periodica polytechnica

Social and Management Sciences
19/2 (2011) 67–73
doi: 10.3311/pp.so.2011-2.03
web: http://www.pp.bme.hu/so

RESEARCH ARTICLE

A few thoughts on fair taxation

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Received 2011-06-07

Abstract

The article is introducing the concept of efficient and fair (just) taxation and its effect on the economy, while it also discusses it why it is difficult to reach an optimal tax system in Hungary. In the subsequent sections, several seemingly arbitrarily chosen types of taxes are introduced, in order to show how they can be used to create or to contribute to an optimal tax system. In addition, the article describes it shortly, either why they are not working properly at the moment or when they were discussed or introduced in the past, what kinds of mistakes occurred or mismanagement happened. The article discusses the following taxes: royalties due to state, property tax, estate duty (inheritance tax).

Keywords

fair · taxation · royalties · property · estate duty · ecological footprint.

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In an ideal world there is no taxation, while in an ideal economy, built on the principal of maximum efficiency, the government or state interferes minimally into the operations of the private businesses and individuals. The extent of state organizations (including state administration, schools, hospitals etc) and state property is limited only to providing real public goods, in which any other case the private ownership would lead to a market failure. Given the limited distribution function of the state, we must also assume a very much restricted revenue side of the state budget. In the above described ideal economy the classical requirements from a tax system – efficiency and fairness – would be satisfied. In case of a limited distribution function, the revenues collected by taxation needed to be also minimal and as such no major interference and influence would be imposed in the behaviour of the economic players.

According to the *efficiency* (neutrality) criteria, taxes should distort the behaviour and decisions of economic players as little as possible. A completely inactive state intervenes in the economy by its existence and unequally influences the distribution of social benefits and social burdens. In case of the tax systems of the modern state, which performs economic functions and which are often regarded as attractive, it is very difficult to find aspects of efficiency in their direct form and even in their indirect form hard to identify. However, evaluation of their impact is further complicated, as taxes are incorporated into the decision-making systems of economic participants - producers and consumers – motivating all actor to *optimise tax*.

Fairness (just/equal distribution of public expenses according to the marginal capacity of economic agents) would prevail, if two taxpayers of the same financial position prior to taxation would remain in the same position after taxation as well. However, we should not have many illusions in relation to this criterion either. According to one of the major arguments there is a limit on the progression of tax rates as even the highest earning entities should be motivated to increase either their income and to fully declare it. Based on the above, the basic principle of modern taxation can be defined, according to which *the number of tax payers must be as large as possible covering all parts of society,* including the lowest income classes.

In the real world, which is neither ideal nor optimal, governments are happily and willingly exaggerating their interference into the private economy and taxation is among their main tools. At the moment in Hungary, the above described ideal minimal state is non-existing and paradoxically one of the main reasons (apart from actual political considerations) was the privatization process itself. In the last 20 years – during the re-privatization of the previous “socialist ownership”, when basically a large proportion of the assets of the country were redistributed to private entrepreneurs – the actual governments made some very serious and not always optimal decisions.

Given the difficulties to define a measurement on alternative privatization strategies, it is not in the scope of the Article to examine the optimization of the whole process in full extent. Nevertheless, the article would like to give some examples how, with the application of a well designed taxation system, some of the inefficient privatization decisions could be partially offset and some of the profit earned arising from the imbalance in between short term funding needs versus long term utility of the country, could be repatriated to the tax payers.

1 The present

The global crisis hit Hungarian society in the autumn of 2008 – finding a substantial segment of it in a rather weakened condition. Following the transition, members of society, who had earlier been deprived of many things, desired to obtain a larger home, a weekend house, travelling, modern cars all at the same time– generally speaking, the very fast imitative following of the Western (American) model of consumption. The income position of a not insignificant part of society did not enable this; hence they ran heavily into debt. The crisis was tough in taking its victims from the social strata which otherwise moderately drew in external (bank) funds to finance their consumption; those becoming unemployed and families with only a single wage-earner very frequently landed in a debt trap. The crisis threw light on a great many things, illusions vanished in a moment. Naturally, belief in ongoing growth and individual life strategies built on it became the first victims. It became evident that not even real estate is a safe harbour as it does not maintain its value, and the savings of many years and decades invested in real property lost their value overnight – there is no demand for homes and houses even at low prices. As a self-reinforcing process, the crisis impaired the prospects even of families on which it had no direct impact. The curbing of consumption became the social norm as against the earlier consumption orientation. At an individual level, the thumb rule became to wait and see until economic growth is stabilised and the rate of employment improves in a lasting and perceptible manner. At a social level, however, only with a vigorously growing global economy or at least main export markets can economic growth be envisaged in the absence of internal, national growth of consumption, and in Europe it would do no harm if this was supported by growing domestic consumption. In the autumn of 2010, when taking stock of the magnitude of economic growth in Europe, it cannot always be decided whether the cross bar is really quivering, or it only seems to do so to us. There is no doubt that Europe drives Hungary’s growth – to the extent that Europe is capable of, without a sustained rise in domestic consumption.

In the period between the transition and the global crisis, large estates were accumulated in Hungary. The large-scale privatisation cases were always results of *individual* negotiations even if they were put out to tender, and even more so, if the model was developed by the management of the company to be privatised. If somebody had access to a valuable piece of the common property in the course of privatisation, it was equivalent to obtaining social support for the launching of his individual enrichment, and subsequently, for the further accumulation of assets that could not be replaced by any other thing.[1]

It is an international experience that favoured sectors are generally able to enforce their interest in political and governmental decision-making. Hence it is not surprising that this remained characteristic of large Hungarian companies even after market mechanisms gained ground.

At the time of the outbreak of the crisis, it seemed for a while that a positive outcome was possible, a new order of values could be created if mankind or at least the societies providing life models are bright enough and draw the lessons of the earlier model based on over-consumption. According to the expectations of many, the new model could have focused on the conservation of the natural environment. When enforcing the environmental aspects, the issue of justness and fairness is equivalent to enforcing the principle “let the polluter pay”, i.e., damage caused to the environment should be restored by the polluter. Now, it seems that there is not going to be any change in models, and this cannot be comforting. It is no less so if the change in models does not take place because the crisis is not over yet, as we are only at its beginning, or at best in the middle of it.

A characteristic of the 20th century reaching well into the beginning of the next one has been the growing pace of tax centralisation and the growing ratio of taxes on income from work (including social security contributions [12, p398]. Ecologically oriented tax reforms link the tax receipts collected on account of polluting the environment to the reduction of the burden on labour – as if designating the preferred subjects of just and equitable taxation.

[1] If a person was sufficiently talented, and the company privatised by him had a valuable market profile, the company managed to produce its purchase price in the course of a few years of operation. If the state was the seller, the purchase price was always substantially below what it could have been. (This is indirectly substantiated by the transactions when the company was resold within a short period following privatisation. Almost in every case, the on-sale prices were higher, by orders of magnitude, than the price applied in privatisation. The opposite case, if any, indicated individual unsuitability for managing the assets and operating the company, etc., rather than tough and successful bargaining by the state.) The new owner took out credits always with the new acquisition as security. He could do so as he had obtained the coverage.

In the following, I am not going to address the general features of the Hungarian system of taxation, not even to the point of introducing the problem. I shall deal only with a few kinds of taxes, which, if applied by the government, the Hungarian system of taxation would be more just and more equitable for the majority of society carrying the tax volume.

2 Tax for companies – royalties

The state is entitled to land use and mining royalties on the utilisation of arable land for other (industrial, communal) purposes, and the raw materials and energy carriers brought up to the surface. The Hungarian government waives not only these natural royalties, but at times, as in the case of electricity generated by the Paks Nuclear Power Plant, generates a royalty of a financial nature (dotation) for the other power plants. At other times (Robin Hood tax, the special tax on the energy sector), taxes of an amount substantially below the amount of the natural or ordinary monopoly royalties undoubtedly due to the state are imposed for a transitory period of two or three years, provoking reactions from those concerned and the intellectuals moulding public opinion with a vehemence depending on party sympathies. Generally, as in the case of solutions that are not clean-cut, the trap here, too, is that the roles are reversed: payment of these transitory taxes appears as sacrifice on the part of the eternally favoured, while the regular transfer of the royalties generated by them in the absence of extensive individual bargains to the state, should be part of the ordinary course of business.

The privatisation of the energy sector *generally* lacked a professional concept by the government. The result is well-known: either the company developed its own privatisation model or, as it happened in the case of power plants and electricity providers, competing groups of foreign trade investors, the "buyers of continental influence" [13] divided the Hungarian electricity market among themselves with state assistance in the mid-1990s. The government[2] not only made it easy for them to acquire markets, but even guaranteed an eight percent return on assets (subsequently raised to ten percent). In the interest of privatisation revenues totalling a billion dollars, the government ceded the mining royalties generated year-after-year constituting stable revenue for the community to them.

According to experts in environment protection, virtually every segment of the energy sector is characterised by the realisation of high extra profits and royalties; cross-financing is also typical. The royalty, the extra income are consequences of their monopoly positions. The members of the Levegő Munkacsoport [Clean Air Action Group], who developed a complex eco-social reform of public finances in 2008[6] quantified the royalties generated in the electricity, natural gas, crude oil and the Hungarian hydrocarbon sector in general, and retained within these sectors in other works [9]. Below, I restrict myself to the presentation of those royalty items only in the case of which interrelations are self-evident requiring no additional explanation[3]:

- MOL buys crude oil at the lower Ural (Med) price, yet it applies the higher Mediterranean (Brend) prices as the price base in calculating the domestic prices of petroleum products; the amount of the extra profit realised by the company in this way amounts to HUF 20 billion a year;
- cheap electricity produced by the Paks Nuclear Power Plant which in the hands of the state creates extra profit – hidden subsidy – at the power plants; the amount thus distributed among the power plants totalled HUF 100 billion in 2007 [6]. The profits of the Paks Nuclear Power Plant (to put it more accurately, the price of electricity generated by it) was reduced by the eight, and subsequently ten percent return on assets guaranteed for the power plants as early as in 2006, and also thereafter when the state's obligation to do so no longer obtained;

The major outflow of profits can be substantiated also by an EU comparison. In Hungary, the price of electricity sold to households was 7.7 percent higher than the average price in the European Union. Taking into account purchasing power parities, prices (more accurately purchasing units) were the highest here, exceeding the incidentally lowest French prices (purchasing units) more than twofold. "... the difference between the price for Hungarian households on 1 August 2009 (0.1605 euro/kWh) and the transfer price of 0.040 euro/kWh of Paks was about fourfold" [9, p10].

Buyers paid a total of one billion dollars for the Hungarian electricity market in the mid-1990s – this is hardly twice the amount of the 2007 royalties regrouped at the Paks Nuclear Power Plant and left with the companies instead of being collected by the state.

- the mining royalty on hydro-carbons, whose amount should be due to general government is the difference between the local cost of production and world market prices. In 2008, "MOL paid HUF 115 billion to the budget" on the production of crude oil and natural gas instead of the HUF 276 billion generated. In that same year, the amount of the mining royalty realised by coalmining as extra profit was HUF 10 billion[4] [9, p12].

[2] "At the time of the Horn government 'the new government escaped from the monster of empty state coffers and the threat of the IMF (the World Bank would block the standby reserves of the country) by quickly selling the power stations and the electricity providers. ... the *revenue of one billion dollars* generated by this transaction was then regarded as extraordinarily high ... a genuine assessment of the condition of the assets has not taken place, similarly, nobody examined the damage to the environment caused till then in any depth. ... energy policy was essentially shaped from ÁPV Rt.' " [13] (M. Szabó, 2006) (Highlighted by B.A.)

[3] I highlight only the energy sector and not even that in full from the proposal of the Levegő Munkacsoport (CAAG), and another study of the authors on the domestic subsidisation of fossil energy.

[4] The basis of the mining royalty is termed as the "generated value" of the mineral raw material. Its rate is 12 percent in the case of crude oil and natural gas, 5 percent in the case of non-metallic mineral raw materials and 2 percent in the case of other solid mineral raw materials and exploited geothermal energy.

- The price of electricity purchased from the Ukraine is 33 percent lower than the world market price. In the absence of competition, a few electricity traders share the difference. At least half the foreign trade royalty generated is due to the state; in 2006 this amounted to HUF 23 billion [9, p14].

The highlighted items quantified for one of the years between 2006 and 2008 alone together correspond to 35 percent of the budget deficit of HUF 870 billion planned for 2010, and 16.2 percent of the planned revenues from personal income tax (HUF 1,881 billion) (*Bill* on the 2010 Budget).

3 A contemporary solution for municipalities – Property tax

It cannot be regarded as fortuitous that all Hungarian governments (finance ministers) of the past one-and-a-half decades – with the exception of the one in power for the past few months – attempted to make property tax mandatory and *value-based*.[5] There is no uniform and value-based property taxation in Hungary[6], yet I believe it could hardly be supposed that this state of affairs could be maintained in the medium-term. And that is so not only because property tax is suitable for channelling hidden incomes back into sharing the public burden, but also because it has somewhat of a wide range as a tax base, and property is a tax base that cannot be carried offshore – and other exemplary countries pursue uniform and value-based property taxation without exception.

International experience proves that property tax is generally one of the least accepted kinds of tax,[7] but a fair consensus can be developed along principles that can be well delineated. These principles are the following:

- practically the entire profession agrees that what is desirable is *a tax base as wide as possible and a tax rate as low as possible*, that is, it would be expedient to make the imposition of a *mandatory*, *uniform* and *value-based* property tax of around *0.2 percent* on any property within the confines of a municipality irrespective of the purpose of utilisation;[8]
- a property tax paid on housing property deductible from *personal income tax*, and property tax on commercial property *deductible from the local industry tax* is largely regarded as equitable;
- it is necessary to clearly define the range of exemptions, the circle of those exempt from the obligation to pay the tax (low income people, large families, pensioners);
- the database requirement of the method of valuation chosen cannot be excessive, and first and foremost, it must not violate the sensitivity and personal rights of the citizens;
- property tax is largely a *local* tax, or *shared* (central and local) tax – irrespective of whether it is collected by local governments or the central (regional) tax administration. Generally, the latter is more suitable for this task.

The point of departure of the tax introduced as of January 1, 2010, was populist (property tax = luxury tax). The so-called property tax (or asset tax) applied to real property and means of transportation (road vehicles, vessels and means of air transportation) above a certain value limit. This value-based property tax should not have been paid on all real property, but *housing property* in excess of a market value (or rather calculated value) of HUF 30 million, and its amount was not deductible from personal income tax. This tax would have affected only about 200,000-250,000 of the 4.2 million housing properties in Hungary.

In an international comparison, the value of privately held housing property in Hungary is substantially more significant than what would follow from the living standards and income relations of the households. The desire of the people for a home of their own, and their ties to it is not typical in an international comparison, this explains the frequently excessive burden undertaken to buy the first home, and then subsequently more valuable homes. A home with a market value of thirty or even forty million forints does not belong to the luxury category even in

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No mining royalty needs to be paid on crude oil produced using increased efficiency procedures. The rate of the royalty can be reduced for reasons of public interest. In the case of mining activities exercised on the basis of concession contracts, the minister establishes the rate of the mining royal individually.

[5] It is since 1991 (Act C of 1990) that Hungarian municipalities are authorised to decide independently whether or not to impose local taxes on the population living in their settlement, the local undertakings or the possible objects of taxation and if so, whether they wish to impose all of the local taxes without fail, or only in part, or not at all. Municipalities are authorised to deviate downwards from the centrally maximised tax rates at their discretion, but not upwards. The absence of the *mandatory nature* of local taxes counts as a curiosity even in international practice.

Typically, municipalities impose property tax on the basis of *area* (max. HUF 900 /m/year) – in recent years, they have frequently imposed property tax on household property also. Earlier they tended to impose the tax on non-housing property.

In the case of a *value-based* tax, the valuation of real property and the maintenance of such values requires a large staff of well-qualified experts, as well as the accurate documentation and administration of the data of the individual properties (or at least of the districts or value zones, which can be regarded as having the same attributes). In Hungary and in the former socialist countries, area-based property tax is characteristic because data available from the land registry are sufficient for this.

[6] In 2009, the property tax proposed by the Bajnai government (and adopted by Parliament) was annulled by the Constitutional Court.

[7] Property tax is a *visible tax*, because (in contrast to turnover tax built into prices, or income tax, which is deducted), it is paid by the taxpayer and it can be both advantageous and disadvantageous. It is disadvantageous because knowledge of the amount of the tax may increase the resistance among taxpayers to the tax. For the same reason, it may be, or it could be, favourable because it could direct the attention of the taxpayer to the service provided in exchange for the tax, demanding that account be given for the use of the tax paid.

[8] Property below the value of HUF 2 million is normally excluded from the range of taxable property for rational reasons as in their case, the cost of collecting the tax exceeds the amount of the tax collected.

Budapest, and definitely not outside Budapest, and *their source is* characteristically *income from work* (that is taxed income), hence insisting on the principle of "let the rich pay" against their owners is, in most cases, not only unjust but also untrue.

Prior to and even independent of the introduction of the uniform property tax, it would be expedient to impose a property tax precisely on the largest *industrial and commercial properties* with a mandatory nature in accordance with international practice at a rate higher than that usually applied to housing property, as a central tax or at most, *a tax shared with* municipalities. There is every reason to reduce the increasing differences between settlements associated precisely with the differences in the number and economic potential of companies operating at the individual settlements. The separate handling and target-oriented utilisation of the part of the property tax proposed on non-housing property to be absorbed by the central budget offers an opportunity for this.

Presumably, the *ecological footprint* of these large industrial and commercial estates is a multiple of that of a smaller settlement and is not restricted to the given settlement, but gives rise to changes in a substantially larger area. With regard to commercial property, this circle includes the shopping centres and the logistics centres of commercial networks. The implementation and operation of the major industrial and commercial properties required the construction of parking lots, roads leading there, that is, the covering of large areas. It is well-known that this has a detrimental impact on the water balance and flora and fauna of the soil, as well as the local climate. Produce get polluted by materials detrimental to health in a wide band along roads. For this reason, there is all the justification for breaking the pace of greenfield investments, instead the so-called rusty zones already interfered with should be preferred.

In 1950, the share of areas withdrawn from agricultural cultivation did not reach eight percent of the territory of the country, and it made up no more than 11.5 percent even in 1990, which is the year of the transition. Between 2000 and 2006, it seemed that this share was stabilising at a relatively high level of 17 percent, but the 16.4 percent of 2009 indicated some improvement. Close to one-fifth of the areas withdrawn from agricultural cultivation (19 percent) is re-categorisation as internal area, and the reason for this is almost exclusively the construction of industrial and commercial properties, shopping centres and, naturally, large housing estates. The appreciation of the Budapest agglomeration area is indicated by the fact that 24 percent of the nationwide figure for inclusion in internal areas is attributed to Pest county. (Withdrawal from agricultural production to the largest extent is in any case characteristic of this county, but this figure is only 14 percent of the nationwide.) (CSO)

A non-recurrent *land protection allowance* is payable in the event of utilising arable land for other purposes. Although the least possible size of area can and should be used for purposes other than agriculture according to Act CXXIX of 2007, everyday practice (large parking lots and/or warehouses beside the facilities; shopping centres of at most two or three levels, etc.) does not indicate full compliance with the law. It seems, for potential investors weighing their decisions, the quality of the arable land to be used is not a priority aspect. In the case of arable land of a quality better than the average, the allowance payment obligation substantially higher than before still fails to exert a substantially restrictive impact.

A thorough analysis of expected environmental impact must (should) be a necessary part of the licensing process, preceding the establishment of new industrial and commercial properties. At the same time, the damage and other environmental impact caused by already operational properties should definitely be modelled prior to determining the tax rate.

The genuine value of industrial and commercial properties is obscure, while they should be individually determined for specifying the tax base at all times. These figures are not available in any registry, as it is not the properties themselves, but their owner companies that are the subjects of sale and purchase transactions.

A property tax imposed mandatorily on large industrial and commercial properties on a value basis would substantially reduce the possibilities of bargaining with the local governments, which is undesirable from the viewpoint of society as a whole. In the case of the local industry tax, so much favoured by local governments and companies and undertakings with a view to attracting a large company (relocation of its seat), local governments readily employ preferential rates (of even zero percent).

The total freedom guaranteed for Hungarian local governments with regard to the application of local taxation has a number of negative consequences, of which perhaps the most severe is that it restricts the coming into being of modern local governance, particularly at the settlements having bodies of representatives that are more patriotic than what could be expected.

4 Closing the generation income gap – Estate duty

As discussed above, a socially just and equitable property tax is one, where the tax paid on housing property originating from income from work is deductible from personal income tax. A similar expectation can be formulated in the case of estate duty and the duty on presents resulting in a rearrangement of assets between generations: the tax exemption of inheritance stemming from income from work (the predominant share of which is housing property in Hungary today) can be regarded as socially just and equitable pointing towards equality of opportunity, while the uniform taxation of large estates manifested in various assets, which stem from incomes other than from work (business quotas, shares, bonds, real estate) can be considered similarly to the value-based taxation of large industrial and commercial property.

The progressive estate duty or tax exemption up to a relatively substantial value of property/inheritance is a typical instrument of reducing social inequalities. An example of the former is that early in the 1940s "the rate of the estate duty [could reach] 80 percent in England and France", and at that time "the maximum tax rate was 60 percent in Germany, and 50 percent in Italy."[9] [15, p8].

In European countries, where there is an estate duty, it is a mix of legal solutions and tax allowances. Every *Anglo-Saxon* country guarantees exemption based on the magnitude of the assets. The following are international examples of partial or full exemption from estate duty:

- *United States:* the amount of the tax is specified in the annual budget, in 2009 it was applicable to estates not exceeding USD 3.5 million (roughly HUF 700 million), irrespective of the number of heirs and the degree of kinship; 97 percent of Americans belong to this category;
- *England:* in 2009, GBP 312,000, the basis of determining the value is the price of an average house in London;
- *Germany:* EUR 307,000 for spouses and EUR 205,000 / capita in the case of children;
- *France:* spouses/life companions do not pay this duty at all, in the case of children it is EUR 156,000 / capita;
- *Italy:* EUR 1 million for every close relative;
- *the Netherlands:* in the case of spouses, in excess of half a million euro, for children it depends on age;
- *Czech Republic:* full exemption in the case of spouses and children (Dr. Spielmann).

Currently, there is no estate duty in *Sweden, Slovakia* and (since 2008) *Austria, Egypt, Israel and Australia*. (Dr. Spielmann)

The abolition of the estate duty means that the parts of assets generated in the course of privatisation in Hungary exceeding HUF 20 million have been removed from bearing the public burden, that is, this gate to ensuring the equality of opportunity has also been shut. Historically, it would have been the time for exactly the opposite: while substantially raising the HUF 20 million limits for tax exemption, these assets should have been taxed at a more progressive rate than before. The wealthier part of society had it easy to avoid estate duty; its abolition may seem like just and equitable. In Hungary, there are practically no assets left to be privatized, and in the future, the redistribution of assets and the network formation of large private companies can be expected. Large Hungarian companies entering the international scene continue to need the parent country because owing to domestic references, they cannot even dream of a global economic role. This would require the exemption of those living off income from work in Hungary, and an improvement in the chances of the next generations – that is, the coming into being of the richest circle of owners, who recognise mutual interdependence and elevate it to the norm.

[9] A radical increase in estate duty "has for long been urged by folkist writers and progressive middle-class democrats, such as the writer Sándor Márai." [15, p8]

5 Summary

The article attempted to reveal the connection in between the recent past (since the transition of the early 90's) of the Hungarian society, economy and the ecology and some discretionary selected type of taxes. The aim was to show that with appropriately chosen taxes, some of the social, economical and even more importantly ecological inequalities created by the individual bargaining power of certain economic entities during the privatization process and the subsequent economic development can be remedied. Also, the same can be said about the redistribution of equity or wealth among generations, which was a more politically driven decision, very strongly supported and lobbied by the winners of the privatization process. In addition, another important aspect was to prove that the proper selection of taxes and their appropriate utilization can lead to an efficient and fair taxation.

As it is seen in the article, by selecting a certain type of taxes solely for populist purposes can even further deteriorate the situation (e.g.: property tax). To make it even worse, due to negative publicity/communication, it can completely block the use of the given tax instrument for an extended period of time, even if it would be an appropriate choice of type of tax. Of course, the above holds true only if all the parameters of the selected type of tax – tax rate, tax payers, monitoring and controlling of the tax declarations and the underlying activity or property – are selected properly.

One of the basic assumptions of the article was that all type of taxes should be levied on the widest available number of tax payers. By this way, it can be ensured that, while the individual tax rate will be relatively low, the people and the companies will not feel that they are severely and unilaterally punished. Rather by this way, it can be the proof of solidarity, that they are all part of the society and it is their civil obligation to contribute to its functions. It is even truer in case of ecological/environmental issues and to remedy and prevent the damages by taxes, as in this case an instrument which is either also belongs to a larger part of the society or to another generation is to be taxed to counterbalance the externalities and inefficiencies (see local industrial and commercial taxes).

In the future, given the deterioration of our natural environment there will be a growing need to develop new type of taxes especially aimed to prevent further damages in the natural and built habitat and to increase our awareness in order not to overconsume what is in the possession of the local community (both micro and macro-level) and ultimately the human kind.

The most important aspect of taxation or any individual type of tax is that, it is an economic tool and as such before any decision of levying a new type of tax or to change substantially the existing system a full-scale micro and macro analysis has to be done and even more importantly can be done. The use of taxation to the purpose of only serving momentarily populist and political goals can cause just long term and very expensive problems for the whole society.

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