

# REFLECTIONS ON THE HUNGARIAN TAX SYSTEM AND REFORM STEPS – THE CASE OF PROPERTY TAX

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**Abstract:** *In Hungary the 1988 reform of taxes has resulted in a system consisting of central and local taxes. Since then tax system has been in a steady process of evolution, modification and change. In recent years one of the most heavily discussed and politically sensitive issues in Hungary is the introduction of a value-based property tax. The paper deals first the experiences with levying taxes related to properties. Local authorities are responsible for rising, administering and collecting municipal taxes. At statutory level, the parliament only regulates the general framework of local taxes. The most important feature of the Hungarian local tax system is the absence of the compulsory tax. The other special feature of the Hungarian local tax system is the predominant share of the local business tax, which is basically a sales tax. There are several local taxes related to properties, but only a few municipalities apply the adjusted market value as the base for building or land parcel tax. The paper also deals with the debate arguing for and against a mandatory value-based property tax. A variety of expectations by introducing the new system are analyzed in the concluding part.*

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