

TAX ALERT

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Expenses for civil liability insurance premiums for management board members do not represent tax deductible costs for the company.

In its judgment no. II FSK 2924/11 of 15 October 2013 the Supreme Administrative Court stated that expenses incurred for civil liability insurance premiums of former, current or future management board members did not constitute tax deductible costs.

Based on the conclusion of the judgment the expenses incurred by the company for civil liability insurance of management board members will not actually bring potential benefits to the company but to the insured, i.e. management board members who will be the beneficiaries of insurance. Consequently the company will incur an expense that will not contribute in any way whatsoever to generate an income or to secure or maintain an income; it means that the expense will not be incurred for a purpose that is a *sine qua non* condition for qualifying as a tax deductible cost in accordance with article 15 section 1 of the Act on Corporate Income Tax.

As a result of the above-mentioned judgment the expenses for civil liability insurance of company members, incurred by the company, do not constitute tax deductible costs in the light of the CIT Act provisions.

If you are interested in discussing this topic in further detail, please do not hesitate to contact Mazars Tax Advisory Department.

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