Bad debt write-offs simplified for FY 2013

The Italian Budget Statute (Legge finanziaria 2014) has introduced a strong simplification for the write-off of bad debts (i.e. those credits that cannot be cashed). A change in article 105 of TUIR (income tax restatement code) has introduced the principle whereby an entity that applies the Italian National Accounting Principles (GAAPs) can set at loss (write-off) bad debts at the time of deletion from the balance sheet without further proving that the credit is certainly irrecoverable. This second rule (previously the general case) implied regularly the need of involvement of third parties such as an attorney in order to acquire enough elements of security on the fact that the loss was…a total loss.

In other words, the old rule whereby the accountant could not "self-certify" the loss of a credit, will be replaced by an opposite one. A case-study is given by an interesting article on "ilSole24Ore" –> here.

It has to be noted that the elements leading to such evaluation of non-recoverability of a bad debt shall in any case be subject to scrutiny by the tax authorities. Moreover, it has to be noted that the new rule does not apply to taxpayers that operate under International Accounting Standards (IAS). This last point is curious; it should be considered that companies apply the IAS when they are under a non-Italian holding or they consolidate accounts coming from more than a member State of the Union. Exclusion of IAS-based companies from the new simplified rule could thus be considered as a measure contrary to the freedom of establishment (artt. 49-55 TFEU).