

RESOLUTION OF THE FISCAL COUNCIL
on requesting supplementary information in connection with the
2013 budget bill of Hungary

I. Antecedents, legal basis

The Fiscal Council (hereinafter: the Council) gives an opinion on the bill on the central budget in accordance with the provisions of Article 44(2) of the Constitution and pursuant to Articles 23 and 24 of Act CXCV of 2011 on the Economic Stability of Hungary. According to Resolution No. 4/2012. 06. 08. of the Council, it had no fundamental objections concerning the credibility and feasibility of the 2013 draft budget forwarded by the Government to the Council. However, the Council identified several risks in connection with the draft, and formulated recommendations for the Government based on them. The Government submitted the 2013 budget bill to Parliament on 15 June 2012. The bill took into account the recommendations of the Council in several respects.

However, since the submission of the budget bill Parliament has adopted numerous proposals that result in considerable changes on the revenue and expenditure sides of the budget and the tax system in several cases. As a result of the proposed amendments that were accepted, the 2013 Budget Act, the key figures of which were fixed by Parliament on 12 July 2012, is fundamentally different from the budget bill that was examined by the Council and in connection with which the Council did not have any fundamental objections.

As a result of the amendments, the Council considers it justified to analyse the budget bill again and to form an opinion on it prior to the final voting on tax and other relevant laws underlying the Budget Act. At the same time the Council believes that it needs further information and impact studies to be able to form a comprehensive opinion mainly with regard to the planned changing of the tax system and the increasing of the efficiency of tax collection. Based on the above, the Council is formulating the following resolutions:

II. Resolution of the Fiscal Council

1. The budget bill (T/7655) on the 2013 central budget of Hungary adopted on 12 July 2012 widely differs from the previous draft examined by the Council. Pursuant to Article 23 c) of Act CXCV of 2011 on the Economic Stability of Hungary, the Council considers it necessary to form an opinion on the bill. In order to be able to form a grounded opinion, the Council considers the receipt of further information and the preparation of impact studies necessary.
2. The Council authorises the Chairman of the Council to request the Minister for National Economy to supply the detailed impact studies and the necessary background information to enable the Council to form its comprehensive opinion on the 2013 budget bill.

Justification

As a result of the proposed amendments and the submitted new tax laws, in particular the changing of the transaction tax, the introduction of the small enterprise tax and the itemised corporate taxation as well as the changes concerning employers' contribution burdens, the system of taxes burdening corporations is changing fundamentally. The aforementioned changes may trigger considerable behavioural effects, so their impact on the 2013 fiscal deficit may only be predicted on the basis of detailed impact studies. The budget expects additional revenues amounting to more than half a per cent of GDP from the planned improvement of the efficiency of tax collection. However, the planned measures underlying this significant improvement in efficiency are not known in full. The Council therefore considers it important to express its opinion on these developments as well in possession of the necessary information.

Budapest, 16 July 2012

László Domokos
Member of the Fiscal
Council

(stamp:)
Fiscal Council

András Simor
Member of the Fiscal
Council

Dr. Árpád Kovács
Chairman of the Fiscal
Council