

# TAXATION OF FARMERS

Kiss Boglárka <sup>1\*</sup> 0009-0006-2107-4921 Zsófia Hajnal <sup>2\*</sup> 0009-0002-1054-9323

<sup>1</sup> Department of Economy, GTK Faculty of Business and Management, John von Neumann, Hungary

<sup>2</sup> Department of Economy, GTK Faculty of Business and Management, John von Neumann, Hungary

<https://doi.org/10.47833/2025.2.ECO.009>

---

## Keywords:

self-employment taxation,  
smallholder farmers, subsistence  
farming, taxation methods,  
pension system, tax exemptions,  
agricultural subsidies, tax burden,  
simplified tax system

## Article history:

Received 15 January 2025

Revised 10 May 2025

Accepted 25 August 2025

---

---

## Abstract

*My research focuses on the taxation of self-employed farmers, particularly small-scale subsistence farming operations. It examines why specific tax structures are adopted and their unique benefits. Using a questionnaire and interviews with farmers, you investigate perspectives on the current tax system, areas for improvement, and strategies to attract young people to farming. Your analysis includes a review of tax laws and family farm obligations and exemptions. Key findings reveal that while farmers generally find the tax framework satisfactory, pension provisions are seen as insufficient, leading to policy reform recommendations. The study also addresses the ageing farming sector, proposing measures to attract younger generations and offering a nuanced understanding of the tax burden, subsidies, and opportunities for new farmers.*

---

## 1. Introduction

With this research, I aim to provide a comprehensive picture of the tax options for smallholders and their practical application, which could contribute to making farming more attractive to young people and at the same time provide suggestions for future improvements of the tax system.

In what follows, I analyze the farmers' questionnaire and interview responses to get a broad picture of their views on the tax system, their motivations for choosing it and the changes they suggest. The questionnaire provides an opportunity to explore common opinions and trends, while the interviews provide a deeper insight into individual experiences and expectations. The aim is to use both the numerical and more detailed responses to formulate proposals to increase young people's motivation to farm and to improve the tax system, helping to make the sector sustainable and attractive for the next generation.

## 2. Literary history and method

Based on the literature review, the history of taxation of smallholders goes back a long way: taxation dates back to antiquity, initially as a voluntary system, later as a compulsory system. Taxes are one of the most important sources of revenue for modern states and tax collection has traditionally been the responsibility of central government. It is only in recent decades that special tax breaks for farmers have been developed to support agriculture, thus creating a specific tax environment for agriculture. [1]

In addition to the sustainability issue, it is also very important to establish a tax system within the states. On the other hand, sustainability and tax avoidance are two distinct concepts with conflicting goals. Conflicting interests, yet there is a connection between the two concepts. All governments need to develop an optimal tax system where entrepreneurs are not interested in tax evasion or tax evasion. [7] There is a growing need for smart taxation. Use the right tools and systems, enabling all generations to manage their tax affairs quickly, cost-effectively and

---

\* Kiss Boglárka.  
E-mail address: [kissbogi2303@gmail.com](mailto:kissbogi2303@gmail.com)

conveniently. [8] In determining taxes, we must also keep in mind the principle of justice, which means generality and equality. The principle of solvency is important when it comes to the sharing of taxes, since people's ability to bear loads is limited. If the tax rates are too high, there is a risk that people are already looking for other ways to avoid tax. [6]

The primary agricultural activity may be carried out either on its own or as part of a family farm of primary producers. In addition, it is also possible to deal with it as an agricultural, forestry and ancillary activity in a family agricultural company. The income thresholds of the primary producers are not determined on the basis of a specific amount, but on the basis of the minimum wage, so that with its continuous increase, the primary producers can also benefit. However, it is important to know that the activity of a member of a family agricultural company does not fall into the category of primary producers. An individual who has reached the age of 16 may be a primary producer, is registered as a farmer and carries out primary production activities on its own farm. The following categories are considered to be primary production activities: field and forestry activities, such as crop production, horticulture, livestock farming, forestry. Additional activity is the complementary primary production activity, such as rural and agrotourism, handicrafts, feed production, tobacco processing, food production from agricultural products. It is important to note here that our annual income from the activity of the supplemental primary producer may not exceed a quarter of our annual income from the primary producer activity. Otherwise, the total income of the additional primary production activity will not fall within the category of the primary production activity, which also means that we cannot carry out additional primary production activities as agricultural primary production. Failure to do so may result in sanctions. [2]

Farmers have a choice of taxation methods: in addition to flat-rate taxation, there is itemized cost accounting and a 10% cost ratio. Itemized cost accounting allows farmers to accurately account for the costs they incur so that they can be deducted from their income. By contrast, under the 10% cost rate, farmers account for 10% of their income as costs without itemizing the actual costs, which is simpler but less accurate. [3]

Income threshold	Flat-rate taxation	Itemized cost accounting	10% of cost
<b>annual revenue ≤ 1 392 000 HUF</b>	No need to count income	No need to count income	No need to count income
<b>1 392 000 HUF &lt; annual revenue ≤ 13 920 000 HUF</b>	You have to count the income, but you don't have to pay taxes	Determined on the basis of the costs eligible for revenue	Based on the 10 percent revenue deductible
<b>13 920 000 HUF &lt; annual revenue ≤ 27 840 000 HUF</b>	Income must be calculated; taxes must be paid on income exceeding the half of the annual minimal wage	Income must be taxed	Tax must be paid on established income
<b>27 840 000 HUF &lt; annual revenue</b>	Flat-rate taxation is not applicable	Income must be taxed	Tax must be paid on established income

1. Table: Main characteristics of each method of income calculation

Sources: Vámhivatal 2023

Primary income is the amount of the product sold, the amount charged separately for transport or packaging, the advance, transmission or other benefits in kind resulting from the activity, or even the refund of the difference in tax. However, since 2022, income from the sale of tangible assets for production or operation shall no longer be recorded as income from additional productive activities, but as income from the transfer of movable property or immovable property. [5]

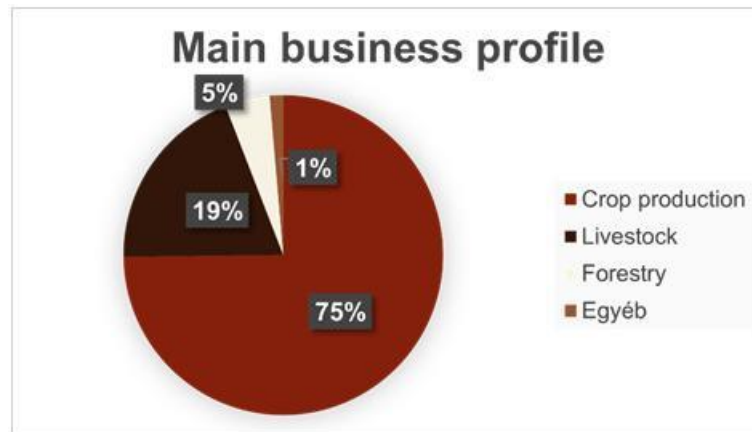
The types of farmers are also diverse: they can include individuals who carry out farming activities on their own, family farms (FFCAs) and family agricultural holdings (FAS). Each form has different legal and tax characteristics. For example, family farms are jointly owned by family members and are entitled to special tax benefits, while individual farmers typically farm their own land. [4]

The Hungarian tax system offers a variety of special tax return and tax relief schemes for farmers, adapted to the specificities of the sector. In addition to preferential taxation, these schemes also help farmers through subsidies, for example in case of frost damage, and through agro-ecological programs. However, the pension system poses challenges for them, as farmers often farm on low incomes, which is reflected in low pensions. The information is based on official documents from the National Tax and Customs Administration. [5]

## 2.1. Presentation of methodology

My research aims to assess the satisfaction and experiences of local farmers and farms. A questionnaire was completed by 83 farmers and I interviewed 4 farms, including individual farmers and managers of larger farms. The questionnaire was launched on Facebook on 1 April and was subsequently completed in person at local markets over several weekends. The interviews took place between 22 April and 5 May at the farms' headquarters, where I gained insights into their daily life.

My other research was based on primary research, collecting my own data to understand the issues. My chosen method was questionnaire and in-depth interview research. The questionnaire research collected quantitative data that can be measured by numbers, while the in-depth interviews provided qualitative information that helped me to better understand the functioning of the farms and the views of the farmers.



1. Figure main business profile  
Source: Own editing

The target group of my research was specifically a local peasant farmer and as I could not accurately measure satisfaction using other methods, primary research was the most effective. The questionnaire was completed with a random, large group sample, while I worked with a small sample of farms during the in-depth interviews.

The questionnaire was completed by 83 farmers, 62.5% of whom were men and 37.5% women. The age distribution shows an ageing of the farming population, with fewer young people starting new businesses or joining existing ones. The largest proportion of respondents (75%) is engaged in crop production, followed by livestock farming (19%), forestry (5%) and other activities (1%). Those who practice agriculture as their main activity account for 51.9% and those who practice it as a secondary activity for 48.1%.

The most popular type of business is the family subsistence farm, which is a lower capital-intensive and risky choice, as many people do not have enough land, assets or capital to start a larger business. Among respondents, the most common type of business size is 1 person (41.3%), followed by 2 persons (28.7%) and businesses with more than 3 persons (30%).

The start-up of agricultural businesses has been prevalent in the last 1-10 years, indicating that the industry is showing growing interest. The most popular tax method is the flat tax, which is preferred by farmers because of the economic environment and simplified administration.

The research has shown that although the agricultural sector is characterized by an ageing workforce, there are opportunities for young people to start a business, but the proportion of new entrants is still low.

12.5% of the respondents had some kind of benefit, the most common being the personal income tax exemption and the family tax allowance. The majority of smallholders (76.3%) make use of some kind of support, such as area or investment aid, benefits for young farmers or agro-ecological programs.



2. Figure taxation  
Source: Own editing

		Satisfaction	Information available at
Not at all	1-3	2,5%	5,1%
Medium	4-6	5,1%	18,6%
Completely	7-10	92,4%	76,3%

1. Table satisfaction and information  
Source: Own editing

Tax conditions received satisfaction from the majority of respondents, but there were some who would like to change the pension system. The impact of inflation on taxation was less noticeable, with 47.4% of respondents not noticing any change. 93.7% of respondents were satisfied with their current tax arrangements, and 52 respondents said they were informed about their tax situation.

In my thesis, I conducted in-depth interviews with two different types of agricultural enterprises: companies and family farms. The municipality of Jakabszállás, where the enterprises

are located, is an ideal location for agriculture, with high-quality land and a favorable climate. The aim of the interviews was to compare the two companies' different forms of operation and taxation.

**Nedel-Market Ltd.** The company successfully sells its products on foreign markets and to large supermarket chains. The tax base is corporate tax (TAO) and various other taxes such as social contribution tax and vehicle tax. The company also benefits from various subsidies, such as agricultural and environmental subsidies. The company manager says that taxes are high and suggests reducing them to leave more money for development.

**Roha Impernal Ltd.** This company has been operating since 2003, with two hectares of land dedicated to livestock farming and spirits. The average annual income is 60-70 million HUF. Their tax liabilities include corporate tax (TAO), business tax and vehicle tax. Talking about the complexity of taxation and subsidies, the manager mentioned the many hidden taxes and the complexity of administration as a negative, but subsidies help development.

**Organic Family Farms (ÖCSG):** Two family farms were interviewed. One is the largest peasant farm in Jakabszállás, which grows asparagus, plums and elderberries on 30 hectares. They use KATA tax form and benefit from a number of agricultural subsidies, such as subsidies for vegetable crops and fruit production. The farm manager stresses the importance of subsidies and gradual expansion in motivating young people, and says that getting started in agriculture is essentially a matter of family tradition and subsidies.

The paper has examined the impact of different tax forms and subsidies on the functioning of agricultural enterprises and concludes that the right tax form and appropriate subsidies play a crucial role in the success of enterprises.

### 3. Summary

The aim of the research is to analyze the tax system of smallholders, with a special focus on the current tax forms, their satisfaction, tax burden and the role of subsidies. The results show that the majority of farmers are satisfied with the current tax system, in particular the simplified flat-rate form, which provides them with a lower administrative burden and easier administration. Tax breaks and various subsidies, such as area or investment subsidies, contribute to the sustainability of farms, but interviews with farmers and farm managers suggest that the pension system and taxes should be reduced and bureaucracy simplified.

The results of the survey also highlighted the ageing of the agricultural sector and the low interest of young people as problems. According to respondents, more targeted support and tax incentives are needed to attract young people to agriculture. In addition, it would be important to improve the situation of retired farm workers, as current pensions are not sufficient to support them and targeted support is needed.

The changes suggested by the research include improving pension adjustments, increasing targeted support for young farmers, reducing the tax burden and simplifying the tax system, especially for smaller farmers. The research could help make farming more attractive and sustainable for future generations.

For retired farm workers, working is particularly challenging, especially because of the weather. During the interviews, it became clear that many of them are forced to continue this difficult physical work because their pensions are not sufficient to support them. Therefore, targeted subsidies and facilitation measures are needed to reduce the burden on older workers and to ensure the livelihoods of retired people in the agricultural sector.

The research suggests that there are three main areas where changes could be made to improve the situation of small farmers:

- ✓ **Pension:** Improving pension inclusion: Farmers often have an uneven income, which results in a lower pension. A reform of the basic pension system and the introduction of more flexible pension contribution options could improve pension entitlements.
- ✓ **Supporting retired farmers:** Special schemes could be introduced for older farmers to help them keep their businesses going or pass them on to younger generations.
- ✓ **Support:** Targeted subsidies: Specific, tailor-made subsidies could be introduced for small-scale farmers, especially for beginners and small farmers, for example for the purchase of machinery and equipment or technological improvements. Support for training programs: In

order to facilitate the adaptation of farmers, it would be important to provide training programs and advice, especially on modern agricultural technologies and market requirements.

- ✓ **Tax incentives:** Reducing tax burdens: More transparent and favorable tax incentives should be introduced for lower-income farmers to reduce their financial burden and improve the long-term sustainability of their businesses. Simplified taxation: Simplifying the tax system, for example by introducing a fixed or reduced flat tax, could help to reduce administrative burdens, especially for smaller producers.

## ACKNOWLEDGEMENTS

I would like to thank teacher Zsófia Hajnal for her help in developing and validating the topic.

Jelen „Taxation of farmers article”a 2024-2.1.1-EKÖP-2024-00008 projekt keretében jött létre. „A 2024-2.1.1-EKÖP-2024-00008 számú projekt a Kulturális és Innovációs Minisztérium Nemzeti Kutatási Fejlesztési és Innovációs Alapból nyújtott támogatásával, a 2024-2.1.1-EKÖP pályázati program finanszírozásában valósult meg.

## References

- [1] Szabó Ildikó (2017): Az adómegállapítás jogtörténeti kialakulása és fejlődése <https://core.ac.uk/reader/195920350> Letöltés dátuma: 2024.12.10.
- [2] Billingo Blog: Östermelők adózása tudástár <https://www.bilingo.hu/blog/olvas/ostermelok-adozasa> Letöltés dátuma: 2024.12.10.
- [3] Takács Judit (2023): Mit kell tudni az őstermelők adózásáról? <https://konyvelosziget.hu/ostermelo-adozasa/> Letöltés dátuma: 2024.12.10.
- [4] CSGTV. (2020). 2020. évi CXXIII. törvény a családi gazdaságokról Netjogtár: <https://net.jogtar.hu/jogszabaly?docid=a2000123.tv> 2024.12.10.
- [5] Vámhivatal, N. A. (2023). A mezőgazdasági őstermelő adózása
- [6] Pajor Andrea (2021) Az adózás/adóztatás igazságossága – Az aranyos és méltányos közteherviselés: DOI: [10.37372/mrttvpt.2021.2.16](https://doi.org/10.37372/mrttvpt.2021.2.16)
- [7] Erdős Éva (2021): Fenntarthatóság és adókikerülés kapcsolata az európai adóharmonizáció legújabb tendenciáinak tükrében DOI: [10.32980/MJSz.2021.5.1460](https://doi.org/10.32980/MJSz.2021.5.1460)
- [8] Szlifka Gábor: Okos adózás, okos adóigazgatás – Minden, ami okos, de mit is jelent pontosan? DOI: [10.37372/mrttvpt.2021.1.12](https://doi.org/10.37372/mrttvpt.2021.1.12)