

**POST-TRANSACTION DISCOUNT DOES NOT TRIGGER THE NEED
FOR RETROACTIVE COST ADJUSTMENT**

We wish to alert you to another taxpayer-friendly judgement of the Supreme Administrative Court ("SAC") dated 25 March 2015 (case no. II FSK 955/14), where the court held that there is no need to retroactively adjust your costs after you receive a discount post-transaction.

The case involved a construction company whose contracts with suppliers include a clause granting the company a post-transaction discount after it has purchased a pre-agreed volume of goods or services. These post-transaction discounts are settled annually by means of correcting invoices or a summary VAT correcting invoice. The correcting invoices are received by the Company already after it files its annual CIT return for prior year.

Against this background, the Finance Minister ruled that the correcting invoice does not change the time when the cost is incurred and deducted, but only its amount. Therefore, such tax costs should be adjusted by reference to the period in which they were recognised for accounting purposes.

The matter was finally resolved by SAC, which held that the correcting invoices which the Company receives after it is granted a post-transaction discount may be recognised by the Company "on the go", i.e. in the year in which they are received. If the tax authorities' interpretation was accepted, the taxpayer would suffer negative consequences of having arrears of tax even though his conduct cannot be considered to be unlawful.

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

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