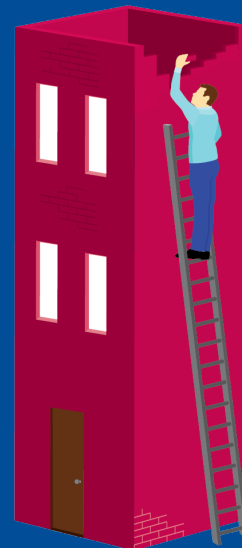


Property tax and "IFRS for SMEs" - opinions of the Ministry of Finance

Tax Alert

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On 13 August 2018, the Ministry of Finance issued Opinions no. 430-00-00835/2017-04 and no. 430-00-00073/2018-04 stating that legal entities applying International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) or the Rulebook on the Manner of Recognition, Measurement, Presentation and Disclosure of Items in the Individual Financial Statements of Micro and Other Legal Entities (the Rulebook) have no basis for using the fair value method in determining the property tax base for real estate.

In these opinions, the Ministry of Finance refers to provisions of the Property Tax Law which stipulate that legal entities that measure real estate in their books based at fair value in accordance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) and adopted accounting policies, determine the tax base as the fair value of these properties on the last day of the business year preceding the year for which property tax is determined.

Note that this provision of the Law was introduced by the Law on Changes and Amendments to the Law on Property Taxes Law adopted on 30 May 2013, when IFRS for SMEs was still not effective.

According to the Ministry opinion, given that the said provision does not explicitly refer to IFRS for SMEs or the Rulebook, taxpayers who apply fair value method in accordance with these accounting frameworks cannot determine the property tax base in the amount of fair value of property.

The above opinions are contrary to the practice of some local municipalities that so far accepted tax returns in which the tax base is declared at fair value, and that were filed by taxpayers who apply fair value in accordance with IFRS for SMEs or the Rulebook.

KPMG team is at your disposal for analysis of your particular property tax situation in the light of mentioned opinions of the Ministry of Finance.

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