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By PwC Deutschland | 24 October 2013

Provisions for profit-based pensions

The finance ministry has issued a decree making a provision for future pensions based on past profits conditional upon a written confirmation of the additional benefits.

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No provision may be made for future pension costs based on future profits. A valid pension promise must be in writing and must define the future benefits. The pension provision may not take post-balance sheet date events into account. In March 2010, the Supreme Tax Court held these provisions to exclude a provision for an increase in pension obligations on the basis of the current year's profits.

The finance ministry has now reacted to this decision with a decree accepting it as a precedent. The decree goes slightly further, though, in as much as it emphasises the need for written confirmation of the additional benefits in the form of an amendment (or supplement) to the written pension promise. Employers with pension provisions based on past years' profits have until December 31, 2014 to issue the required amendment.

Keywords

pension, profit-based