

TAX ALERT

16 December 2013



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CIT: Adjustment of initial revenue due to return of goods

In case of the return of goods sellers usually reduce revenues on a current basis, i.e. in the period in which the goods were returned. Please note that in the context of the new approach of tax authorities and judgments delivered on this matter, more and more often the above practice calls **particular attention during tax inspections**.

In line with the position of tax authorities, the adjustment of revenue should apply to the period in which the initial revenue was earned and not to the period in which the reason for modifying its amount occurred (i.e. to the period during which the goods were sold).

Based on this approach, entrepreneurs should, as a rule, make a backward adjustment of the revenue in case of the return of goods purchased by the clients in the previous years, i.e. the value of returned goods should reduce the company's revenue in the accounting period in which the companies initially disclosed the revenue from sale of goods which were returned and not on a current basis (upon return of goods) as many companies do practice now.

If you are interested in discussing this topic in further detail or in preparing an application for tax interpretation on this matter, please feel free to contact Mazars Tax Advisory Department.

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