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The Influence of Tax on IFRS Consolidated Statements: The Convergence of Germany and the UK

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Notes

Spanheimer and Koch ([2000](#), p. 310) report that only 45 companies were using US or IAS rules even in 1999 after this was made easy in 1998. The number in 1996 was less than 10.

For the UK, such a practice would suggest an absence of 'a true and fair view', which is required even for IFRS reports by the Companies Act. For Germany, this requirement with respect to tax effects is also the formal position (see Section 4). Also, under IFRS, a fair presentation is required, which would seem to make tax influence inappropriate in either country.

That is, the tax effects of the transaction are not reflected in the financial statements. This is not allowed under IFRS.

Capital Budgeting and Investment Decisions, 2nd ed. (London: Pitman, 1998), p. 707.

Einführung in die Betriebswirtschaftlichen Steuerlehre, 10th ed. (Munich: C.H. Beck, 2008), p. 10.

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The revised IFRS standards were issued in January 2010.



These are credit balances set up, with the permission of tax law; for example, in order to postpone tax on capital gains. This item will no longer be allowed in unconsolidated financial statements either, due to the abolition of the principle of converse congruency.

There is a capitalisation option for development costs from 2010 on, according to the revised HGB.

In April 2008.

The 'chief manager of group accounting' in two listed companies included in the DAX index.

Partners of three of the Big-4 audit firms: offices in Düsseldorf, Munich and Regensburg.

We looked at the 2005 consolidated statements.

For example, revaluations are expensive and must be kept up to date; they reduce income (with no tax benefit) by raising depreciation and by lowering gains on sale (IAS 16, para. 71).

Companies traded on the Alternative Investment Market (AIM) did not count as listed for this purpose, and were allowed an extension until 2007.

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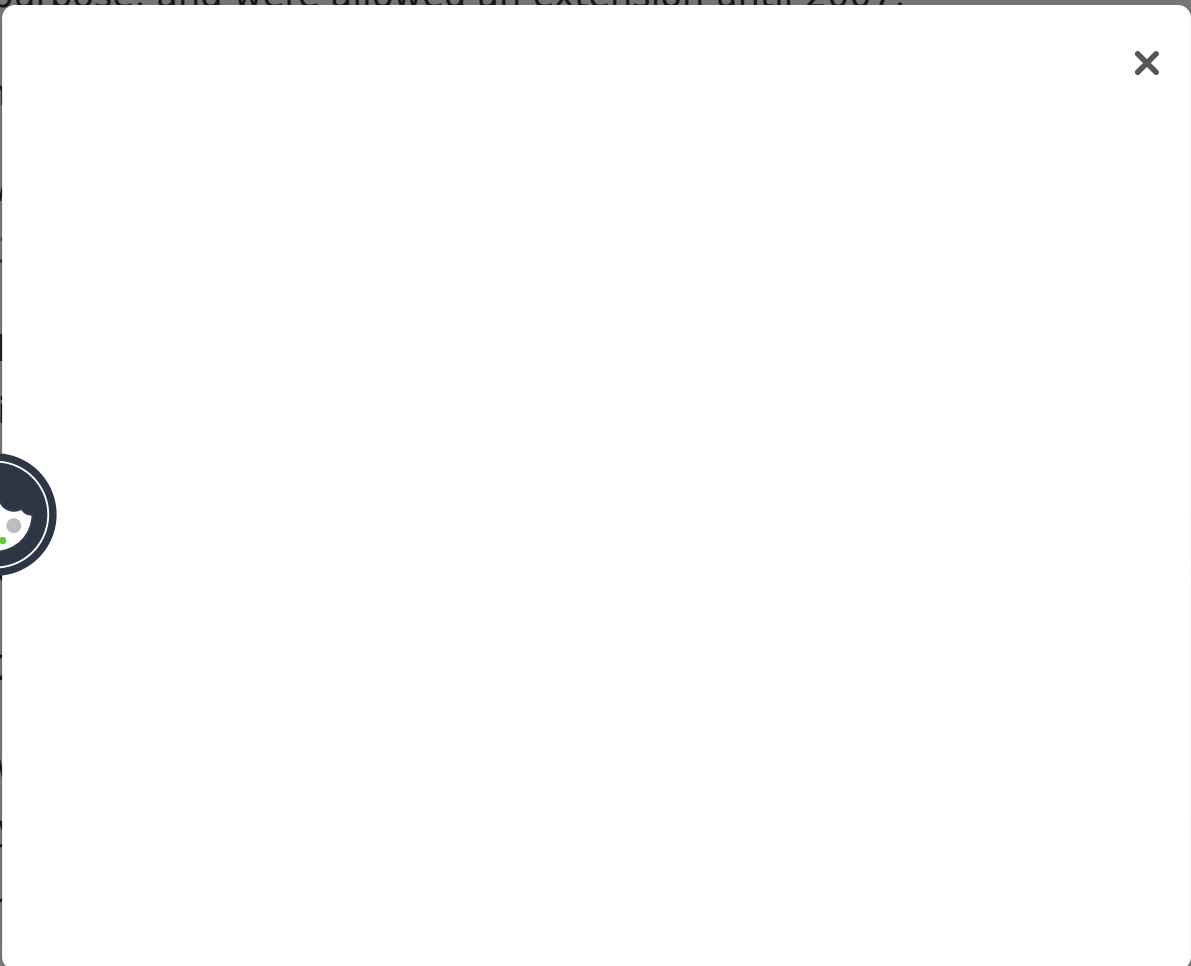
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Some other German and UK companies used mixed methods.



Another potentially relevant factor is the mix of industries. However, we excluded banks and other financial institutions, and the remaining companies seemed to show no particular country-related industry bias.

Methods other than weighted average are only allowed under restrictive conditions for tax purposes (Transacc, [2001](#), p. 1293).

See Lamb et al. ([1998](#), p. 84).

Related Research Data

[The Adaptation of German Accounting Rules to IFRS: A Legislative Balancing Act](#)

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