Council of the European Union

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**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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| Subject: | COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2018/1493 authorising Hungary to introduce a special measure derogating from point (a) of Article 26(1) and Articles 168 and 168a of Directive 2006/112/EC on the common system of value added tax |

**COUNCIL IMPLEMENTING DECISION (EU) 2021/…**

**of …**

**amending Implementing Decision (EU) 2018/1493 authorising Hungary to introduce a special measure derogating from point (a) of Article 26(1) and Articles 168 and 168a of Directive 2006/112/EC on the common system of value added tax**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax[1], and in particular Article 395(1), first subparagraph, thereof,

Having regard to the proposal from the European Commission,

[1] OJ L 347, 11.12.2006, p. 1.

Whereas:

(1) Council Implementing Decision (EU) 2018/1493[1] authorised Hungary to apply, until 31 December 2021, a special measure consisting, on the one hand, in limiting to 50 % the right to deduct value added tax (VAT) on expenditure related to passenger cars not wholly used for business purposes, by way of derogation from Articles 168 and 168a of Directive 2006/112/EC, and, on the other hand, in not treating as supplies of services for consideration the use for non-business purposes of a passenger car included in the assets of a taxable person's business, where that car has been subject to a limitation authorised under Article 1 of that Implementing Decision, by way of derogation from Article 26(1), point (a), of that Directive ('the special measure').

(2) By letter registered with the Commission on 25 February 2021, Hungary requested an authorisation to continue to apply the special measure ('the extension request').

(3) Pursuant to Article 395(2), second subparagraph, of Directive 2006/112/EC, the Commission transmitted the extension request to the other Member States by letters dated 7 April 2021. By letter dated 8 April 2021, the Commission notified Hungary that it had all the information necessary to consider the extension request.

[1] Council Implementing Decision (EU) 2018/1493 of 2 October 2018 authorising Hungary to introduce a special measure derogating from point (a) of Article 26(1) and Articles 168 and 168a of Directive 2006/112/EC on the common system of value added tax (OJ L 252, 8.10.2018, p. 44).

(4) Pursuant to Article 5 of Implementing Decision 2018/1493, Hungary submitted, together with the extension request, a report including the review of the percentage set for the VAT deduction. On the basis of currently available information, namely tax audit experience and statistical data relating to private use of passenger cars, Hungary confirms in the extension request that the limit of 50 % is still justifiable and remains appropriate. Moreover, in simplifying the collection of VAT, the special measure has been effective in reducing the administrative burden on businesses and the tax authorities. At the same time, it prevents tax evasion through incorrect record keeping. Hungary should therefore be authorised to continue to apply the special measure.

(5) The extension of the special measure should be limited in time to allow for an evaluation of its effectiveness and of the appropriate percentage. Hungary should therefore be authorised to continue to apply the special measure for a limited period, until 31 December 2024.

(6) In the event that Hungary considers that an extension of the authorisation beyond 2024 is necessary, it should submit to the Commission a report which includes a review of the percentage limit applied, together with the request for an extension, no later than 31 March 2024.

(7) The special measure will have only a negligible effect on the overall amount of tax revenue collected at the stage of final consumption and will have no adverse impact on the Union's own resources accruing from VAT.

(8) Implementing Decision (EU) 2018/1493 should therefore be amended accordingly,

HAS ADOPTED THIS DECISION:

*Article 1*

Article 5 of Implementing Decision (EU) 2018/1493 is replaced by the following:

'*Article 5*

This Decision shall apply from 1 January 2019 until 31 December 2024.

Any request for the extension of the authorisation provided for in this Decision shall be submitted to the Commission by 31 March 2024 and shall be accompanied by a report which includes a review of the percentage set out in Article 1.'.

*Article 2*

This Decision shall take effect on the date of its notification.

*Article 3*

This Decision is addressed to Hungary.

Done at …,

*For the Council*
*The President*