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By PwC Deutschland | 24. Oktober 2012

No provision for unredeemed rebate tokens to customers

The Supreme Tax Court has held that a supplier may not take up a provision for unredeemed gift tokens entitling customers to make a purchase at a discount.

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A hairdressing chain gave customers during the pre-Christmas season a gift token as an expression of thanks for their loyalty. Each token entitled the holder to a rebate of a fixed amount on any purchase made in any one of the salons during the first two months of the new year. The company took up a provision in the full amount of the tokens issued, as it saw them alternatively as an expense of the old year (Christmas) or as a retrospective price reduction on sales already made (the tokens were only given to existing customers when paying for a hair-do or other service). The tax office rejected the provision for a number of reasons, mostly based on uncertainty of amount in view of the relatively short redemption period, the exclusion of any redemption other than in connection with a new purchase and the lack of records on the identity of the token holders.

The Supreme Tax Court has confirmed the tax office in its position, albeit for a different reason. Redemption of each token was only possible as a rebate off the cost of a future service. This rebate was thus a future cost to be taken up when that future service was provided. The token was to encourage customers to remain customers of the company, rather than to retrospectively reduce their past costs. Limiting token issue to existing customers on the occasion of payment for a service already rendered was not decisive, as it did not alter the fact that the token had no value except in connection with a further service still to be provided. It was thus not an independent instrument of value.

Supreme Tax Court judgment IV R 45/09 of September 19, 2012, published on October 24

Schlagwörter

gift token, rebate tokens