



## LT in focus

# Calculation of the amount of personal income tax based on a taxpayer's expensive purchases

### ***Court practice***

A number of court cases on personal income tax (PIT) collection were initiated by the Belgorod regional tax authorities in 2013.

The tax authorities claimed that individuals had not paid PIT on received income on the grounds that they had made expensive purchases (land plots, vehicles, etc.) but had neither filed tax returns nor declared such an income.

At the same time, no evidence that people had actually received the alleged income (rather saving money for a long period of time) was presented to the court.

While these claims were not in line with the fundamentals of tax law, the cases were resolved in favor of the tax authorities, and PIT was levied on the individuals.

The Presidium of the RF Supreme Court took another stance in its Judicial Review<sup>1</sup>, invalidating the "innovative approach" of the tax authorities.

The Presidium emphasized that the tax authorities must prove the receipt of taxable income by the individual due to the principle of good faith of the taxpayer who is presumed innocent (item 6, Art. 108 of the RF Tax Code).

If the taxpayer acquired specific property in the tax period, it only shows that they bore the relevant expense, which does not confirm the receipt of taxable income in the same amount.

Thus, the Presidium affirmed that the amount spent by the taxpayer on acquiring property cannot be subject to PIT.

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We hope that you will find the information in this issue both interesting and useful. Our specialists are available to answer any questions you may have with regard to the contents of this issue.



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<sup>1</sup> Approved by the RF Supreme Court Presidium on 26 June 2015, "Judicial Review" No. 2 (2015)

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