

Accounting of costs related to the operation of vehicles

2022

The Act on Personal Income Tax¹ lists costs related to the official/business usage of vehicles among recognized expenditures. The cost accounting depends also on the fact that the private person uses the given vehicle for which activity or which legal relationship.

This information booklet details the basic rules of cost accounting related to the operation of vehicles.

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¹ Act CXVII of 1995 on Personal Income Tax (henceforth: PIT Act).

1. What is considered an official/business travel?

In the scope of the PIT Act official and business travel shall mean

- trips taken by a private individual with a view to obtaining income or to perform a task connected with the activities of the party paying such income, with the exception of commute to the workplace, head office or place of business from the place of abode. It includes especially the travel necessary for working under posting or for working at another employer in derogation from the employment contract, with the exception if there is any evidence - direct or circumstantial - found in the documents and circumstances² pertaining to the travel in question to suggest that the official or business nature of such travel is fictitious;
- the travels of Members of Parliament, spokesmen for the nationality, mayors and municipal council members to the extent required to fulfil their official duties (absence from home);
- official and business travel shall also cover any trip taken by a private individual connected to his office held with a legal person, other organization established in Hungary exercising specific authorizations provided for by law, or connected to his office held with a legal person, other organization established abroad or in Hungary in which said legal person holds membership, also if the private individual is not engaged under contract of employment with said legal person, other organization³.

2. Costs related to the operation of vehicles

The operation costs of vehicles **include costs of fuel, maintenance, repair and renovation.**

Thus, as an example, the costs of road toll, garage rental or parking are not part of the operation costs.

The costs of fuel shall be accounted according to usage norms defined by the Government Regulation⁴, on the basis of kilometres indicated in the logbook on business (official) trips. The Government Regulation defines fuel consumption norms according to vehicle type and the engine capacity. The private person may choose from the two types of consumption. However, in a quarter year only one norm shall be applied, and the two consumption norms shall not be mixed.

Fuel prices⁵ either published by the NTCA⁶ or indicated on the invoices shall be taken into consideration. In a quarter year only one method shall be applied.

² Such as arrangements, advertising, promotion, travel route, destination, duration of stay, ratio of actual business related and free programs.

³ Point 10 of Section 3 of PIT Act.

⁴ Norm defined in Annex 1 or Section 4 of the Government Regulation No. 60 of 1992 (1 April) on the limit of non-certifiable consumption of fuel and lubricant of road vehicles and certain agricultural, forestry and fishing machinery.

⁵ Fuel prices – on a monthly basis – can be found in the Hungarian Official Gazette and on the www.nav.gov.hu webpage.

⁶ National Tax and Customs Administration.

3. Cost accounting of vehicles used in favour of a payer

3.1. *Vehicles owned by private persons*

The private person shall certify his/her right of property on the own vehicle by presenting the vehicle registration card issued by the transport authority, or if the vehicle registration card has been withdrawn, a certificate issued by the authority is needed.

In the scope of PIT Act vehicles with financial leasing agreements involving definite transfer of ownership are also considered as own vehicles. Moreover, passenger cars owned or leased by close relatives are also considered as own property⁷.

The private person may basically **receive reimbursements** for official (business) usage of an own passenger car⁸ **in two forms**, on the basis of:

- keeping the mileage log, or
- an assignment order.

3.1.1. *Reimbursement of costs based on the mileage log*

The private person may benefit from reimbursement of costs on the basis of either the actual trips included in the mileage log, or a lump sum. This may more often happen, when the private person uses his/her own passenger car for official purposes.

The amount received as reimbursement is considered as taxable revenue, against which the costs incurred related to business (official) trips (mileage) may be accounted.

The cost accounting against revenue – upon the decision of the private person – may be done applying two methods:

- taking into consideration a general passenger car lump sum of HUF 15 per kilometre which includes maintenance, repair and renovation costs as well, or
- as fuel cost:
 - by multiplying the amount of fuel according to the consumption norm defined in the Government Regulation with the fuel price published by the NTCA, or
 - the invoice(s) on buying fuel may also be taken into consideration, but in this case the amount of fuel shall not be more than the amount calculated using the fuel consumption norm, moreover, the maintenance, repair and renovation costs certified with invoice (receipt) may also be accounted in the proportion of business usage.

⁷ Point IV. 1 of Annex 3 of the Szja. tv.

⁸ According to Point 45 of Section 3 of the PIT Act 'Passenger car' shall mean a motor vehicle equipped with three or four wheels with a passenger capacity of no more than eight adults, including the driver, with the understanding that petrol or diesel powered vehicles, electric vehicles, gas powered vehicles, race cars and caravans (mobile homes) are also included in this category. Multi-purpose motor vehicles with a gross weight of less than 2,500 kilograms (passenger cars with oversized cargo space) whose factory-designed cargo space can carry more than two passengers, with seats that can be simply removed at any given time to transfer the cargo space behind the cabin wall to carry any cargo for which the vehicle is designed, including when the removal of the seats is accomplished by irreversible technical conversion, shall also be regarded as passenger cars.

The private person may choose from the two above methods, however, this choice covers the whole year and every passenger car used by him/her. If the private person accounts costs on the basis of the mileage log regarding official (business) usage of his/her own passenger car, then company car tax shall also be paid. More information on paying company car tax may be found in information note No. 31.

The private person who deducts VAT on fuel according to the Act on VAT⁹, shall not apply the fuel price published by the NTCA when accounting fuel costs. In this case accounting fuel costs – after deducting VAT – shall only be done on an item-by-item basis, based on invoices.

Only costs related to official usage can be accounted as reimbursement of fuel costs, thus in order to assess the right proportion a **mileage log**¹⁰ shall be kept on official trips. (The mileage log shall be considered as the basic certificate for cost accounting related to vehicles.)

The mileage log shall include:

- the vehicle type,
- the license number,
- the applicable fuel consumption rate,
- the odometer reading on the first and last day of the year,
- the date of travel,
- the destination of travel (from where to where did the travel take place),
- the name(s) of the business partner(s) visited,
- the number of kilometers covered on public roads.

Where a private individual who is required to maintain a mileage log is required to indicate - in the course of carrying out his activities under confidentiality requirements on the strength of law (e.g. medical practice) - in the mileage log the personal data of any private individual in respect of whom the confidentiality requirement applies, the travel made to such persons shall be recorded separately. As regards these separate mileage logs, the person required to keep them shall ensure that, apart from the officer of the state tax and customs authority carrying out the inspection, no third party is allowed to have access to such records. The state tax and customs authority shall be entitled to record the data contained in such mileage logs only if presented as evidence in connection with an infringement in the course of the proceedings of the state tax and customs authority.

If the private person uses privately owned **duty vehicle** in favour of the payer, then its costs may be reimbursed on the basis of the mileage log. However, it is an important difference that the passenger car norm of HUF 15 shall not be applied in the case of duty vehicles.

⁹ Act CXXVII of 2007 on Value Added Tax.

¹⁰ Detailed register according to Point II. 7 of Annex 5 of PIT Act.

3.1.2. *Reimbursement of costs based on an assignment order*

Official usage of privately owned passenger cars may be reimbursed by the payer on the basis of an **assignment order**¹¹.

The PIT Act regulates the obligatory content of the assignment order. Accordingly, the assignment order shall mean a document issued by payers in two counterparts, that is to indicate

- the private individual's name and tax identification code,
- the make and model, and the license number of the motor vehicle,
- the objective, duration and distance of official or business trip(s),
- mileage,
- paid travel expenses and the particulars necessary for the calculation of such expense reimbursement(s) (fuel consumption rate, fuel price, etc.),
- a certificate made out by way of electronic means having regard to the legislation on digital archiving, handled and stored in a closed system, containing the particulars aforementioned shall also be recognized as an assignment order.

The payer shall retain the original and the private individual shall retain the second copy of the paper-based assignment order in due observation of the provisions on retaining accounting documents.

The assignment order may not only be issued regarding an employment relationship but on the basis of other relationships (management contract, membership, executive officer, elected officer etc.) as well. The assignment order can also be applied if the private person is not paid for the activity and performs it as "community service" and only claims the reimbursement of his/her costs related to the usage of the vehicle.

If the amount of reimbursement does not exceed the amount which can be accounted without certification it shall not be taken into consideration as a revenue. It is a lump sum of HUF 15 per kilometre for the fuel cost calculated on the basis of the fuel price published by the NTCA applying the fuel consumption norm for official usage defined in the Government Regulation (general cost for passenger cars)].

In practice this also means that in case the private person **has further official/business trips** related to another legal relationship (e.g. sole proprietorship), then trips with non-revenue reimbursement shall be considered as private and regarding official trips linked with other activities he/she can decide whether he/she applies the lump sum of HUF 15 per kilometre besides accounting fuel cost or – on the basis of invoices - the proportion of business trips.

If – on the basis of the assignment order - the **reimbursement by the payer exceeds the rate defined by law, then the whole amount is considered as taxable revenue**. In this case the private person has the possibility to choose in connection with the cost accounting.

Either **he/she takes into account as cost the amount accountable without certification** and he/she pays tax after the remaining part of the reimbursement related to the given legal relationship, or he/she **accounts the costs incurred related to official**

¹¹ Point 83 of Section 3 of PIT Act.

trips on the basis of the mileage log in the proportion of official and private trips using certificates (invoices, other receipts). This latter choice also means in practice that taking into consideration the cost accounting – the owner or the hirer of the passenger car if being a private person – **shall pay company car tax**.

3.2. *Vehicles not being in own property*

In the case of vehicles not being in own property and only used for business purposes the following can be accounted:

- **certified rental or leasing fee** (except for rental or leasing fees of passenger cars);
- on the basis of the mileage log the **fuel consumption according to the norm** on the basis of invoice, or the fuel costs assessed using the fuel price published by the NTCA;
- **other costs** based on invoices, if those have to be borne by the private person according to the contract.

In case of using for business purposes *a passenger car not being in own property* the amount to be taken into consideration as rental or leasing cost shall not be more than 1% of the revenue – even in the case of more passenger cars – or the private person shall not account such costs.

In case of **business usage** of a passenger car not being in own property the following can be accounted after business usage on the basis of a mileage log:

- **fuel costs** assessed on the basis of **invoice** taking into consideration the fuel consumption norm or the fuel price published by the NTCA and
- **other costs** certified with invoice if it has to be borne by the private person on the basis of a contract.

It also has to be mentioned that if the passenger car is not in own property than the beneficial rule linked with the assignment order shall not be applied regarding business usage.

4. **Going to work**

The Government Regulation¹² on reimbursing travel costs related to going to work stipulates the cases when the employer may reimburse costs of going to work borne by the employee, and in certain cases the employer has a related reimbursement obligation.

Reimbursement of costs is not part of the tax base – thus in practice it can be offered tax free – if its amount does not exceed HUF 15 per kilometre taking into consideration working days and the distance between the residence and the working place on public road. This amount shall not be mixed up with the general norm cost for passenger cars, because besides reimbursement of costs related to going to work other costs (e.g. fuel costs) shall not be accounted. This means that the part of the reimbursement which

¹² Point a) of Section 2 of Government Regulation 39/2020 (26 February) on reimbursing travel costs related to going to work.

exceeds the limit of HUF 15 per kilometre is considered as an income of the private person from the employment relationship.

60% of the reimbursement of HUF 15 defined in Paragraph (2) of Section 25 of PIT Act – namely HUF 9 – shall be given if

- there is no public transportation between the permanent or temporary residence of the employee and the place of work;
- because of his/her working schedule the employee is not able to use public transportation or there would be long waiting periods if using public transportation;
- the employee is not able to use public transportation because of his/her disability including the case if one of his/her relatives takes him/her to work;¹³
- the employee has a child in early years childcare – crèche – and a child under the age of 10 years studying in public education institution¹⁴.

The employer may decide in the case of an employee meeting the above conditions to reimburse the difference between the HUF 9 and HUF 15, which is also a tax-free revenue of the employee.

5. Usage of vehicles by self-employed

5.1. *Accounting of costs related to the usage of vehicles by self-employed except for sole proprietorships*

Private persons carrying out self-employed activities may account costs related to the operation of vehicles used for this activity by keeping the mileage log after official/business trips according to Point 3.

If the self-employed private person receives cost reimbursement on the basis of assignment order related to the usage of the vehicle, then regulations in Point 3.1.2. shall be followed.

Depreciation may be accounted against the purchase price of the own vehicle using a lump sum, the amount of which shall not exceed 1% of the annual revenue and 50% of the reference value of the vehicle. In case of a passenger car the rate is 1% of the annual revenue but 10% of the purchase price at maximum. Depreciation shall only be accounted once, in the year when the vehicle (including passenger cars) was first used. In this latter case it has to be mentioned that if in the year of first usage the private person also accounts amortisation on a flat rate basis, then in this year the general norm of HUF 15 per kilometre shall not be applied.

¹³ According to Point b) of Paragraph (1) of Section 294 of Act I of 2012 on the Labor Code (henceforth: Mt) ‘relative’ shall mean spouses, next of kin, adopted persons, stepchildren, foster children, adoptive parents, stepparents, foster parents, siblings, and domestic partners, spouses of the next of kin, spouse’s next of kin and siblings, and spouses of siblings. According to Paragraph (1) of Section 3 of the Act XXIX of 2009 regulations related to spouses shall be applied for registered partner as well, thus the term spouse shall henceforth mean registered partner as well.

¹⁴ In the scope of the regulation an according to Point c) of Paragraph (1) of Section 294 of Mt. ‘child’ shall mean any child raised or cared for in one’s own household according to the regulations on the support of families; ‘disabled child’ shall mean a child eligible for increased family allowance according to the Family Assistance Act.

5.1.1. Further rules related to primary agricultural producers

Primary agricultural producers shall account in depreciation the purchase price of vehicles only used for business purposes¹⁵. The passenger cars shall not be regarded as vehicle used only for business purposes in the case of primary agricultural producers either.

Only primary agricultural producers are entitled to account depreciation after the vehicles except for passenger cars. The primary agricultural producers have to apply the stipulations referring to self-employed with the distinction that private individual being a member of a family farm on the last day of the taxation year is entitled to account the investment costs of the fixed assets, non-material assets belonging to the family farm assessed for the date of the first usage in one amount according to his/her choice¹⁶. The *primary agricultural producers* . who – independent of the number of operated vehicles – may account **500 kilometre** of journey as usage for business purposes of own vehicles instead of being obliged to keep mileage log. This cost accounting shall only be applied for the whole fiscal year or for the whole duration of the activity within the fiscal year. If the primary agricultural producer chooses this method, then fuel costs shall be accounted based on the fuel consumption norm and the fuel price published by the NTCA, moreover, maintenance costs shall only be accounted using the general passenger car norm cost of **HUF 15** per kilometre. The costs shall be accounted on the first day of each month of the year in which the primary agricultural producer has accounted a lump sum of 500 kilometre. In those months when such costs are accounted, **company car tax shall not be paid**.

Members of a family farm performing primary agricultural activity can take into consideration the costs relating to the usage of the vehicle by opting for the same accounting method, but only for the costs of the invoices issued to his/her name and the registration number of the vehicle who according to the stipulations of the law is entitled to account the costs relating to the usage of the vehicle.¹⁷

5.2. Accounting of costs related to vehicles of sole proprietorships

The mileage log serves as a basis for cost accounting in the case of sole proprietorships as well and only business trips shall be registered. Costs shall only be accounted for business trips linked with activities of the sole proprietorship.

If the sole proprietorship received reimbursement of costs based on an assignment order related to another legal relationship, then the trips done with the assignment order shall not be registered in the mileage log. If he/she would like to account maintenance costs in the proportion of official/business trips, then the trip made with the assignment order shall be considered as private trip when proportioning.

¹⁵ According to Annex 11 of PIT Act.

¹⁶ Point 1 of Annex 3 of the PIT Act.

¹⁷ Point 2 of the Annex 6 of the PIT Act.

In the case of vehicles used exclusively for business purposes – except for passenger cars – Point II of Annex 11 of PIT Act may be applied when accounting the purchase price as cost. Sole proprietorships dealing with passenger car rental or passenger transport the passenger car being the object/asset of the activity is considered as being used exclusively for business purposes, if the self-employed does not use it for other purposes either partly and his/her business records prove this obviously. In practice this means that the purchase price of the passenger car used for these activities may be accounted in depreciation..

In every other case it is not possible to account the purchase price of the passenger car as a whole. At the time of first usage 1% of the revenue but maximum 10% of the purchase price of the passenger car may be accounted as **general amortization**.

In the case of passenger car rental or leasing fee the amount to be taken into consideration as cost – even when there are more passenger cars – shall not exceed 1% of the revenue. As an exception, in the case of passenger cars used for rental or passenger transport activities the rental fee or according to relevant legislation **the leasing fee may be accounted**.

Nevertheless, passenger cars not used before are also considered as objects being exclusively used for business purposes when accounting benefits reducing revenue for small businesses,

1. supposing that in case of accounting small business benefits the **sole proprietorship pays company car tax** after the passenger car in four fiscal years – but until one of the cases detailed in Points a), d) and e) of Paragraph (14) of Section 49/B of PIT Act happens – following the accounting of the benefit,
2. if the sole proprietorship dealing with car rental or passenger transport uses the vehicle as an object/asset of his/her activity, does not use the vehicle – either partly – to other purposes and his/her business records clearly prove this latter.

The **sole proprietorship also** has the possibility to account 500 kilometre of journey as usage for business purposes of own vehicles – independent of the number of passenger cars operated – instead of being obliged to keep mileage log.

This cost accounting shall only be applied for the whole fiscal year or for the whole duration of the activity within the fiscal year.

If the sole proprietorship chooses this method, then **fuel costs** shall be accounted based on the fuel consumption norm and the fuel price published by the NTCA, moreover, **maintenance costs** shall only be accounted using the general passenger car **norm cost of HUF 15** per kilometre.

The costs shall be accounted on the first day of each month of the year in which the self-employed has accounted a lump sum of 500 kilometre. Similarly to primary agricultural producers in those months when 500 kms of general costs are accounted, company car tax shall not be paid by the sole proprietors opting for a lump sum of 500 kilometre.

6. Rules on vehicles being in the property of businesses (cost, obligation to pay corporate tax)

Taxpayers falling under the **Act on corporate tax and dividend tax¹⁸** may account the cost (purchase price) of the vehicles **according to general rules on fixed assets.**

This results in the general rule on accounting and assessing corporate tax that the cost of these assets shall be taken into consideration **via depreciation.**

The subject of Act on CTDT may account

- the purchase,
- maintenance,
- repair and
- fuel costs

related to own vehicle(s) according to the accounting law **only on the basis of invoices issued in accordance with the applicable rules.**

Costs documented in this way are recognized by the Act on CTD at the tax base. According to Act on CTDT the costs, expenses arising by the

- use
- maintenance
- operation of the company car shall qualify as costs or expenses incurred in the interest of business operations. It includes the compulsory payments made in connection with the use of company cars to any subsystem of the central budget as prescribed by law. ¹⁹.

On the basis of this regulation the company has no obligation to pay corporate tax, to increase the tax base regardless the fact that the owned company vehicle is privately used or not.

7. Accounting vignettes and the issue of fuel allowance

In the case of expenses related to the purchase of vignettes the private person may account costs after the official/business usage of own (or rented) passenger car in the validity period of the vignette on the basis of itemized records based on the mileage log in the case of business/official trips made on toll-roads.

The use of a motor vehicle supplied by a payer or nonresident legal person for private purposes, including the related road passes or tickets provided by the said payer, nonresident legal person, other organization **is considered as tax-exempt non-cash benefit** according to Act on PIT²⁰.

If the **private person uses his/her own vehicle** for official/business purposes and the payer buys the vignette or ticket for the private person with an invoice issued on his/her name, then neither the payer nor the beneficiary has an obligation to pay tax even if the private person uses it for private purposes²¹.

¹⁸ Act LXXXI of 1996 on Corporate Tax and Dividend Tax (henceforth: Act on CTDT).

¹⁹ Point 6 of Chapter B) of Annex 3 of Act on CTDT.

²⁰ Point 8.37 of Annex 1 of PIT Act.

²¹ Paragraph (2a) of Section 4 of PIT Act.

Fuel allowance

According to Act on PIT²², the fuel allowance paid by the employer to an employee or by a business partnership to a member who participates in person in the business partnership's operations as the driver of a vehicle - according to his job function - operated by the employer or the business partnership, calculated based on the actual distance traveled and verified in kilometers, up to the amount of such fuel allowance, not to exceed 100,000 forints per month.

Fuel allowance means the adjusted amount that is less than the portion of the amount calculated by the standard fuel consumption rate - corrected by the relevant adjustment factors - as per the actual distance traveled and verified by a mileage log (travel records, shipping documents) referred to in Paragraph b) of Subsection (1) of Section 27 of Act on PIT, as defined in the government decree²³ that can be claimed without verification, or calculated by the official fuel prices published by the state tax and customs authority that is in excess of the amount determined by the quantity of fuel and the official fuel prices published by the state tax and customs authority as claimed by the employer or by the business partnership on the basis of an invoice or invoices, including the case where the employer or business partnership provides the fuel from its own fuel station to its employees or members and less fuel is used than specified in the standard consumption rate.

National Tax and Customs Administration

²² Point b) of Paragraph 1 of Section 27 of the PIT Act.

²³ Government Regulation No. 60/1992 (1 April) on the rate of fuel and lubricant consumption of motor vehicles, agricultural, forestry and fishing machinery.