

FAVOURABLE CHANGE TO INCOME TAX REGULATIONS ON BACK-ADJUSTMENTS

We wish to alert you to on-going work on a bill designed to amend the Code of Civil Procedure and certain other laws in connection with promotion of amicable dispute resolution methods (parliamentary paper no. 3432). The proposed legislation would change PIT and CIT Acts so that they would specify the time by reference to which income or cost adjustments are to be made for tax purposes.

According to this legislative proposal, the time by reference to which an invoice providing for adjustments (so-called correcting invoice) should be recognised (whether in terms of tax income or tax costs) depends on what the invoice is intended to adjust, namely:

- if the error in the original invoice was about facts (such as when the original invoice contained a mistaken quantity, price or VAT amount), then the correcting invoice should refer back to the time to which it relates, i.e. to the date on which the original income (or cost) arose under the original invoice; but
- if the original invoice correctly evidenced the transaction which occurred at the date of its issuance but the seller raised the correcting invoice due to some later income-affecting circumstances that occurred after the issuance of the original invoice, such circumstances including, for example, a price reduction, a rebate or a return of the goods, then the correcting invoice should be recognised in the current period, i.e. by reference to the date of its issuance.

According to proposed transitional provisions, the new law will apply to adjustments of income earned or costs incurred before the act's effective date.

The bill of the new law is already through its first reading in the *Sejm* and has now been transmitted to the Special Committee for Changes in Codifications. The proponents of the bill would like the new law to enter into force as early as 1 January 2016.

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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