

Goodbye Road Register! - easing rules for leased company cars

The Hungarian Government's request for a derogation has been successful, as the European Council decision on the 2nd of October 2019 does not require to keep a track record of the private use of leased passenger cars, if the bill submitted on Friday is adopted, and the costs of leasing VAT and 50% of it will be deductible without certificate, as opposed to the previous rule of proportionality.

What does this mean in practice?

Currently, if a VAT payer company uses a car in the form of an open-ended or operational lease or rent, you can enforce the right to deduct the VAT content of the rental or leasing fee in proportion of the business use. To do this, of course, it is necessary to conduct a detailed road registration / posting order actuality in accordance with the statutory requirements, which clearly defines the extent of business and private use, otherwise the proportional fund cannot be justified.

According to the planned change, from 1 January 2019, a 50% deduction limit will be applied to the costs of corporate leased / leased cars used for private purposes, which can be applied automatically without the obligation of registration.

Taxpayers who wish to continue to deduct VAT in proportion to their actual business use may continue to do so on the basis of a detailed statement for business use, so they can continue to produce a roadmap that clearly shows the proportion of business and private use.

For the time being, the new rules will be applicable until 31 December 2021, but Hungary may then apply for an extension of the derogation for the subsequent period.