

Issues and Requests Relating to Foreign Trade and Investment - Hungary

Category	No	Issue	Issue Details	Requests	References
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	<u>Issues over Operation of EORI Numbers</u>	- There exists disharmony among the EU member states in handling EORI (Operator Registration and Identification) numbers, which are uniform numbers, assigned by individual EU member states' customs authorities to business operators (companies, branches) and individuals, and used upon customs declaration. The problems have arisen over inability to use the EMORI No., due to disharmony in handling among the EU member states (in Hungary, Spain, etc.)	- It is requested that EU taxation and customs union will harmonise operation of the EORI numbers.	
14 Taxation Systems	(1)	High VAT Rate and Prolonged Term of VAT Refund Procedures	- While VAT rate is high at 27%, its refund system is undependable. Sometimes, it takes more than 6-months to get the VAT refunded. - Effective 1 January 2012, VAT rate becomes 27%.	- It is requested that GOH: -- gets the VAT refunded within 2-months maximum, and -- enhances the reliability of the refund system. - It is requested that Government of Hungary (GOH) cuts down the VAT rate to the level of the other EU Member States.	
			(Reference) - Value Added Tax(VAT): Standard Rate is 27%, while reduced rates of 18% and 5% apply to some items: -- 18% on milk, dairy products, foods using grains, wheat, etc, commercial boarding accommodation, etc. -- 5% on medicines, books, central heating, etc.		
	(2)	Frequent Changes in Taxation System	- Government of Hungary (GOH) introduces new taxes such as tax on financial transactions (0.6%), VAT (27%), as if being swung to and fro by the national budget. Enterprises are unable to secure the budgeted profits on their operations. - New tax scheme rules frequently enacted have become a factor, impacting enterprises' profitability.	- Upon introduction of new taxation system or effectuation of new laws and regulations, it is requested that GOH takes steps to: -- provide opportunities for exchange of dialogues with FFEs, and -- secure foreign funded enterprises (FFE) opportunities for exchange of dialogues and provide adequate and sufficiently appropriate explanation. - It is requested that GOH endeavours to stabilise its taxation scheme.	

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16	Employment	(1)	Overly Protected Workers	- In addition to regular paid leave, employers grant long-term sick leave with guaranteed reappointment, maternity or childcare leave both of which are recognised as workers' entitlement. Moreover, with the home-doctor's certificate, it has become customary for workers to exhaust in full all entitled paid leave. Employment of substitute workers to fill the long term leave workers and problems over continuity of work induces decline in productivity.	- It is requested that GOH takes a drastic review over the employment scheme.	- Labour Act
		(2)	GOH's Compulsory Wage Raise Measures	- To compensate for reduction in personal income from repeal of tax deduction under the personal income taxation system, GOH has recommended the statutory minimum wage and wage raise for employees with monthly revenue of less than HUF210,000. The failure to observe this recommendation results in the loss of qualification to bid for the government tender, and to receive government subsidies. This is nothing but GOH's compulsion of wage raise, diametrically opposed to the private enterprises' efforts to preserve employment by securing business for government procurement and subsidies.	- It is requested that GOH refrains from executing the measures in its recommendation.	
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	<u>EKAER SYSTEM</u>	- <u>Electronic public road trade control system (EKAER), for taxation purposes, monitors product movements to and from Hungary and EU.</u>		
26	Others	(1)	Inadequate Infrastructure	- <u>While the overhaul on motorway has made a fare progress, as regards general roads, not only in local areas but also in metropolitan areas, many of them are one-way-one-lane in poor repair. Traffic congestions and safety in driving in the general roads are the issues that require prompt attention.</u>	- <u>It is requested that GOH overhauls the general roads.</u>	
		(2)	Poor Means of Access to Airport	- In the capital city Budapest, the only available public transport connecting to the airport is taxi. It is both inconvenient and unfavourable for attracting business travelers and sightseeing tourists.	- It is requested that GOH takes steps to make available a limousine bus transport between airport and budapest city.	
		(3)	<u>Shops Business Hours</u>	- <u>Since March 2015, shops are closed on Sundays.</u>		