

INSURANCE PREMIUM ON LEASED PASSENGER CAR IS DEDUCTIBLE IN FULL

We wish to alert you to a taxpayer-friendly judgement of Provincial Administrative Court in Gdańsk ("PAC") dated 7 October 2015 (case no. I SA/Gd 1033/15). The court held that the insurance premium on a leased passenger car is fully deductible for tax purposes if it is embedded in the lease rent and service fee. The judgement is not enforceable and its written statement of reasons has not been published yet.

The case involved a company which uses a leased passenger car for its business purposes and filed for a tax ruling in relation to the issue at hand. The lease rent paid by the company included (as an inseparable element) an insurance premium payable on the policy taken out by the financing party. According to Article 16.1.49 of the Corporate Income Tax Act, a passenger car insurance premium is not tax-deductible to the extent it exceeds the proportion of EUR 20,000 (as translated into PLN) to the insured value of the car. In seeking a tax ruling, the company wished to make sure that Article 16.1.49 does not apply to its case and so it can deduct the insurance premium in full.

PAC reversed the Finance Minister's ruling on the basis that an insurance premium embedded in a deductible lease rent does change the fact that the rent is deductible.

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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