

Reporting adjustment for credit note on corporate tax return 2/38/23

We have written before about situations that could have taxpayers confused about the right period for including non-business expenses in the taxable base on the corporate income tax (CIT) return. To pick up where we left off, let's now explore how and when the company should respond if its non-business expenses have been included in the taxable base but a credit note has arrived for those expenses.

Practice

Background

A company has been billed EUR 3,500 (including VAT) for services and this amount is supposed to go into the taxable base as a non-business expense. The bill was issued, received and paid in July 2023. It states the services were rendered in April 2023. The company reported EUR 3,500 on line 6.1 of the CIT return for July and paid CIT.

The service provider incorrectly bills the company for the hours spent providing services on a regular basis. To offset the fee, the service provider sent a credit note for the difference of EUR 500 in August 2023.

Questions

In practice, the following questions might arise:

1. What is the right way to report the credit for CIT purposes? What is the right period? And what is the right line on the CIT return?
2. Is the company supposed to adjust its CIT return for July, on which it reported a non-business expense of EUR 3,500? Or should the credit be reported on the CIT return for August, reducing the amount on line 6.1, or on line 25 as a different tax reduction if there is a taxable base?

Answer

On receiving the service provider's credit note for EUR 500 intended to offset the wrong fee, the company should file an adjustment to its CIT return for July, i.e. the amount of EUR 3,500 appearing on line 6.1 should be reduced to 3000. This will give the company an overpay it can apply to offset the CIT due for the next month or to pay other taxes.