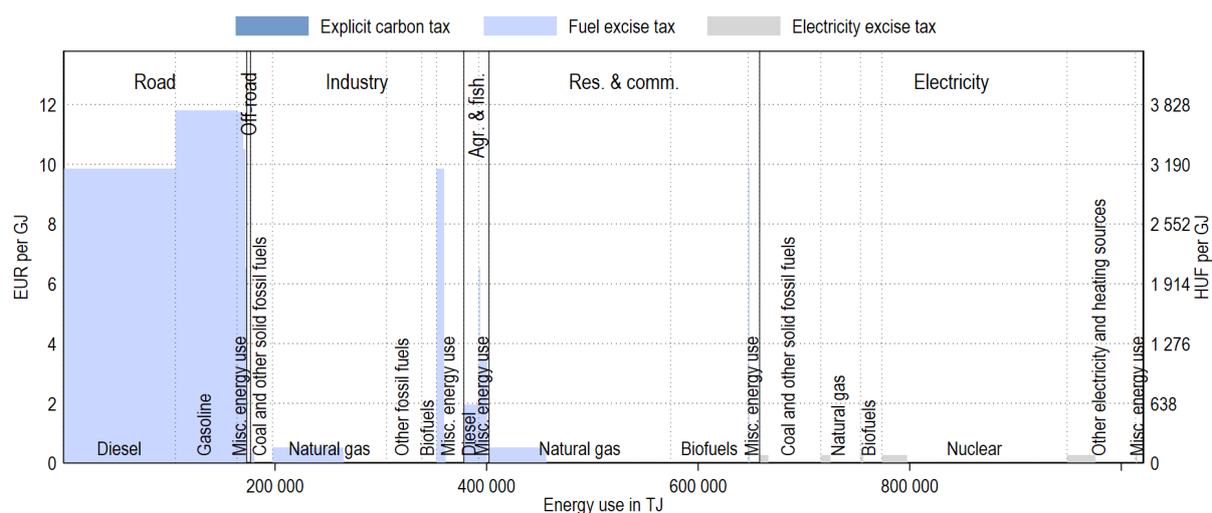
- Excise taxes (*jövedéki adó*) on energy products (*energiatermékek*) apply to liquid, gaseous and solid fossil fuels, as well as biofuels and to electricity
- The Strategic Stockpiling Fee (*tagi hozzájárulás a Magyar Szénhidrogén Készletező Szövetség részére*) additionally applies to gasoline, kerosene, diesel, fuel oil and natural gas use.

Hungary does not levy a carbon tax, but the country participates in the EU emissions trading system (ETS) (OECD, 2018^[1]). Permit prices are not shown in the energy tax profiles.

Effective tax rates on energy use in Hungary

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

Figure 1. Effective tax rates on energy use by sector and energy category

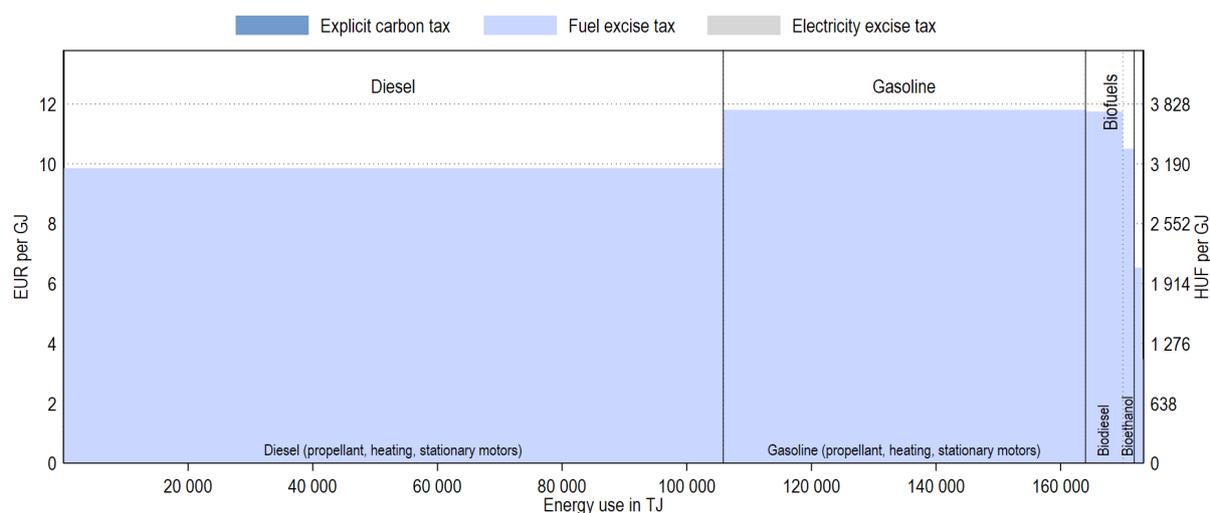


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. Biofuels are also taxed.

Figure 2. Effective tax rates on energy use in the road sector

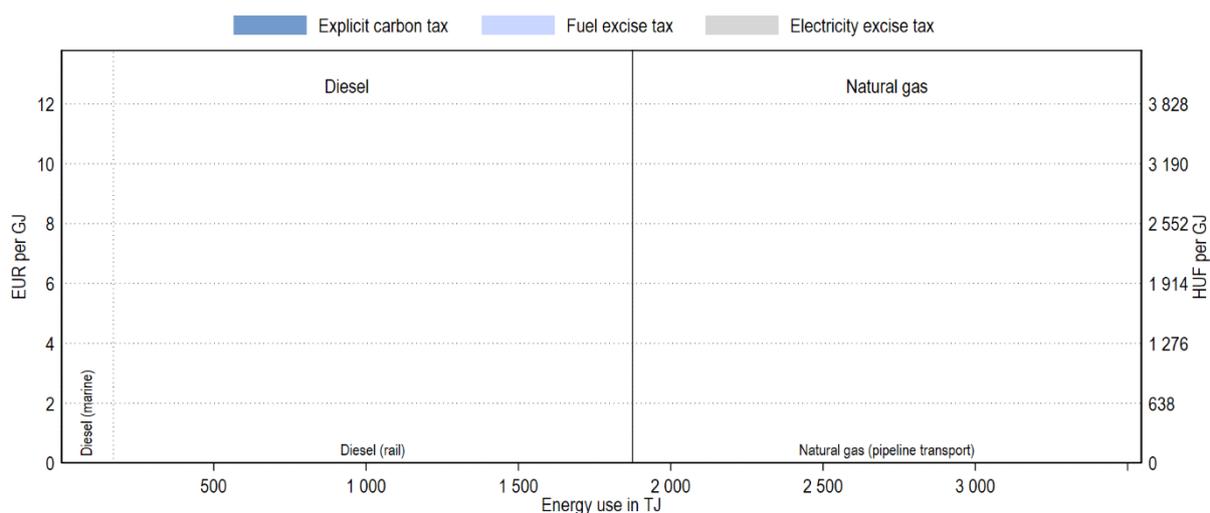


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.

Off-road

Fossil fuels used in the off-road sector are untaxed when used for commercial navigation, commercial aviation (no reported use), or rail, as shown in Figure 3.¹ Natural gas used in pipeline transport is not taxed.

Figure 3. Effective tax rates on energy use in the industry sector



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

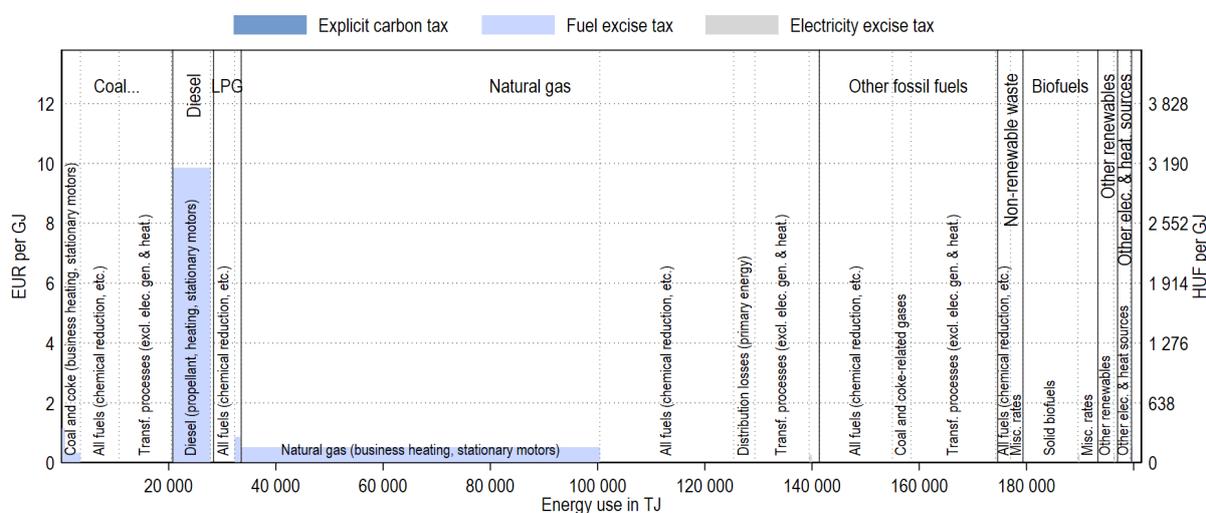
¹ Diesel and kerosene used in private pleasure craft and private planes are taxed (not modelled in TEU due to a lack of consumption data).

Industry

Most fossil fuels used in the industry in principle subject to fuel excise taxes (Figure 4). Fossil fuels that are used in certain industrial processes are not taxed if the conditions for non-taxation of the EU Energy Tax Directive are fulfilled. Coal and coke-related gases are not taxed. Non-renewable waste, biofuels and other renewables are not taxed either.

Electricity from industrial cogeneration is subject to the general electricity tax (called “electricity excise tax” in TEU) (see electricity section below).

Figure 4. Effective tax rates on energy use in the industry sector

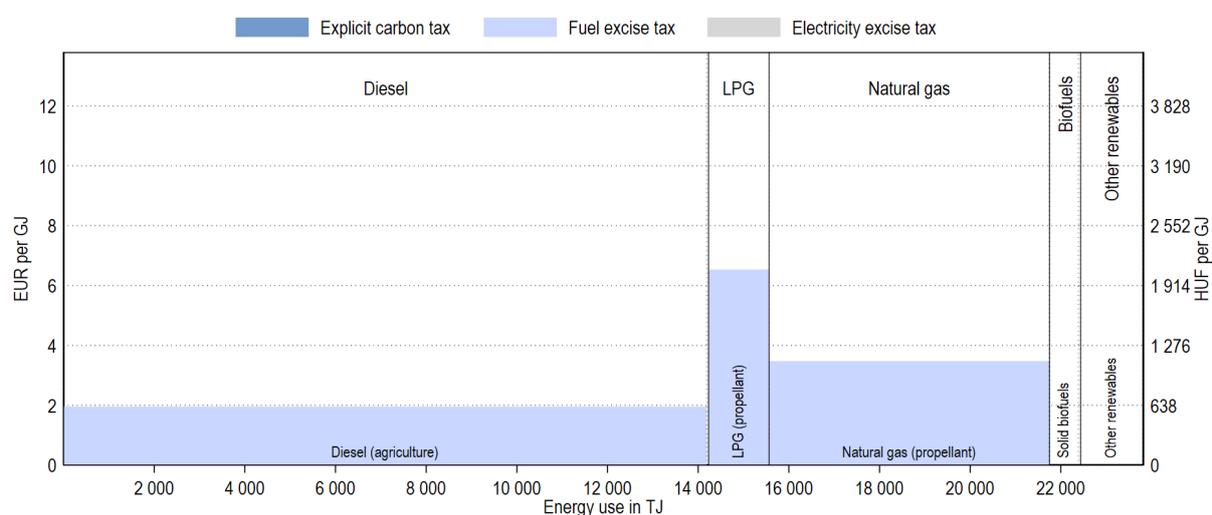


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Agriculture and fisheries

Fossil fuels used in the agriculture and fisheries (Figure 5) sector are subject to fuel excise taxes. Solid biofuels and other renewables are not taxed.

Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector



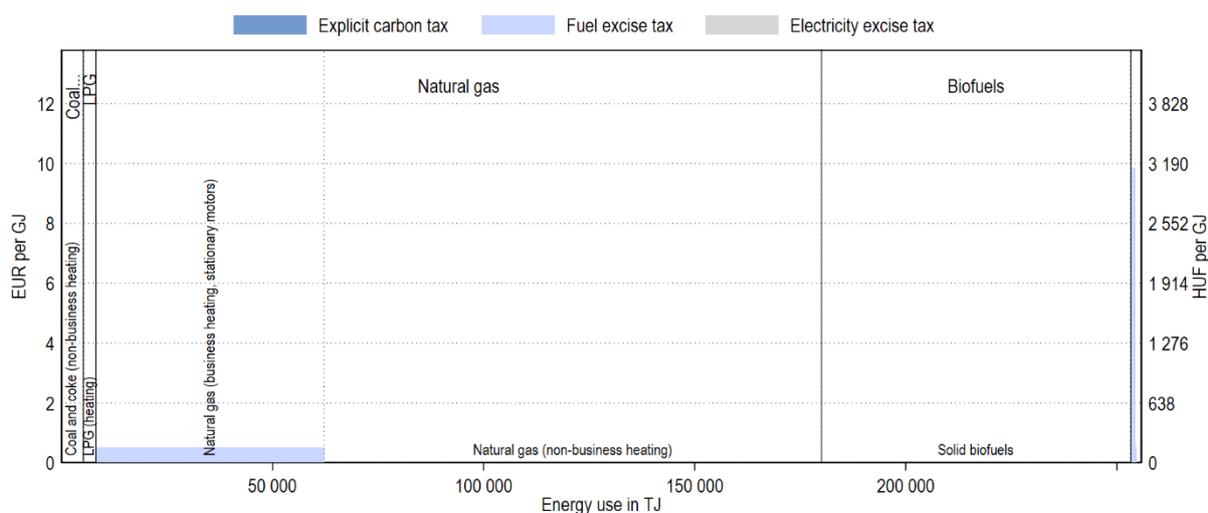
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Residential and commercial

Coal and coke and natural gas used for residential heating are not taxed. LPG used for heating is not taxed either. Biofuels are not taxed.

Notice that TEU reports the energy use associated with electricity and district heating consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

Figure 6. Effective tax rates on energy use in the residential & commercial sector



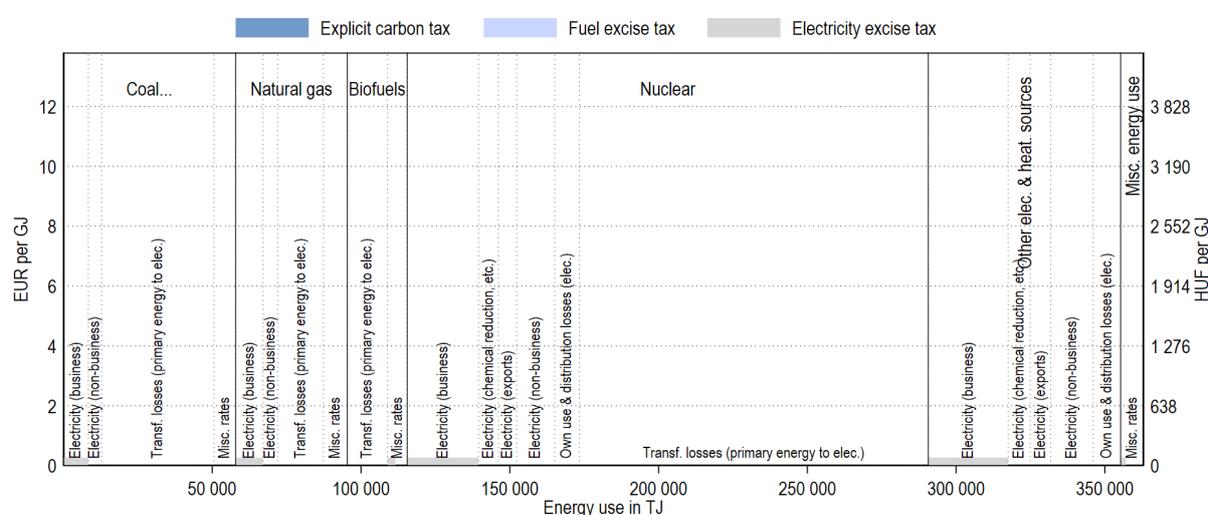
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Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Hungary. The fuels used to generate electricity are not taxed, but the electricity sector is covered by the EU ETS (OECD, 2018^[1]).

The use of electricity by businesses, on the other hand, is generally subject to an electricity tax. Certain industrial process use is exempt, and so is electricity used by households. As is standard, electricity exports are not subject to the electricity tax in Hungary, but may be subject to electricity taxes elsewhere.

Figure 7. Effective tax rates on energy use in the electricity sector



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References

- IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), <http://dx.doi.org/10.1787/data-00513-en> (accessed on 16 October 2018). [2]
- OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264305304-en>. [1]