

By PwC Deutschland | 17. März 2016

No general profit realisation as payments on account for long-term contracts fall due

The finance ministry has decreed that a Supreme Tax Court judgment calling for profit realisation with the due date of advance payments on engineering contracts shall not be applied except for contracts for architectural and engineering services agreed before August 17, 2009.

On May 14, 2014, the Supreme Tax Court held that an engineering office working on long-term construction projects should realise profits as and when the agreed payments on account fell due. This contrasted with the more usual approach of deferring profit realisation until completion of the project as evidenced by the official hand-over. The finance ministry has now issued a decree to the effect that this judgment should only be followed in respect of services governed by the specific regulation in the case decided, i.e. it should only apply to architects and engineers offering planning or design services on long term construction projects under contractual arrangements agreed before August 17, 2009. Its first application is for business years beginning after December 23, 2014 (date of the official publication of the judgment) and the taxpayer may opt to defer the profit now to be taken up on the advance payments over a two or three-year period.

Schlagwörter

architect, engineering, payments on account, profit realisation