

Newsletter

Key Issue

Business intelligence solutions
for enhanced business process
monitoring

Dear Readers,

The new work models, which were discussed in the October edition of our newsletter, include not only remote work but also increased international exchanges of staff. On that topic, in the first report here in the Tax section, we have compiled the requirements that need to be complied with if an **employee** who resides in Germany **works abroad** and the remuneration is supposed to be wholly or partially exempted from tax in Germany. Subsequently, with regards to the taxation of free-float dividends we consider the heightened importance of **beneficial ownership** – this is illustrated by a recent court ruling on the approach to the 10% threshold in the case of shareholdings. In the third tax-related article, we take a quick look at the **own home** and, in particular, what should be kept in mind from an inheritance tax point of view in the case of an acquisition in order to be able to benefit from the regulations pertaining to inheritance tax advantages.

We start off the Accounting & Finance section by considering the **monetary policies of central banks** together with the impact of these on business financing. The two reports that then follow concern the ongoing **digitalisation of all business processes**. The professional association of German public auditors has responded to this

development and has formulated **stricter requirements for IT auditing** in the upcoming 'season'. The changes contained in the ISA DE 315 will then also have indirect implications for the capacities in a company that are tied up with providing audit support.

Next up is then the Key Issue report on the use of **business intelligence (BI)**; there you can read how the synergy effects with ERP systems can achieve enhanced business process **monitoring**.

Finally, in a short report, you can find current information on house sales following a divorce.

We then continue our journey around the PKF locations in the neighbouring European countries through the illustrations that break up the reports from our experts – this time we visit Portugal, which was where the PKF Global Gathering took place at the end of October, namely, in Porto.

We hope that you will find the information in this edition to be interesting.

Your Team at PKF



Palácio Nacional da Pena in Sintra near Lisbon

Front cover photo: Porto with Dom Luís I Bridge over the Douro river

Key Issue
 Business intelligence solutions for enhanced business process monitoring

Contents

Tax

Payroll tax deductions when staff are deployed across borders 4

Taxation of free-float dividends 6

The acquisition of the family home – Extent of inheritance tax concession under review 7

Accounting & Finance

Monetary policies of central banks as a key factor affecting business financing 8

New requirements for the audit of IT systems in accordance with ISA DE 315 10

Business intelligence solutions for enhanced business process monitoring 12

In Brief

House sale following a divorce – Transferring half a property can release speculative gains 15

TAX

WP/StB [German public auditor/ tax consultant] André Jänichen

Payroll tax deductions when staff are deployed across borders

In the global workplace, and against the backdrop of the current worldwide skills shortage, staff are increasingly being deployed across borders. When employees work abroad for their (German) domestic employers then it is necessary to check if and to what extent the remuneration is taxable in Germany, or if an exemption from payroll tax would be possible.

1. Avoiding double taxation

In this context, double taxation should be understood to mean that the remuneration is taxed in two or more states for the same period if the place of work and place of residence are in two different countries. In this respect, overlapping taxation arises when one state taxes the world income of the taxpayer who is a resident (unlimited tax liability status) and the other state taxes the income that originates from its country (limited tax liability status). It is possible to avoid or limit this double taxation through various

arrangements (specified in the respective double taxation agreement (DTA)).

Germany as the country of residence avoids double taxation by exempting income in conformity with the exemption-with-progression rule (Section 32b of the Income Tax Act [*Einkommenssteuergesetz*]). However, this presupposes that the income will be taxed in the foreign state. Moreover, instead of exempting the income, under certain DTAs (e.g. Denmark, Italy and Norway), the foreign taxes on income paid abroad are credited (Section 34c EStG).

2. Tax liability and tax deduction

Employees who are domiciled (Section 8 of the Fiscal Code [*Abgabenordnung, AO*]) or habitually resident (Section 9 AO) in Germany are subject to unlimited income tax liability in respect of the remuneration earned for their work performed abroad (Section 1(1) EStG). The employer then has



Cristo Rei statue by the 25 April Bridge across the Tejo river

to deduct tax in accordance with the individual payroll tax deduction criteria. This classification under Sections 8 and 9 AO, in particular, has to be comprehensively reviewed in practice. This is because, depending on the arrangements, diverging outcomes are possible that can also differ according to the countries to be considered (multiple domiciles, home office, powers of representation, family, duration of stay and the payment of the remuneration).

Employees who are not domiciled or habitually resident in Germany are subject to limited income tax liability on their domestic income from employment if their work is performed or realised in Germany (Section 49(1) no. 4a EStG).

3. DTA and exemption

The DTAs take precedence over national laws. If exemption is provided for in a DTA then it will be necessary to check if this would only be granted upon application (e.g. France, United Kingdom, Italy, Japan and Lichtenstein). If the DTA does not provide for an application then the employer would already be able to refrain from deducting payroll taxes if the preconditions stated in the DTA have been met. The tax office responsible for the operating units will issue exemption certificates upon request. If an employer allows the remuneration for work that was performed abroad to be tax exempt then the following should be taken into account.

- » The remuneration that is subject to preferential tax treatment has to be shown separately from the rest of the remuneration in the payroll account and on the certificate of payroll tax deductions (Section 4 of the Payroll Tax Implementing Regulation [*Lohnsteuer-Durchführungsverordnung, LStDV*]).
- » The exemption certificate has to be used as a supporting document for the payroll account (Section 4 LStDV).
- » Employers are not allowed to carry out an annual adjustment of income tax for employees who received remuneration that was subject to preferential tax treatment at any point during the relevant calendar year; moreover, employers are also not allowed to calculate payroll tax for these employees on the basis of expected annual remuneration (permanent annual adjustment).

Please note: In this respect, the exemption certificate means that the employer is able to refrain from deducting payroll tax without incurring a liability risk provided that the circumstances described in the application match the subsequent procedure.

4. Attributing the remuneration

If, according to the DTA, the remuneration has to be exempted from tax in Germany then, first of all, it is neces-

sary to check the extent to which it is possible to attribute this remuneration directly to the work performed abroad or the work performed in Germany. If it is not possible to attribute it directly then the remaining remuneration will have to be apportioned on the basis of activities.

Remuneration components that are paid directly on the basis of a specific service have to be allocated directly in advance (e.g. travel costs, overtime compensation, provision of housing in the country where the work is performed, etc.).

Components that cannot be directly assigned (e.g. regular salary, additional remuneration, such as a Christmas bonus, etc.) accordingly have to be considered, in the context of alternative apportionment, for regular payroll tax deduction; a distinction has to be made between:

- » apportionment based on actual working days with the help of a forecast, or
- » apportionment based on agreed working days.

If, in a subsequent remuneration payment period, there is a change in the forecast in relation to the days then the newly determined apportionment criteria have to be applied from this time period.

Please note: What matters here is that the employer has to opt for one variant. Switching between methods during the course of the year is not permitted.

At the end of the year, the relevant days in Germany and abroad for the final apportionment will then ultimately be known. In the case of employees who are subject to unlimited tax liability, with year-round employment and where there has been no change in the tax class, the employer may make one single adjustment by using the annual tax deduction table up to the end of February of the subsequent year. In all other cases this has to be done on an exact monthly basis.

One-off payments, such as, for example, anniversary bonuses, likewise have to be apportioned if they constitute subsequent payments for earlier active work and the payment that is based on work performed abroad and in Germany is not applicable. For any tax exemption the important thing is not the payment itself but, instead, solely that it is paid to the employee for work performed abroad (according to the Federal Fiscal Court in its ruling of 5.5.1992 already, published in the German Federal Tax Gazette [*Bundessteuerblatt, BStBl.*] II. p. 660).

Please note: It will be even more difficult to assess other remuneration components, such as financial settlements, bonuses or option rights.

Recommendation

Given that there is a variety of possible constellations with respect to the cross-border deployment of staff and that here there are many exceptional sets of circumstances (duration of stay, affiliated companies, permanent establishments, etc.), if there are such plans, it would be advisable to get in touch with a tax consultant early on because the plans might also

entail coordinating with the respective foreign countries. The other potential effects on social security, pension entitlements and the personal income tax situation etc. would possibly have to be assessed differently and, as urgent matters, would have to be included in the decision on the deployment of staff across borders.

StB [German tax consultant] Steffen Zipperling

Taxation of free-float dividends

Dividend income or profit distributions that a corporation receives from its shareholding in another corporation are generally exempt from corporation tax. The aim of this exemption procedure is to ensure that the operating profits that are generated at the lowest shareholding level are not repeatedly subject to tax on all the shareholding layers. However, the prerequisite for an exemption is that, at the beginning of a calendar

year in which the dividends are received the shareholding in the share capital has to be at least 10%. If the size of the shareholding falls short of this level then the tax exemption would not apply to the distributions that are received from it but, instead, as so-called free-float dividends they would be subject to regular taxation (Section 8b(4) sentence 1 of the Corporation Tax Act [*Körperschaftsteuergesetz, KStG*]).



A Lisbon tram

1. Issue – Late payment of purchase price due to bank errors

In a case that was recently heard by the Federal Fiscal Court (*Bundesfinanzhof, BFH*), the GmbH [German limited liability company] making the claim had a shareholding, in 2013, of just under 10% in an AG [German stock corporation]. From 2014, the GmbH wanted to receive the expected dividend income free of tax and, therefore, increased its shareholding in the AG to just over 10% by purchasing the additional shares from another shareholder via an agreement dated 16.12.2013. The AG approved the transfer of the shares on 19.12.2013. The effectiveness of the purchase agreement was however subject to the satisfaction of the condition precedent of payment of the purchase price. The electronic bank transfer of the purchase price was admittedly carried out by the GmbH already on the date when the agreement was concluded, namely, on 16.12.2013. Yet, the vendor's account was not credited until after 1.1.2014 because of a bank error.

The local tax office did not agree with the way the GmbH had treated the dividend income it had received and did not allow the tax exemption. This was because, in the opinion of the local tax office, the income constituted free-float dividends on account of the fact that at the start of 2014 the GmbH did not have a direct shareholding in the AG of at least 10%.

2. The crucial factor is beneficial ownership

In consequence of the late payment of the purchase price, at the start of 2014 the GmbH had admittedly not yet attained ownership under civil law of the additional shares that had been purchased. Nevertheless, contrary to the

opinion of the local tax office, the BFH decided in its ruling of 7.6.2023 (case reference: I R 50/19) that for the question of the size of the shareholding at the start of the year what matters is not the ownership under civil law, but rather the beneficial ownership. According to this, an asset has to be attributed to the party that effectively controls this asset in such a way that the party is generally able to economically exclude the owner (under civil law) from affecting the asset during the normal period of its useful life.

In the case in question, the BFH was of the view that this criterion had been satisfied. The legislation (Section 20(5) EStG) already specifies that a shareholder is the one to whom the shares can be attributed according to the principles of beneficial ownership. Moreover, following the conclusion of the purchase agreement the GmbH had expectancy rights and the vendor would not have been able to easily withdraw from the contract.

Please note: The BFH rejected the argument by the local tax office that attributing the shares on the basis of beneficial ownership was not relevant in the present case because the factual basis for the assumption of free float draws on civil law concepts such as share capital.

Recommendation

To avoid taxable free-float dividends it is also possible to make an additional purchase during the course of the year that, according to Section 8b(4) sentence 6 KStG, would be regarded as having been executed at the start of the calendar year if the additional shareholding that is purchased constitutes at least 10% of the share capital.

RAin [German lawyer] Claudia Auinger

Acquisition of the family home – Extent of inheritance tax concession under review

In accordance with the provision of Section 13(1) no. 4c sentence 1 of the Inheritance Tax Act (*Erbschaftsteuergesetz, ErbStG*), upon succeeding into the rights of inheritance, the acquisition of the family home can be tax-exempt under certain circumstances for spouses and children as the heirs. In a recent case, the court had to rule on whether the tax exemption applied solely to the plot of land on which the family home was situated or whether the adjacent plots

would also be included as being part of an economic unit.

In a specific case, the claimant had inherited six plots of land of which five were shown as one parcel in the land register. In the valuation for inheritance tax purposes, the local tax office pooled three of the five plots that had been combined in the land register and had determined a total value for these three. In the inheritance tax assessment

notice that was subsequently issued by the inheritance tax office the value of the plot of land on which the family home had been built was stripped out from the total value of the three plots and the heirs were granted a tax exemption solely for this amount in accordance with Section 13(1) no. 4c sentence 1 ErbStG.

The tax court in Lower Saxony, in its judgement of 12.7.2023 (case reference: 3 K 14/23), rejected the legal action brought against this assessment by the heirs and ruled that the tax exemption has to be based not on the economic unit as defined in German valuation law but, instead, on the smaller cadastral area. The reasons provided by the judges were, firstly, the primary linkage of inheritance tax law to civil law and, secondly, the restrictive interpretation of the exemption provision in Section 13(1) no. 4c sentence 1 ErbStG that is required under constitutional law. People with large family homes should not be unduly favoured as compared with people with

smaller family homes.

In the opinion of the tax court judges, the inheritance tax office had rightly exempted from tax solely the actual plot of land on which the family home had been built. In view of the fundamental importance of the case the tax court granted permission for it to be referred to the Federal Fiscal Court (Bundesfinanzhof, BFH) for an appeal; it is pending there under case reference: II R 27/23.

Please note

The favourable treatment of family homes for inheritance tax purpose is one of the most significant tax exemptions for property owners. It remains to be seen what the BFH's ruling will be in this respect.

ACCOUNTING & FINANCE

Dominik Römer / Emanuel Werthmann

Monetary policies of central banks as a key factor affecting business financing

High inflation rates are currently hampering economies overall throughout the world. In Germany, the inflation rate in November 2022 was 8.8%, which constituted a new historic peak level since the introduction of the Euro. The aim of more restrictive monetary policies of central banks is to curb inflation and restore long-term economic stability. By raising key interest rates and withdrawing liquidity it is hoped that the inflation rate trend can be broken and it is accepted that there will be higher financing costs. Nevertheless, the risk of a more protracted recession is currently assessed as being high.

1. The significance of monetary policy

The aim of monetary policy is to keep the prices of goods and services stable over a longer time period. Stable money promotes economic growth and allows savers to securely build wealth. A considerable loss of purchasing power erodes the trust of the general public in the currency.

Favourable financing options are essential for most businesses in order to increase growth and profits in the long

term. During periods when the interest rates on capital markets are low, a high debt ratio is generally not an obstacle to generating a hefty return on equity; however, during periods when the interest rates on capital markets are high, it is important to have good balance sheet quality with sufficient equity.

In terms of industries, there are marked differences here; sectors where the debt ratio has historically been higher are more sensitive to changes in monetary policy – current examples are the real estate sector, the technology sector and young start-up companies.

Example: Vonovia, Germany's largest real estate company, is a good example in this respect. In 2022, the Vonovia SE share price suffered considerable stock market losses on the back of sharply rising market rates. Even though Vonovia has a balanced financing structure for the long term, against the background of a changing interest rate environment and with a view to profitability and the debt ratio, Vonovia's business model was however re-evaluated by investors. Record rental income and a portfolio – consisting of approx. 650,000 residential units

– that is effectively fully let were apparently of secondary importance here because the share shed approx. 53% of its value in the 2022 financial year.

2. Measures taken by central banks

A central bank has various monetary policy tools at its disposal that can be adjusted at short notice if required.

2.1 Open market operations

Central banks employ so-called open market operations to manage the liquidity available in the market. The amount of money available is artificially influenced through the purchase and sale of securities. If a central bank buys a security (e.g. a government bond) this results in an increase in the money supply of the national economy. Conversely, the sale of a security will lead to a contraction of the money supply. Market rates will likewise be affected by the impact of open market operations because changes in the money supply will have an indirect effect on borrowing costs.

2.2 Standing facilities

In the case of standing facilities, the initiative comes from the commercial banks. The facilities are supposed to provide or absorb so-called overnight liquidity. As a consequence, the partner banks are able to bridge any short-term liquidity overlaps. The deposits and financing interest rates of the standing facilities are especially relevant for short-term interest rates (e.g. overnight money). Long-term market rates are however based on the expected development of the individual future monetary policy decisions concerning the standing facilities.

Please note: This is the most effective means that a central bank has to manage monetary policy because a central bank itself is able to adjust interest rates.

3. Monetary policy of central banks and forecasts of future developments

It is not possible to reliably forecast the future development of the monetary policy decisions of a central bank since this



Porto – View of the old town

depends on a wide variety of influencing factors. Economic indicators such as inflation, economic growth, the unemployment rate and the stability of financial markets are constantly changing and can swiftly alter – this then affects the daily updated monetary policy of the central banks. Central banks have to be flexible so that they are able to react to unforeseen events.

Oliver Völkl

New requirements for the audit of IT systems in accordance with ISA DE 315

The requirements of a new auditing standard are creating challenges for auditors and therefore, indirectly, also for their clients. The ISA DE 315 modernises IT auditing and takes into account the impact of technological advances on the preparation and audit of financial statements. IT auditing is thus becoming increasingly important and will be an essential part of every statutory audit of annual financial statements.

1. Replacing previous auditing standards

In the course of ongoing digitalisation, IT systems have ever greater significance for accounting processes and the preparation of annual financial statements at companies. The consequences of this are, among other things, the adjustment of audit strategies for statutory audits as well as the use of tools to provide an enhanced level of assurance and audit efficiency.

As we already reported in the PKF newsletter 2/2023, International Standards of Auditing (ISA) are gradually replacing the auditing standards of the Institute of Public Auditors in Germany [*Institut der Wirtschaftsprüfer, IDW*] (IDW AuS). With respect to IT auditing, IDW AuS 330 will now be replaced by ISA DE 315. This will require a markedly more rigorous approach as regards the scope and intensity of the audit.

In the following section we present the main features of ISA DE 315. The IDW pronouncement will apply for the first time to the audit of financial statements for the 2023 financial year.

2. Conducting an IT audit

2.1 Basic approach

The basic requirement for conducting an efficient audit is that the controls related to the IT systems have to operate

Please note: The introduction of central bank digital currencies (CBDCs) is likely to radically change the way that central banks operate monetary policy in the future. These new instruments could make it possible for the central banks to pay out money directly to citizens and exert more control over the money supply.

effectively and there is no possibility of material misstatements being generated. Consequently, German public auditors have to gain an overview of the IT system environment that is relevant to financial reporting. In doing so, both the inherent risk as well as the control risk are considered. Similarly to the approach that has hitherto been used, this is a matter of gaining an understanding of the company and its environment as well as identifying and assessing risks.

In the context of the methods to be used, it is possible to distinguish four steps, namely,

- » gaining an understanding,
- » testing the design,
- » testing the operating effectiveness and
- » deriving substantive audit procedures.

2.2 Gaining an understanding

First of all, the auditor has to gain an understanding of the business model and carry out a general analysis of the IT system and of the complexity of the IT environment of the company to be audited. The entire IT environment and the information processing procedure have to be included here in order to be able to determine which systems and processes are relevant to the financial reporting. In doing so, an auditor will consider whether, for example, service providers take over relevant tasks in the IT and whether systems are outsourced.

Please note: Determining the necessary depth of understanding of the IT will depend on its relevance. Only relevant processes and systems will then be included for further consideration.

2.3 Testing the design

The next step involves creating an overview of the rele-



The Douro Valley – the home of port wine

vant control activities by identifying controls that counteract the risks of material misstatement. Here, as part of the test of the design, it would initially be sufficient to test the appropriateness of each identified control.

2.4 Testing the operating effectiveness

Whether or not it is necessary to also test the operating effectiveness of the controls that are identified in this regard will depend on the assessment of the respective control risk. If information processing controls depend on general IT controls then auditors may decide whether they

- » (1) wish to test the effectiveness of general IT controls within the scope of the test of the operating effectiveness, or
- » (2) switch to substantive audit procedures (see section 2.5).

In the case of (1), where it becomes necessary to have IT-based process controls in respect of applications within the scope of the test of the operating effectiveness by the auditor, two main areas will emerge for the IT audit once an understanding has been gained:

(1a) Testing of general IT controls that concerns the use

of program change procedures for IT applications as well as IT security (e.g. authorisation assignments); this will be supplemented by general processes (such as, for example, backup management). Categories of typical control activities mentioned in the ISA DE 315 standard are:

- » authorisations for the actual execution of a transaction and approvals by those responsible for a transaction;
- » data reconciliation operations;
- » verifications of the conformity of a matter in respect of mandatory guidelines;
- » physical or logical controls, including those that address security of assets against unauthorised access, acquisition, use or disposal (admittance and access to assets and data);
- » segregation of duties between two business functions that need to be separated to reduce risk.

(1b) When testing IT-based process controls in respect of applications, the auditors specifically analyse the IT-based process controls implemented in the ERP system (and in the upstream systems or subsystems).

2.5 Substantive audit procedures

If in the case of (2) the effectiveness of general IT controls

(possibly direct) can be tested via tests of operating effectiveness then the risks that arise from the IT application have to be tested on the basis of substantive audit procedures.

Please note: It is however not always possible to generate sufficient appropriate audit evidence on the basis of these audit procedures, in particular, not if risks from the IT area are concerned.

3. Essential documents

When preparing for such a newly adjusted IT audit as part of the audit of the annual financial statements, clients should be aware that auditors will request the following records and documents early on:

- » IT overview list / IT system map;
- » reports on outsourced IT controls;
- » timetable for gaining an understanding of the IT system, including other necessary considerations.

Katharina Geschke / Florian Buschbacher

Business intelligence solutions for enhanced business process monitoring

In the present digital era, businesses are generating vast amounts of data that provide valuable insights and can enable informed decision-making. However, the management and analysis of the data are frequently a source of enormous difficulties for businesses. In the following section we discuss the challenges of big data and outline how businesses can enhance the mapping of their data and processes through the synergy of ERP and business intelligence (BI) solutions in order to identify optimisation potentials and trends at an early stage. An application example will demonstrate future-oriented decision-making on the basis of substantial multidimensional insights.

1. Big data and its challenges

The term 'big data' refers to large and complex data sets that businesses bring together from a wide range of sources. The volume, velocity and variety of these data can make it difficult for them to be used effectively by businesses. Some of the most important challenges of big data are:

(1) Data security – Given the risks with respect to the storage and transmission of large quantities of data, safeguarding data security is of great importance. Businesses

Please note: Moreover, the auditors of the annual financial statements will also enquire about cyber incidents and other infringements of legal rules that could have implications for the financial statements of the entity (e.g. data protection laws).

Conclusion

In contrast to the now superseded IDW AuS 330, in the case of the ISA DE 315 the scope of the conduct of the IT audit is based solely on risk considerations. Only the systems that are relevant for the statutory audit and that constitute a risk arising from the use of IT and that could lead to material misstatements in the financial reporting will be subject to a test of design and, if required, a test of operating effectiveness.

have to ensure that their data are protected from hackers and cyber criminals. Here, access rights, data encryption and anti-tamper security, regular data backups as well as recovery options in the event of data loss play a major role.

(2) Data quality – The quality of the data that is collected is of crucial importance for accurate analyses because poor data quality can result in flawed insights and, thus, to wrong decisions. The focus here is on issues such as data integrity, compliance with data standards and the currentness of the data.

(3) Data integration – Data can originate from a wide range of sources, including internal systems, social media and the interaction with customers. The integration of these data requires the very different data formats to be combined and merged. Inconsistencies and duplicates should be separated out and efficient data processing ensured.

(4) Data analysis – Prior to the extraction of insights, big data go through a number of analysis processes that help to map the data in a way that makes them usable. Data exploration and descriptive statistics are first used to gain an understanding of the data and their correlations.



Benagil grotto on the Algarve coast

Data visualisation technology is deployed to graphically represent the data and to identify patterns, trends and relationships.

(5) Ethical aspects and communication – Compliance with ethical principles, especially those related to personal data and the use of AI, as well as continuous communication with the company's executives are also key elements in order to avoid misjudgements.

2. Synergies of ERP systems and BI solutions

While ERP systems and BI solutions achieve different purposes, nevertheless, synergies of both systems are able to generate considerable added value for businesses and, in doing so, help to realign a business or allow it to continue down its chosen path with renewed vigour. For example, ERP systems are able to provide internal company data in real time and BI solutions can then link and visualise these data in order to ultimately enable the optimisation of business processes through these insights into the business operations.

Using BI solutions to extract data from an ERP system and displaying the different business divisions in a visual presentation exposes influencing factors that frequently

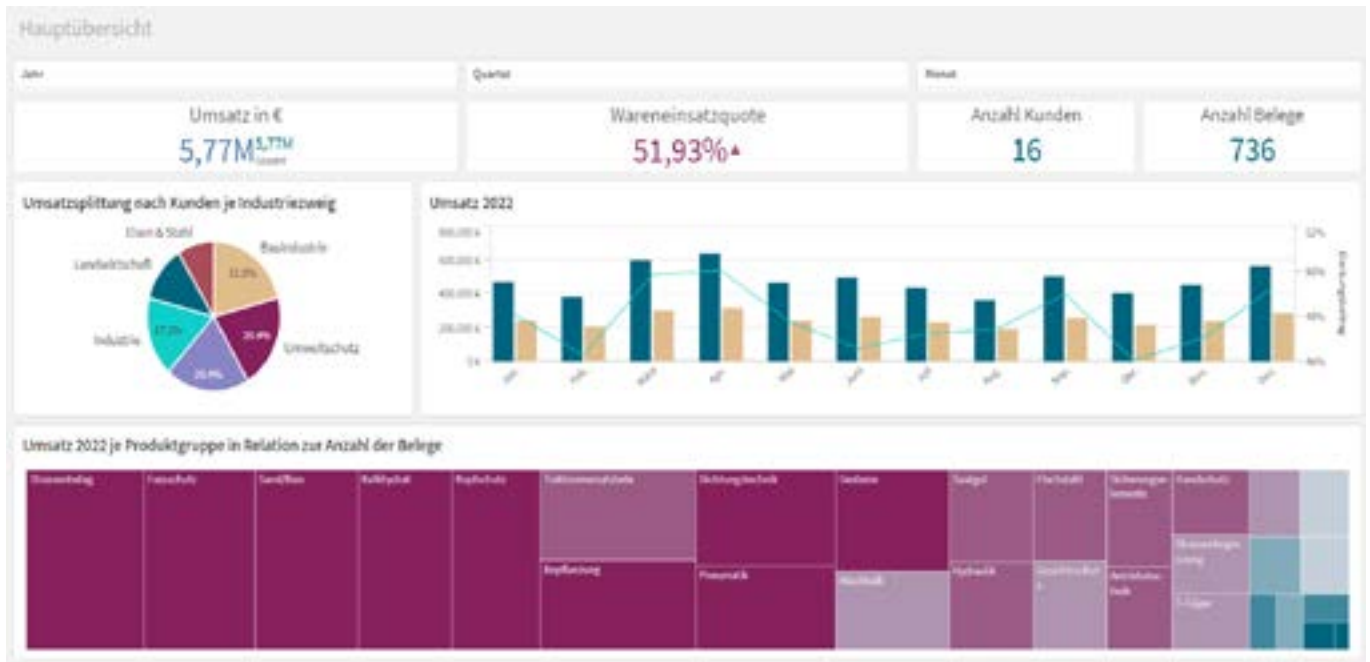
remain concealed in the ERP system (for example, SAP or Navision). Moreover, BI solutions are able to integrate not only one or more ERP systems, but also additional data from information sources independent of the business (for example, weather information or market data) to show a more comprehensive picture of a company's business operations and also include external influencing factors.

The difference between ERP systems and BI solutions is ultimately that ERP systems are geared towards transactional data and processes while BI solutions focus on analytical data and processes.

Recommendation: The exploitation of synergies makes it possible to enhance the forecasting of business developments, identify risks more quickly and to optimise processes. Furthermore, new services and digital products could be developed or serve as ideas for submissions to facilitate decision-making about business development.

3. Project sequence

At the start of a BI project there is a proper objective or also the prioritisation of a long list followed by the choice of the necessary data. Here, it is vital to carefully consider



the objective because otherwise the statements that are made will be too general. As in the case of metrics, here too there also needs to be proper definitions and a basis for interpretation. The data quality here will determine how meaningful and detailed the project set up can be. It is not uncommon for the project to fail already when it comes to maintaining the master data, which is necessary in order to be able to build on a valid basis.

If the data basis from the ERP system(s) and other sources has been properly prepared then implementation in the BI tool follows and then the linking of the data. A dynamic dashboard will then be able to map the sales metrics in such a way that a visualisation is created that is 'tangible'. Interactive clicking through quarters, locations, products, times of the day, customers or other features will result in revealing the linkages that would simply be difficult to determine in other ways.

4. A specific example of an application

Depending on the data basis, business monitoring can be displayed in a wide variety of ways. The above example shows a practical application case. The graphic shows sales revenue generated by a company in 2022 broken down by industry. For example, the construction industry accounted for the largest share of sales revenue, while agriculture generated relatively few sales. It is likewise evident that notably in March and April the contribution margin was especially strong, while in October it was rather weak. The so-called 'heat map' in the lower part of the dashboard clearly shows which products generate most of the sales revenue (field size) and, specifically, in relation to the number of documents attributable to these product

groups (field colour). If it is now of interest which products are doing particularly well in the respective industries then, for example, it would be possible to select the construction industry and then all the other diagrams would be adapted according to that choice.

Linking the data from different business divisions thus enables an interactive and varied way of viewing the business processes and, with just a few clicks, highlights optimisation potentials. This facilitates in-depth engagement with the efficiency of individual departments. Moreover, forecasts, 1-to-1 comparisons with previous year values or multi-year comparisons can also be easily displayed.

Summary

Developing a big data model and determining analysis objectives can present huge challenges. At the same time, BI solutions help to monitor data and processes more effectively and to gain valuable insights into business operations. While ERP systems and BI solutions serve different purposes, nevertheless, by combining them it is possible to generate a high amount of added value for businesses by providing data in real time and dynamically visualising it. This however requires the selected solution to be compatible with the DNA of the business and tailored to its needs. It will ultimately be up to the users and a company's executives to interpret and implement the results in order to design more precise structures for the business and optimise it in a future-oriented way.

IN BRIEF

House sale following a divorce – Transferring half a property can release speculative gains

Recently, the Federal Fiscal Court (Bundesfinanzhof, BFH) decided that a taxable private capital gain is generated when, in the context of the division of assets following a divorce, a divorced spouse sells his co-ownership share in the jointly-owned single-family home (SFH) to his former marriage partner years after having already moved out of the jointly-owned house.

If a property that is held in private assets is sold within the ten year speculation period then the appreciation in value that is realised generally has to be taxed as gains from private disposals. However, if the property was previously occupied by the owner then no tax would be levied if the property was sold within the ten year period. The use for own residential purposes would have to have stretched over either the entire period between acquisition and sale, or have occurred in the year in which the sale took place as well as in the two preceding years.

In the case that got to the BFH (ruling of 14.2.2023, case reference: IX R 11/21), from 2008, a married couple lived together with their son in a SFH that was jointly owned (50:50) by both partners. In 2015, the husband moved out after a marital crisis. The wife carried on living in the

property together with their child. Two years later, the husband sold his co-ownership share to his ex-wife after she had threatened to auction off the property in a forced sale. The local tax office taxed the appreciation in value that was achieved as a private capital gain.

The BFH also shared this view; the Munich-based BFH judges pointed out that the husband had used the property for his own residential purposes neither continuously nor in the year in which the sale took place as well as in the two preceding years because he had already moved out in 2015. Admittedly, as the husband had made the property available to his son for use free of charge it was possible to view this as indirect use for own residential purposes. However, the crucial factor here was the use by his divorced wife and this could no longer be regarded as own use by the husband (so-called harmful joint use). A private capital gain could only have been excluded via a state of exigency, for example, expropriation or an auction in a forced sale. There certainly was no state of exigency in the case in question. The divorced wife had indeed exerted considerable pressure on her ex-partner, yet he had ultimately voluntarily sold his share in the SFH to his divorced wife.



A façade with the famous Azulejo tiles

AND FINALLY...

“The way you do anything is the way you do everything.”

Bob Iger (born 10.2.1951), US American Manager and Chief Executive Officer of The Walt Disney Company. From 2005 to 2020, Iger had already headed up the Disney Group in the same function.

Legal Notice

PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft

EUREF-Campus 10/11 | 10829 Berlin | Tel. +49 30 306 907 -0 | www.pkf.de

Please send any enquiries and comments to: pkf-nachrichten@pkf.de

The contents of the PKF* Newsletter do not purport to be a full statement on any given problem nor should they be relied upon as a substitute for seeking tax and other professional advice on the particularities of individual cases. Moreover, while every care is taken to ensure that the contents of the PKF Newsletter reflect the current legal status, please note, however, that changes to the law, to case law or administration opinions can always occur at short notice. Thus it is always recommended that you should seek personal advice before you undertake or refrain from any measures.

PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft is both a member of the German network of member firms pursuant to Section 319 b HGB, and PKF Global, the network of member firms of PKF International Limited. Each member firm is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s) of PKF Global. For disclosure of information pursuant to regulations on information requirements for services see www.pkf.de.

„PKF“ and the PKF logo are registered trademarks used by PKF International Limited and member firms. They may not be used by anyone other than a duly licensed member firm of the Network.