



Ministry of Finance Opinion on measurement of inventor

Tax Alert

March 2022

On 29 November 2021, the Ministry of Finance issued an Opinion no. 011-00-489/2021-04(2) in which it presented the position that the write-down of inventory to its net realizable value in class 9 of chart of accounts represent impairment of assets in terms of the Law on Corporate Income Tax (hereinafter: the Law).

The Opinion is referenced to the interpretation of sector for financial system which confirms the requirement of IAS 2 – Inventories to measure inventories at the lower of cost and net realizable value. It is also stated that impairment of inventory of work in progress and finished products is accounted for in class 9.

With reference to the interpretation from sector for financial system, sector for fiscal system takes the position that decrease of value of inventory of work in progress and finished goods by write-down to net realizable value in class 9 represents impairment of assets covered by provisions of Article 22v of the Law.

In the rationale of its position, the Ministry of Finance does not consider provisions of Article 26 of the Law which regulates deductibility of costs of inventory.

In addition, it is not clear how the Ministry of Finance linked write-down of inventory to impairment of assets defined in Article 22 of the Law.

As a reminder, Article 22v of the Law defines the impairment of assets as the difference between carrying amount of an asset and its estimated recoverable amount. Impairment expenses are deductible in the tax period in which such assets are disposed, used or damaged due to force majeure.

However, it should be noticed that Opinions issued by the Ministry of Finance are binding for acting of the Tax Administration. Considering stated, we expect that the Tax Authorities will treat write-down of inventories is class 9 as impairment expense deductible in accordance with provisions of the Article 22v of the Law.

If you have any questions or need the support of our experts, feel free to contact us at tax@kpmg.rs

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