



# Opinions of the Ministry of Finance on tax implications of IFRS 9

## Tax Alert

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On 11 February 2022, the Ministry of Finance issued Opinions no. 011-00-200/2021-04 and 011-00-62/2022-04 on implications of IFRS 9 application from the perspective of the Law on Corporate Income Tax (hereinafter: the Law).

In these Opinions the Ministry of Finance took the following positions:

Provisions of Article 25a paragraphs 5 and 6 of the Law are applicable, regardless of the provisions of Article 16 paragraphs 7 and 9 of the Law.

As a reminder, provisions of Article 25 paragraphs 5 and 6 of the Law regulate deductibility of effects of change in accounting policy due to first application of IAS, IFRS or IFRS for SME, while provisions of Article 16 paragraphs 7 and 9 of the Law regulate deductibility of expensed allowance for receivables.

In this regard, the effect of implementation of IFRS 9 accounted for as restatement of opening balance of retained earnings / accumulated losses is considered as a deductible expense for corporate income tax purposes over a period of 5 years, regardless of whether requirements for deductibility of the allowance for receivables have been met (an expensed allowance for receivable is deductible for tax purposes if receivables are past due by at least 60 days).

Expensed impairment of an individual receivable posted after first application of IFRS 9 is deductible only if requirements for deductibility of expensed allowance for receivables prescribed by Article 16 of the Law are met (expensed allowance for receivables is deductible for tax purposes if receivables are past due by at least 60 days).

The above is applicable also in the case of a simplified approach, using a provision matrix for impairment of trade receivables.

Expensed impairment of a receivable partially impaired during first application of IFRS 9 is deductible according to rules for deductibility of expensed allowance for impairment of receivables prescribed by Article 16 of the Law.

The above is applicable only for the amount of impairment which is not recognized at first application of IFRS 9.

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