



New amendment to the government decree on extra profit taxes affecting pharmaceutical industry

In force from: **1st June 2023**

Following several amendments and clarifications to the Government Decree No. 197/2022 (VI.4.) on Extra Profit Taxes (the “Decree on extraprofit taxes”) which entered into force in December 2022, in the Official Gazette no. 79/ 2023 published on 31 May 2023, the Government decided on new significant changes affecting certain subjects of the pharmaceutical industry regulated by Government Decree no. 206/ 2023 (V.31) (“Amending Decree no. 4.”) which entered into force as of 1 June 2023.



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I. Change of the net sales revenue-based tax rate imposed to pharmaceutical manufacturers¹⁾

The scope of the extra tax on pharmaceutical manufacturers (originally affecting 2022 and 2023 tax years) has been extended to the 2024 tax year as well, but the tax rates will be reduced to the half of the currently applicable tax rates as of January 1, 2024 as per the figures below:

Tax rates applicable as of 1 January 2024 (for tax year 2024)

Tax base	Tax rate (2024)
Amount not exceeding HUF 50 billion	0,5%
Amount between HUF 50-150 billion	1,5%
Amount over HUF 150 billion	4%

Currently applicable tax rates (for tax year 2022 and 2023)

Tax base	Tax rate (2022 and 2023)
Amount not exceeding HUF 50 billion	1 %
Amount between HUF 50-150 billion	3%
Amount over HUF 150 billion	8%

Thus the extraprofit tax will not be repealed from next year, but more favourable tax rates will apply and the deadline for the assessment, declaration and payment of the extra profit tax for the 2024 tax year will be 20 May 2025.

II. Amending Section 36 (1) of the Hungarian Act on Medicines ("Gyftv"); increased tax levied on reimbursed medicines sold through pharmacies (40% tax to be applied instead of the previous 28% tax)

The other essential amendment stipulated by paragraph § 7 of Amending Decree no. 4 and affecting certain subjects of the pharmaceutical industry²⁾ relates to the change of article § 36 paragraph (1) of Act XCVIII of 2006 on the General Provisions Relating to the Reliable and Economically Feasible Supply of Medicinal Products and Medical Aids and on the Distribution of Medicinal Products (in Hungarian „Gyftv”) by which the tax payment obligation arisen after reimbursed medicines sold through pharmacies with a producer price above HUF 10,000 has been raised from the

1) a pharmaceutical manufacturer is a manufacturer carrying out the activities under class TEÁOR 2110 (Manufacture of basic pharmaceutical products) and class TEÁOR 2120 (Manufacture of pharmaceutical preparations), provided that its aggregate net turnover from activities under classes TEÁOR 2110 and TEÁOR 2120 exceeds 33.33 per cent of its total net turnover on the basis of the latest annual accounts available on the first day of the tax year."

previous 28% to 40% tax rate for tax years 2022, 2023 and 2024.

As opposed to the tax deduction under point 1 above, the Government has now levied a much higher (40%) tax payment obligation to the taxpayers concerned compared to the previous 28% tax rate. Although paragraph 3 of article § 11 of the Amending Decree no. 4 sets forth that the amended rules shall be applicable for the payment obligations due until 20 July 2023, on the other hand it also stipulates that the new tax rate shall be applicable for 2022, 2023 and 2024 tax years as well which raises further questions of interpretation in respect of the actual amount of the tax payment obligation payable for year 2022 and for the first three months of 2023.

Overall, the above measure leads to the conclusion that the Government is counting on additional revenues from the pharmaceutical sector in 2024, which is also supported by the figures of the currently available draft of the Budget Act for 2024.

The purpose of this summary is to provide a brief, concise information on certain issues. The content of this summary is not exhaustive and does not constitute a legal advice.

Should you have any questions do not hesitate to rely on our services:

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