

Local court rules on VAT treatment of a transfer of a going concern to a group of purchasers

The transfer of a business to a group of purchasers can qualify as transfer of a going concern if the purchasers continue the activity of the business after the transfer.

The Finance Court of Rheinland-Pfalz issued a decision in which the court concluded that a transfer of a business to a group of purchasers qualified as the transfer of a going concern for VAT purposes in the way that different purchases acquired the land, the inventory as well as shares of companies leasing the premises.

While German tax rules on the transfer of a going concern usually require that the business be transferred to a single purchaser, the Finance Court held that a transfer to a group of purchasers may be considered a transfer of a going concern if the business is continued by the group of purchasers.

The decision has been appealed to the Federal Tax Court.

Taxpayers with VAT assessments in similar cases should keep the assessments open.

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