Opinion of the Fiscal Council

for the final voting on the bill T/6326 about the amendment of Act C of 2014 on the 2015 central budget of Hungary

I

Antecedents, legal basis and publicity of the preparation of the Opinion

According to the stipulation of § 25 of Act CXCIV of 2011 on the Economic Stability of Hungary (henceforward: Stability Act) the Fiscal Council (henceforward: the Council, FC) shall formulate its standpoint concerning the central budget, respectively its amendment as required by Indent (3) Article 44 of the Basic Law of Hungary for the granting of the preliminary consent of the FC necessary for the adoption of the bill. In the course of this procedure the Council shall examine if the bill meets the requirement to decrease the size of the government debt, stipulated by Indent (35) Article 36 of the Basic Law of Hungary.

By its resolution 8/2015.09.21. the Council gave its Opinion on the bill T/6326 concerning the amendment of Act C. of 2014 on the central budget of Hungary. In its Opinion the Council established that „the changes of the appropriations amounting to HUF 61 billion are increasing the revenue and expenditure totals equally, so the affect is break even." On the basis of analysing the pro rata executions, in its Opinion the FC found the increase of the revenue appropriations realistic and recorded that as a result the cash flow deficit and debt of the public finance shall not change.

The proposed summarising amendment T/6326/6 of the Committee on the Budget of the National Assembly proposed to increase the revenue and expenditure sides of the budget by an additional HUF 25 billion – compared to the bill the Council had given its opinion on. This amendment proposed to establish a new expenditure appropriation and use this amount for the implementation of the Modern Cities Programme. Similarly to the contents of the bill the Council had given its opinion on – this proposal recommended to establish the cover for this raise from increasing the appropriation of the general value added tax and of the excise duty.

Attached to its letter OE…/……/2015 of 2nd November 2015 the Speaker of the National Assembly forwarded to the Chairman of the Council the uniform bill T/6326/8 amending Act C of 2014 on the 2015 central budget of Hungary asking for the Council's confirmation of the bill's compliance with the government debt rule and to grant its preliminary consent – as stipulated by § 25 of the Stability Act – required for the submission of the amendment for final voting.

II

Resolution of the Fiscal Council

On the basis of the supervision of the uniform proposal T/6326/8 about the amendment of Act C of 2014 on the 2015 central budget of Hungary, at its meeting held on 2nd November 2015 the Council adopted the following resolution by unanimous decision.

1. The Council ascertains that the amendments concerning the revenue and expenditure totals of the central budget – according to the bill T/6326 – shall not increase the measure of government debt. Thus the proposed amendment of Act C of 2014 on the 2015 central budget of Hungary meets the stipulation of Indent (5) Article 36 of the Basic Law of Hungary.
2. In harmony with the stipulations of Indent (3) Article 44 of the Basic Law, the Council shall grant its preliminary consent for the final voting on the uniform proposal T/6326/8.
3. The Council authorises its Chairman to inform in writing the Speaker of the National Assembly with no delay about its resolution.

III

Justification of the Council's Resolution

According to the uniform proposal T/6326/8 amending Act C of 2014 on the 2015 central budget of Hungary the expenditure total of the central budget shall be higher by HUF 86 billion due partly to the raising of the appropriation of Extraordinary Governmental Measures because of the tasks related to immigration, partly by establishing two new appropriations, namely Expenditures Related to Mass Immigration and Modern Cities Programme. The source of these appropriations shall be created by increasing the general value added tax and excise duty revenues. Based on the pro rata implementation of the appropriations as well as the foreseen economic results by the end of the year the Council is on the opinion that the increase of the appropriations is well founded. The result of the appropriation changes is breaking even thus the cash flow deficit, the deficit calculated by EU methodology and – as a result – the measure of the government debt shall not change.

Beyond the above the bill establishes the possibility to assume the debt of MTVA (Umbrella Organisation for Hungarian Public Service Media). This will take place within the governmental sector thus; the assumption of the debt shall not increase the government level debt.

As a consequence of the above the Council hereby is granting its consent to submit for final voting the uniform proposal T/6326/8.

Budapest, 2nd November 2015

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Member of the Fiscal Council

Kovács Árpád
Chairman of the Fiscal Council