



New car tax regulation from 1 February 2009

1/2009

Currently, the rules on company car tax are included in the Act on Personal Income Tax. However, the new regulation will be moved into the Act on Vehicle Tax from 1 February 2009. According to the new legislation, private usage of a company car will not be classified as a benefit in kind within the meaning of the Act on Personal Income Tax. Moreover, neither social security contributions nor unemployment contributions have to be paid on the private usage of company cars. The aim of this modification is to change the company car tax regime through significantly reducing the tax burden while increasing the number of taxpayers. The purpose of this Newsletter is to call your attention to the most important features of the new regulation.

The modified company car tax rules

Cars subject to new tax

Cars owned by non individuals and such private cars, in relation to which costs or expenses have been accounted for based on the Act on Accounting or in accordance with the Act on Personal Income, are subject to the new company car tax (irrespective of the frequency or the measure of the cost accounting). However, individuals' private cars are not included in the scope of this tax if the owners receive cost allowance with regard to commuting to and from their usual or an assigned workplace.

(Based on the above, as of 1 February 2009, companies subject to the Act on Simplified Entrepreneurial Tax are not exempted from paying company car tax.)

Taxpayers

According to the main rule, the owner of the car (or with regard to financial leasing, the lessee) is the taxpayer. If the car is not registered in the Hungarian system and costs were accounted for in relation to the car, the person accounting for the cost is liable to pay tax.

With regard to renting a car (operating leasing), the law does not provide for an exception. Thus, the lessor (the owner) has to pay the tax.

Begin and end of tax liability

For the non individual owner/lessee:

- the tax liability arises on the first day of the month following the month of acquiring the title of the car/month in which the financial leasing starts and closes in the month of cancelling ownership or terminating the leasing agreement.

With regard to individuals, if this individual or any other person accounts for cost in relation to his owned car or his leased car, and with regard to cars of foreign license plate:

- the tax payment liability arises in the month following the month in which the cost was accounted for and closes on the last day of the month in which costs were accounted for the last time.

Exemptions

The law provides for an exemption in the case of conditions deserving special consideration, e.g., with regard to cars which are equipped with a special light or warning signals and cars purchased by a dealer for resale purposes.

Tax rate

Until now, the monthly tax payable was determined progressively according to the purchase price and the age of the car. Pursuant to the new regulation, the flat rate is:

- HUF 7,000 per month on cars under cylinder capacity 1,600 cc or under chamber size 1,200 cc and
- HUF 15,000 per month for the others.

Tax payment and tax return

The taxpayer must declare and pay the tax quarterly, by the 20th of the first month following each quarter of the year.

The good news is that the total amount of the paid vehicle tax can be deducted from the amount of the payable company car tax in those months when both tax liabilities arise.

Good to know

The new company car tax has to be paid not on private usage of car, but on the car as an asset. Therefore, differing from the previous practice, logbooks will not have to be maintained with regard to company cars once the new rules enter into force. However, fixing the km run may be reasonable from other points of view.

According to the Act on Personal Income Tax, private usage of cars as well as the motorway toll becomes a tax-free benefit in kind. According to the current rules, 50% of the motorway toll value was considered as a taxable benefit in kind (in absence of a logbook with regard to the private journeys).

Should you have any question about the topic discussed in this Newsletter, we are always happy to be of service.

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