

The changing impact of benefit allocation and of taxation since 2000

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Preliminary remarks

Adrian Sinfield asked a number of questions that could help comparison between the two different tax systems. I am unable to answer most:

RELEVANT DATA ARE SADLY MISSING.

I am therefore giving a bird's eye view on the main features of the Hungarian welfare system (both benefits and taxes) showing how governments – particularly the last one – tackled here social inequality and poverty.

This short description is based hereafter mostly only on the legal texts, one of the indicators being the number of acts (laws, government decrees) dealing with a given topic.

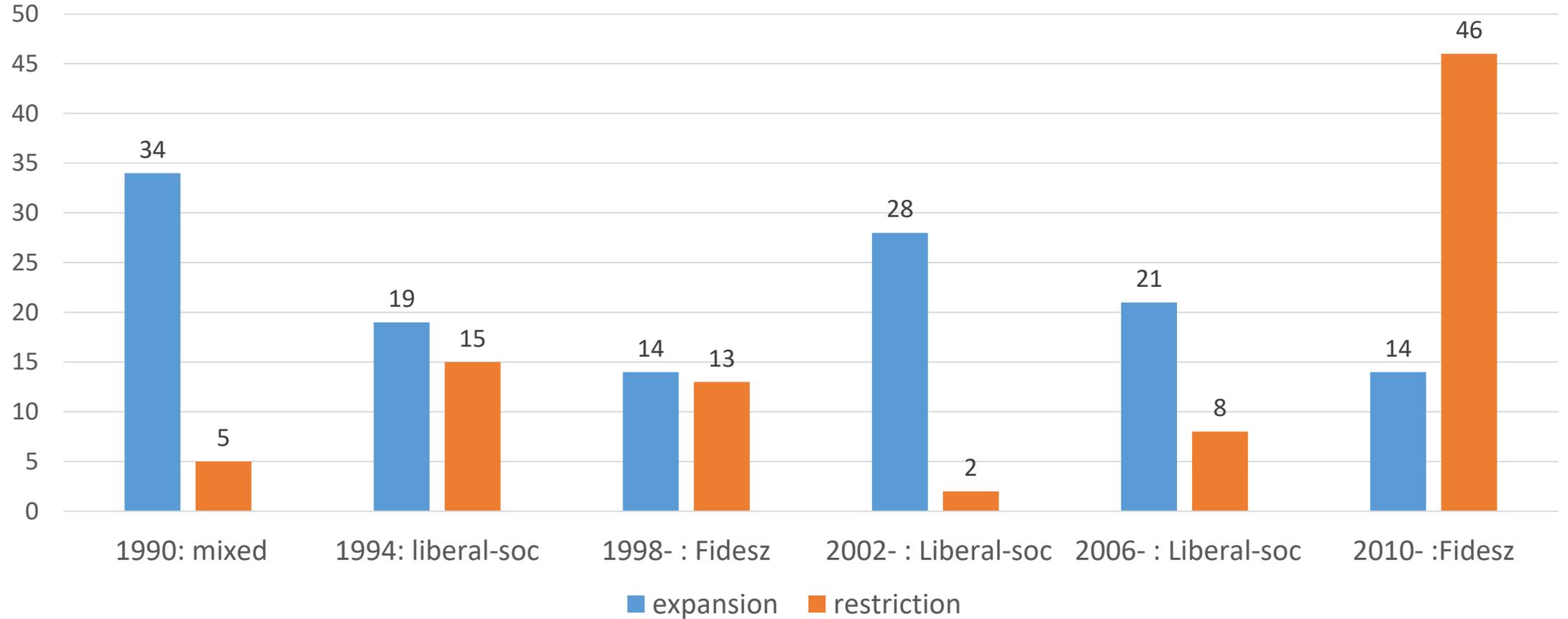
Outline

- Decrease of state welfare responsibility
- The „perverse” social effects of welfare redistribution
- The „perverse” social effects of taxation

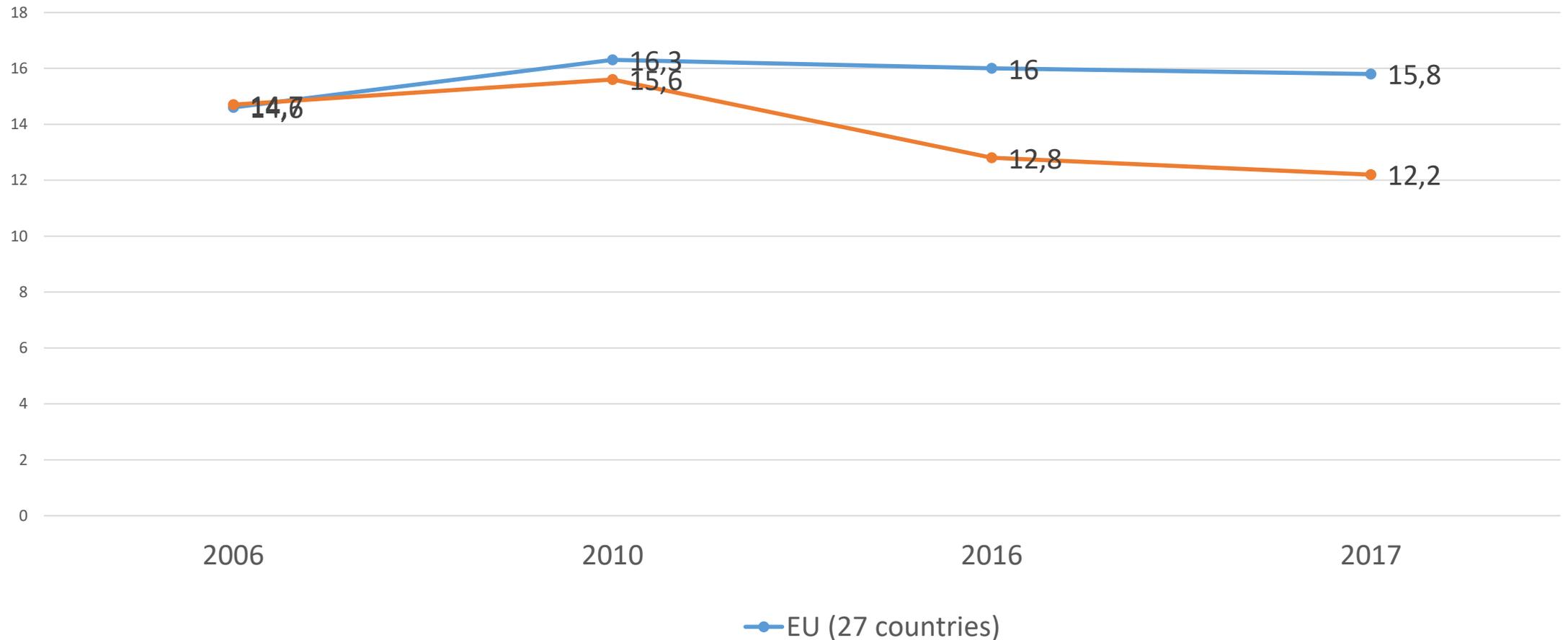
WELFARE POLITICS IN HUNGARY SINCE 2000

- **Social justice, social rights and the decrease of inequality and poverty have rarely (in 1990, around 2005) become central concerns of Hungarian governments.**
- **Since 2010 all these issues have been ignored, then negated by the government.**
Orban Viktor declared the end of the welfare state: „**Our program is to replace the Western-type welfare state which is not competitive by a work-based society**”.
Accordingly, welfare expenditures have decreased.
- **The welfare state is being gradually transformed into a punitive state.** (Strict regulations, weakening rights, high fines, debasing conditions)

NUMBER OF LAWS BY 4 YEAR CYCLES EXPANDING OR RESTRICTING RIGHTS AND AUTONOMY

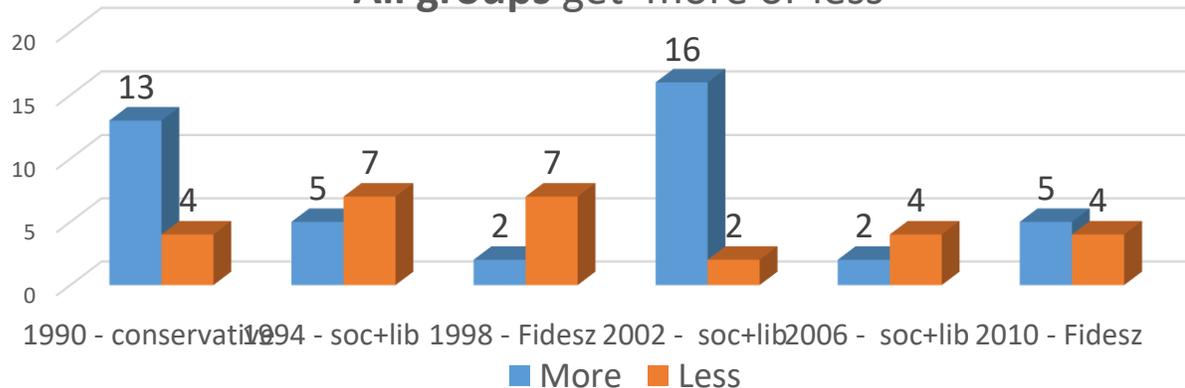


SOCIAL BENEFITS PAID BY GOVERNMENT IN % OF GDP , 2006-2017

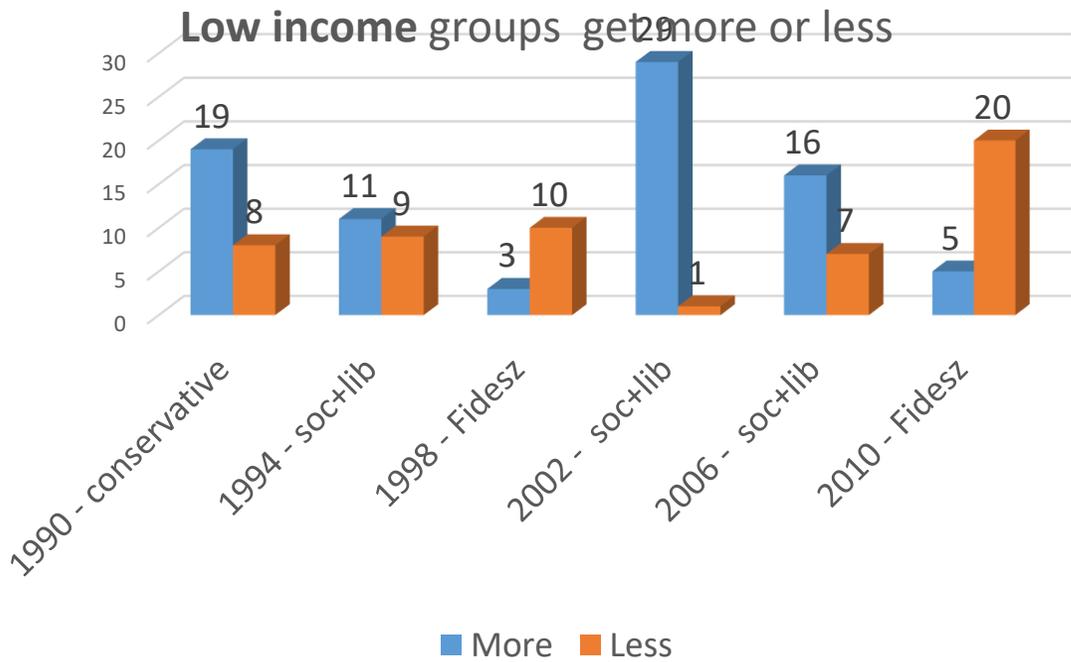


**HOW DID CENTRAL REDISTRIBUTION
AFFECT SOCIAL GROUPS?**

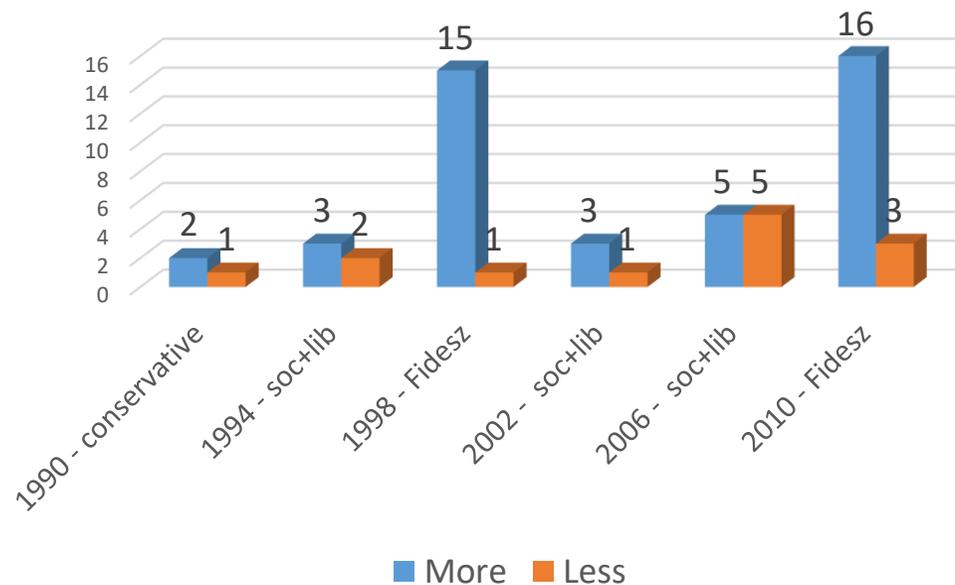
All groups get more or less



Low income groups get more or less



Middle and high income groups get more or less



TAXES PROTECTING THE RICH

Income tax has become increasingly unjust. Progressivity gradually abated, the 0 tax zone protecting low-income people was abolished in 1995. In 2011, Fidesz abolished progressivity altogether, gradually lowering the „universal” tax rate, currently 15%.

Income tax rates, 1988-2018

Main changes	Lowest	First after lowest	Highest
1988, Introduction	0	20	60
1995	0	20	44
1997, Austerity package	20	22	42
2005, two rates	18	38	38
2011, single rate	16		16
2016, single rate	15		15

SOME OTHER TAX „HUNGARICUMS”

- All other personal income direct taxes are single-rate, the maximum rate is 15% - even in case of gambling winnings, like lottery.
- Corporate taxes have decreased, the current single rate is 9 %. (Part of it may be directly transferred to sport-clubs.)
- Government is transferring the load of taxation from direct to indirect taxes. The VAT rate is the highest in Europe, 27%.
- Inheritance tax was abolished in 2012 for all close (lineal) family relations.
- Taxation is privileging the personal favourites of the prime minister (e.g. sport-clubs).
- Tax allowances - unlike the UK - have a minor role, but their impact is similar.

SUMMING UP:

Both taxation (state intake) and social benefits (state outlays) have become steadily more „perverse”, increasing rather than decreasing inequalities.

The state is weakening its welfare responsibilities and is gradually becoming a punitive state.

The current means of welfare politics have a strong divisive impact deepening social disintegration.