

Second Update on E-Accounts: Final Implementation Letter from German Federal Ministry of Finance released

The German Federal Ministry of Finance (BMF) released the final version of the letter about the implementation of e-accounts on 28 September 2011. Furthermore, the taxonomies which are mandatory in the first year of implementation (i.e. main and sector-specific taxonomies) were published on the website www.eststeuer.de on 5 October 2011.

The ministry reacted to suggestions and criticism that were voiced both in written form and in the consultation meeting on 16 August 2011, and made several changes and clarifications to the draft letter dated 1 July 2011, which we would like to present in the following.

I. Transitional periods

1.1 Clarifications regarding the effective postponement of the implementation of e-accounts ("regulation of non-objection")

The regulation of non-objection, which implies that balance sheets and income statements for 2012 may still be submitted on paper, was clarified to the effect that it also applies to balance sheets for the financial year 2012/2013.

This means that balance sheets for financial years beginning after 31 December 2012 must be submitted electronically.

It is also explained that paper balance sheets for financial years that end before 31 December 2012 do not have to be outlined according to the taxonomy's guideline.

1.2 Further prolongations of special transitional periods

The new letter explicitly clarifies that the obligation to submit electronic balance sheets and income statements also applies to **entities with limited tax liability** which derive income according to section 49 (1) no. 2 f) aa) and no. 6 German Income Tax Act (EStG). The articles especially refer to foreign corporations with rental income in Germany.

Also specified was the application of the taxonomy for **tax-exempt corporations**. These corporations have to submit electronic accounts only for the taxable part of their income (examples are stated in the letter from the finance ministry).

The regulations for **German entities with foreign branches and foreign entities with branches in Germany** have been adopted from the draft letter and remain unchanged.

All above-mentioned corporations have to submit e-accounts for the first time for the financial years that begin after 31 December 2014. In the case of German entities with branches abroad, this transitional rule only applies to the activities from their foreign branches.

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The purpose of this newsletter is to provide readers with general information; it is not intended to replace advice based on individual circumstances. If you have any questions or would like further advice, please do not hesitate to call or mail your usual contact at PVW or:



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The obligation for **Partnerships** and joint enterprises in filing an electronic statement of changes in capital accounts was postponed for a further year. Consequently, a detailed electronic statement of capital accounts is now mandatory for the financial years that begin after 31 December 2014.

The implementation of transmitting special purpose and supplementary balance sheets electronically (i.e. additional tax balance sheets which can be relevant for partnerships and joint enterprises) was postponed for another year as well. They must be submitted for the financial years that end before 1 January 2015. Until then, the tax authorities will accept their submission within the electronic filing of the partnership's accounts.

II. Taxonomy used for the filing of e-accounts

In addition to the final letter of the German Finance Ministry, the revised taxonomy for the transmission of e-accounts dated 14 September 2011 was published under www.eststeuer.de on 5 October 2011. This new version of the taxonomy will be available from May 2012. In the meantime, the taxonomy released on 16 December 2010, which was used during the pilot phase, is effective.

The revised taxonomy contains more "general" fields, which can be used if values for mandatory fields cannot be derived from the accounting. These positions avoid interference in present bookkeeping habits of taxpayers, yet they allow a higher degree of standardization.

III. Clarifications

The finance ministry's letter defines that the latest taxonomy shall be used until an updated version is released. This may also affect previous financial years. For instance, if a tax return has to be amended, the taxonomy which is effective at the time of submission of the amended tax return must be used.

IV. Outlook

The taxonomy will continue to be modified. Apart from the gradual reduction of the number of "general" fields, which has already been announced, the knowledge that the financial administration has gained should help develop e-accounts further. Thus, in the future, the German Finance Ministry will release updated taxonomies.

It has not been finally clarified when the "general" fields will be completely abandoned and under which circumstances a detailed breakdown according to the taxonomy will be necessary. There remains a risk that incorrect entries will be made. According to the finance ministry, the use of a "general" field is advisable, if a mandatory field cannot be derived from the "proper, individual bookkeeping". Since this statement is in need of further specification, it would be desirable to have it clarified.

The problem of data security for the documents to be submitted remains unsolved.

You will find more information about the taxonomy and the letter from the German Finance Ministry on the website www.eststeuer.de. For further details on e-accounts, please refer to our newsletters on e-accounts available for download under www.pvw.de/Newsletter.asp.

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