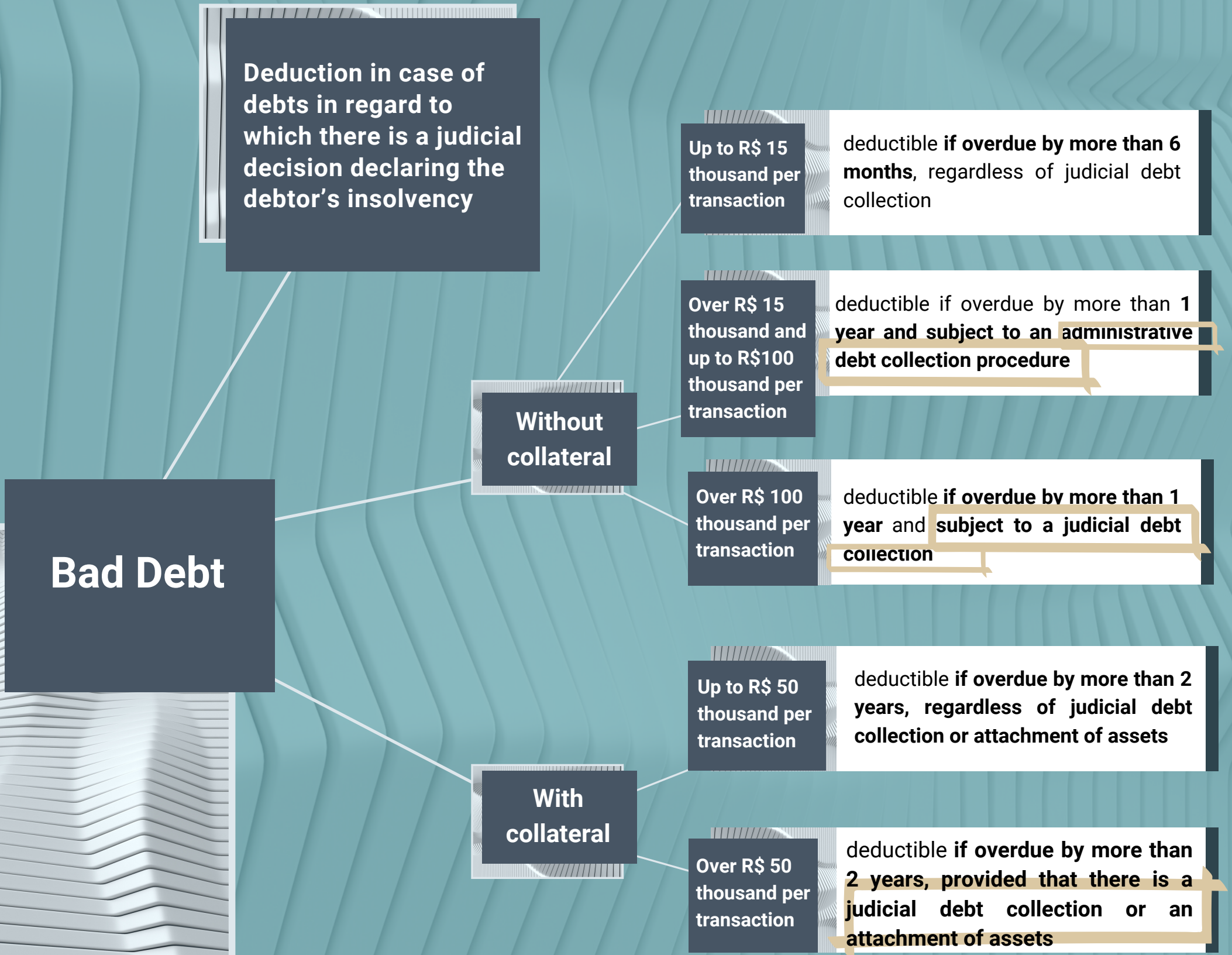


COVID-19: default and the bad debt deduction for Corporate Income Taxes purposes

The scenario caused by Covid-19 tends increase receivable defaults. For Corporate Income Taxes purposes, mere default does not allow the deduction of bad debt losses. Find out the main requirements for deducting bad debt losses:



Bad Debt

against debtor declared bankrupt or under debt rehabilitation or judicial debt recovery in relation to the part of the debt that debtor has not committed to pay

deduction from the date of declaration of bankruptcy or decision on debt rehabilitation or judicial debt recovery, **provided that creditor has submitted a proof of claim**

Pay attention to situations in which extrajudicial and/or judicial collection measures must be taken!

in case of a debt commitment under bankruptcy or judicial debt recovery procedures, regarding the unpaid amount, provided previously mentioned requirements are met

It is worth following: Bill of Law 1397/20

Bill of Law 1397/20, pending before the House of Representatives, regulates the Insolvency Prevention System of the economic agent (individual or legal entity engaged in any economic activity) and aims at temporarily changing the rules provided for in the bankruptcy legislation to mitigate the economic impact of the COVID-10 pandemic for debtors.

Non-deductible Bad Debts

When debtor is a controlling, controlled affiliate or associate company of creditor

In case of an individual debtor who is a controlling shareholder, partner, titleholder or officer of creditor or a relative up to the 3rd degree of such individuals

For more information, please contact:

Ana Lucia Marra - alm@machadoassociados.com.br
Mauro Mori - mmr@machadoassociados.com.br
Rochelle Ricci - rri@machadoassociados.com.br
Stephanie Makin - sjm@machadoassociados.com.br