By PwC Deutschland | 14. Mai 2013

Container accounting – provision for return of bottles

The Supreme Tax Court has held that a bottling plant may take up a provision for the deposits repayable on return of its own bottles, but not on those belonging to a pool. Payments for pool bottles in excess of the plant's share in the pool are prepaid expenses or usage rights.

A bottling plant sold drinks to wholesalers and retailers against a returnable deposit on the bottles. Some of the bottles were universal, common to a pool formed with other manufacturers and bottling plants and were not identifiable by individual ownership; others were unique to the plant. The plant was in dispute with the tax office over the correct accounting treatment for deposits received on as yet unreturned bottles and over the payments made for pool bottles accepted in “return” in excess of those originally issued to the trade. The plant argued for the maximum immediate expense; the tax office argued for the maximum expense deferral.

The Supreme Tax Court has now held that the accounting treatment should follow the legal ownership of the bottles. Since the sale of the goods is not a sale of the bottle – the deposit is merely a surety for the return of the bottle to its original owner – the deposits received and paid are not fundamentally income or expense. Thus, those received on custom bottles are to be treated as a liability to be settled by repayment on return of the bottle. However, this liability should be partially released to income to reflect breakages and diversions whilst in customers’ hands. This amount was to be estimated on the basis of the past history of the plant. By contrast, deposits received and repaid on pool bottles were to be taken to income or expense on a cash basis. The court arrived at this conclusion on the basis that the true ownership of the individual bottles was unknown; hence there was no way of estimating either the remaining obligation to accept returns or the bottles received belonging to other pool members. However, the cash basis reached its limit with excess returns, that is, where more pool bottles had been received back than had been originally supplied to customers. In this case, the assumption must be that the plant had received bottles belonging to unknown pool members. The plant had the right to recirculate the bottles as though they were its own; thus it could not take up an asset for the bottles themselves, but should take up the usage right as a pre-paid expense. This amount should reflect the share of the plant in the pool less its stock currently held.

Supreme Tax Court judgment I R 33/11 of January 9, 2013, published on May 8

Schlagwörter

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