

---

## E-Balance Sheet: Launch with a Soft Start

### **Federal Ministry of Finance provides for simplifications and transitional arrangements in the final MoF circular on the E-Balance Sheet**

Ladies and Gentlemen:

After a long and expectant wait the final version of the circular on the application of the E-Balance Sheet by the MoF was published on 28 September 2011. The binding core taxonomy has been released on [www.estuer.de](http://www.estuer.de) together with the final industry taxonomies for various specific industry sectors. According to the information available to us the recommendations made by WTS in the context of the participation in the E-Balance Sheet pilot phase have been partly taken into consideration.

We expect that the previous FAQ about the E-Balance Sheet, also published on [www.estuer.de](http://www.estuer.de), will soon be revised in accordance with the changes in the MoF circular compared with the draft dated June 2011.

In the following, we would like to inform you about the most important provisions and changes in the MoF circular of 28 September 2011.

#### **Temporal application**

On principle, the content of the balance sheet and the income statement including the tax reconciliation statement or the content of the tax balance sheet for fiscal years beginning after 31 December 2011 has to be submitted electronically. Due to the many requests of industry and trade associations the fiscal authorities will not object to the balance sheet and the income statement for the initial year (FY = calendar year 2012 or for deviating FY 2012/2013) not being transmitted electronically but on paper as before. Please note that the safe-harbour regulation does not constitute a legal suspension. The time gained due to the safe-harbour regulation should rather be considered a trial stage. Businesses could, for instance, file the E-Balance Sheet for small group companies as early as for fiscal year 2012 in order to gain experience.

#### **Personal application**

The E-Balance Sheet is to be filed by all companies preparing their balance sheet pursuant to section 4 paragraph 1, sections 5 or 5a EStG (German Income Tax Act). There will be no simplifications with respect to the legal form or size of a business. Furthermore, also those balance sheets have to be transmitted electronically which were prepared as a result of the sale or abandonment of a business, a change in the profit determination method or on the occasion of business transformation or liquidation. Industry and trade associations consider these regulations a non-justified expansion of the scope of application since these individual circumstances might require separate dedicated accounts.



---

## E-Balance Sheet: Launch with a Soft Start

### Specific material scope of application

For entities drawing up balance sheets which are subject to the so-called specific material scope of application the temporal application will be postponed to fiscal years beginning after 31 December 2014. These include permanent establishments, taxable business operations of tax-privileged corporations and businesses of a commercial nature operated by a legal entity under public law.

With regard to permanent establishments it was specified in more detail that a German company with a permanent establishment abroad (so-called "outbound cases") has to file the E-Balance Sheet for the entire company. In contrast to the draft of the MoF circular (as of June 2011) it has now been clarified that the transitional arrangements for outbound cases only refer to the data of the permanent establishment abroad. This data need not be included in the taxonomy of the domestic company until 2014.

With regard to German permanent establishments of foreign businesses (so-called "inbound cases") the obligation to submit data electronically is limited to the German permanent establishment. As a rule, the same applies to taxpayers with a limited tax liability receiving German-source income from the letting or leasing of real estate as far as they have to submit a balance sheet and income statement pursuant to sections 140 or 141 AO (German Tax Code) in connection with section 4 paragraph 1 EStG (German Income Tax Act), if applicable upon the request of the fiscal authorities.

### Taxonomy and minimum scope

A central issue of the E-Balance Sheet was the high level of detail of the core taxonomy which, based on our experience gained during the pilot phase, would result in interfering in the bookkeeping habits of the taxpayers. The MoF took into account this issue by deleting 13 mandatory fields as well as incorporating further so-called fallback positions. In the MoF circular it is stated that a taxpayer can use fallback positions if he cannot derive the required level of differentiation of certain individual issues from the accounts. According to the MoF circular dated 8 August 2011 the currently incorporated fallback positions shall remain legally binding in the taxonomy for the next 5-6 years. Only then the MoF intends to carry out a review which could result in a reduction of the number of fallback positions.

In contrast to the core taxonomy draft (as of 16 December 2010) the MoF circular dated 25 August 2011 states that now 54 instead of 22 fallback positions will be included. Among those is, for instance, the fallback position for "income from investments, not attributable to the legal form of the shareholding". Actually the income from investments in corporations or partnerships respectively should be reported separately according to the taxonomy. However, the pilot phase has shown that the majority of businesses only use a single account for this purpose.

In the MoF circular of 28 September 2011 it was determined that if a mandatory field cannot be filled because it is not possible to take or derive the values from existing accounting, the field must be transmitted without any value (technical NIL value) to ensure a successful transmission of the record.

With regard to the derivability of a mandatory field from accounting, we assume that the mandatory fields must only be filled if one or several accounts can be subsumed under this field (1:1 relation or n:1 relation). Should an account include several individual circumstances relating to different mandatory fields (1:n relation) it is not necessary, in our opinion, to allocate these manually. Instead the mandatory field should be filled with a technical NIL and the

---

## E-Balance Sheet: Launch with a Soft Start

account should be attributed to a fallback position, if available. In case a fallback position does not exist, all accounts of the lowest level must be taken into consideration in total in the respective summarizing field and all fields at the lower level must be filled with a technical NIL. This is due to the calculation rules.

In this context we had to note with regret that the clarifying provision in the draft of the MoF circular (as of June 2011) stating that there is no optional choice between mandatory field and fallback position has been deleted. Based on the hearing of the commercial and trade associations at the MoF on 16 August 2011 we do, however, assume that the fiscal authorities are still maintaining this view despite the deletion. It would be appreciated if the clarifying provision was included in a revised FAQ.

Since the current MoF circular still underlines that any interferences in the bookkeeping habits must be avoided, WTS considers this as a reassurance that companies will not necessarily have to introduce new accounts in their bookkeeping systems. However, it should be taken into account that new accounts might sometimes prove to be quite beneficial. In the case of companies which are subject to permanent tax audits it does not seem to be appropriate to change the bookkeeping habits for the preparation of the E-Balance Sheet since the fiscal authorities have the right to access the electronic data during the tax audit pursuant to section 147 paragraph 6 AO (German Tax Code) and will hence receive any information required anyway. For companies which are not regularly audited by the tax office, the situation is different. In their case it might be a good strategy to transmit any information required in the E-Balance Sheet and thus avoid queries as well as cost-intensive tax audits tying up resources. It is, inter alia, the whole purpose of the E-Balance Sheet to use the scarce resources available for tax audits only in those cases where risk controlling gives rise to the assumption that additional taxable income can be expected.

### Exemption clauses for certain reporting elements

The E-Balance Sheet consists of the GCD module for the transmission of the business's master data and the GAAP module. The GAAP module is divided into various reporting elements of which the balance sheet, the income statement, the appropriation of profits, the statement of changes in equity and the determination of taxable income for partnerships as well as the tax modifications must be transmitted.

Due to a transitional arrangement the statement of changes in equity for commercial and other partnerships as well as special and supplementary balance sheets of partnerships only have to be transmitted for fiscal years beginning after 31 December 2014.

### Industry taxonomies

In addition to the core taxonomy, industry taxonomies were developed for specific economic sectors. For banks and insurance companies so-called special taxonomies are available and for businesses in the housing industry, transport companies, agriculture and forestry, hospitals, nursing homes and municipal undertakings appendices to the core taxonomy were prepared. The taxonomies are also available on [www.estuer.de](http://www.estuer.de).

Due to the wording of the MoF circular dated 28 September 2011 (paragraph 28 sentence 1) it can be assumed that the current listing of industry taxonomies is not yet final.

---

## E-Balance Sheet: Launch with a Soft Start

### Recommendations

The details of the electronic transmission of data to the fiscal authorities have now been largely clarified. You, as a business affected by these regulations, should now proceed with an analysis of the impacts of the E-Balance Sheet on your company and an identification of the need for action. In particular the initial mapping of all main ledger accounts to the taxonomy should be started soon. The time gained due to the safe-harbour regulation should definitely be used properly as the pilot phase has shown that the time needed for the introduction must not be underestimated. WTS will be glad to assist you with the tasks on hand.

Yours sincerely

WTS Steuerberatungsgesellschaft mbH

Christoph Möslein

Certified Tax Consultant  
Attorney-at-law  
Tax Attorney

Anne Mäkinen

Certified Tax Consultant

Henning Burlein

Certified Tax Consultant

## E-Balance Sheet: Launch with a Soft Start

For further details please contact us

### **Contact**

Henning Burlein	Phone: 089 286 46 155	henning.burlein@wts.de
Anne Mäkinen	Phone: 089 286 46 237	anne.maekinen@wts.de
Christoph Möslein	Phone: 086 286 46 142	christoph.moeslein@wts.de
Brigitte Stark	Phone: 089 286 46 1503	brigitte.stark@wts.de

### **Published by:**

WTS Steuerberatungsgesellschaft mbH

www.wts.de  
info@wts.de

Registered Offices in Munich  
Thomas-Wimmer-Ring 1 - 3  
80539 München  
Phone: +49-89 28646-0  
Fax: +49-89 28646-111

Düsseldorf Office  
Peter-Müller-Straße 18  
40468 Düsseldorf  
Phone: +49-211-2 00 50-5  
Fax: +49-211-2 00 50-950

Frankfurt Office  
Taunusanlage 19  
60325 Frankfurt/Main  
Phone: +49-69-13 38 456-0  
Fax: +49-69-13 38-456 99

Erlangen Office  
Allee am Röthelheimpark 11-15  
91052 Erlangen  
Phone: +49-9131-97002-11  
Fax: +49-9131-97002-12

Raubling Office  
Rosenheimer Straße 33  
83064 Raubling  
Phone: +49-8035-9680  
Fax: +49-8035-968150

Hamburg Office  
Neuer Wall 30  
20354 Hamburg  
Phone: +49-40-320 86 66-0  
Fax: +49-40-320 86 66-29

This info letter published by WTS Steuerberatungsgesellschaft mbH cannot replace individual advice. We do not make any representations and warranties about its correctness. For further details please contact WTS Steuerberatungsgesellschaft mbH.