

# THE LOCAL TAXATION IN THE EUROPEAN UNION – THE HUNGARIAN LOCAL BUSINESS TAX (HIPA) CASE

Eva ERDŐS\*

**Abstract:** *The tax sovereignty arises from the supreme power of the Member States. In Hungary the local taxation is the guarantee of the self-governing autonomy, but the local governments could impose taxes within an Act. The harmonisation of the local taxes elementary allude to the local business tax, which tax category is the most important self source of income of the Hungarian self – governments. The European Union made the local business tax a subject of examination from two standpoints. In one respect the European Court decided about the EU-conformity of this tax category, on the other hand the tax allowances were the subject matter of the examination by the EU-accession.*

*I show in my study the followings:*

- 1. Tax law sources, to which the local business tax should be harmonize.*
- 2. Which were the arguments of the European Court by the judgement of the Hungarian local business tax, whereas this isn't inconsistent with the regulations of the Sixth VAT Directive – Article 33 ?*
- 3. What is the meaning the "harmful tax competition", and what are the legal harmonisation tendencies concerning to the tax allowances?*

**Keywords:** *Local taxes, European tax law, Tax harmonisation, European Court, Tax allowances, Harmful tax competition*

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\* PhD. Associate Professor at the University of Miskolc, Faculty of Law, the Head of Department of Law of Finances, Hungary.