

## NEW CHANGES TO CIT ACT: INDIRECT TAX COSTS – WHEN DEDUCTIBLE

For some time now we have been bringing you news of government proposals to amend the Corporate Income Tax Act.

One of the key changes involves the time for deduction of what is called indirect tax costs. The time when such costs may be deducted from taxable income is determined by the "cost date" ("*dzień poniesienia kosztu*", literally "date when cost incurred") within the meaning of Article 15(4e) CIT Act.

This provision has given rise to two conflicting interpretations:

- Tax authorities say that the "cost date" should be taken to mean the date on which the cost item is recognised as an accounting expense in accordance with the taxpayer's accounting policies. In other words, a cost item is recognised for tax purposes when it is entered in a P&L account.
- Courts say that the "cost date" should be taken to mean the date at which the cost item is actually posted, not necessarily as a debit to any P&L account pursuant to accounting policies.

As the tax authorities have been massively losing such deduction timing disputes before the courts, the Ministry of Development and Finance have decided to solve the problem by amending the troublesome provision of Article 15(4e) CIT Act.

It is proposed that the "cost date" should mean the date on which the cost item should be debited to the taxpayer's profit and loss, such as through accounting depreciation charges, in accordance with the taxpayer's accounting policies, except in relation to provisions recognised as expenses and in relation to accruals.

In the government's proposal, the time when indirect costs are deductible strictly depends on accounting principles and on taxpayer's accounting policies.

The new law is proposed to enter into force on 1 January 2018.

Similar changes are planned for personal income tax with respect to taxpayers required to keep full-set accounting records.

We will keep you posted on the progress of this legislation.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

### **Doradztwo Podatkowe WTS&SAJA Sp. z o.o.**

Bałtyk Building, 13th floor  
ul. Roosevelta 22  
60-829 Poznań  
tel. (+48) 61 643 45 50  
fax. (+48) 61 643 45 51

### **Warsaw Office**

CENTRAL Tower, 22nd floor  
Al. Jerozolimskie 81  
02-001 Warszawa

*This Newsletter provides general information and is designed to keep you up-to-date with changes in tax law, tax rulings and interpretations, case law development and interesting commentaries.*

*Doradztwo Podatkowe WTS&SAJA shall not be held legally liable for any acts or omissions that follow from the contents hereof.*