

INFLUENCES GERMAN TAX LAWS HAD UPON ACCOUNTING REGULATIONS

—How did a preferential tax system influence
book-keeping rules of tax and commercial laws? —

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In postwar Germany, a lot of preferential taxation steps were taken from the economic viewpoint aiming for reconstruction of war damages and the following economic growth promotion. After 1949 in particular the presentation of regular bookkeeping was a precondition to demand a series of preferential taxation steps. (This linkage system of preferential taxation steps with regular bookkeeping corresponds to blue-report business income taxation in Japan.) Income tax rules take advantage of GoB as the condition for applying for preferential taxation steps as well. The legislative policy noting that the propriety of taking preferential taxation steps or not is to be based on regular bookkeeping, however, came in for severe criticism and therefore the linkage system of preferential taxation steps with regular bookkeeping was abolished in the business year which ended before January 1, 1975.

The following are influences which the linkage system of preferential taxation steps with regular bookkeeping had.

① A contribution to maturing the concept of regular bookkeeping

The linkage system of preferential taxation steps with regular bookkeeping helped judgments upon the regularity of bookkeeping to integrate, and as a result it has a lot of influences on the development and the decision of the concept of the formal GoB. And then a series of judgments which were given from the view of both ‘an agreement between the regulation of commercial laws and the principles of regular bookkeeping’ and ‘the possibility of the whole report being submitted to merchants and a third party having professional knowledge’ still show one of the significant standards of judgments about interpreting the regularity of bookkeeping.

② Application areas of regular bookkeeping

In judging the propriety of whether to take preferential taxation steps or not, there exist only a few documents prescribing the denotation of regular bookkeeping. A series of judgments make it clear

that GoB relating to preferential taxation steps is broadly interpreted as the formal GoB involving the area of the formal GoBi.

③ The principle of clarity

The principle of clarity, that is, the viewpoint of ‘the possibility of the whole report being submitted to merchants and a third party having professional knowledge’ is supposed to be the general and decisive standard of regular bookkeeping.

④ Reference to the substantial intention of bookkeeping

Emphasis should be particularly put on the fact that judgments point out bookkeeping is not an object in itself. Bookkeeping is not the end itself. Demands for the composition of bookkeeping depend on the contents and the sizes of businesses.

⑤ Elevation of the tension in bookkeeping

The linkage mentioned above seems to have contributed to raising bookkeepers’ tension and then leading to bookkeeping of higher quality. Tax reduction and exemptions admitted by tax exception rules reached so high in those days that sudden penalty tax additions by reexamination forced merchants and companies into serious financial difficulties.

⑥ Codification of Fundamental Taxation Law (1977) and Commercial Law Amendment (1985)

‘The principles of the possibility of the whole report being submitted to merchants and a third party having professional knowledge’ and ‘The principles of the possibility of reexamination (follow-up)’ were each codified into the first and second sentences of sub-section 1, Section 145 of Fundamental Taxation Law (1977) and the second and the third sentences of sub-section 1, Section 238 of Commercial Law Amendment (1985).