# [HU] The new tax on the media and advertising sector

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In summer 2014, the legislator in Hungary introduced a special tax. This special tax could significantly reshape the entire domestic media market. The advertising tax law, which entered into effect in mid-July, imposes a new levy on income from advertising. The range of subjects, who must pay this tax, is rather broadly defined. The new special tax has elicited protest by all market players. In addition to electronic, print and online press products, it also extends tax liability on outdoor and internet advertising. Pursuant to the legislative intent, the tax needs to be paid not only by companies that are established in Hungary, but also by other corporations that provide services in Hungarian language, but pay their taxes abroad. The applicable rate of the special tax rises progressively. Below an advertising income of 0.5 billion HUF (circa 1,6 million Euros), the prevailing rate is 0%. Then it rises to 1% for income over 0.5 billion, but less than 5 billion. Above 5 billion, the rate is 10% and increases by another 10% for each additional 5 billion, up to a maximum rate of 40%, which kicks in at an advertising income of 20 billion or more.

In the third week after the adoption of the law the original provisions were amended to expand the range of entities that are potentially liable to pay the tax. This expansion was instituted to block potential avenues of tax avoidance. If the entity that disseminates the advertisement fails to pay the tax on his/her advertising revenue, then the tax owed must be paid by the person who ordered the advertisement. In that scenario the tax rate is a flat of 20%, which must only be paid for advertising expenditures in excess of 2.5 million HUF (circa 8 000 EUR) a month. This amendment primarily aims at collecting tax payments on advertising placed on multinational internet surfaces, such as Facebook, or for ads on channels registered abroad, which display content in Hungarian language and whose services are focused on the Hungarian market (this applies to 75% of the Hungarian television market). For the time being, it is unclear, whether a practical implementation of this legislative provision is possible and what degree of administration it entails for the authorities involved.

There are significant doubts as to the rationality of the new special tax. For one, from a budgetary perspective the anticipated yield is rather modest. At the same time, the tax imposes vast administrative obligations on a wide range of commercial enterprises, while simultaneously expanding the range of tax liabilities, which will also lead to extra administrative costs, because the tax authority has to monitor the compliance with the law.

The uncertainties in the media market are exacerbated by the fact that it is unclear, whether internet-based multinational providers will pay the advertising tax, or whether effectively only Hungarian media companies will be subject to the tax, because it simply cannot be collected from foreign providers.

***2014. évi XXII. törvénya reklámadóról***

http://www.kozlonyok.hu/nkonline/MKPDF/hiteles/MK14082.pdf

*Advertising tax law*

***2014. évi XXXIV. törvénya reklámadóról szóló 2014. évi XXII. törvény eltérő szöveggel való hatálybalépéséről és azzal összefüggő egyes adótörvények módosításáról***

http://www.kozlonyok.hu/nkonline/MKPDF/hiteles/MK14095.pdf

*Amendments to the new advertising tax law*