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German Tax and Legal News

BMF issues more guidance on tax treatment of certain cost items for production costs

In its official guidance on the relationship between German GAAP and German tax accounting under the accounting reform published in March 2010, the Federal Ministry of Finance (BMF) stipulated that the option to include certain cost items (e. g. adequate portions of general administration costs and voluntary employee benefit expenses) in the production cost of assets does not apply for tax purposes. Instead, these cost items must be included in the cost of production for tax purposes ([see Deloitte Tax-News](#)).

The [BMF](#) has now published a clarification which allows a taxpayer to choose whether the treatment of such costs for tax purposes follows the German GAAP approach (= optional capitalization) or the German tax accounting approach (= mandatory capitalization). However, since optional capitalization is currently provided for in the official income tax guidelines (EStR) published in 2008, the BMF states that this alternative will be applicable only until the official guidelines are revised. According to unofficial statements by the BMF, there are currently no specific plans to update the official income tax guidelines. The guidelines are only binding on the tax authorities and they give the taxpayer an indication how the tax authorities will view certain situations.

If you have any questions, please contact the authors of this article at gtln@deloitte.de or your regular Deloitte contact.

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