

# Company Car Tax and Related Certain Personal Income Tax Issues

**2023**

**Company car tax is payable for any passenger car not owned by a private individual, or owned by a private individual but costs or depreciation is accounted on them<sup>1</sup>.**

In this Information Booklet, further information can be found about rules regarding company car tax and certain related personal income tax issues.

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<sup>1</sup> Chapter IV of Act LXXXII of 1991 on the Motor Vehicle Tax (hereinafter: Motor Vehicle Tax Act) regulates the tax obligations regarding company car tax.

## 1. How to declare and pay company car tax?

The company car tax – as a rule – needs to be self-assessed quarterly (*which involves an obligation to assess, declare and pay the tax*) for each month of the calendar year, *in which the tax liability exists*.

The quarterly declaration needs to be submitted to the National Tax and Customs Administration by the 20<sup>th</sup> day of the subsequent month and the payment of the tax must be made, by the same date to the following account:

NAV Cégautóadó bevételi számla*	10032000-01076167
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\* NTCA Company Car Tax revenue account

In case of inherited passenger cars, the tax liability must be complied with until the 20<sup>th</sup> day of the month following the year quarter of the certificate of inheritance becoming effective.

In 2023, **tax return form no. 2301** is used for the declaration of company car tax *for all taxpayers including private individuals and payers too.*<sup>2</sup>

## 2. Which vehicles can be subject to company car tax?

From the perspective of company car tax a passenger car is a passenger car based on Act on PIT<sup>3</sup>, excluding the environmentally friendly cars.

The environmentally friendly car<sup>4</sup> is the electric car and cars with zero emission. A zero emission car is a car which does not emit air pollutants during its intended use<sup>5</sup> (environmental classification code: 5Z).

For the purposes of the company car tax, a **passenger car**<sup>6</sup> shall mean a motor vehicle equipped with three or four wheels with a passenger capacity of no more than eight adults, including the driver.

### Vehicles

- petrol or
- diesel,
- electric powered,

<sup>2</sup> Tax return on certain tax liabilities for taxpayers obliged to submit monthly, intra-annual (year-quarterly), or annual tax returns. **The form may also be submitted on paper for taxpayers not obliged to submit electronic returns.**

<sup>3</sup> Act CXVVII of 1995 on Personal Income Tax (hereinafter Act on PIT).

<sup>4</sup> According to Section 6 of Paragraph 2 - effective on 1 July 2015 - of Regulation No. 6/1990 (IV.12.) of the Minister of Transport, Communications and Construction (hereinafter: KöHÉM Decree) on the Technical Conditions of Placing into Traffic and Circulation of Public Vehicles.

<sup>5</sup> Regulated in KöHÉM Decree.

<sup>6</sup> Section 45 of Paragraph 3 of Act on PIT.

- gas powered,
- race cars
- 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.

Based on the above, vehicles, carrying more than eight people including the driver (minibus, transporter, bus), and lorries for mixed purposes, with a total aggregate weight of more than 2,500 kg **do not qualify as passenger cars.**

A **lorry** is a vehicle manufactured in a way that it cannot carry more than two passengers even after conversion. In such cases the condition relating to the total mass does not need to be examined.

However if according to its basic type, a vehicle would be suitable for carrying more than two passengers, then if its total mass is less than 2,500 kg, it is a passenger car, even if e.g., the rear seats were removed permanently and the vehicle is therefore no longer suitable for carrying more than two passengers.

Pursuant to the Motor Vehicle Tax Act any **passenger car** is subject to company car tax, which is:

- **not owned by a private individual** and registered<sup>7</sup> by the Hungarian authorities with a Hungarian registration number,
- **owned by a private individual or not included in the official vehicle register, on which costs and expenses has been accounted based on Act on Accounting** <sup>8</sup> or cost, depreciation (hereinafter together: expenses) **has been accounted** based on the actual expenses, pursuant to the provisions of Act on PIT.

Based on the above mentioned it can be stated that **it does not affect the tax obligations** if the car of a company with Hungarian registration number **has been withdrawn from traffic**. Cars with foreign registration number are also liable for tax if expenses has been accounted on it pursuant to the provisions of the Act on PIT and Act on Accounting.

For the purposes of the company car tax, financial leasing qualifies the same as ownership.

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<sup>7</sup> National motor vehicle register kept by the Central Office of Administration and Public Services.

<sup>8</sup> Act C of 2000 on Accounting (hereinafter: Act on Accounting).

**Costs and expenses** of the passenger car are **expenses directly relating to the operation and incurred during the ownership and use of the passenger car.**

This category includes especially

- the fuel and lubricant costs,
- the costs of spare components used in the tax year,
- the cost of repair and maintenance,
- the operation and financial lease fee of the passenger car,
- depreciation, mandatory third party liability insurance, accident tax, casco (comprehensive insurance) premium,
- as well as the company car tax.

The **actual expenses are claimed** if a private individual claims the expenses **based on a mileage log**, on a pro rata basis with the official and business travel, completed with the passenger car.

The flat rate expenses claimed for 500 kilometres a month without any substantiation by a private entrepreneur or an agricultural producer does not constitute actual expenditure.

With regard to any other issue, the actual expenses are governed by the provisions of the Act on PIT pertaining to the expenses of vehicles.<sup>9</sup>

### **3. Who is subject to the tax?**<sup>10</sup>

According to the general rule, the **taxable person is the owner.**

If the **passenger car is included in the official register, the taxable person is the registered owner**, unless the owner is a private individual and no expenses are claimed for the passenger car.

**If the same passenger car is owned by several owners** (as co-owners), they are liable to pay tax on a pro rata basis reflecting their ownership.

It is the case if a passenger car is owned jointly by a private individual, and a non-private individual<sup>11</sup>. The tax liability prevails if only **one of the owners claims expenses** of the jointly owned vehicle<sup>12</sup>.

Even in such cases, the co-owners pay the company car tax **on a pro rata basis reflecting their ownership ratio.**

**If a passenger car included in the official register is subject of financial leasing, then the lessee is the taxable person**, but the same exception also prevails here that the lessee is a private individual and **no expenses are claimed** for the passenger car financially leased by him.

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<sup>9</sup> Annex 3 of Chapter IV, Annex 11 of Chapter III of Act on PIT.

<sup>10</sup> Section 17/B. of the Motor Vehicle Tax Act.

<sup>11</sup> According to the National Vehicle Register.

<sup>12</sup> According to the National Vehicle Register.

In such cases, financial leasing<sup>13</sup> means '*financial leasing pursuant to the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises*'.

According to the above-mentioned Act, a financial leasing shall mean an operation where the lessor lets the lessee to use his property for a specified period. The lessee gains entitlement for acquiring title of ownership - or to assign such entitlement to another party - of the leased property following expiration of the lease period as stipulated in the contract and upon payment of principal and interests in full and payment of the residual value described in the contract<sup>14</sup>.

**In case of a passenger car owned by the Hungarian State and is entered into the official register**, the tax subject is the individual or organization that possesses the property management rights.

If a **right of use** also exists in respect of the passenger car, **the tax subject is the holder of the right of use.**

**The taxable person for any passenger car not included in the official register**, the person or organisation is liable for the payment of tax who/which claims expenses for the use of the passenger car (*e.g., with a foreign registration number*)<sup>15</sup>.

The **company car tax liability does not apply** to passenger cars of private entrepreneurs paying flat rate tax, private entrepreneurs opting for the flat rate tax of small entrepreneurs (FRSE) and private individuals applying flat rate tax to their private accommodation services, irrespective whether or not the passenger car is included in the Hungarian official register, because **they do not claim expenses based on their actual expenses.**

In conclusion **a company is liable to pay company car tax if:**

- it has the ownership of a passenger car with Hungarian registration number not financially leased;
- it claims expenses for a passenger car not included in the official register (e.g. with a foreign registration number);
- the company financially lease a passenger car.

**A private individual is liable to pay company car tax if:**

- he claims expenses for a passenger car owned by him;
- another party claims expenses for a passenger car with Hungarian registration number;
- he claims expenses for a passenger car not included in the official register;
- he or another party claims expenses for a passenger car financially leased by him;

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<sup>13</sup> Section 31 of Paragraph 1 of the Motor Vehicle Tax Act.

<sup>14</sup> Section 89 of Paragraph 6 of Act CCXXXVII of 2013.

<sup>15</sup> Costs of expenses pursuant to Act on Accounting, and actual expenses and depreciation pursuant to Act on PIT.

- the passenger car has a company owner too besides the private individuals ownership.

#### 4. When does the tax liability arise and cease?

The company car tax **is payable for those months of the calendar year that forms the tax year, in which the tax liability prevails.**<sup>16</sup>

Similar to other property type taxes, **the company car tax liability arises** when the tax liability emerges and prevails as long as it is terminated<sup>17</sup>.

##### 4.1 Passenger car not owned by a private individual

For any passenger car included in the official register (i.e. with a Hungarian registration number) **not owned or financially leased by a private individual**, the tax liability emerges on the first day of the month following the month of the acquisition of ownership, or financial lease.

The tax liability **is independent from the fact whether expenses has been accounted related to the passenger car, whether it has been used** or has been removed from traffic.

The **tax liability lasts** until the last day of the month in which the owner sells or provides the passenger car as a gift, or it is returned to the financial lessor. The tax liability is terminated on the last day of the month, in which the passenger care is unlawfully alienated, or has been destroyed.

##### 4.2 Passenger car owned by a private individual (including self-employment)

If a passenger car (with a Hungarian registration number) included in the official register is **owned, or financially leased by a private individual**, then **the tax liability emerges** on the first day of the month following month of which the owner or the financial lessee claimed any expense for the passenger car.

The tax liability is **terminated** on the last day of the month, in which the private individual claims expenses for the last time.

*For instance if a private individual owner claims expenses for a passenger car with the "itemized method" between February 2023 and April 2023, the passenger car is subject to taxation from 1 March until the last day of April, i.e. for two months.*

*If the private individual once again claims expenses in respect of the car in June 2023, the liability for company car tax starts again on 1 July 2023. The tax subject – as a main rule – naturally continues to be the owner at all times.*

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<sup>16</sup> Section 17/C. (7) of the Motor Vehicle Tax Act.

<sup>17</sup> The reasons of the termination are listed in Paragraph 17/C of the Motor Vehicle Tax Act.

If the private individual owner, financial lessee **hands over the passenger car for consideration to be used by a non-private individual, and the user claims expenses** (e.g. rental fee) then **the tax liability emerges** on the first day of the month following the month in which the passenger car was transferred for use. The private individual **owner is subject to tax**. The tax liability is terminated on the last day of the month in which the lessee claims expenses for the last time, for example when the rental of the passenger car terminates.

**If the passenger car is transferred for use to any party free of charge, or to another private individual for consideration**, and the expenses for the passenger car are not claimed by the private individual owner or the financial lessee, then the tax liability emerges on the first day of the month that follows the month in which the actual expenses were claimed.

**If the expenses for the passenger car are not claimed by the private individual owner or financial lessee**, then the **owner** or financial lessee **must be notified in writing** of the first expense claimed for the car and the respective date **by the user** within the subsequent 8 days.

If that **declaration is not made, then the user will be liable to pay any tax deficit** established in a potential tax audit.

If the **expenses are claimed by the private individual** the date of accounting of the expense is

- the date on which the document for the expense is issued, or
- the date which is entered into the mileage log in relation to the use of the vehicle,
- the date of putting into service the passenger car if flat rate depreciation is claimed on it,
- otherwise the first day of each month of the depreciation period from the start to the complete write-off.<sup>18</sup>

#### **4.3 Passenger car not included in the official vehicle register**

The tax liability for any passenger car (with a foreign registration number) **not included in the official register**, emerges on the first day of the month, which follows the month in which expenses are claimed for the passenger car. The tax liability is terminated on the last day of the month, in which the user last claims expenses for the passenger car.

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<sup>18</sup> Section 17/C. (6) of the Motor Vehicle Tax Act.

#### 4.4 Cases without tax obligation

The expense reimbursement paid out by the payer in view of the use for official purposes of a passenger car owned by a private individual, **recorded as other personnel expenditure, does not trigger any company car tax liability** either for the payer or for the private individual, providing that the private individual does not claim any actual expenses in relation to the use of the passenger car.

No company car tax needs to be paid for the sum either that has been received as expense reimbursement by a natural person for an owned passenger car based on an **assignment order**, in connection with **travel costs for the actual mileage during official or business travel**,<sup>19</sup> provided that the amount of such reimbursement is not in excess of the limit prescribed by law allowed to be claimed without substantiation<sup>20</sup>.

Expenses without any substantiation<sup>21</sup> are the amount from the amount of expense reimbursement paid by a payer to a private individual for using his own vehicle, the sum calculated on the basis of the fuel consumption allowance **as per the distance in kilometres indicated in the assignment order** and of the fuel price published by state tax and customs authority, and of the 15 forints/kilometre standard cost rate for passenger cars.

**No distance may be considered official (business) travel in the mandatory mileage log** if, based on an assignment, it has been included in the expense reimbursement order and does not qualify as revenue.<sup>22</sup>

The payer must **issue the assignment order in two counterparts**: the payer shall retain the original and the private individual shall retain the second copy during the statutory limitation period, in due observation of the applicable provisions.

Following items of informations shall be indicated in the document:

- for the private individual:
  - the name
  - tax identification number,

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<sup>19</sup> **Official, business travel**: Shall mean trips taken by a private individual with a view to obtaining income or to performing a task connected with the activities of the party paying such income, with the exception of commuting to the workplace, head office or place of business from the domicile, including, especially, travel necessary for working on assignment (appointment), except established, even if indirectly, on the basis of the actual contents of the travel documents and the applicable circumstances (arrangements, advertisement, promotion, travel route, destination, duration of stay, ratio of actual business related and free programmes, etc.) that the official or business nature of such travel is fictitious; furthermore trips of a Members of Parliament, Mayor, member of a local government required in relation to the responsibilities related to their office (absence from the domicile) [Section 3. point 10. of Act on PIT].

<sup>20</sup> Section 7 (1) r) of the VAT Act.

<sup>21</sup> According to point II/6 of the Annex 3 of the Act on PIT.

<sup>22</sup> Annex 3 Chapter IV/6; Annex 11 Chapter III/9. of Act on PIT.



- for the vehicle:
  - o the make,
  - o type,
  - o registration number,
- for the official or business travel:
  - o the objective,
  - o duration,
  - o instance of official or business travel,
- paid travel expenses
- -meal allowances.

**The data required for calculating the expense reimbursement** (fuel consumption rate, fuel price, etc.), must also be registered.<sup>23</sup>  
The assignment order may also be issued electronically.

If **the expense reimbursement** paid out on the basis of the assignment order **exceeds the amount defined in the legal regulations as claimable without any substantiation**, then the payer deducts **personal income tax advance** from the excess expense reimbursement, not qualifying as revenue, in compliance with the general rules, pertaining to income from the particular legal relationship, at the time of the payment, when the private individual does not provide any statement about his intention to claim expenses.

In such cases, the private individual does not have any company car tax payment obligation (providing that he will not claim actual expenses later either).

If, contrary to the revenue paid and certified as indicated above, the **private individual** later in the tax declaration **still decides to establish the income content of the received expense reimbursement** by claiming the actual expenses, **then he will have subsequent and retroactive company car tax payment liability** for each month, in which he claims expenses, but such a **tax amount can be paid only together with default penalty**.

At the time of the payment the **private individual** may also decide **to provide a declaration to the payer pertaining to expenses claimed** according to the rules of tax advance deduction, according to which he intends **to claim the actual expenses** against the received revenue, i.e. expense reimbursement, either in part or in full, based on the mileage log and the certified expenses, because e.g., later he will have more certified expenses than the expenses recognised without any substantiation.<sup>24</sup>

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<sup>23</sup> Section 3 point 83. of Act on PIT.

<sup>24</sup>Section 48 of Act on PIT.

In such cases the **payer needs to deduct the tax advance from part of the revenues that exceeds the amount stated in the declaration as the amount to be claimed.**

In that case **the private individual will become a taxable person subject to self-assessment**, must file a personal income tax declaration, in which the total amount of the expense reimbursement needs to be indicated among the revenues, which may be reduced by the recognised expenses.

The company car tax is payable for those months in which actual expenses were claimed.

There is no liability to pay company car tax either when the private individual receives a sum under the title of expense reimbursement, including in particular if using his own vehicle to **commute to and from work** for the travel home covering the distance on public roads between his domicile and the work place, in the amount of 15 forints per kilometre.<sup>25</sup>

**Any expense reimbursement in excess of the amount of HUF 15 shall comprise part of the private individual's income from employment (wage)**, against which no expenses may be claimed and therefore there is no liability to pay company car tax for any excess expense reimbursement.

**An employer engaged in teaching new drivers**, and any company running driving courses **may pay expense reimbursement**, at the rate defined in the Government Decree, to their **driving instructors**, who are employed by, or are members in, the company and are actively involved in the training, for the use of their own vehicles for **practical training**<sup>26</sup>.

**A driving instructor may claim expense reimbursement** for the use of their own vehicles for training purposes in the amount of the consideration for the fuel consumption specified in a separate legal regulation and the expense determined in the Government Decree<sup>27</sup>.

Considering that driving instructors operating as employees or entrepreneurs do not claim any actual expenses for their passenger cars in relation to their training activities, they do not have to pay company car tax if, apart from the flat rate expenses regulated in the Government Decree, no other party claims other expenses for the vehicle.

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<sup>25</sup> Section 25(2) b) of Act on PIT, Section 17/A.(2) of the Motor Vehicle Tax Act.

<sup>26</sup> Based on the Section 1 (1) of the Government Decree No. 124/1994. (IX. 15.) (Government Decree).

<sup>27</sup> Table of the Government Decree No. 124/1994. (IX. 15.).

#### 4.5 Summary of obligations regarding company car tax

	<b>Existence of tax liability</b>	<b>Taxable person</b>	<b>Beginning of tax liability</b>	<b>Termination of tax liability</b>
Passenger car included in the official vehicle registration (with Hungarian registration number)				
Not owned or financially leased by a private individual	Liable for tax in every case	Owner	First day of the month following the month of acquisition	On the last day of the month, in which the passenger care is alienated, or has been destroyed
Owned or financially leased by a private individual	In case of claim for expenses it is liable for tax	Owner	On the first day of the month, which follows the month in which expenses are claimed for it	On the last day of the month, in which expenses has been accounted on it for the last time

Passenger car not included in the official vehicle registration				
At not a private individual	In case of claim for expenses it is liable for tax	The person who claims expenses	On the first day of the month, which follows the month in which expenses are claimed for it	On the last day of the month, in which expenses has been accounted on it for the last time
At a private individual	In case of claim for expenses it is liable for tax	The person who claims expenses	On the first day of the month, which follows the month in which expenses are claimed for it	On the last day of the month, in which expenses has been accounted on it for the last time

#### 5. Tax exemptions<sup>28</sup>

The following passenger cars, requiring special consideration, are exempt from the tax:

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<sup>28</sup> Section 17/D. of the Motor Vehicle Tax Act.

- *passenger cars equipped with any distinguishing signalling device pursuant to the provisions of the legal regulations<sup>29</sup>;*
- *cars used by religious legal entities primarily for religious activities or any other activities directly relating to the religious activities;*
- *cars acquired by a person or organisation engaged in the trade of passenger cars as a business exclusively for re-sale;*
- *cars used only for carrying corpses;*
- *cars operated for the regular transportation of severely disabled private individual(s)<sup>30</sup> by any foundation, public foundation, association, public body, established for preventive or curative or social purposes, to assist disadvantaged people with impaired health, or by specific target organisations defined in the legal regulation on the employment of, and social services to, workers with changed work capacity when the rules of operation and the operation (in view of all circumstances) clearly indicate that the car is operated for the purpose indicated above;*
- *cars used only in order to pursue the activities determined in the Act on Basic Health Care<sup>31</sup> and pursuant to the legal regulation on certain issues of financing of health care from the social security system, and cars used only for preventive and curative services, public health, epidemiological and health protection services in order to reduce health damage;*
- *any vehicle which qualifies as a military product according to a separate legal regulation, and is operated by the Hungarian Army for the purposes of defending the independence, the territory, the borders stated in international treaties, the population and material assets of Hungary;*
- *any vehicle owned by the Hungarian State as a result of legal succession until the last day of the month in which the property management rights or usage rights have been transferred to another person or organization by the Hungarian National Asset Management Inc. (Nemzeti Vagyongkezelő Zrt).*

## 6. Tax rate<sup>32</sup>

The monthly rate of the tax per passenger car, according to its capacity expressed in kW and environmental category, is as follows:

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<sup>29</sup> No. 12/2007 (III. 13.) IRM regulation on the installation and use of devices transmitting distinguishing and warning signals.

<sup>30</sup> As stipulated in the Act on the rights of persons with disabilities and their equal opportunities.

<sup>31</sup> Activities determined in the Section 1 of Paragraph 5 or Paragraph 16 of the Act CXXIII of 2015 on Basic Health Care.

<sup>32</sup> Section 17/E of the Motor Vehicle Tax Act.

Engine capacity (kW)	Environmental category		
	“0”-“4” categories	“6”-“10” categories	“5”; “14-15” categories
0-50	HUF 30 500	HUF 16 000	HUF 14 000
51-90	HUF 41 000	HUF 20 000	HUF 16 000
91-120	HUF 61 000	HUF 41 000	HUF 20 000
Over 120	HUF 81 000	HUF 61 000	HUF 41 000

## 7. Elimination of double taxation

The quarterly payable motor vehicle tax imposed on the taxable person for the passenger car can be deducted from the company car tax, for those months of the quarter, in which the taxable person was liable for the payment of company car tax and motor vehicle tax for the same passenger car, provided that the motor vehicle tax was paid within the applicable deadline.<sup>33</sup>

If the two taxes are payable by two separate persons, the deduction cannot be applied.

Pursuant to the above provision, the offsetting of the motor vehicle tax against the company car tax may be applied only if the two conditions both prevail.

Consequently, the taxable person may deduct the paid motor vehicle tax only from the company car tax for those months, in which the tax liability for the same motor vehicle **prevailed in both tax types**.

The payment of the motor vehicle tax by the taxable person within the deadline is another requirement for the deduction.

However, it does not necessarily mean that only those taxpayers may apply offsetting to their motor vehicle tax, who pay their tax by 15 March and 15 September 2023.

It may also happen that for any reason, not attributable to the taxable person, the motor vehicle tax was not yet paid for the months covered in the declaration when the company car tax declaration is filed.

In such cases, therefore taxable persons paying their motor vehicle tax lawfully **can still apply offsetting to their motor vehicle tax**.

Taxable persons may revise their company car tax declarations for the respective months with self-revision<sup>34</sup>.

<sup>33</sup> Section 17/F. of the Motor Vehicle Tax Act.

<sup>34</sup> Section (1) of Paragraph 54 of Act CL of 2017 on the Rules of Taxation.

If the motor vehicle tax is paid late, it cannot be deducted either subsequently, or from any company car tax due after the late payment.

**National Tax and Customs Administration**