THE PUBLIC BALANCE OF TRANSPORT IN HUNGARY 2004-2008

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ABSTRACT

Everybody has experienced the phenomenon when different organisations evaluate the same measure, investment differently. This results from the natural variegation of the viewpoints, which *per se* cannot be considered as rejected yet.
However, those directly concerned, and even those simply interested in the topic, rightly resented that remarkably different figures have been presented, and due to this fact the same transport measure (e.g. an investment) has been judged quite differently by different stakeholders. Orientation has been made difficult since each piece of information resulted from sources, workshops or highly appreciated civil organisations are considered as authentic. Due to this condition, not only the lay outsider but also the contractors became doubtful of the situation.
The transport sector has been especially hard hit by this. The growth of mobility, on the one hand, was presented as a requirement of everyday life, as its concomitant, moreover representing a special value, while on the other hand it was considered as an activity causing serious damages that should be profoundly changed in its tendencies.
Not contesting the necessity of variegation of opinions, the Hungarian ministry of transport[1] considered that the very moment has come when those domains should be revealed where apparently irreconcilable antagonism can be dissolved and the viewpoints could be drawn near to one another. To this end, the ministry invited experts of Institute for Transport

[1] Ministry of Transport, Telecommunication and Energy (KHEM); www.khem.gov.hu

Sciences Non-profit Ltd. (KTI) and of Clean Air Action Group (CAAG; Levegő Munkacsoport) to overview the direct budgetary and social costs and revenues of transport. The task was to find the elements in which agreement can be developed, and where this is not possible, to determine the different standpoints finding their roots.
In this article we engaged ourselves to summarise the public balance of the transport sector, i.e. to quantify the transport-related public revenues and expenditures.
In the article KTI's standpoint is reflected, which doesn't agree in all cases with the opinion of the experts of Clean Air Action Group.

Keywords: transport, finance, Hungary, 2008, road, rail, public finance, public balance, social balance, revenues, expenditures, budget, state property, infrastructure, development, maintenance, operation, externalities, tax, fuel excise, vat

1. Methodology

Essentially the **expanded public balance of transport** or, in other words, the **social balance of transport** consists of the following:

- 'classical' public balance of transport (public revenues and expenditures),
- the balance of the change of transport infrastructure assets in public property,
- external balance (basically from the changing circumstances of natural environment).

Financially realised revenues and expenses arisen in the institutions of the public budget are included in the public balance.

1.1. Delimitation of the scope of transport

Delimitation of the scope of transport can be one of the most important questions of the balance and a determinant of its value. Earlier, in another study[2], KTI interpreted the balance of transport in a very wide sense: as follows:
on the one part, the tax payments of the subjects of taxation (income-producers) and the services provided to them by the budget, other transfers, the divided expenditures were considered as transport-related,
on the other hand, the tax and other revenues emerging from the use of transport services, as well as the expenditures directly supporting the budget's transport spending were regarded as transport-concerned.
These two interpretations have certain overlapping, which has been eliminated. At the same time, in this interpretation, important budgetary and other divided, overhead costs of the state have to be assigned to transport either on the basis of tax revenues or GDP contribution, the transport sector having no influence whatsoever on it. Accordingly, by necessity, the balance turned into some tautology, because, the balance or imbalance of the budget determined the balance of transport, too, because the facts-based index numbers of transport on the incomes side also determined those on the costs side – not based on the facts.

[2] Research of the balance of maintenance, operation and financing of the modern transport network, KTI Institute for Transport Sciences., Budapest, 2005. (in Hungarian)

Consequently, it was difficult to estimate the different numbers, whereas they influenced significantly the final result of the balance.
Although our new methodology determined the payments imposed on transport-providers with general and proportionate sharing in taxation (income side of the item group 1), **the public balance of transport is solely determined by item group 2, i.e. on the one hand, the tax and other public revenues coming from transport, and on the other hand, the public expenditures in the interest of transport**.
All this means that in our study the income type taxes and social contributions were eliminated from the revenue side, as well as the expenditures, which could be assigned to transport as an income-producing sector in other areas (state administration, national defence, education, etc.). In this way only the amounts spent specifically for transport were taken into account.

1.2. Source and evaluation of data

Our task is to prepare the balance for a given area, the budgetary balance of transport, or its budget-like balance. Since to this aim the data are decisively taken from the public budget – in absence of other data – the **cash flow-based** methodology of the budget also has to be used, i.e. as a main rule only the financially realised revenues and expenditures are taken into consideration.
The main data source is the annexes submitted to yearly bill on final accounts of the public budget prepared by the Ministry of Finance, in which there are many closing statements presented.
The closing statements include the public budget balances by subsystems and aggregated, i.e.

- **central government budget,**
- **social security funds** (Health Insurance Fund and Pension Insurance Fund)**,**
- **extrabudgetary funds and**
- **local government budgets,**

subsystems, as well as the expenditures and revenues aggregated for the entire **public budget** of the general government system and both economic (according to revenue and cost types) and functional subdivisions of revenues and expenditures are available.

1.3. Public revenues from transport

Keeping an eye on the necessity of the consolidation of revenues, with some conversion of the aggregates officially accessible in gross mode, the budget revenues were grouped as follows:

1. Tax revenues
2. Own revenues of the central budgetary institutions
3. Own revenues of chapter administered professional appropriations
4. EU support revenues
5. Other local government revenues
6. Payments related to state and local government property

Next as a part of the methodology, the main transport items belonging to these revenue-types are listed, described with brief reasoning, without concrete quantification for the time being.

(1) Tax revenues

Those tax categories are regarded as the tax revenue from transport, which impose tax only on transport 'consumption' or consider a transport-related product the object of taxation:

- Value added tax (part of VAT, which functions as special transport tax),
- Excise tax (fuel excise),
- Registration tax,
- Motor vehicle tax and excess weight charge,
- Environmental protection product fees
- Mining annuity,
- Eco-taxes (energy tax and environmental load fee),
- Vehicle property acquisition duty,
- Customs duties (non-residential, residential)

The state and local government revenue deriving from other (income and turnover) taxes and social contributions are not regarded as tax revenues from transport – not even if they are generated at companies engaged in transport, because they can be explicitly considered as contributions to the operating expenditures of the state, the social insurance and the local governments.

Part of the personal income tax, the *tax on company cars*, which in the reported years had generated about 25 billion HUF3 state revenue, was not enumerated among the transport revenues either. Namely because, in this case, that income has been taxed which is allocated to private persons as some service in the form of provision for a company car's private use. Nevertheless, it is differentiated, because it is a well-known income form with special features, which concerns many people, and contrary to general rules, it has been taxed at a monthly flat rate for a car; but the aim of this tax was the same as that of the taxation of wages and of other incomes within the framework of the personal income tax; that is why the company car tax payments were to be realised on the account number of the category of the personal income tax. (As of January 2009, in this form, this tax category ceased, and the company car tax became part of the motor vehicle tax.)

Featuring of the *customs duties* on transport products and services, and in fact of all *non-discriminative taxes* in the list of revenues can be disputable in a way, because in these cases not only transport, but practically also other kinds of consumptions of products and services are taxed, even if not always to the same extent, and the tax also serves the general operation of the national budget. Nevertheless, the average VAT rate of transport products and services is higher than the average VAT level of all products and services. This is a difference which at the same time was not taken into account as a special tax. The *value added tax* has to be taken into consideration in transport in the same way as the other general taxes (e.g. personal income tax). In this case we made two exceptions:

[3] € 1 = HUF 251.25 (2008); € 1 = HUF 253.32 (2004-2008 average)

(1) it is not possible even if the passenger car use related products and services are utilized for enterprising purposes, as it is in the case of the other costs of the enterprise, therefore, this was considered as a special tax;
(2) the amount of the value added tax payable for the special taxes and contributions (fuel excise tax, registration tax, consumer price supplement, etc.);
in this (2) case the standpoint of the KTI and that of the Clean Air Action Group disagree.

However, it requires consideration that the special tax is present in the balance of other sectors, too, and in all, they have a general level which might be taken into account when compiling the balance sheet, but on the other side, the general tax could also be of special character, if in comparison with the sector investigated, the other sector is subject to tax allowance (see VAT).
It can be determined as a basic methodological principle that a special (transport) tax is the tax, which is devoted or considered to cover special expenditures generated at public level (e.g. infrastructure, extra administration, external and other damages).
Of course, these taxes are regarded as special ones – similar to any other taxes of discriminative character – even if this is not itemised in legislation, but the budget introduces the tax with revenue acquisition purposes, i.e. imposes the tax on the relevant sector in a discriminative way.

The above motivation does not cause any methodological problem either, because at any rate, the public revenue accruing from the given tax category becomes part of the sector's balance. Nevertheless, this case should be methodologically managed on every occasion, when the features of the general tax category and the above determined special tax category merge.

1.4. Public expenditures of transport

Our starting point is the consolidated functional aggregation of total government expenditures, dividing the budgetary expenditures into functions of state operation, welfare, economy, debt management as well as into items which cannot be classified into the main functions mentioned. The first main functions (expenditures related to state operation, welfare and economy) are divided into further 14 main groups (16 in total) and subgroups, where under the main group code (F12) the transport expenditures can also be found.

(1) Public expenditures listed among transport expenditures
Transport expenditures can be found under class No. F12 of the general government account by function, aggregated into further four sub-points as follows:

a. **Road transport activities**
b. **Railway transport and services**
c. Telecommunication
d. **Other transport and haulage**

Except telecommunication - we consider its expenditures as not even partially transport-related – we consider all of the above transport costs as fully (100%) transport-related expenditures.

Different aggregations and within these, different breakdown into items are available in the case of the central government budget, which contains the transport resources of the local governments – the most important of them being Budapest, capital of Hungary, – mostly in the form of central budget transfers to the local governments. While on the level of the central government budget, aggregation was performed in 100%, and this is taken as the starting point; a 100% itemised accounting could be presented only in the case of railways expenditures, as they are all reflected in the central government budget; itemised accounting can only be given in average on 95% of the road expenditures, through the statements of the central government budget and the budget of the Budapest Municipality (overlapping not taken into account). Within the item 'others' - which actually means administrative and miscellaneous transport expenditures -, the local governmental own resource part, most of which can be also found in the metropolitan budget, fluctuates considerably. While the itemisation of expenditures marked with F12.a and b codes under the sub-sectors of the road and railway transport is clear, the itemisation of expenditures marked with F12.d code under the sub-sectors of road, railway, waterway and air can be made mostly by estimation-based proportioning. All this does not influence the final findings of the balance, and only slightly the breakdown by sub-sectors, because as against to total value, the share of 'other' transport expenditures is below even 10%.

Related to functional classes, from the revenue categories listed before, under the transport functional classes one can find the expenditures belonging to the transport revenue, consequently also the expenditures linked to

- Own revenues of the central budgetary institutions,
- Own revenues of chapter administered professional appropriations,
- EU support revenues and
- Payments related to state and local government property

However this would be the case with any other revenue category, if some direct expenditure would occur in relation to it.

(2) Public expenditures not listed among transport functions

While studying the items of the state government budget, out of the governmental function-groups, in our methodology, apart from changing non-transport official status of some sub-items (e.g. consumer price supplement in public transport, the radar development project, the EU supported harbour project in Győr-Gönyű), the following items have been declared as partly transport-related in addition to expenditures marked with the afore-mentioned F12.abd codes.

Table 1: Transport expenditures of the budget marked as part of other functions

Government function, (main)group	*Proportion of transport item*
Public order and safety	25 %
Healthcare	3.05 %
Sick pay, maternity or provisional disability allowances	4 %
Other social insurance provisions	3.12 %

Activities and services of multi-purpose development schemes	25 %
Environmental protection	1 %
Government debt management	15 %
VAT-based contribution to EU budget	14.2 %

In the table above, in addition to the data not expressed in percentage, under any function code, there may occur such local government transport expenditures, listed as non-transport-related, itemised and not making part of the national budget, which lacking of more detailed statements similar to those of the state government budget, were not taken into consideration. It is assumed that their aggregated value influences our balance only to a hardly demonstrable extent.

2. Methodological questions & answers

Our methodology raises several questions to be solved that need explanation and may require correction.

2.1. Revenues and expenditures of (transport) companies owned by state or local governments

These companies are not directly part of the national budget, but in practice they can be considered as such, due to majority state or local government proprietorship. However there exists an important difference as opposed to the national budget interpreted in a narrow sense: the product(s) and service(s) (e.g. use of the motorway or of public transport) provided from the revenues of companies in public ownership generated not from the national budget, can be set directly against these revenues. The same cannot be said about the revenues of the national budget, because taxpayers obtain no direct service in the case of most **taxes** (that is why we call them taxes); while services can be weighed against **contributions**, but the mandatory feature of paying contributions and eventuality of services set against them gives also a tax character to the contribution-related revenues of the state.
To overview the balances of several thousands of state and local government companies, their statements and their whole activity cannot be undertaken in the framework of our task. The solution rests in the public budget transfers, which shows that as an owner (not as a contractor!) what transfers will the owner of the company in public ownership realise against the company, i.e. what support will be provided for, whether the capital is increased or decreased and whether the dividend is drawn. These data are parts of the official public balance, therefore no correction is necessary. The operation of the companies must be investigated for other reasons; however, the necessary involvement of the state and local government companies will not influence the social balance of transport.
Nevertheless, there are companies, such as the *Hungarian State Holding Co.* (MNV, former ÁPV) which later still have to be involved in the analysis. This company, similarly to the public budget, performs several functions, its size is significant, and in addition to being engaged in the administration of the national entrepreneurial asset, *de facto* redistributes funds among the companies under its administration, these transfers also affecting the transport companies belonging to its portfolio.
When correcting the public balance of transport, we should also take into consideration the transaction, according to which *MÁV Co.* sold *MÁV Cargo Co.* to *Rail Cargo Austria* in 2008,

and that the revenue of 102.5 billion HUF accrued from this transaction was not paid to the central government budget, but it was utilised for the operation of the company.

2.2. Change of the assets of the transport infrastructure

According to our intentions we would like to complete our public balance of transport based on the turnover funds with the change of the assets of transport infrastructure which is indirectly or directly in public property.
It should be immediately emphasised that asset change without money circulation is meant here.
As the increase of the state property is not realised by its own, but by way of spending money (money is moved), in this point one may definitely think about money loss, and as such, the external effects should also be ranked here, which however because of other concerns will be highlighted in a separate paragraph.
The property, in principle may increase without disbursement as well, when the value of an asset is upgraded 'by its own', as its value may also decrease, on the same ground, but since we think of the assets on the basis of costs, counting with cost value, therefore this possibility is not reckoned with, perhaps only indirectly, when such an asset falls outside the scope of the national budget (e. g. Budapest Airport in 2005).
As a result of spending on developments, new asset elements appear in budgetary accounting. Although this changes, increases the volume of national budget, it does not concern its balance in our approach. Conversely, when an asset becomes unnecessary, we do not consider it as expenditure.
From the above, the conclusion can be drawn that this point is primarily about the change of assets resulting from the amortisation of the necessary transport infrastructure, used for the completion of our balance.
All this means that the annual amortisation resulting from normal operation terms of the entire transport infrastructure shall be assessed, setting it against the 'asset-restoration' effect of the maintenance costs, with the balance of which **the classical public balance is expanded,** i.e. the profit resulting from assets improvement is listed along the revenues, while the loss (asset compliance) caused by assets loss is indicated on the expenditures side.
It is also necessary to mention here the effect of expenditures related to infrastructure investments, because these expenditures are not spent on operation, but they generate value for transport. The new infrastructure increases the value of state property; simultaneously it can be treated as revenue. Moreover, currently, transport is in an expansive period, i.e. there is a permanent need for new infrastructure, all value of which ought to be produced by transport itself. However, in the period investigated, the transport investments have shown an even greater increase than this natural cycle had, and the difference either has to be introduced as revenue into the balance or it has to become one of the explanatory factors of the more negative value of the balance. Likewise, the problems of privatisation and nationalisation have to be dealt with here, too, and in addition to these transactions it also has to be examined whether the national budget has gained ground or drawn back and submitted some parts of its role played in the sector's investments and operations to private investors, operators (e.g. public private partnership, PPP).

2.3. External effects

Essentially, in the assessment of the external effects the same procedures shall, should be followed, as previously. Environmental evaluation is a special field of environmental economics, working with rather sophisticated methods, but naturally it includes subjective elements and estimations, too. This derogates financial comparability. Since the numerification methodology of external effects is not directly reconcilable with the methodology of state budget balance, we do not introduce external effects in the classical public balance, but it is always necessary to introduce this 'external balance' together with the public balance developed until now.

What should be considered in drawing up the balance of the external effects?

The damages caused to humans should be separated from the damages caused to nature (infrastructure of the nature).

- In most cases, for instance the damages in health caused by transport to people should be covered by the health insurance system, the relevant expenditures should figure under this item. Efforts should be taken in order to indicate real values and have the causer pay not only for the costs of curing, but also for the prices of sick pay, pains, etc., not being the case at the moment. In the drawing up of the balance for transport, at the same time, this damage category – not covered by health expenses – and any other health or economic damage caused to people can only be included if in addition, the hardly quantifiable social benefits of the transport make also part of the methodology; otherwise they should be regarded as parts of the status quo.
- In case of damages caused to the nature the net deterioration (or improvement) of the state has to be taken into consideration.

  External effects on the nature, are – almost without exception – harmful effects, however the efforts made for their prevention, mitigation or elimination – mostly manifested in public expenditures – add to the benefit side of the balance, so in principle it is not impossible that the balance of external effects presents a net benefit if the condition of the environment improves. However, there are irreversible environmental harms, which despite all efforts cannot be neutralised. Most of these processes are considered as harmful and they are set forth in the balance accordingly.

  Environmental damages, which are indirectly or directly damages to the humanity itself, are necessarily measured by our own human value system. However the main criterion of measuring environmental damages should be assuring environmental sustainability.

2.4. Social balance vs. public balance

During our work, problems resulting from the combination of different kinds of balances emerged continuously.

We hereby try to give the definition for the social balance of transport, and to determine its relation to the public balance of transport.

In compliance with our current conceptions, the two sides of the social balance of transport, on the one hand can be characterised by benefits realised in the transport sector, on the other hand by damages caused by transport or by drawn out and invested resources.

Benefits can be converged with incomes produced in transport, with its realised values, while on the other side there are costs, property losses of transport, uncovered damages caused to other sectors and to the nature. In the balance one has to make differentiation between benefits, expenses and damages accruing inside and outside of the sector.
One may also state that the public revenues generate public expenditures, whereas public expenditures – in ideal case – result in public utility investments, services, which if converged on cost basis, correspond to transport related public expenditures, so, in this sense – and certainly strongly simplified – the state and the society are opposed: what is useful for one, that is harmful for the other and vice versa. At the same time the changing of common property also means the changing of the (common) property of the society, its increase is likewise useful, while its decrease is harmful. Also in the case of net balance of external effects caused to nature, the very same implies the benefits and the harms for the state and the society

2.5. Status quo

The *status quo* is always considered as the starting point, and the balance of transport is also prepared on this basis.
However it is well known that the *status quo* – due to anomalies related to legislative rules or just emerging in the course of operation – indicates at the same time the operation of several deformed systems, one part of which, if viewed on real bases, can also be changed.
We tried to survey these effects, which can also be interpreted as some ‘derivatives‘ of the public balance. We made efforts to assess with adequate caution the volume of the damage these phenomena cause or to estimate whether to what extent could we fight them off, using well-targeted and reasonably accomplishable measures, and could bring about a desirable change in the balance.
However, calculations performed in this way are not part of the public balance of transport, as according to our methodology’s basic principle, the balance should be based on real finalised facts, processes – i.e. the *status quo*. Nevertheless, by surveying the different anomalies – also interrelated – we want to insert our balance into appropriate environment.

3. State and local government revenues from transport

3.1. Tax revenues

According to our calculations the tax revenues from transport were as follows in the period between 2004 and 2008.

Table 2: The transport related public tax revenues in 2004-2008 (HUF billion)

Tax categories	*2004*	*2005*	*2006*	*2007*	*2008*
Value added tax (VAT)	**145.1**	**184.9**	**186.3**	**185.3**	**192.3**
Non-deductible company passenger car costs	81.4	122.6	117.3	115.6	123.5
VAT on excise tax*	38.1	34.5	35.3	36.3	37.0
VAT on registration fee*	9.7	10.2	10.8	11.2	10.4
VAT on customs duty	0.8	0.2	0.3	0.3	0.3
VAT on consumer price supplement*	15.2	17.3	22.6	21.9	21.1
Excise taxes	**380.7**	**407.4**	**441.4**	**453.8**	**463.2**
Fuels	380.6	407.3	441.2	453.7	463.0
Other products	0.1	0.1	0.1	0.1	0.1
Registration fee (consumption tax)	**64.0**	**68.3**	**88.4**	**93.4**	**86.8**
Passenger cars	64.0	66.8	86.7	91.6	85.1
Motorcycles	0.0	1.5	1.7	1.9	1.6
Consumption tax (excl. passenger cars)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Motor vehicle tax and excess weight charge	**48.2**	**50.0**	**52.1**	**63.7**	**67.0**
Motor vehicle tax	45.9	49.2	51.3	62.4	65.7
Tax of motor vehicles registered abroad	1.4	0.0	0.0	0.0	0.0
Motor vehicle excess weight charge	0.8	0.9	0.8	1.3	1.3
Vehicle property acquisition duty	**18.8**	**19.6**	**20.9**	**19.2**	**25.5**
Customs duty imposed on population	**0.5**	**0.0**	**0.7**	**0.8**	**0.5**
Environment protection product fees	**5.9**	**4.6**	**4.8**	**4.1**	**4.5**
Mining annuities	**2.0**	**3.6**	**4.2**	**4.0**	**5.4**
Eco-taxes	**1.0**	**0.7**	**0.9**	**1.1**	**1.2**
Energy tax	0.5	0.5	0.5	0.5	0.5
Environmental load fee	0.5	0.2	0.4	0.6	0.7
Customs payments	**5.6**	**1.3**	**1.3**	**1.3**	**1.3**
Tax payments in total	**671.7**	**740.4**	**800.9**	**826.8**	**847.7**

* The Clean Air Action Group disagrees with its inclusion in the balance, because these taxes are designed to cover the transport related costs, services and externalities.

Value added tax

Act LXXIV of 1992 later replaced by the Act CXXLVII of 2007 (VAT Act) provide for the type and the amount of payment of the **value added tax** (VAT / ÁFA).

As of 1 January 2006 the transport products and services are subject to standard VAT rate, which was 20% between 1 January 2006 and 30 June 2009, and 25% before and after this period. (Due to high prices, the value added tax for fuels has been 20% already since 1 October 2005.)

Before 2006, passenger transport services fell within 15% discount rate in comparison with its 12% rate of 2004.
The VAT payable for various transport products and services was not taken into consideration as a main rule in the balance sheet, unless they meant discrimination.
However, for VAT payments the amount payable on the enlisted special transport taxes has been taken into consideration, as well as, contrary to other product groups, the VAT amounts non-deductible on transport products and services used as economic activities.
The VAT payable on the taxes and subsidies shown in the balance was accounted for in the case of the value added tax levied on the fuel excise tax, the registration tax, the tax on customs and on consumer price supplement. The VAT payment was not accounted for in such cases where community service could be set against direct services (e.g. VAT on motorway tolls, product charges).

Fuel excise tax

Act CXXVII of 2003 on **excise taxes** and special regulations on the marketing of excise goods (Excise Act) provides for the payment of excise tax on fuels consumption. According to our estimation about 95% of the fuel excise revenues results from road users' payments, this being at the same time the largest income of the public revenues from transport, equal to 54-57% of the total transport tax revenue.
The excise tax has to be paid almost exclusively for fuels used in road transport.
Therefore, no excise tax was imposed on fuels used in railway transport; its accounted value was equal to 7-8 billion HUF annually, which corresponded to approximately 90 million litres of diesel oil. The diesel consumption of the railway decreases, because the rate of electric traction presents an increasing trend year by year: it was 81.1% in 2000, 87.2% in 2006 and already 94% in 2007, i.e. the residue; the diesel traction rate continues to decrease.
The applicable rates of excise tax (petrol: 103.5 HUF per litre, diesel: 85 HUF per litre) did not change between 1 July 2002 and 30 June 2009, so in the period investigated both the real value and the rate within the transport tax revenues declined. However, on 1 July 2009 and 1 January 2010 the tax rate increased twice, on the one hand due to arrears in the realisation of the budgetary revenues and in the previous tax increases, and on the other hand justified by the EU minimum tax level increase. As a result of the tax increase, however, compared to neighbouring states the highest fuel price level developed, which encouraged refuelling abroad.

Registration tax

Instead of the former consumption tax, in 2004 the Act CX of 2003 on **registration tax** – also approved by the EU – was introduced. In Hungary, the registration tax is to be paid when a passenger car or – since 2005 – a motorcycle is put into service. The category of the tax is EU-conform, however, for a long time, some of the rules with domestic relevance were not; e.g. the same – not appropriately discounted – tax was imposed for the used – imported – cars and the new ones; a regulation that under the influence of EU criticism has been repressed and repayments were realised, accordingly.

Motor vehicle tax

Local governments impose the **motor vehicle tax** by force of Act LVXXXII of 1991. In accordance with Article 7, paragraph (1), the main rate in 2006 was 1,200 HUF after each

100 kg of the curb weight (for goods vehicles 50% of the load carrying capacity added). Depending on environmental classification 20-30% tax allowance was given. This was 50% in case of electric and hybrid vehicles.
As of 1 January 2007, for passenger cars the tax rate has been determined on the basis of engine capacity. Since 2003 the tax revenue from domestic motor vehicles is due exclusively to local governments, while previously the central and the local government budgets divided it in 50-50% among one another.
The **excess weight charge** levied on heavy-duty vehicles, although is not tax revenue, however due to its tax nature it is included here.

Vehicle property acquisition duty
The charge on having the motor vehicle or trailer transferred (vehicle property acquisition duty) is determined in Article 24 of the Act XCIII of 1990 on Duties. Since 1 September 2006 the main tax rate on the basis of engine cylinder capacity is 18 HUF per ccm; for passenger cars with engine capacity over 1890 ccm and for motorcycles with engine capacity exceeding 500 ccm after each ccm the fee is 24 HUF. Formerly the tax rate was 15 and 20 HUF per ccm.

Environmental protection product fees
Product fees are imposed on tyres, packaging, refrigerating systems, accumulators, other petroleum products (lubricants), advertising papers, electric equipment; these payments accrue to the central government budget. Out of these, the product fees deriving from packaging and lubricants resulted the highest amount.

Eco-taxes
The eco-tax is a generic term, which, for the time being includes two tax categories: the **energy tax** and the **environmental load fee**. The energy tax is supposed to be paid for natural gas and electric energy consumption. Subsequent to electric energy consumption, in the transport sector, practically the railway is the only significant payer (next to other track-bound community transport modes).

Other taxes
In addition to the above, the **customs** revenues give some part of the tax revenues of the budget which partly derive from the duties levied on passenger cars imported by the population, but in a greater extent from the import of transport utilities (mainly also passenger cars) outside EU; left for the budget as customs costs by EU.
In addition it has been accounted for the **mining annuities**, which may be due to transport relevant domestic petroleum production.

3.2. Own revenues of the central budgetary institutions

From own revenues of the institutions financed by central government budget, the incomes attached to the procedures of the following institutions (partly ceased by now) are considered as transport revenues:

Table 3: Own revenues of the central budgetary institutions in 2004-2008 (HUF billion)

Central budgetary institutions	*2004*	*2005*	*2006*	*2007*	*2008*
National Transport Authority				26.1	28.4
Transport Inspectorates	20.0	22.6	23.9		
Hungarian Rail Office			0.4	0.6	0.2
HungaroControl Air Navigation Services*	19.2	18.7	17.9	3.4	
Civil Aviation Authority	0.2	0.3	0.4		
Own revenues of the central budgetary institutions	**39.4**	**41.6**	**42.6**	**30.1**	**28.6**

* beyond public budget since 2007

Because of the transformations, out of the above institutions only the National Transport Authority established on 1 January 2007 has been left as a central budgetary institution, which as a single transport authority has taken over the responsibilities of several former professional administrations. Of course, the expenditures of these institutions are shown on the expenditure side of the balance sheet.

Furthermore, the traffic fines accruing to police account for as transport revenues, which amount to one billion HUF from year to year. At least this is the total amount of the on the spot fines collected by police; there are no precise data on the amount of the fines which were not collected on the spot, but according to our estimations they represent a similar rate.

3.3. Own revenues of chapter administered professional appropriations

In transport, since 1 January 2006 the revenues of the Road Budget belong to this field, i.e. these are the revenues deriving from sales of motorway fee stickers and payments of surcharges, as well as the incidental entrepreneurial excess of investments implemented within the framework of the Road Budget (e.g. construction of access roads to shopping centres).
Government expenditures related directly to the revenue cover the equivalent values of maintenance and operation activities paid by the Directorate of Road Management (ÚKIG) and since 2007 by its successor the Coordination Center for Transport Development (KKK) to the State Motorway Management Co. Ltd. (ÁAK).

Motorway tolls
The motorway tolls for the non-concession motorway network since its introduction in 2000 has been regulated by a transport ministerial regulation. Initially, the level of the user's fee for the M1 and M3 motorways was regulated by the Regulation No. *42/1999 (XII.25.) KHVM,* then following the inclusion of the M7 motorway into the system, as of 2003; and the inclusion of the M5 concession motorway, as of 2004; as well as the inclusion of the motorways which have been constructed since that time, and moreover its extension to the bypass sections constructed for heavy traffic; and to some main road sections, as of 1 April 2007, the Regulation No. *36/2007 (III.26.) GKM* determines the usage fees and their relevant rates for motorways, motor-roads and main roads.
Toll categories (D1-D4) are determined on the basis of the maximum permissible mass of vehicles; the limits between categories are: 3.5; 7.5 or 12 tons. Buses are actually classified according to a one-category lower reduced rate as compared to their original gross vehicle

mass. Until 2005 the State Motorway Management Co. Ltd. (ÁAK) could manage the fee collected as its own revenue, i.e. it did not accrue to the system of the public finance, but since 2006 the total revenue has to be transferred to the contractor, the Coordination Center for Transport Development (KKK, former ÚKIG), which pays it to the Road Budget's allocation. Within the framework of another contract ÁAK obtains the necessary maintenance and operation resources for the expressways from KKK as well. Formerly, maintenance had to be covered from much more modest revenues, for which, until 2004 ÁAK received public support, too. At that time, however, in comparison with the network managed by ÁAK, both the length of the network of expressways and the rate of the network with payment were lower, consequently the vignette-revenues were much lower and they did not cover the maintenance expenses. However, since then, the toll-revenues of the M5-M6 and of the expressways expanded with recently constructed public motorways, which are not in ÁAK's management and for the time being not requiring any special maintenance yet, also accrue to ÁAK and they largely exceed the maintenance requirements.

Table 4: Revenues from motorway tolls (excl. VAT and additional charges, HUF billion)

Toll categories	*2004*	*2005*	*2006*	*2007*	*2008*
D1	13.1	16.2	19.7	22.6	24.5
D2	1.2	0.9	1.0	1.0	1.4
D3	5.6	1.0	1.1	1.1	1.4
D4	-	5.6	6.9	14.7	15.7
Total	**19.9**	**23.7**	**28.7**	**39.4**	**43.0**

Source: Coordination Center for Transport Development (KKK)

3.4. EU support

EU supports have been provided to Hungary already since the change of the country's system. Out of them the Phare programmes were the most important. Hungary's accession coincided with the EU's 2000-2006 budget, thus between 2000 and 2003 already as a member state, Hungary could receive a share of the pre-accession fund (ISPA), and of the Union's Structural and Cohesion Fund between 2004 and 2006. Supports obtained from the Cohesion Fund (KA) in the period 2004-2006, practically can be interpreted as continuation of the earlier ISPA programme. From these grants environmental protection and transport investments of major importance are implemented; run-out of final projects still lasts, and they are expected to be completely finalised by 2010. As far as implementation is concerned, first supports arrived in 2002 for the projects contracted in 2000.

Hungary's EU grants are realised through the central government budget. The budget is the recipient of the grants, of any deductible, which added to deductible in the budget, are realised as expenditures during project implementation. In the period investigated, in addition to other subsidies, the grants provided in the pre-accession period in 2000-2003, as well as the National Development Plan I (2004-2006) (NDP I / NFT I.) due after the accession, and the annual grants of the 2007-2013 period, parts of the New Hungary Development Plan (NHDP / ÚMFT) are all included in this item.

Full EU grants provided to the following programmes are considered as revenues belonging to EU support:

- Transport Operational Programme (TOP / KÖZOP)
- Transport projects to be implemented from ISPA / Cohesion Fund supports
- Transport projects to be implemented from PHARE and Transitional Assistance Programmes
- Environmental Protection and Infrastructure Operational Programme (EIOP / KIOP) Priority 2: Transport infrastructure development
- Other supports (TEN-T grants, road damages caused by the 2006 flood)

The following EU grants are partially considered transport revenues:

- Regional Development Operational Programme (RDOP / ROP) Development priority of the regional infrastructure and urban environment (2004-2006), and Transport and environmental priorities of the 2007-2013 ROPs
- Cross-border cooperation (CBC) programmes of the border regions (Phare CBC, INTERREG IIIA, ETE / ETC)
- Expenses of all technical assistances belonging to EU grants realised in the framework of priorities

In the period of **2007-2013,** the transport projects, covered by the Cohesion Fund, along a greater volume and intensity of the EU support, are continued within Priorities 1 and 2 of the Transport Operational Programme (TOP / KÖZOP), where as an emphasised and new element, the support given to urban and suburban transport (Priority 5) appears as well. Road projects belonging mostly to KIOP transport priority can be found in KÖZOP Priority 3, whereas the theme of ports and logistics developments realised also in the framework of the KIOP, henceforth belong to KÖZOP's Priority 4.

Instead of ROP engaged in the distribution of the resources from 2004 to 2006, a separate programme was initiated for each region for the period 2007-2013, along similar regional development priorities, where transport goals are subject to special measure, design or components. The operational programmes of border cooperation are achieved within the framework of the European Territorial Cooperation (ETC / ETE).
According to facts & figures and our estimations the EU support allocated to transport projects can be presented as follows:

Table 5: EU transport support in 2004-2008* (HUF billion)

EU framework programme	*2004*	*2005*	*2006*	*2007*	*2008*
New Hungary Development Plan (2007-2013)					**80.9**
Transport Operational Programme (TOP / KÖZOP)					77.8
Regional Dev. Operational Programmes (RDOPs / ROP)					3.1
European Territorial Cooperation (ETC / ETE)					0.0
ISPA (2000-2003) & Cohesion Fund (2004-2006)	**4.9**	**14.5**	**29.8**	**27.2**	**22.3**
National Development Plan I (2004-2006)	**0.0**	**22.4**	**18.4**	**23.0**	**11.7**
Environment and Infrastructure Operational Programme	0.0	19.2	8.3	11.2	8.6
Regional Development Operational Programme (RDOP)		3.1	9.8	11.1	2.2
Other (INTERREG)		0.0	0.4	0.7	1.0
Phare Programmes (2000-2003)	**1.7**	**1.7**	**2.1**	**0.1**	**0.3**
Other grants (TEN-T)	**0.0**	**0.0**	**0.7**	**0.7**	**1.3**
EU transport support total	**6.6**	**38.6**	**51.0**	**51.1**	**116.5**

* The Clean Air Action Group disagrees with the inclusion of the EU support in transport revenues.

3.5. Other local government revenues

At local governments, the highest revenues accrue from the previously mentioned motor vehicle taxes to be paid on the operation of motor vehicles and which – logically – are partly dedicated to the maintenance and operation of local roads.

Such local government revenues, which derive outside the public budget and are not the local governments' tax revenues only amount in total to some percent of the budget, which cannot be determined precisely. And only a fraction of this can be allotted to transport. Out of these we deem that the highest item is the net parking revenue – remaining part beyond the costs of operation and development of parking sites –, and within this mostly the net parking fee revenue of Budapest and its districts. Currently in the most frequented areas of 76 settlements there are **public parking places with payment**.

According to our approximate estimations almost half of the net parking fee revenues delivered to charging local-governments accrue from three great parking companies of Budapest.

The total rate of all collected fees and delivered revenues for three years is presented below:

Table 6: Total amount of the fees delivered to the charging local governments and collected by the three great Budapest parking companies in 2006-2008 (HUF billion)

Denomination \ year	*2006*	*2007*	*2008*
Income accrued from parking fees (net value)	3.5	3.7	4.0
Revenues from additional charges (net value)	2.7	3.2	2.3
Total revenue from parking fees and additional charges	6.2	6.9	6.3
Out of this: total amount of fees and assets due to local government	2.7	3.4	2.9
Local government's share, % of the net income	43.8%	48.5%	45.5%

Source: Parking Ltd. www.parking.hu

Moreover, it has to be mentioned that in Budapest, in the urban zones with limited traffic of vehicles of certain gross mass category – similar to previous years – about 50 million HUF has been collected from **'entrance fees'**. In 2008 this item was already around 1 billion HUF.

3.6. Payments related to state and local government property

The scope of the revenues of state properties includes the following main items:

- Dividend income
- Concession revenues
- Revenues due to the central government budget accruing from the sale and utilization of state properties.

Revenues mentioned under the subtitle are typically deriving from dividends and assets sales, which in the period investigated emerged to a noticeable extent only in 2005, being significant, as this was the time when the Budapest Airport, and – for 75 years – the operating rights of Ferihegy Airport were vended for 400.1 billion HUF, while the company also realised 14 billion HUF dividend in the same year.

Also in this year, an amount of 177.8 billion HUF was recorded, which derived as a result of 'selling' some elements of the road infrastructure to the 100% state-owned National Motorway Ltd. (NA). However, when the Eurostat did not accept this amount as set-off revenue in EU budget deficit indication (a Maastricht-criterion for the introduction of Euro) the transaction was called off and the budget took over NA's credit called for this purpose, an amount equal to being indicated among the expenditures of year 2005.

The Clean Air Action Group (CAAG) does not accept privatisation revenues as part of the balance. At the same time, KTI also emphasizes that these revenues should be separately included in the state budget balance. The revenue generated from the sale of MÁV Cargo is also a privatisation revenue, but it is not included in this narrowly interpreted state budget balance, because the 102.5 billion HUF received for the company in 2008 remained at MÁV Co, it has not been paid into the state budget.

From the revenues of the local government assets no significant transport company revenue could be identified; depending on the form of payment (e.g. dividend) also here the parking revenues can be considered.

4. Central and local government expenditures on transport

According to the methodological statement of the government, in 2007 in total 968.8 billion HUF, 4.44 % of the GDP was spent from the budget to transport activities and their services. Out of this 825.4 billion HUF was financed from resources of the central government budget and 143.4 billion HUF from the local governments' resources, including the amount of 85.0 billion HUF transferred from the budget.

According to our methodology applied in this study, the transport related expenditures of the budget in 2007 amounted to 1,394.8 billion HUF, while the gross value added produced by the transport sector as a whole (GDP) on the basis of KTI's previous methodology, and interpreted on a much wider scale than the statistics do, is estimated to 15.49% of the total

GDP, i.e. to 3,180.1 billion HUF. According to official statistics[4] in 2007 the GDP produced by transport was 758.3 billion HUF (3.47% of the GDP), together with supporting and auxiliary transport activities 953.4 billion HUF (4.37%).
As it has been mentioned already in the section on methodology, the items indicated under transport codes F12.abd were in 100% compiled on budgetary level by the Ministry of Finance. Consequently, this is taken as the basis of the starting point. In an itemised mode only the railways expenditures can be accounted for, because they all appear in the central government budget; in average only 95% of the road expenditures listed under the code F12.a can be accounted for in an itemised mode through the statements of the central budget and of the Capital, Budapest (overlapping excluded).
The major items of expenditures listed within the transport functions described under paragraphs 4.1. and 4.2. are summarized as follows:

Table 7: Public expenditures on transport in 2004-2008 on the basis of government statistics (HUF billion)

Public expenditures	*2004*	*2005*	*2006*	*2007*	*2008*
Expressway development	176.3	80.8	444.5	288.7	160.8
State Motorway Co. debt assumption (technical item)	0.0	177.8	0.0	0.0	0.0
Motorway availability fee	15.0	22.1	33.9	64.0	54.1
Expressway maintenance*	0.0	0.0	2.3	11.5	6.6
Expressway operation*	0.0	0.0	15.6	19.4	16.6
Road development and - maintenance	45.9	50.3	62.0	65.6	58.9
Road operation	26.1	29.4	26.4	27.3	35.5
Rail development	14.0	17.8	33.2	33.3	42.1
Rail passenger transport and track maintenance	52.0	53.2	77.8	166.9	174.5
Rail general (loss) financing	1.2	9.0	0.0	110.6	0.0
Road passenger transport (interurban)	0.5	0.0	0.0	5.0	24.0
Budgetary support of transport for local governments	12.6	33.2	70.2	85.0	100.8
Budapest municipality developments from own resources	n. a.	34.2	48.2	29.6	28.4
Other public expenditures on transport	93.7	89.3	126.9	61.9	68.5
Total public expenditures on transport	**437.2**	**597.2**	**941.0**	**968.8**	**770.8**

* beyond public budget up to 2005 (ÁAK)

Major items of the transport are officially not ranked within the function of transport, but which we listed as such, can be found in paragraph 4.3.

4.1. Central government expenditures on transport

Most of transport related expenditures (20-50%) of the whole public expenditures concern the **development of the network of expressways**. This item is significant as it gets also an important role in balancing the whole budget. Not once occurred, that the advance paid to

[4] According to TEÁOR '03, aggregated data in compliance with 60 land transport, 61 waterway, 62 air transport sub-sectors, and with the complementary activities 63.2 other transportation assisting activities, 63.4 transportation according to KSH statistics

those involved in motorway construction at the end of the year was significantly high, or even that they had to wait *en masse* until the beginning of the following year for the payment of their accomplished work. In the table above – based on the data of the government statistical system – payment data have been shown, which in given case may differ considerably from the sum of actual performance.

However the current level of development depends also on the capacity of the budget, therefore there is a significant change from year to year. This is also true for developments implemented in PPP, because the rate of the charge for maximum availability due for infrastructure investments achieved in PPP system have been maximised for the sake of sustainability.

Major infrastructure investments have been implemented in the period investigated. The whole Balaton-section of the M7 motorway with the Kőröshegy viaduct and with a branch (M70 expressway) to the Hungarian-Slovenian border, the Budapest entrance section of M6, the eastern section and the northern bridge of M0, the Danube-bridge of M8, the Görbeháza – Nyíregyháza and the M35 Görbeháza – Debrecen sections of M3 have been finished. Moreover, the Kiskunfélegyháza – Szeged – Röszke (country border) motorway section of M5, as well as the Érd – Dunaújváros motorway section of M6, which apparently for the time being, impose less charge to the budget, have also been constructed in PPP system. No motorway constructions of such length have ever been carried out before.

From the listed investments only the eastern section of M0 was constructed with EU co-financing. Since then, hardly any expressways or public roads were constructed with state financing. Except for the Dunaújváros – Szekszárd – Pécs M6-M60 motorway constructed in PPP system, most of the current road infrastructure investments are EU co-financed with high supports (max. 85%), which will provide in the next period (at least by 2015) a stable financing background for the expressway, public road and the railway improvements, as well. By now, a single company focuses on these activities, the state-owned National Infrastructure Developing Private Co. Ltd. (NIF), which was transformed in 2007 from the NA, and which took over both the road and the railway improvement tasks from ÚKIG and MÁV Co.

The operation and maintenance expenditures of expressways are public expenses since 2006, these were earlier financed by motorway fees as own revenues by ÁAK.

Formerly the **public road** (not expressways) **developments** were the responsibility of ÚKIG, which is called KKK since 2007, and deals only with the financing of maintenance and operation of the national network of public roads and expressways. Some part of actual activities of the operation and maintenance are carried out by the Hungarian Roads Management Co. (MK) and the ÁAK merged from the county road administrations, whereas the KKK performs another significant part of the maintenance works through public procurement.

The ÚKIG has implemented the road developments from union EIOP / KIOP, RDOP / ROP, Phare funds, as well as from the national Road Budget and other resources. Actually, from the existing data we couldn't determine precisely the resources of development and maintenance, because the full-year amounts of the Road Budget and of the development and maintenance projects have not been available.

As compared to previous situation, there were significant **railway developments**, which were mainly financed from EU Cohesion Fund, but railway developments and reconstructions realised from state investments using own resource and EIB loans were also

carried out. Moreover, the investment realised at Érd from KIOP resource, should also be mentioned.
The supporting of **railway passenger transport** is an important, single item, outstanding in 2007-2008, its dramatic increase presenting a loss-financing feature and it became one of the main targets of the measures devoted to the reduction of government expenses. However, it failed to eliminate the real causes of the loss, the inefficient operation and the burdens of the gratuitous loans of MÁV Group. In 2007, however a **capital increase** of 110.6 billion was realised, and in 2008 due to the **selling of MÁV Cargo Co.** revenue of 102.5 billion HUF – not shown in the summary above – could mitigate the group's previous debts.
Within **the group of the items of other expenses** emphasis should be laid on public administration expenses of transport (KKK excluded), while in local governments administration this concerns the transport expenditures of the municipalities (excl. Budapest) realised from own resources.

4.2. Local governments expenditures on transport

Transfers from central government budget
In the first approach, the **replacement of the resources for** the significantly under-financed **transport development and operation of the self governments** makes also great demands on central budget; resources which reach their destination through the budget of the local governments. The *normative support provided to local transport* (about 90% is transferred to BKV), as well as the *state contribution given to the construction of the metro line 4* are the greatest amounts in this group of items. Besides, within the framework of a smaller item the local governments obtain additional public contributions directly or through the Road Budget for road reconstructions, covering of unpaved urban roads, road constructions, and for cycle paths.
The central government budget allocated 70.2 billion HUF in total to local authorities for transport support.

Expenditures of local governments covered from own resource
This is the least known item; nevertheless the total value is available in the government statistics. However, knowing the Capital's 2005-2008 budget, most of the items can be found, since in the reported period, the self-government of the Capital spent major sums on the construction of the metro line 4, the reconstruction and the replacement of the vehicles of the metro line 2, as well as on electric improvements. Amounts spent on the reconstruction of local roads and other Budapest-centred developments are also known. More than half of transport expenditures realised from local governments' own resources were experienced in the Capital.

4.3. Public expenditures on transport listed within non-transport function

As the methodology mentioned, from the expenditures ranked with non-transport related functions, there are a few which have been re-ranked in the category of transport expenditures. Major items of these are summarised in the table below.

Table 8: Public expenditures of transport with non-transport function in 2004-2008* (HUF billion)

Public expenditures	*2004*	*2005*	*2006*	*2007*	*2008*
Consumer price subsidy of passenger transport	103.8	117.7	117.9	111.9	107.6
Government debt management	132.6	137.2	147.5	150.9	173.1
Public order and safety	60.4	64.8	72.3	79.3	73.4
Multipurpose developments with transport concerns	14.5	17.2	20.7	19.0	27.2
Compensation of Airport Development Corporation	0.0	0.0	17.2	0.0	0.0
Financing Volán companies (road passenger transport)**	(6.7)	(10.6)	(5.7)	(0.4)	8.8
Financing other state owned transport companies		0.3	0.4	9.1	0.2
Other (with healthcare, environment protection)	53.8	59.6	64.0	66.5	72.3
Total public expenditures on transport ranked in non-transport related function	**365.1**	**396.8**	**439.9**	**436.6**	**462.6**
Grand total public expenditures on transport	**802.3**	**993.9**	**1381.0**	**1405.8**	**1233.4**

* with pipelines ** beyond public budget up to 2007 (ÁPV)

Consumer price subsidy of passenger transport

According to the Act LXXXVII of 2003, the consumer price subsidy received by transport companies after the beneficiary groups (students, pensioners, and free travel for the age group over 65) is a major item in the expenses of the budget, which however continues to diminish in its real value due to curtailing of the preferences and reduction of the public transport performances.

Management of the government debt

From year to year very significant sums are spent on debt-related expenses from the budget. Ignoring the analysis of the real causes of indebtedness, we believe that a remarkable part of the credits drawn charge the capital cost of the transport regardless of the character of the activities they are directly used for.

Our starting point was: if the borrowing would not be possible, first the development expenditures were restricted, and transport development would fail notwithstanding the intolerable conditions prevailing in many places. Decision makers believed that this was not the solution, and despite the increasing level of indebtedness, and interests, the economy should be developed, because the resulting benefits outweigh the growth of the capital costs. Consequently, in the case of these expenses we charge 15% to transport's account.

Other items

From the other items there should be highlighted the 25% share of the transport costs estimated for *Police* and for *multipurpose developments*, as well as the charges to cover in part the external effects.

5. The balance

As a result of the methodology described in Chapter 1, our findings were the following. (The final results can be different both from the aspect of the transport as a whole, and considering the amounts relating to various sub-sectors, even in terms of several ten billions HUF, although not causing any substantial change in the interpretation of the balance.)
The following table shows the transport related public revenues in a breakdown by categories set by us.

Table 9: Public revenues from transport in 2004-2008 (HUF billion)

Revenue types in total and by transport sub sectors	*2004*	*2005*	*2006*	*2007*	*2008*
Transport tax revenues	**671.7**	**740.4**	**800.9**	**826.8**	**847.7**
road	665.1	733.2	791.3	817.7	838.8
rail	6.0	6.7	8.6	8.4	8.1
waterway	0.2	0.2	0.3	0.3	0.2
air	0.3	0.4	0.7	0.5	0.5
Own revenues of the central budgetary institutions	**39.2**	**41.0**	**42.5**	**31.2**	**30.5**
road	20.8	23.6	24.8	26.7	29.5
rail	0.0	0.0	0.4	0.6	0.5
air	18.5	17.4	17.3	3.9	0.5
Own revenues of chapter administered professional appropriations	**0.0**	**0.0**	**30.7**	**42.1**	**45.5**
road	0.0	0.0	30.7	42.1	45.5
EU support to transport projects	**6.6**	**38.6**	**51.0**	**51.1**	**116.5**
road	1.9	24.0	34.9	38.1	50.5
rail	4.7	11.0	13.2	9.5	64.1
waterway	0.0	3.5	1.5	2.0	1.6
air	0.0	0.2	1.4	1.4	0.3
Other local government revenues	**4.6**	**5.1**	**5.4**	**6.4**	**7.1**
road	4.6	5.1	5.4	6.4	7.1
Payments related to state property	**7.2**	**592.7**	**1.3**	**0.5**	**25.5**
road	0.0	178.5	0.5	0.5	25.5
rail	0.0	0.0	0.0	0.0	0.0
air	7.2	414.1	0.8	0.0	0.2

Total public revenues from transport	**729.3**	**1,417.8**	**931.8**	**958.0**	**1,072.9**
road	692.4	964.3	887.6	931.3	996.9
rail	10.7	17.7	22.2	18.6	72.7
waterway	0.2	3.7	1.7	2.3	1.9
air	26.0	432.1	20.3	5.8	1.4

Considering the revenues, the ratios on the long term can be seen. The transport related public revenues are determined by tax revenues (approx. 90%); furthermore in four years no

significant change was experienced in priorities, except that the EU grants emerged as factors of notice but they did not influence the balance in merits. The amount of grants more than doubled by 2008, but the real increase to a much higher level of the EU transport grants can be expected in 2010, then a several years of stabilisation can be reckoned with.

There are two **non-recurring items** among the annual revenues of 2005, which deform the long-term trends. One of them is the 177.8 billion HUF asset element ‘sold’ for the NA; its corresponding item may also be found on the side of expenses, while the other item is the selling of the Budapest Airport for 400.1 billion HUF at the end of 2005, that already influences the balance, whereas from the other side as a non-recurring item in 2006 the 17.2 billion HUF compensation of the Canadian company, Airport Development Corporation – which failed the airport development in 2002 – is shown. If these items with influence on the state property processes are not taken into consideration, it can be said that the trend of the revenues was stable in the period between 2004 and 2007.

In the table below the total summarisation of the revenues and expenditures, as well as the balance of the transport sheet are shown, where also the non-recurrent items determine the final picture of the balance.

Such is the opposite side (177.8 billion HUF) of the revenue of technical character accounted for with respect to NA in 2005, the 415.9 billion HUF debt assumption also accounted for with respect to NA in 2006, being already the result of real – admittedly of several years – processes and significantly exceeding the earlier financing, as well as the 110.6 billion HUF increase of capital of the MÁV Co. in 2007, and along it the 86.2 billion HUF individual surplus support given to the MÁV Group, compared to the similar sum of the previous year, a volume that served as the basis for the annual subsidy in 2008. It also has to be considered – but it is not shown in the balance – the 102.5 billion HUF revenue accrued from the selling of the MÁV Cargo Co. in 2008, from which the MÁV Group assured its own operation. These items are already real; their balance distorting effect means that their effect is developed in the balance of the given year (here in 2006-2007-2008), while the relevant transaction emerged as a result of the partial or full rehabilitation of the processes of several years.

Table 10: Public balance of transport in 2004-2008 (HUF billion)

Revenues and expenditures in all and by transport sub-sectors	*2004*	*2005*	*2006*	*2007*	*2008*
Total public revenues from transport	**729.3**	**1,417.8**	**931.8**	**958.0**	**1,072.9**
road	692.4	964.3	887.6	931.3	996.9
rail	10.7	17.7	22.2	18.6	72.7
waterway	0.2	3.7	1.7	2.3	1.9
air	26.0	432.1	20.3	5.8	1.4
Total public expenditures on transport	**793.3**	**984.3**	**1,370.4**	**1,394.1**	**1,221.1**
road	591.7	750.5	1.034.9	879.0	787.3
rail	175.7	204.0	282.8	489.5	408.4
waterway	9.1	10.0	10.8	12.3	21.3
air	16.8	19.8	41.9	13.3	4.1
Public balance of transport	**-64.0**	**433.5**	**-438.6**	**-436.1**	**-148.2**
road	100.7	213.8	-147.3	52.3	209.6
rail	-165.0	-186.3	-260.6	-470.9	-335.7
waterway	-8.9	-6.3	-9.1	-10.0	-19.4
air	9.2	412.3	-21.6	-7.5	-2.7

In order to interpret the balance, it is necessary to study a number of other items, which – without claim to entirety – are the following:

- While, of course, the revenues calculated were collected in 100% from the stakeholders of the transport sector, the efficiency of expenditures realised for them and classified as of transport nature could never attain 100%. At the same time, in Hungarian relations transport expenditures had not reached any efficiency of acceptable level in the period reported, just think about the construction prices of motorways, the railways situation, the severely negative effects of the involuntarily pervasive short-term consideration in the public sphere and of other solutions forced to take. Consequently, the transport sector is continued to be burdened by such expenditures, in the form of capital- and other costs, which are out of the scope of its influence and are attributable to wrong practice in public sphere.
- These few years were the period of intensive closing up of the construction of expressways infrastructure; anyway, since infrastructure construction has a cyclic character, the number of the costs is necessarily much higher, this way generating property value, which of course is reflected in the asset analysis.
- The non-recurring items with a character and effect of closing the proceedings of several years or the property changes (see above).
- Changes in public property due to developments, amortisation, privatisation, nationalisation, in relation with the changing financial situation of the national transport companies, changing of the extent of the state's role, interpretation of this is promoted by the completion of assets balance.
- The state of the financially unrealised items, especially as far as the external effects are concerned.

6. Other relations of transport to the public budget

Public revenues

Above, as part of the balance the special curtailments of the transport have been described; now, in this chapter – as an extra-balance item – the contribution of the transport sector to the overhead costs of the budget is quantified, namely the labour-, capital- and consumption-related tax revenues of the transport sector.

6.1. Taxes and charges imposed on labour

In the period reported the following rates of the standard taxes and charges were in force:

Table 11: The rates of taxes and charges imposed on the gross wage in 2004-2008 (%)

Most common rates of the tax and charge categories	*2004*	*2005*	*2006 Jan - Aug*	*2006 Sep - Dec*	*2007*	*2008*	*2009 Jan - Jun*
Personal income tax	18|26|38	18|38	18|36				
Retirement insurance contribution*	8,5+18				8,5+21	9,5+24	
Health insurance contribution*	4+11		6+11		7+8	6+5	
Health care contribution	1,950 HUF per month						
Vocational training contribution	1,5						
Employer's contribution	3						
Employee's contribution	1		1,5				

* In a breakdown by insurant and employer (8% compulsory membership fee in private pension fund included)

In the reported period total taxation demands on wages increased due to the relatively low economic performance, the decline of the budget and the aging of the population.
The situation of effective tax payments in 2004-2007 in the transport sector was as follows:

Table 12: Tax and contribution payments imposed on gross wages in the transport sector in 2004-2007 (HUF billion)

Taxes and contributions	*2004*	*2005*	*2006*	*2007*
Personal income tax	166.5	199.3	217.0	247.7
Contribution due to private pension fund	154.4	191.9	204.6	249.7
Contribution due to health insurance fund	102.9	129.0	144.0	153.7
Health contribution	19.1	22.7	14.6	14.7
Vocational training contribution	2.9	3.7	4.4	5.0
Employer's contribution to the Labour Market Fund	20.0	24.7	26.2	28.6
Employee's contribution to the Labour Market Fund	6.2	7.7	9.2	13.4
Total taxes and contributions imposed on wages	**472.1**	**579.0**	**619.9**	**712.8**
Employer's sick-pay contribution	0.6	0.8	0.9	0.7
Rehabilitation contribution	1.2	1.8	1.9	2.2
Entrepreneurial contribution	0.0	0.9	1.7	1.6
Other contributions on labour	**1.8**	**3.6**	**4.6**	**4.5**

It should be noted that the *personal income tax* always includes the *dividend tax* as well, not being a work-related income. Furthermore, it includes that sum of almost 25 billion HUF, which accrued to the central government budget as *tax on corporate cars*, i.e. the tax imposed on the income obtained in the form of the private usage of company cars.
Beyond the contributions listed above, also the Tax and Financial Control Administration (APEH) collected – as extra-budgetary revenue – the employees' fees payable for the membership in the private pension fund; the total value was 39.1 billion HUF in 2007 for the whole transport sector.
In addition to the above, the *employer's sick-pay contribution, the rehabilitation contribution, the entrepreneurial contribution* which the transport sub sectors paid in smaller measure to the treasury, are not charged on paid work, but can be considered as other public charges imposed on labour.

6.2. Taxes charged on capital income and turnover

The tax revenues payable on capital income and business turnover were the following:

Table 13: Tax payments due to capital income and business turnover in the transport sector in 2004-2007 (HUF billion)

Tax categories	*2004*	*2005*	*2006*	*2007*
Corporate tax	63.2	56.2	58.3	73.3
Categories of 'solidarity' tax	0.0	2.4	9.2	27.3
Simplified entrepreneurial tax	3.2	8.4	12.8	9.4
Local taxes (local business tax)	58.0	43.6	47.2	61.2
Value added tax (as general tax)	118.4	207.1	189.6	192.3
Innovation contribution	2.6	3.6	3.6	4.5
Taxes imposed on capital income and turnover	**245.3**	**321.3**	**320.8**	**368.0**

The *corporate tax* payments at national economy level are equal to 511.0 billion HUF in 2007, from which the proportion of the payments realised by the transport sector amount to 14.3%. This corresponds to the sector's contribution to the gross value added.
The so-called solidarity taxes, as of 2005 include the separate tax on credit institutions and financial enterprises, as well as the contributions from credit institutions which replaced it in 2007, since 2006 the separate tax due from business partnerships, then from 2007 the separate tax from private individuals. 2.7 billion HUF accrued from the latter, which is imposed on work, but it has been ranked here, due to its extra-tax character. It is the manifestation of the downfall of the economic performance and the central government budget that further taxpayers had to be obliged to pay super-taxes.
The *simplified entrepreneurial tax (EVA),* which was introduced in 2003 within the scope of the relevant tax payers in addition to the corporate tax and the capital return tax, redeems the tax on personal income, and also the value added tax, nevertheless it might mainly be considered as capital income, since previously these tax payers were not very keen on paying personal income tax and also the least the VAT; and the redeemed VAT is partly counterbalanced by the fact that the tax base is not the income or the result of the activity, but by far beyond it, the gross revenue.

The *local business tax* is a significant resource, which is not clearly capital income tax either, but because it is primarily imposed on the revenue generating from tax-paying activity, it is considered, for want of better, as a tax levied on capital income or turnover, which is due for relevant local-governments. From the taxes payable for the state the *innovation contribution* is also classified into the category of the taxes imposed on capital income, in particular because the tax base corresponds to the base of the local business tax.
From the *value added tax* (VAT) only the amount paid on the basis of the really general rules has been indicated for transport products and services, while the part of VAT functioning as special transport tax is shown in the public balance of transport.

6.3. Other taxes

Taxations not mentioned so far are considered as other taxes. Out of these other taxes the most important ones are the *gambling tax*, the *national cultural contribution*, as well as all tax related *late payment and other penalties, self-revision-related payments* and the *voluntarily disclosed tax difference* payable for the state.

Table 14: Other tax payments of the transport sector in 2004-2007 (HUF billion)

Tax categories	*2004*	*2005*	*2006*	*2007*
Other duties	22.6	24.9	25.2	24.7
National cultural contribution	0.5	0.5	0.5	0.6
Late payment penalty	1.9	1.6	2.8	2.4
Penalties, default penalty and self-revision-related payments	2.1	2.6	2.4	2.4
Voluntarily disclosed tax difference	0.0	0.0	1.3	-1.2
Other smaller taxes	0.0	-0.2	0.2	2.8
Other taxes	**27.1**	**29.3**	**32.5**	**31.7**

The totalized payments of the transport sector on the basis of the general taxes are the following:

Table 15: General tax payments of the transport sector in 2004-2007 (HUF billion)

Tax and charge categories	*2004*	*2005*	*2006*	*2007*
Taxes and contributions on wages	**472.1**	**579.0**	**619.9**	**712.8**
Other charges on labour	**1.8**	**3.6**	**4.6**	**4.5**
Taxes imposed on capital income and turnover	**245.3**	**321.3**	**320.8**	**368.0**
Other taxes	**27.1**	**29.3**	**32.5**	**31.7**
Total general tax payments from transport	**746.3**	**933.2**	**977.8**	**1,117.0**

Public expenditures
In the state subsidies provided to business organisations through the APEH, in practice there are no grants of general character, i.e. the volume of these amounts accrue to hundred millions at least. From 2004 to 2007 the transport sector was given annually 2-6 billion HUF extra-balance subsidies, but not even this amount can be regarded as some general grant, because mainly the agricultural subsidies, i.e. not those of general character are at issue.

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