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## TOURISM TAX IN THE BALATON REGION

Nowadays, tourism tax has gained importance. To achieve the tourism programme's objectives for 2020, financial resources are also needed to reach sustainability. In that regard, tourism tax has a key role. The National Tourism Development Concept clearly sets out economic recovery impact of the reinvested financial resources. This multiplier impact is greater than in other sector. However, the guest nights tax is one of the most disputed tax form in Hungary. There is no agreement on the goals of this tax – even within professional circles. The question is if it should serve as a base for tourism development or it should be only one part of the whole budget of local governments. Each settlement has different facilities for tourism and also different amount from this kind of tax, so professionals vote in favour of one or the other side depending on these factors. The aim of the paper is to analyse the tourism tax in a relatively long period of time between 2000 and 2013 in the settlements of the Balaton Region. The results show that the amount of the tourism tax highly varies in case of the different settlements of the Balaton Region. This variability can be called a tendency, which is definitely shown by the trend analysis the authors executed in the time period 2000–2013. There is high concentration in the tourism tax among the settlements in the sample. The analyses show that through this long period of time, there were only 7 settlements which provided the 64% of all tourism tax. On that basis, it may be considered, that the tourism tax in terms of volume shows a strong concentration in the Balaton Region.

*Keywords:* tourism tax, Balaton Region, time series rank of the settlements

### Introduction

The Balaton Region is the second most important destination in Hungary concerning guest nights and economic importance. There were several tourism researches concentration on this region (e.g. Raffay, Clarke, 2015; Sulyok, 2013; Madarász, Papp, 2013; Péter et al. 2011).

Tourism tax is commonly used in the world. There are several forms how this tax can be collected. In Hamburg for example, it is called a 'culture and tourism tax' and it was initiated in 2013 (<http://www.hamburg-travel.com/service/culture-and-tourism-tax/10/10/2017>). In the Balearic Islands there is also an ecotax the tourists have to pay (Labandeira et al., 2006). Although it is important to mention that the

application and the amount of the tourism tax are argued, and its economic contribution is controversial.

The aim of the paper is to analyze the tendencies of the tourism tax in the Lake Balaton Region of Hungary. The authors define the tourism tax as a contribution paid by the tourist for at least one night spent in an accommodation in a settlement. According to this definition, the tax is attached to the accommodation facilities and only those tourist are required to pay it who spend at least one night in the destination.

The research analysis the tendencies of the volume of the tourism tax. It also determines the ranks of the settlements which are paying the least and the most tourism taxes in the region.

### **The role of the tourism tax**

The law of 1990./C. enables local governments to raise the financial and social wellbeing of the residents through the local tax system. The local governments have the chance to decide how they will use the collected tourism tax, and they do it according to the regional development goals (Csizmadiané Czuppon et al, 2015).

Tourism tax in Hungary originates further back than the transition: the settlement of Balatonalmádi had already collected its 'kurtax' at the end of the 19<sup>th</sup> century. There was a health and resort tax laid between 1919 and 1945 among mixed taxes (Nagy, 2013). Although the actual local tax started to be collected in 1990s, when the workload of local governments became higher due to the more limited tasks of the state.

Tourism tax can be classified as communal type in the local tax system and can be laid two way:

- on the one hand a person is liable to pay the tax, when they have property which is not an apartment but suitable for recreation purposes;
- on the other hand a person is also liable who has no permanent address in the settlement, but they spend at least one night. This paper deals with this liability and calls it a tourism tax.

Tax relief:

- everyone under the age of 18,
- people in inpatient or social care,
- students in secondary schools or higher education, who spend at least one night in the settlement within educational framework,
- the owner or the relatives of the holiday-home,
- people staying in a church-owned facility and conducting religious activity (Law 1990./C.).

The market based (commercial) accommodation facilities keep a record of the tourism tax, they declare their tax monthly and pay the amount to the local government.

The tax is based on the inchoate guest nights or the rate for the inchoate guest night. There is an upper bound of the tax according to the law (Law 1990/C). The local governments got the opportunity in 2005 to exceed the upper bound, if it is justified by the inflation. Because of this fact several local governments decided to raise the tourism tax since it was supported by the residents opposed to other tax which they should have paid (www.ado.hu,2015/2–6).

This tax does not put pressure on the residents so more local governments took the opportunity to increase the amount. On the other hand, studies showed the tourism tax had not been raised in several settlements (for example Martfű, Gyöngyös, Mórahalom or Tihany) for years. The third reason was that the tourism tax works as a support tool and those settlements which laid tourism tax could get a differentiated contribution from the Ministry of National Economy – of course besides other conditions met.

In 2017, the additional amount decreased from 1.55 HUF to 1 HUF. The reason for this was financial resources rearrangement in the central budget.

This reduction was compensated:

- Tourism indicative target has increased to HUF 11 billion.
- Another HUF 10 billion will be allocated to tourism development.
- The maximum amount of tourism tax has increase, 4.6% of the accommodation fee may be imposed instead of the previous 4%.

According to the above mentioned facts, tourism tax is directly connected with the tourism activity. Although giving the fund back to the tourism sector is not always typical in Hungary. In many cases, however, it is difficult to decide what the public task is and what can be tourism development (for example construction of cycle path, road maintenance). The main reason is that the local governments have to brief the residents about the amount of tax annually, but they do not have to publish how and where they spent it exactly (Péter et al, 2015). Therefore the tax mostly fills in the financial holes of the budget. That is the reason why there is argument about this type of utilization of the tax and its ability to support the local tourism development (for example modernizing the lighting of the settlement).

### **Tourism in the Balaton Region**

The area of the Balaton Region is one of the most popular tourism destination of Hungary both for domestic and international visitors. Besides lake holidays, there are a lot of historical sights, special natural attractions and opportunity for active

tourism, as well. Although the region had been anticipated as an average agricultural area, the lake and its surroundings went under a tourism development from the 19<sup>th</sup> century (Buday-Sántha, 2008).

Currently the Balaton Region is the second most visited region in Hungary (after Budapest), and 26.1% of the accommodation facilities can be found here (ksh.hu). 26.1% of the domestic and 12.9% of the international guest nights at commercial accommodation establishments are registered in this region. As *Figure 1* shows, the number of guests is rising in the last years. In 2016, the occupancy rate for the 554 accommodation facilities in the region was 47.1%. The increase of the occupancy rate is also due to the several attraction developments. Although the tourists need and visit these attractions, they are mostly registered only in the accommodation facility.

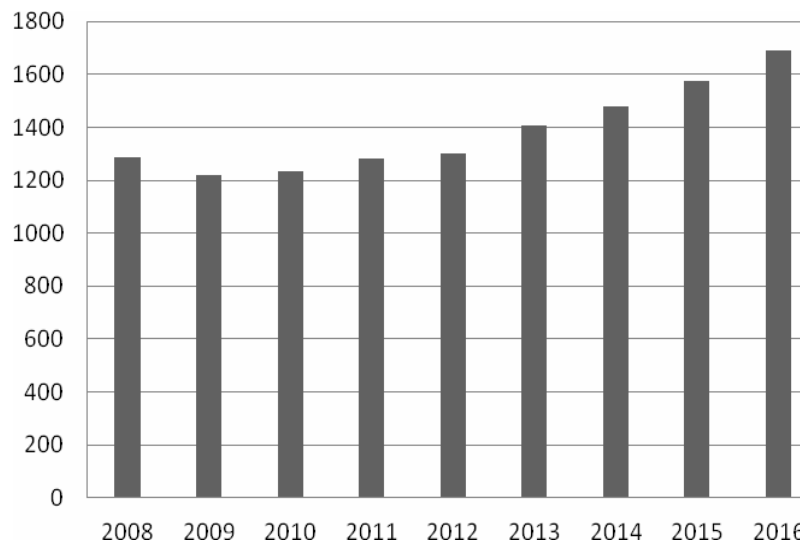


Figure 1: Number of the guests (thousand people) in the accommodation facilities in the Balaton region between 2008 and 2016 (own editing according to HCSO data)

### Research methodology and the introduction of the applied database

The analysis is based on the so-called TEIR (National Regional Development and Planning System), which contains freely available data about local taxation. The authors examined the volume and distribution of the tourism tax between 2000 and 2013 with simple and more complex statistical methods in each settlements of the Balaton Region. The long time series were analyzed by the quantification of the rate change, trend analysis and creation of ranks:

- the rate change showed the alteration of the tourism tax and the amount paid by each settlements,
- the trend analysis indicated the tendencies in the time series,
- the ranking shows the changes in the place of each settlements in the rank, in this paper according to the tourism tax (Molnár, 2016).

### The role and change of the tourism tax in the Balaton

There were 179 settlements analyzed in the database, more than half of them did not pay any tourism tax to the government in the year 2000. This tendency was present until 2007, although after that year some settlements joined in and started to pay the tourism tax (*Tab. 1*). As a result of it, there were 91 settlements paying tourism tax in 2013 opposed to the 78 payers in 2000.

Table 1: The ratio of settlements not paying any tourism tax between 2000 and 2013  
(Authors' calculation based on the TEIR database 2000–2013)

Year	The ratio of settlements not paying any tourism tax, %
2000	56.42
2001	53.63
2002	55.31
2003	53.63
2004	54.75
2005	55.87
2006	56.98
2007	56.42
2008	54.75
2009	54.19
2010	53.07
2011	53.63
2012	51.96
2013	50.28

There is a clear tendency in the amount of tourism tax paid by 179 settlements. Time series can be described by a well fitted function. *Figure 2* shows that the phenomenon – the tendency of the tourism tax – looks like a parabola since this function could describe the original data the best way (Relative error of the estimate:

4.56%).<sup>1</sup> The application and explanation of a linear function is always easier from the professional point of view and in this case this function follows through the change of the original data (Relative error of the estimate: 9.23%). This is the reason why in this situation the characteristics of linear function are being presented.

Since the function is parabola shape, it can be stated that the amount of the tourism tax did not increase continuously, there was a decrease between 2002 and 2006. Although it can be declared that altogether – due to a linear function – the amount of tourism tax in the period of time involved in the research rose by 60,418 HUF annually.

There are some external factors which cannot be neglected concerning the changes in the amount of the tourism tax. The impact of economic recession can be observed in the database of the tourism tax in the 2008–2010 time period. The registered guest nights have increased due to the introduction of the SZÉP card, which intensified the domestic tourism and creates more tourism tax.

The rank of the settlements paying the least tourism tax has significantly changed in the analyzed period of time. There are only two settlements which position have not altered in this rank. It can obviously be seen that the amount of tourism tax paid by the 10 settlements at the bottom of the rank decreased to 40% (213,000 HUF) by 2013 (*Tab. 2*). There are more stable positions on the top of the complete list (*Tab. 3*). 7 settlements can be found in the rank, which were there in 2000.

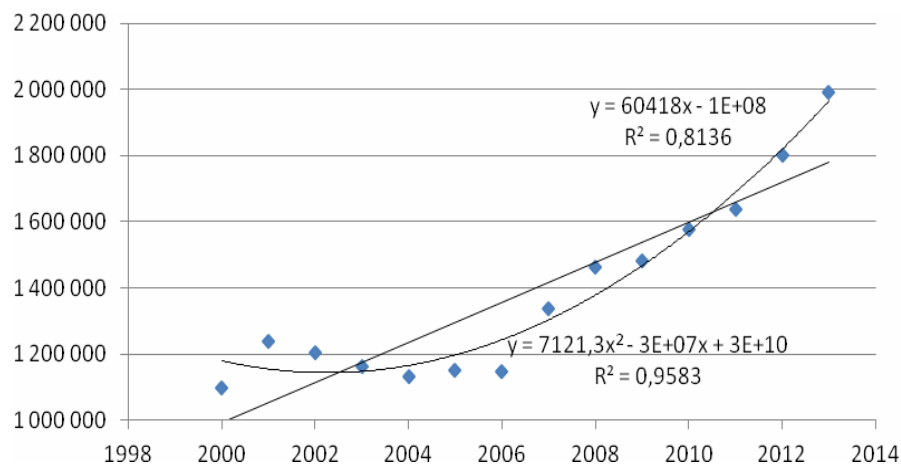


Figure 2: The tendency of the tourism tax (000s HUF) between 2000 and 2013  
(Authors' calculation based on the TEIR database 2000–2013)

<sup>1</sup> Relative error of the estimate shows the average difference between the original data and the function. The smaller the distance is (less than 10–15%), the better the fit is.

Table 2: The list of settlements paying the least tourism tax between 2000 and 2013  
(Authors' calculation based on the TEIR database 2000–2013)

Rank	Settlement (2000)	Tourism tax, Thousand HUF, 2000	Settlement (2013)	Tourism tax, Thousand HUF, 2013
170.	Sármellék	43	Kötcse	27
171.	Zalaújlak	41	Felsőpáhok	26
172.	Köveskál	39	Kisapáti	20
173.	Szentkirályszabadja	38	Sármellék	14
174.	Balatonszőlős	35	Balatonfőkajár	14
175.	Zalasabar	34	Zalasabar	11
176.	Szentbékáll	29	Balatonhenye	5
177.	Karmacs	19	Somogyvár	2
178.	Somogybabod	18	Nagyberény	2
179.	Mindszentkál	17	Lengyeltóti	2

Table 3: The list of settlements paying the most tourism tax between 2000 and 2013  
(Authors' calculation based on the TEIR database 2000–2013)

Rank	Settlement (2000)	Tourism tax, Thousand HUF	Settlement (2013)	Tourism tax, Thousand HUF
1.	Hévíz	207,672	Hévíz	487,729
2.	Siófok	163,254	Siófok	290,572
3.	Balatonfüred	134,270	Balatonfüred	246,268
4.	Keszthely	67,111	Balatonlelle	67,511
5.	Balatonföldvár	59,363	Cserszegtomaj	61,106
6.	Balatonalmádi	35,325	Vindornyaszlós	60,569
7.	Balatonlelle	31,187	Keszthely	57,692
8.	Balatonboglár	30,932	Balatonszemes	57,508
9.	Balatonszemes	30,311	Balatonföldvár	56,819
10.	Fonyód	27,508	Tihany	54,494

The tourism tax paid by the above mentioned settlements is substantial, moreover the amount has been doubled comparing to the 2000 data (+1,440,268 thousand HUF). The difference in the amount can be seen by the following: the tourism tax paid by the ones in the bottom was 0.04% (2003) and 0.009% of the amount the top paid (*Fig. 3*).

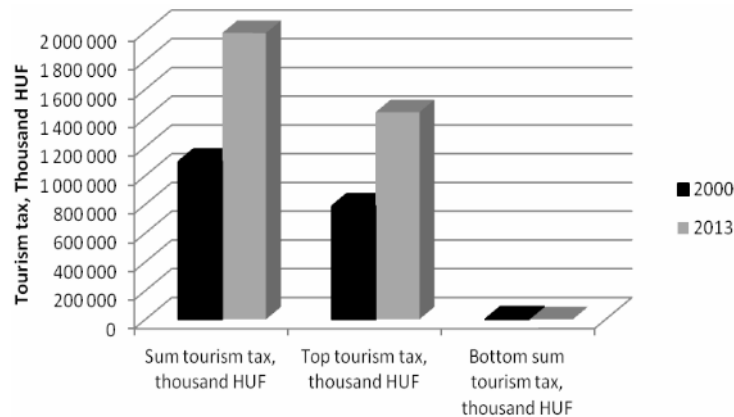


Figure 3: The ratio of the tourism tax in 2000 and 2013  
(Authors' calculation based on the TEIR database 2000–2013)

After analyzing the ratio changes, it can be stated that the contribution of the settlements in the bottom of the list decreased, but the significance of the top settlements rose in case of the amount of the tourism tax (*Tab. 4*).

Table 4: The changes in the ratio of the tourism tax in case of the least and most paying settlements in 2000 and 2013 (Authors' calculation based on the TEIR database 2000–2013)

	Partition coefficient 2000, %	Partition coefficient 2013, %	Ratio change, %
Top sum tourism tax, Thousand HUF	71.74	72.35	100.85
Bottom, sum tourism tax, Thousand HUF	0.04	0.01	21.65

After further analysis of the rank, it became obvious that the same settlements are on the top in the whole period of time involved in the research. There were actually 7 settlements which significantly contributed to the tourism tax from the 179



analyzed settlements<sup>2</sup>: Balatonalmádi, Balatonföldvár, Balatonfüred, Balatonlelle, Hévíz, Keszthely and Siófok. The amount of the tourism tax paid by the previously mentioned 7 settlements is significant, they are responsible for the 62–65% of the tourism tax in the entire period of time. It means that it is easy to define the exact characteristics of settlements which are able to ‘produce’ significant amount of tourism tax. This comes from their tourism capabilities, features as well, which are hard to compete against. Although this strong concentration can be decreased by creating tourism attractions especially in the same region as the settlements which are the top tourism tax payers.

### **Conclusion**

Tourism tax is an essential tool for tourism development in the settlement level. Although this statement is only true if the revenue is used for tourism services in the destination.

The aim of the research focused on the introduction of the volume of the tourism tax. The analysis shows that there is a high concentration in the Balaton Region in this matter. Although it is not enough to know this fact because the reinvestment of tourism tax has a big role in tourism development. Unfortunately there is no database concerning how the settlements spend the amount they got from the tourism tax. Although according to the information from the internet, the amount settlements earned from the tourism tax ‘shape into’ the local budget, which ease the economic problems of the local governments. The dilemma is the following: only those settlements can provide a stronger tourism attraction. The other question is if the reinvested tourism income can strengthen the local economy.

The data also shows that the Balaton Uplands as a destination is one of the most essential area due to the tourism tax. The settlements in that destination performed very well comparing to other areas. It can also be added that there are lakeside settlements in the top of the rank concerning the amount of the tourism tax.

According to the data the authors suggest that the expenditure of the tourism tax should be transparent, so the effect of the investment could be measured. The researchers also recommend the application of other indicators not only the tourism tax, because it is only in connection with the guest nights at commercial accommodation facilities. Although there are one-day visitors as well, who are valuable for the settlement and tourists who are staying in private accommodations and they are not registered.

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2 Although Balatonalmádi placed only 11 in 2013.

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