By PwC Deutschland | 06 April 2011

Provision for record retention costs - 5.5 years

The Supreme Tax Court has held that the provision for record retention costs should be based on an average remaining retention period of 5.5 years following the balance sheet date.

Most accounting records and documents must be retained for ten years from the end of the year in which they were established. The Supreme Tax Court has now confirmed that a provision may be made for future record retention costs, though only to the extent the obligation existed at balance sheet date. Thus, it may generally be assumed that old records will be discarded, once the statutory retention period is over and also that most of the documentation relating to a given year is established during the year in question. The retention costs of items that cannot be established until after the year-end - the financial statements and, if done at year-end, the stock count - can generally be ignored as immaterial. Objections by the taxpayer to the effect that the retention period might, in a given case, not expire with the ten-year run out date, e.g. where an assessment is still open to audit or under appeal, can be taken into account only if founded on concrete circumstances. In the absence of other specific factors, the provision for record retention costs should be based on an average remaining period of five and a half years - the retention obligation at balance sheet date running from between one and ten years.

Supreme Tax Court judgment X R 14/09 of January 18, 2011 published on April 6

Keywords

provision for record retention costs, record retention