



Tax Alert

Positive shift in the case law in respect of tax non-deductible expenses with direct link to taxable revenues

We would like to inform you about a ground-breaking ruling that relates to the problematic Section 24 (2)(zc) of the Income Tax Act. The provision generally makes it possible to treat expenses with directly related revenue as tax-deductible even where such expenses would otherwise be regarded as non-tax deductible under the Income Tax Act.

Although worded quite generally, the provision has been interpreted restrictively by the tax administration in the past years. As a result, tax payers often adopted a conservative approach to the matter in line with the tax administration's interpretations. However, the new ruling provides an opportunity to reassess such cases and, where appropriate, file additional returns claiming a tax liability reduction.

The ruling examines the link between the write-off of a receivable and the insurance settlement received in connection with receivables insurance in a specific case. The reasoning can nevertheless be extended to numerous other practical situations as well. However, as each case is unique, specific arguments for linking expenses and revenues must always be reviewed. The ruling applies to the wording in effect until 2014, but some arguments can be applied analogously to later periods as well.

Do not hesitate to contact us for an assessment of how your organisation could potentially benefit from the above ruling.



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