

TAX ALERT
01/09/2003
/new rules of income tax payment/

We would like to remind you of the changes to the corporate income tax that took effect on **1 January 2003**. This is essential due to the coming budgeting period and the selection of how to pay income tax advances in the next tax year. The final scope of projected changes to the corporate income tax to be applicable as of 1 January 2004 is not yet known, hence we suggest monitoring, on an ongoing basis, the legislative process in this respect.

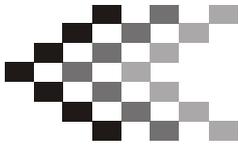
Regardless of the projected scope of changes to be applicable as of the beginning of 2004, as a result of amendments to the Corporate Income Tax Act dated 15 February 1992 taking effect, as of 1 January 2003 taxpayers may benefit from significant simplifications as regards income tax calculation and payment. Taxpayers are now authorized to pay income tax advances in a simplified form, according to which they will e.g. avoid filing monthly returns.

As of 1 January 2003 corporate income tax payers may pay monthly advances in a given tax year in a simplified form: in the amount of 1/12 of the tax due reported in the return for the year preceding the tax year (that is, in the case of payments for 2003 – in the 2001 return filed in 2002). If no tax due is reported in that return, the taxpayers will pay monthly advances amounting to 1/12 of the tax due as per the return for the year before the year preceding the tax year (in the case at hand, the 2000 return filed in 2001). If however no tax due is reported in that return either, the taxpayers will not be able to pay advances in a simplified form.

If the filed return showing tax underlying the calculation of simplified advances refers to a tax year of less or more than 12 consecutive months, taxpayers will be able to pay monthly advances for a given tax year in a simplified form, in the amount of tax due reported in that return and attributable pro rata to each month of the tax year the return refers to. Hence, the advance will be e.g. 1/9 or 1/14 of the tax due rather than 1/12, depending on the number of months in a given tax year.

To be able to benefit from the simplified form of advance payment the taxpayers must only notify the competent tax office in writing that they have selected that payment form. They are required to do that within the time limit set to pay the first advance in the tax year in which they choose the simplified form for the first time.

It is essential that in the subsequent years, the tax office does not need to be notified again of the calculation and payment form selected, unless the taxpayer wants to change it. In that case, the taxpayer will be required to file a written withdrawal from the simplified form of advance payment within the above-mentioned time limit. It must be remembered that this method must be applied throughout the whole tax year.



Under the amendments to the Corporate Income Tax Act applicable as of 1 January 2003, if an adjusted return is filed and the adjustment affects the calculation basis for monthly advances to be paid in a simplified form or if the tax authority assesses the tax due in the amount different from that reported in the return, the taxpayer will not incur adverse effects. If the taxpayer files the adjusted return, the amount of the said advances:

- § will be increased or reduced, accordingly to the change to the calculation basis, if the adjusted return was filed with the tax office before the end of the tax year preceding the tax year in which advances are paid in a simplified form
- § will be increased or reduced as of the month following the month in which the adjusted return was filed, accordingly to the change to the calculation basis, if the adjusted return was filed in the tax year in which advances are paid in a simplified form
- § will remain unchanged if the return was filed on dates later than those mentioned above.

Under the amendments to the Corporate Income Tax Act, the taxpayer is required to file only one tax return in the tax year within the time limit that has been applicable to date to file the preliminary return. The taxpayer is not required to file the so-called final return.

This document is aimed at highlighting amendments to the law and making you aware of their extent.

This document **does not constitute** advice, opinion or clarification on tax obligations (tax advisory services) within the meaning of art. 2 of Tax Advice Act of 5 July 1996 or legal advice or opinion (legal assistance) referred to in art. 6 of the Legal Counsel Act of 6 July 1982. Before taking any decisions or actions, we recommend that you consult your advisor in order to obtain an opinion or advice of the scope of application of the law and proposed solutions.