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News Flash

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Rules of company cars in Hungary 2017

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Each year, more and more people are interested in the rules and regulations affecting company cars and whereas last year's tax packages affected this field and from January 1st they also came into force, we felt that we should present a comprehensive synopsis about this topic. In our current article, besides the current changes, we are going to cover every important detail about company cars, to answer every question that might arise.

Subject of the tax

The current Personal Income Tax act provides the outline of the passenger cars that are subjected to company car tax, as well as the ones that are not subjected to car tax. The outline defines each of those as follows:

- **Subjected to company car tax**: those passenger cars which are not owned by private individuals or those passenger cars whose costs and expenses have been accounted according to the Accounting Act, or their expenses and depreciation allowances have been written off with the method of itemized expense accounting in accordance with the Personal Income Tax Act.
- **Not subjected to company car tax**: Those passenger cars which are owned by private individuals and in connection with the usage, the owners receiving reimbursements and those financial leased passenger cars whose costs have not been accounted.

Taxable person

- The registered owner of the passenger car. In case of several owners (co-owners) they are subjected to company car tax in proportion with their ownership.
- In case of leasing, the lessee and the operational lessee.
- In case of a passenger car owned by the Hungarian State, that person or organization who holds the passenger car's trustee rights. If besides the rights of trustee, there is rights of use exist too, then the person or organization who holds the rights of use.
- In case of passenger car not included in official register, that person or organization who claims expenses for the use of the passenger car.

Origination of the tax liability

In case of passenger cars **not owned by private individuals**, company car tax liability arises on the first day of the following month of acquisition of ownership, while in case of passenger car **owned by private individuals**, company car tax liability arises on the first day of the month in the preceding month of which the owner claimed any expense for the passenger car.

Termination of the tax liability

In case of private individual owners, on the last day of the month in which the owners declares that they no longer intend to claim any expense for the passenger car. **In case of non-private individual owners,** on the last day of the month in which the owners alienates their passenger car. **Furthermore,** the tax liability terminates on the last day of the month, in which the passenger care is unlawfully alienated or has been destroyed.

Tax rate

The company car tax needs to be self-assessed quarterly (which involves an obligation to assess, declare and pay the tax) for each month of the calendar year, and its monthly rate depends on the car's capacity expressed in kW and its environmental category, as follows:

Engine capacity	Environmental category		
	0, 1, 2, 3, 4 category	6, 7, 8, 9, 10 category	5, 14, 15 category
0-50 kW	HUF 16,500	HUF 8,800	HUF 7,700
51-90 kW	HUF 22,000	HUF 11,000	HUF 8,800
91-120 kW	HUF 33,000	HUF 22,000	HUF 11,000
Over 120 kW	HUF 44,000	HUF 33,000	HUF 22,000

Double taxation

To prevent double taxation, motor vehicle tax can be deducted from the company car tax. If the taxable person persons paid their motor vehicle tax within the applicable deadline, they can deduct their tax for those months of the quarter, in which they were liable for both taxes.

Tax return

Company car tax needs to be self assessed. The tax assessment, declaration and payment needs to be submitted quarterly for each month of the calendar year in which the tax liability prevailed by the 20th day of the subsequent month by using the tax authority's relevant declaration document.

Company car tax changes in 2017

The provisions of company car tax in the Act LXXXII of 1991 on Motor Vehicle Tax had been amended in many points as of January 1st, 2017:

- One of the key changes is that from January 1st, in case of company car lease, the lessee no longer will be the taxable one. That means that from that day instead of the lessee, the owners of the passenger car will be subjected to tax payment.
- Those passenger cars are exempt from tax who are operated for regular transport of health prevention or curative purposes, social purposes by foundations, public foundations, organizations, public bodies founded for helping health impaired and disadvantaged people.
- From 2017, the scope of company car tax-exempt passenger cars operating for general medical practice and general paediatrician practice by health-insurance bodies had been broaden with the list of cars used for dentist-, nursery- school healthcare- practice.

Company car depreciation

The purchase price of the vehicle can be considered as eligible cost by the general rules of the fixed assets, which implies the main rule on accounting and corporate tax base determination that the cost of these assets has to be considered by depreciation method.

The purchase-, upkeep-, maintenance-, repair- and fuel costs can only be enforceable by properly issued invoices.

Private use of company cars

The private use of company cars provided by the employer, road-use vignettes and tickets/fines in connection with them, according to the Act on Personal Income Tax, are considered as tax free fringe benefits.

Certainly the rules of company cars, affecting the personal income tax, value added tax and corporate tax, are much more complex, thus if you have any additional questions or need further information, please feel free to contact us, our experienced tax advisors would be pleased to help you.

About the author

Gabor joined Accace in 2016 and took over the leadership of the tax consultancy division at our Hungarian branch. He started his professional career in 2005 at the merger & acquisition team of KPMG and from 2006 for 10 years he had been working as the tax consultant of BDO, in the last 3 years as a manager and the leader of the tax consultancy team.

Gábor has acquired an in-depth knowledge in the fields of all major direct and indirect taxes during his 12-year professional career. He has exceptional knowledge in the international income taxes, value added tax, business promotions and contests, company transactions and financial due diligences.

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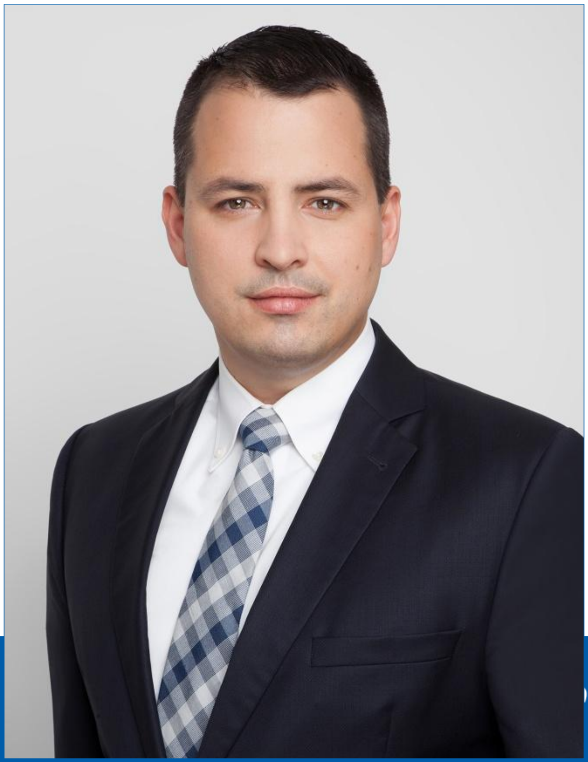

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