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Obligation to reduce tax deductibles
by unsettled invoices

From 1 January 2013 the Corporate Income Tax Act and the Personal Income Tax Act have changed. One of the most significant changes is the obligation to reduce tax deductibles by the sum total of unsettled invoices.

In case an invoice is not settled within 30 days from its payment date, a taxpayer is obliged to decrease its tax deductibles by the sum total resulting from unsettled invoices (or other documents).

If the payment deadline is longer than 60 days, tax deductibles should be decreased after the lapse of 90 days from the day the amount unsettled on time has been recognised as tax deductible.

Tax deductibles should be decreased in the month in which the above payment deadlines expire.

The obligation to decrease tax deductibles applies also to depreciation write-offs of fixed assets or intangible assets which have been recognised as tax deductibles.

If the payment is made after the tax deductibles have been decreased, then, the taxpayer increases its tax deductibles by the amount of the decrease in the month in which the taxpayer did actually make the payment.

Practical question

As there are no transitional provisions it is difficult to ascertain whether the reduction of tax deductibles should also apply to the documents in case of which the payment deadline has already expired in 2012 but the respective deadlines (30 days from the payment date or 90 days from the day of recognition as tax deductibles where the payment deadline was longer than 60 days) will only expire in 2013.

Should you be interested in further information relating to the above issues, please, contact our specialists.