

Protests in Hungary against tax hike for small businesses amid skyrocketing inflation

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Several thousand people demonstrated in the Hungarian capital last week against a planned government increase in income tax for small business owners and the self-employed, the KATA. The tax hike coincides with rapidly rising inflation, which now stands at nearly 14 percent.

On Friday, several thousand protesters marched through downtown Budapest for the third day in a row. Thousands of people had already taken to the streets on Tuesday evening, blocking two major bridges over the Danube for hours.

Those affected by the tax increase are small business owners or the self-employed, who usually earn little more than employees. Actors, artists, journalists, bicycle couriers and others took part in the protests. About three-quarters of those hit are expecting drastic increases in their tax bills and thus a reduction in their net income. The Association of Tax Consultants predicted a reduction in net income of 20 to 40 percent. About 450,000 freelancers will be affected by the increase starting in September.

KATA was introduced in 2013; the flat tax was intended to relieve small business owners who earned no more than €30,000 a year. They deducted about €120 per month to cover taxes and did not need a tax adviser or accountant when declaring their income tax, which also saved costs.

The protests enjoyed great support, as it is clear the tax increase is only the beginning of widespread attacks on the entire population of the country.

Under the current emergency laws proclaimed by the far-right Fidesz government of Victor Orban, a legislative package was able to pass in a very short time without any parliamentary interference. Less than 24 hours passed between the submission of the draft law on Monday and its passage in parliament on Tuesday.

The legislation includes a ban on energy exports and an increase in the production output of Hungary's Paks nuclear power plant.

Most dramatic, however, is the government's departure from the brake on housing costs introduced more than eight years ago. At the time, Orban responded to the growing discontent of poorer sections of the population by subsidizing gas and electricity and has since used it in election campaigns to portray himself as a social benefactor.

As of August 1, every household with an annual gas consumption of more than 1,729 cubic meters and an annual electricity consumption of more than 2,523 kilowatt hours must pay the difference to the market price. This is currently nine times the tariff for gas and 6.5 times for electricity. This will mainly affect poorer households with many children, who have been spending more time at home during the pandemic and thus have higher electricity consumption.

The attacks on workers and their families underscore the class nature of the right-wing government. This is a "government of tax reductions," Foreign Minister Péter Sziijártó dubs the Fidesz regime, but only for the super-rich and large corporations. For example, the government recently vetoed an increase in taxes for large companies to a global minimum.

Already, many households can barely pay for the extreme increases in the cost of food and other essentials. Core inflation, which does not include price increases for food and energy, is 13.8 percent, according to ING, a global financial institution. Food price rises were 22.1 percent in June, with some food items increasing by 40 percent year-on-year. The last time Hungary saw such price rises was in 1998, 24 years ago. Experts believe it will be months before prices peak.

A report by broadcaster Euronews makes clear how hard inflation is hitting those who were already struggling to make ends meet before the drastic price increases. Szabina, who is raising six young children on her own and is unemployed, said, “The children haven’t been getting much fruit or sweets for a long time. It’s more important to get anything cooked at all that’s enough for six. And me.”

Without the support of aid organizations, many families would no longer get by. A newborn child can be an almost impossible challenge because of the increased cost of clothing and diapers. Andrea Vörösne Deák, reporting the rise in absolute poverty cases, said, “There are many crisis pregnancies nowadays, where it’s not sure if the mother can take the child home.”

According to the news report, people are turning to aid organizations for assistance with electricity, gas or rent much sooner than in the past. The extent of the problem caused by inflation was also shown by the fact that many more people were now turning to them for food as well.

The attacks on the population will inevitably continue to increase as the Orban government itself comes under increasing international pressure. For weeks, the Hungarian currency, the forint, has been falling against the euro, reaching ever new lows. In addition to the war in Ukraine, another reason for this is the conflict with Brussels over the disbursement of EU funds after Hungary was threatened with a cut in payments following a ruling by the European Court of Justice on the so-called rule of law mechanism. It is expected Hungary’s new debt this year will be 6 percent—one of the highest deficits in the EU.

Against this backdrop, the recent protests were only the beginning of explosive class struggles in Hungary. Across the globe, conflicts and protests are becoming more acute because of galloping inflation. The political crisis in Sri Lanka, which forced the resignation of President Gotabhaya Rajapaksa, was preceded by mass protests throughout the country.

Most recently, there were mass protests in Albania. Thousands of demonstrators in the capital Tirana demanded the resignation of Prime Minister Edi Rama and his government. In the small Balkan state, too, massively rising prices are causing poverty to explode, with inflation rising last month at the fastest rate in 20 years.



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