

By PwC Deutschland | 01. Juni 2011

Wind farm installations do not outlive turbines

The Supreme Tax Court has held that each turbine on a wind farm is a separate asset, as are the cables and grid substation, and the access ways, but depreciation periods are limited to that of the turbines.

A wind farm operator claimed that the entire farm should be capitalised and then depreciated as a single asset at the rate derived from the useful life of a wind turbine. The tax office sought to split the farm into its component parts with a view to forcing amortisation of paths and connecting cables at lower rates on the basis of longer useful lives. The Supreme Tax Court has now held that an individual asset is one capable of independent use (or disposal). If an item cannot, in the circumstances, be used separately from other items to which it is affixed, it is a component or subassembly, rather than an individual asset. On this basis each wind turbine on a farm is a separate asset. This includes the tower, the rotor, the dynamo, the internal wiring and the output transformer (voltage regulator). The cables linking the turbines to the farm substation with its transformer to bring the voltage up to grid level was to be capitalised with the substation. Finally the access ways were also to be capitalised as a separate asset. The court recognised that a more detailed breakdown was possible under IFRS, but held that IFRS were irrelevant to a computation of German taxable income. Each individual asset was to be depreciated, or amortised, separately. However, the court accepted the taxpayer's argument that the annual write-down of the substation and of the access ways should be based on the useful life of the turbines, rather than on the longer terms for substations and roading shown in the official depreciation tables. The pace of technological advance made it certain that any replacement turbine in 16 years' time (the depreciation table useful life of a wind turbine) would require an entirely different infrastructure than that presently available. Thus, there would be no further use for either the substation or the present access ways, but also no possibility of selling them.

Supreme Tax Court judgment IV R 46/09 of April 14, 2011 published on June 1

Schlagwörter

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