

## Amended Regulations on Environmental Protection Product Charges

Dear Partners,

**The regulations on environmental protection product charges will be amended as of 1 January 2018. The primary objectives of the modifications are a coherent interpretation of the law, simplifying the performance of environmental product charge liabilities, and compliance with EU directives. The present information sums up the most important modifications.**

One of the most important causes for modifications is that EU Directive 2012/19 (hereinafter: the "WEE Directive") provides that member states must harmonise their classifications concerning **electric and electronic equipment** into a uniform structure at the latest before 15 August 2018. In addition to a decreased number of former product categories, charges will also change to a uniform HUF 57/kilogram. Accordingly, no higher charges are required to be paid on mobile phones and recreational electronic products, among other commodities, from 1 January 2018.

In addition to the EU attempts to harmonise legal regulations, the categories of notions used so far will also change. The Act will define **plastic bags serving for the storage of separately collected waste** and **metal cans for packaging drinks** as new categories. At the same time, the category of **commercial packaging material** will cease to exist.



For reasons of simplification, the definition of **paper products conveying advertisements** will be rendered more precise by simply taking the items earlier named as exceptions out of the effect of this law.

A separate provision in the Act specifies that no product charge liabilities are assessed on the office paper directly used for printing books with ISBN numbers, textbooks in the registry of educational books, or temporary publications provided by an ISSN number. Furthermore, if the printed surface of the paper is made up of a maximum of 50% advertisements, you are not required to pay a product charge. Additionally, public benefit organisations and municipal governments are exempted from payment liabilities on paper materials bearing their advertisements as long as these are directly connected to their basic activities.

The amendment of the law also helps to decide what happens when a product fulfils the functions of both office paper and paper with an advertisement; the advertisement character shall prevail, thus payment liabilities will be also assessed on that basis. Another thing that has been clarified is that if a given packaging material also fulfils advertising functions, the product charge liability is assessed based on its character as packaging material.

In harmony with EU directives, **the environmental product charge payable on environmentally conscious vehicles is also decreased** as of 1 January 2018. Only 70% of the presently assessed product charge will be payable on vehicles also working with electric engines (in other words, hybrid vehicles) while only 50% of it will be payable on exclusively electric vehicles.

Another segment of modifications is that when determining the commodity code (tariff - VTSZ in HU), **the regulations for determining commodity classification codes in force on 1 January of the subject year will prevail** instead of the ones for determining commodity classification codes in force on 1 January 2010. Due to the different regulations at the two dates, it is worth your while to review your products to make their classifications into product categories absolutely certain.

Additionally, the amended statute clarifies **assumed contracts** in that if a tax subject with a new tax ID is

established by transformation, merger or split-up of the party with product charge liabilities, or if the legal title of a contract assumption changes, the parties shall conclude a new contract of assumption which must also be reported to the state tax and duty authority.

Aside from the above, the **procedural rules** will be defined more exactly in accordance with the system of regulations in the new Act on the System of Taxation.

**It is worthwhile for economic partnerships to conduct a detailed review of the changes, and review their present practices, since the audit procedures by the Tax Authority show that examining product charge liabilities comprises an organic part of the examinations during comprehensive tax audits, and this practice is likely to continue in the future.**

**Should you have any questions regarding the information included in this information material, please do not hesitate to contact us.**

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