



Newsletter

For our clients and business associates

August 2010

Editorial

Ladies and gentlemen,

It is the summer season and most of us can treat ourselves to pleasant and hopefully relaxing holidays.

Many of you might already have noticed new offers for "CO₂-neutral" holiday packages from your travel organizers while making your bookings.

Sustainability, climate neutrality, and environmental compatibility,... these are the buzzwords known to everyone today in this context; and yet we keep asking ourselves "What can I do? What can I, as an individual, improve and contribute to?"

We at AWT Horwath asked ourselves the same questions after the AWT Horwath "Schlossworte" talks of Professor Dr. Radermacher in May and June 2010. Deeply impressed and concerned, we asked ourselves, "What can we as a company contribute within the scope of our social responsibility?"

As soon as the question arose, we did some research and found a wide range of possibilities for determining and reducing the CO₂ burden on the environment in our own company.

In the course of compiling the information we then decided to make our client events CO₂-neutral by supporting reforestation initiatives.

We were particularly impressed by the schoolchildren's initiative "Plant-for-the-Planet", Pähl, which has been actively engaged in promoting climate protection since 2007 and recently formed the pertaining children's foundation on 31 January 2010. The special feature of the foundation is that the coordination committee is comprised of children, all

of whom active as ambassadors for climate justice, organize planting activities, and give presentations and talks on the subject.

The worldwide slogan of the initiative is **"Stop talking. Start planting"**.

The children's message to the world is: "We, the children, are getting involved because our future is at stake." The children's activities are supported by the Global Marshall Plan Foundation. The children receive help in achieving their goal from numerous country chapters of the Club of Rome. The AVINA foundation of Stefan Schmidheiny, the founder of the World Business Council for Sustainable Development, supports the children in expanding their global network.

We are supporting this foundation by "investing in trees" in accordance with the motto of the student initiative: **"Let's plant trees, the more the better!"**

Social responsibility starts with small things and great initiatives never arise without small commitments.

We wish you a pleasant holiday - preferably a CO₂-neutral one, of course!

Best regards
Andrea Bruckner

You will find further information in the Internet under <http://www.plant-for-the-planet.org>.

Events

- 4 - 6 October 2010
EXPO REAL
International Trade Fair for Commercial Property and Investment
Neue Messe Munich

Crowe Horwath International will again be present with a team of international experts.

- 26 October 2010, 4:00pm
What is the value of your enterprise?
Munich, AWT Horwath

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Andrea Bruckner



AWT HORWATH NEWS

■ Twenty-four-hour Mountain Bike Race

As in previous years, the AWT-Horwath mountain bike team took part in the 24-hour race at Munich's Olympia Park this year also.

The MTB event took place from 25 - 27 June. The great summer weather gave the members of the AWT Horwath team a chance to show off their skills as mountain bikers. Our team managed to stay in the median ranking in the category "Eight-member corporate teams" and finished 22nd among the 43 participants. We congratulate our mountain bike team for this notable achievement and are already looking forward to the 24-hour race next year. ■



ACCOUNTING

■ IASB publishes Revised IAS 24 "Related Party Disclosures"

IASB published a revised version of IAS 24 "Related Party Disclosures" on 4 November 2009. The aim of the IAS 24 revision is initially to simplify the disclosure requirements for companies in which the government holds participating interests. Certain "related par-

ty" relationships arising from government participation in private entities are removed from the list of disclosure requirements included in the revised IAS 24. Moreover, the definition of related parties was fundamentally revised by a restructuring and reassess-

ment of the term. The amended Standard enters into force for reporting periods which begin on or after 1 January 2011. Early application is possible. EU endorsement is expected in the third quarter of 2010. ■

■ IASB publishes ED on Value Impairment Provisions for Financial Assets (ED/2009/12)

On 5 November 2009, IASB published the standard draft of Financial Instruments "Amortised Cost and Impairment" (ED/2009/12), which contains proposals for new value impairment provisions concerning financial assets that are recognized in the balance sheet at amortized cost.

The proposals represent the second part of the three-part project for replacement of IAS 39 "Financial Instruments: Recognition and Measurement" by the new standard IFRS 9 "Financial Instruments", which is to lead to a significant reduction in accounting complexity and an increase in the comprehensibility of financial statements regarding the classification and measurement of financial instruments.

In addition, the Draft also reflects the doubts expressed concerning the previous provisions in the context of the financial market crisis. The first phase of this project, which was initially dedicated to the classification and measurement of financial assets, was completed on 12 November 2009 with the publication of the new IFRS 9. Endorsement by the EU is still pending. According to the new draft of the impairment provisions, in future, losses are already to be anticipated within the framework of expectations and not, as previously, by applying the model for treatment of incurred losses within the framework of the measurement of financial instruments. Under the proposed model, expected losses

are to be accounted for over the entire term of the financial asset which is recognized at amortized cost, and not only after a loan default has been identified. This is intended as a means of preventing premature disclosure of increased interest income, which currently arises prior to the identification of any arising loan defaults. Significant note disclosure requirements are to enable financial statement readers to understand the default estimates that are considered necessary by the company.

In addition, under the presented Draft, contractual interest income is to be recognized, less the initially expected loan defaults over the term of the investment, a risk provision is to be recorded



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for expected loan defaults, loan default expectations are to be reassessed in each period, and all effects resulting from changes in the loan default expectations are to be recogni-

zed immediately in the income statement.

The period for commenting on ED/2009/12 ended on 30 June 2010. According to the updated project and

time schedule of the IASB (Status: June 2010), approval of the entire new standard on financial instruments (replacing IAS 39) is not planned until the second quarter of 2011. ■

TAX LAW

■ Annual Tax Act 2010 - Second Part

The following changes resulting from the Annual Tax Act 2010 [Jahressteuergesetz 2010 - JStG] are the continuation of our series on the Annual Tax Act initiated in the last Newsletter.

Date of income tax origination for puttable options on securities from full risk certificates

Previously, exchangeable bonds or stock bonds held by investors who, due to put options, have received shares or other securities instead of repayment of the nominal value, become taxable not at the time when the shares are transferred on the basis of the put options, but rather only at the time of subsequent sale of the shares. With the Annual Tax Act of 2010, this taxation principle is extended to include all full risk certificates with attached put options that are subject to final withholding tax. Full risk certificates are understood to mean bonds whose value development is contingent on the development of an underlying instrument (e.g. index or stock basket), and whose repayment and income generation are uncertain. The change introduced by

the Annual Tax Act 2010 is of particular significance with respect to the recognition date of possible sales gains or losses and is to be applied for all certificates purchased after 14 March 2007 to the extent that the put options were exercised after 31 December 2009.

Clear Guidance on Tax Liability for Accrued Interest on Old Bonds

In § 52a (10) Sentence 7 German Income Tax Act (new version), the Annual Tax Act 2010 clearly specifies that inflows of separately invoiced accrued interest on old bonds that had been purchased before 31 December 2008 and were recognized after 31 December 2008, are taxable. Otherwise, in keeping with the previous provisions, sales gains on fixed interest securities purchased prior to 1 January 2009 outside the speculation period are still non-taxable. With this clarification the legislator has ended the controversy in legal practice concerning the taxability of accrued interest on old bonds. According to the Draft Law, the clarification applies to all income from capital received after 31 December 2008.

Duty to Disclose Identification Number on Tax Exemption Applications

The Annual Tax Act 2010 creates an obligation for taxpayers who intend to apply for exemptions from capital gains in the amount of € 801.00 or € 1,602.00, respectively (in the case of joint filing) or who have already filed exemption orders, to notify their bank of their identification number at the time of requesting the exemption, as well as in cases of existing exemptions. In future, exemptions will be invalidated in cases of missing identification numbers. Therefore, the identification number must be disclosed in all cases for all exemption applications submitted from 1 January 2011 onwards. On the other hand, in the case of already existing exemption orders, the identification number is required to be reported by 1 January 2016 to ensure that the exemptions will remain in effect. In the event of married taxpayers filing joint exemption orders, the identification number of the spouse must also be disclosed. ■

■ e-billing – Electronic Billing Invoices in the EU

Electronic business processing has been gaining importance in recent years. The use of electronic invoicing processes enables companies to reduce costs while increasing transparency. In addition, processes can be realised with greater speed and efficiency. This notwithstanding, many companies are still reluctant to use the technology because it appears too costly. On 13 July 2010, the Council of the European Union approved an amend-

ment to the existing value-added tax systems guideline (Council Directive 2006/112/EG) governing the simplification of electronic invoicing. As a consequence, the VAT-related requirements for electronic invoicing will not be higher than the requirements for a paper invoice. The main effect of the changes in Articles 232 et seq., of the VAT System Directive is that the authenticity of the invoice origin, the integrity of content and legibility must

be ensured for all billing invoices, regardless of whether paper or electronic invoices are involved. This applies to the entire record-keeping period, regardless of the means of transmission. The previous mandatory methods (advanced digital signature, EDI) continue to apply. However, in future each company will also be able to choose any another method that guarantees the authenticity of origin and integrity of contents.



TAX LAW - continued

The time limit for EU member states to implement the revised directive into national law is the end of 2012. Which alternative methods will be accepted by the German tax authorities in the future remains to be seen.

Note: To ensure the authenticity of ori-

gin and integrity of contents pursuant to § 14 (3) German VAT Law (UStG), data contained in electronic billing invoices must currently be supplemented by a qualified electronic signature or the billing invoice must be transmitted per Electronic Data Interchange

(EDI). In addition, a procedural description for the transmission of electronic invoices must be available to ensure that the fulfilment of the legal requirement can be verified. We would be pleased to assist you should you have any questions. ■

■ BMF Statement on Summary Report

Effective from 1 July 2010, the summary report ("Zusammenfassende Meldung") must be submitted on a monthly basis as of the 25th of the month following the reporting period. Permanent time limit extensions are no longer granted. Quarterly submission of the summary report is permissible if the sum total of intra-community deliveries does not exceed € 100,000 for the quarter (from 2012: € 50,000). If a commercial entity has performed only reportable intra-community services, quarterly submission of the summary report is retained. We informed you about this aspect in the May 2010 issue of our newsletter.

The Federal Ministry of Finance (BMF) has now published its official position on the new regulation in a statement dated 15 June 2010. The BMF Statement elaborates on the following issues, among others:

a) If the € 100,000 limit is exceeded in the second or third month of the quarter, the following special requirements must be observed:

- If the limit is exceeded only in the second month of the quarter, the entity can submit a summary report for the first two months of the quarter in which the disclosures for both months are combined. Alternatively, the entity may submit a summa-

ry report for each of the past months.

- If the entity exceeds the limit only in the third month of the quarter, it can submit a separate summary report for each month of the quarter instead of a summary report for the quarter.

b) Entities which have not exceeded the € 100,000 limit in the current calendar quarter or in the previous calendar quarters can request monthly submission of the summary report. The official request generally binds the entity for a period of twelve calendar months.

c) If the VAT measurement base for the revenues to be reported changes at a later date, (e.g. as a result of rebates), the changes must be taken into account in the period in which they occur.

d) Incorrect or incomplete summary reports must be separately adjusted for the reporting period in which the incorrect or incomplete summary report was filed. If the adjustment is not made in a timely manner through wilful intent or negligence, a monetary fine of up to € 5,000 can be imposed for this as a breach of an administrative rule. An adjustment is considered as ti-

mely if it is transmitted within one month after the entity detects the incorrectness or incompleteness of the respective summary report. ■

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■ Mail from Government Tax Authorities

Many taxpayers have only recently received a reminder letter from the government tax authorities, or will receive such a letter in the next few weeks. This is a standard letter issued by the tax authorities as a reminder that the majority of tax payers should file their tax returns.

The tax authorities generally enter into direct contact with tax clients, without including the tax consultant, only in exceptional cases. As we closely monitor compliance with the deadlines for our tax clients, this letter does not require you to instigate any activities. ■