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Budget Law 2023
Correction of accounting errors

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Focus on

Art. 1, para. 273 of Budget law 2023 (Law no. 197/2022) focuses on the tax treatment of accounting errors, whose regulation had been recently amended by art. 8 of Law Decree no. 73/2022 (so-called "Simplifications Decree). The new article limits the subjective scope and thus the scope of application of the provision to those businesses which submit their financial statements to external audit.

In particular, the Simplification Decree introduced amendments to art. 83, para. 1 of TUIR (i.e. Italian consolidated income tax law) providing for that, starting from the tax period underway on 22 June 2022, accounting entries recorded further to the correction of accounting errors would be valid also for tax purposes for those taxpayers applying the so-called "reinforced derivation" principle (according to which the criteria provided by the accounting principles adopted also apply for the purposes of determining the corporate income).

It also provided for that said simplification would not be applicable to expenses/charges for which the deadline for filing a supplementary tax return had expired (deadline corresponding to the expiration of the term for tax inspections and assessments).

With the new provision introduced by the Budget Law, also basing on the details contained in the technical report, tax relevance has been granted to revenues and costs entered in the financial statements in the FY in which accounting errors are corrected, regardless of the filing of a supplementary tax return for the tax period to which the errors refer, upon condition that the taxpayer has its financial statements audited.

Therefore, it will no longer be necessary to file a supplementary tax return to have accounting errors recognised as relevant for tax purposes if the financial statements are audited.

For those taxpayers who do not apply the "reinforced derivation" principle, the current norms regulating the correction of accounting errors remain valid.

Therefore, for these taxpayers, revenues and costs entered in the financial statements further to the correction of accounting errors will not be considered for tax purposes in the tax period in which the errors are corrected and the need to file a supplementary tax return (to recover the deduction of cost or to subject revenues to taxation) for the tax period in which accounting entries were not entered in the financial statements remains in force, upon condition that the relevant deadlines have not expired yet.

The provisions above apply both for IRES (corporate income tax) and IRAP (regional production tax) purposes.

Please feel free to contact us for further details and information on the above issues.

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