

CFE Emission Trading Rights Survey – State of play

Accounting and tax treatment of ETRs (relating to the CFE questionnaire sent in March 2009)

Please note: This summary is no evaluation but serves to indicate trends in the answers provided

Explanation of charts below					
			*	?	
answer is yes	answer is no	answer: not applicable	see detailed comments provided	info missing or clarification needed	trend / answer most frequently given

1. Participating countries

11 countries have submitted responses 13 are still missing

Austria	Belgium
Czech Republic	Bulgaria
France	Croatia
Germany	Finland
Netherlands (only tax treatment)	Greece
Poland	Ireland
Portugal	Italy
Romania	Latvia
Slovakia	Luxembourg
Slovenia	Malta
Spain	Russia
	Switzerland
	UK

2. Implementation in your country

Existence of specific legislation regarding the accounting / tax treatment of ETRs

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
ac-counting treatment			change of GAAP	state-ment of nat. accounti ng stan-dards commit-tee* []	?	resolu-tion of nat. accounti ng stan-dards com-mittee* []			*	recom-menda-tion by account-ing au-thority	resolu-tion by account-ing stan-dards commit-tee* (Yes was ticked)
tax treat-ment			tax treat-ment follows ac-	federal ministry circular*				decisi-on by nat. securi-ties	*		

			counting treatment					commission			
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3. Accounting treatment

3.1 Delivery of ETRs

3.1.1/3.1.2 Were ETRs issued free of charge? If not, what percentage of ETR had to be paid for`?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
2005 – 07 period	free	free	free	free	?	free	5%	free	free	free	free
2008 – 12 period	1% sold by auction	free	free	free with exceptions in energy sector *	?	free	10%	free	free	free	free

3.1.3 How do you treat ETRs received for free from the competent authority?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
intangible asset		X	X	X		X				X*	X
inventory											
financial asset (details)											
other	X (other short term assets)						X (not accounted)	X (no uniform rules)*	X (other short term assets)		

3.1.4 When do you recognise the allocation of ETR?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
whole 3y-allocation is recognised upon receipt of 3y quota						X			X		
1y-entitlement recognised at beginning of each calendar y (if = fiscal y)	X	X	X* on 28 February of each year	X* on 28 February of each year			X	X		X	X

3.1.5 How do you treat ETRs bought on the market in order to comply with the obligation to surrender an amount of ETRs corresponding to the effective level of polluting emissions (i.e. for “compliance purpose”)?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
intangible asset		X	X	X		X				X	X
stocks											
financial asset (details)									X short-term financial asset		
other	X (other short term assets)						X*	X (no uniform rules)*			

3.1.6 How do you treat ETRs bought on the market as financial investment?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES?
intangible asset		X	X*	X		X				X	
stocks											
financial asset (details)							X	X (securities)	X short-term financial asset		
other	X (other short term assets)										

3.1.7 How do you value ETRs received for free?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
at fair market price	X*	X*	X*	optional *				optional*	X*	X*	X
at zero acquisition value				optional *		X	X?	optional*			

3.1.8 If the answer is “fair market value”, do you have to re-value at each accounting year end?

AT*	CZ	FR	DE*	NL?	PL	PT?	RO*	SK*	SI	ES?
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3.1.9 in case of application of the fair market value criteria: How do you treat the difference between

- the price paid (if any) or the fair market value at acquisition

- and the fair market value at closing date?

	AT	CZ*	FR*	DE	NL?	PL?	PT	RO	SK*	SI	ES?
as a government grant											
as a profit						X*?					
as a capital gain								X* (no uniform rules)			

3.1.10 From an accounting viewpoint, do you have to differentiate between ETRs held for compliance reasons or as investment?

AT	CZ	FR	DE*	NL?	PL*	PT*	RO*	SK*	SI	ES?
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3.1.11 As companies produce emissions, they are required to recognise a liability for the obligation to surrender allowances to cover these emissions.

	AT	CZ	FR	DE	NL?	PL?	PT	RO	SK	SI	ES
as a liability			X*							X	
as a provision				X*			X*	X* depends on adopted accounting policy	X		X
as an expense			X*								
liability or provision, depending on the closing date	X	X									

3.1.12 [question is missing]

3.1.13 How do you value this liability/provision?

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
at fair market value		X	X*	X*		X	X	X	X	X	X
other (please explain)	X*		X*	X*							

3.1.14 Has your country implemented IAS / IFRS for statutory accounts?

AT	CZ	FR*	DE*	NL?	PL*	PT	RO*	SK*	SI	ES
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3.1.15 Is the qualification as assets in conformity with your accounting regulations? Please explain.

AT	CZ*	FR	DE	NL?	PL*	PT*	RO*	SK	SI	ES
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3.1.16 Is the qualification of the “counterpart” (liability/provision) in conformity with your accounting regulations? Please explain.

AT	CZ	FR	DE*	NL?	PL?	PT*	RO	SK	SI	ES*
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3.1.17 If the difference between the acquisition value and the fair market value is treated as subsidies, is that treatment in line with the definition of “subsidies” given in your accounting regulations?

AT	CZ	FR	DE	NL?	PL	PT	RO	SK*	SI	ES
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3.1.18 Does your accounting regulation explicitly refer to the fair market value as regards valuation of...?

	AT*	CZ	FR	DE	NL?	PL?	PT	RO*	SK	SI	ES
intangible assets				*							
stocks				*							
financial assets		*		*							

3.2 Holding of ETRs held for compliance purposes: net method v gross method

	AT	CZ	FR	DE	NL?	PL	PT	RO	SK	SI	ES
net method							X				
gross method	X	X	X*			X			X	X	X
other (please explain)				X*				X* no uniform rules			

4. Corporate tax treatment

4.1 Does your country apply the same rule for tax as for accounting?

AT	CZ	FR	DE	NL*	PL?	PT	RO	SK	SI	ES
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4.2 Has the EU ETR Directive led to any changes in your tax law?

AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
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4.3 If yes, the changes are made through...?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
modification of the income tax code								X ?	X		?
circular											
other											

4.4 Delivery of ETRs

4.4.1 Do the tax authorities in your country qualify ETRs received for free as...?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
intangible asset		X	X	X		X*				X	
stocks					X						
financial asset (details)									X		
other	X short-term/current assets						X*	X*			

4.4.2 Do the tax authorities in your country qualify ETRs bought on the market for compliance?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
intangible asset		X	X	X		X				X	X
stocks					X						
financial asset (details)									X		
other							X*	X*			

4.4.3 How do you value ETRs received for free?

	AT	CZ	FR	DE	NL	PL	PT	RO*	SK	SI	ES
at fair market value		X*	X*						X		X
at zero acquisition value	X			X*	X	X*	X*			X (1€)	

4.4.4 in case of application of the fair market value criteria: How do you treat the difference between

- the price paid (if any) or the fair market value at acquisition

- and the fair market value at closing date?

	AT	CZ*	FR*	DE*	NL	PL	PT	RO	SK*	SI	ES?
as a gov- ernment grant											
as a taxable profit					X	X*		X		X	
as a capital gain with specific tax treatment							X				

4.4.5 Do the tax authorities in your country require participating enterprises to differentiate between ETRs held for compliance reasons or as investment?

AT	CZ	FR*	DE*	NL	PL	PT	RO	SK	SI	ES

4.4.6 As companies produce emissions, they are required to recognise a liability for the obligation to surrender allowances to cover these emissions (see 3.1.11).

For taxation, is such provision, if admitted, tax-deductible?

AT*	CZ*	FR	DE	NL*	PL	PT	RO	SK	SI	ES

4.4.7 How do you value this liability/provision for tax purposes?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
at fair mar- ket value				X*	X	?		X	X	X	X
other (please explain)	X*	X*	X*			?	X*				

4.4.8 If the answer is “fair market value”, do the tax authorities accept the valuation of the liability/provision at the same fair market value as the one used for the received ETRs?

AT	CZ*	FR	DE*	NL	PL	PT?	RO	SK*	SI	ES*

4.4.9 Is the fair market value a recognised principle for valuation under your tax law?

AT*	CZ	FR*	DE*	NL	PL?	PT	RO	SK	SI	ES

4.5 Holding of ETRs for compliance purposes: net method vs gross method

4.5.1 Which method does your country apply, for taxation purposes?

	AT	CZ	FR	DE	NL	PL	PT	RO	SK	SI	ES
net method	X			X							
gross method		X	X*		X	X			X	X	X
other (please explain)							X*	X*			

4.5.2 In the case of a positive difference between the acquisition value (respectively, the fair market value at acquisition) and value at closing date, is this difference considered

	AT	CZ*	FR	DE*	NL	PL	PT	RO	SK*	SI*	ES?
as ordinary profit					X	X		X			
as capital gain with specific tax regime (please explain)							X*				

4.5.3 In the case of a positive difference between the acquisition value and the *sale price*, is the difference considered, for taxation,

	AT	CZ	FR	DE	NL	PL	PT	RO	SK*	SI	ES
as ordinary profit	X	X	X	X*	X	X		X		X	X
as capital gain with specific tax regime (please explain)							X				

4.5.4 In the case of a negative difference between the acquisition value (eventually the fair market value at acquisition) and value at closing date, is this difference considered as tax-deductible:

AT	CZ	FR	DE*	NL	PL	PT	RO	SK	SI	ES?

4.5.5 In the case of a negative difference between the acquisition value and the sale price, is the difference considered, for taxation

	AT	CZ	FR	DE	NL	PL	PT	RO	SK*	SI	ES
as ordinary loss (tax deductible)	X	X	X	X	X	X	X	X		X	X
as capital loss, with specific regime (explain)											

