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## **Hungary plans to impose new tax on Internet traffic**

By **REUTERS**

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BUDAPEST, Oct 22 (Reuters) - Hungary's government plans to levy a new tax on Internet data transfers, according to the draft 2015 tax bill submitted to parliament late on Tuesday, which could hit Internet providers and the country's telecommunications companies.

The draft tax code contains a provision for Internet providers to pay 150 forints (60 US cents) in tax per gigabyte of data traffic, but would also allow companies to offset corporate income tax against the Internet tax.

Prime Minister Viktor Orban's government has in the past few years also imposed special taxes on the banking, retail, telecommunications and energy sectors to keep the budget deficit in check, jeopardising profits in some sectors of the economy and unnerving international investors. News of the Internet tax sparked anger among consumers, who feared providers would pass on the cost of the proposed levy to users.

The Economy Ministry said it expects the Internet tax to generate an annual revenue of 20 billion forints (\$83 million).

However, Internet traffic in Hungary reached more than 1 billion gigabytes in 2013, which would generate a tax revenue of about 175 billion forints, according to data compiled by the consultancy eNet and quoted by portfolio.hu.

Traffic has probably grown since, eNet noted, so the tax could hit Internet providers by more than 200 billion forints if left unchanged.

The government's low estimate of revenue may therefore suggest it will impose a cap on the amount of tax any single Internet provider will have to pay. Index.hu quoted ruling Fidesz party lawmaker Antal Rogan as saying there would be further changes to the tax, including a cap. Rogan did not elaborate.

A government spokesman was not immediately available for comment.

Analysts at Equilor Securities said on Wednesday that Deutsche Telekom's subsidiary Magyar Telekom could expect to pay about 10 billion forints per year if there was no limit on the proposed tax.

"Although corporate taxes offset this amount Magyar Telekom has paid only 200-300 million forints worth of such tax in recent years because its parent company used tax breaks," Equilor noted.

"The company could theoretically pass on the burden to its clients but that requires a business policy decision so it's too early to say much about that. The tax could, however, boost uncertainty about a resumption of dividend payments at Magyar Telekom."

Magyar Telekom did not immediately comment. The company recently said it would pay no dividend for 2014 in order to keep its debt in check.

Within hours of the tax provision being published, tens of thousands of people joined a Facebook group protesting the levy, and thousands expect to attend a rally against the tax outside parliament on Sunday.

Magyar Telekom shares opened trading 3.2 percent lower at 0714 GMT, underperforming the blue chip index, which was flat. (1 US dollar = 240.7500 Hungarian forint) (Reporting by Marton Dunai; Editing by Susan Fenton)