

# EASYTAX

## TAX REPORTING FOR GERMAN PRIVATE CLIENTS

### THE RELEVANCE OF TAXES FOR PRIVATE BANKING

Legal requirements of the German income law (EStG) with regards to the disclosure of income from capital investment and short-term capital gains and losses (annual tax certificate) are permanently subject to modifications. In addition, the proposal of the German fiscal authorities regarding the previous tax amnesty, the increased transparency as well as the larger competition in the private banking industry seem to become important issues. Therefore, banks and financial service providers need to rise to a new challenge.

By reporting tax relevant information for income from capital investment and short-term capital gains and losses, banks are able to provide an essential added value to private clients. Furthermore, with this reporting certificate banks are in compliance with legal requirements.

Other banks located outside of Germany that are not subject to this requirement, often intend to offer to their clients comparable reporting standards in order to ensure equivalent and high quality in consulting service.

### THE TASK

Each individual who is subject to income taxation in Germany, receives income from capital investment (§20 EStG), short-term capital gains and losses (§22 Nr.2 i.V.m. §23 EStG) as well as other income within his securities portfolio.

In accordance to §24c EStG, Financial service institutions located in Germany are obligated to prepare a so-called 'Jahresbescheinigung' (annual tax certificate) for their private banking customers providing all the essential information for income taxation.

Normally, this important information is only available for banks but not for their clients (e.g. emission yield, tax-based classification of investment funds and information about the half income taxation).

A manual calculation of income from capital investment and short-term capital gains and losses demands a high degree of expertise, is extremely complex and time consuming.

The European Union interest taxation and investigations of the tax authorities cause significant interest by private customers high-quality and informative tax reporting.

The banking customer expects a composition of all information necessary for his tax declaration, which he can transfer simply to his tax declaration.

Any change of the legal regulations for the taxation of the income from capital investment and short-term capital gains and losses are complex and requires a timely adjustment of the tax reporting application. This demands a sequential actualization of the specialized knowledge and the applications used for the tax reporting.

### THE SOLUTION

The standard software EasyTax offers the bundling of the professional, technical and tax-based know-how in connection with BearingPoint's experience collected in this range of topics during the past years.

This applies both, the development and constant adjustment of the application to legal changes in the context of maintenance. In addition, an automated computation and report production enables operating time to be reduced and costs lowered.

EasyTax evaluates the transaction data of the deposits under fiscal aspects and accomplishes the complex computations. Thereby for banks and financial service providers, the possibility is given to prepare the necessary information about tax income for their customers.

The determined taxable income is completely clearly and understandably represented and can be easily transferred by the customers to their income tax return. Thereby a service achievement with large use can be offered to the private customer, which substantially contributes to an increased customer satisfaction and customer loyalty.

The quality, consistency and real-time production of the tax reporting can be critically improved with EasyTax.

### THE FUNDAMENTALS

The starting point for the calculations which can be accomplished by EasyTax are the transactions data of the individual deposits as well as standing data of the involved financial instruments, available in the banking system. These data are enriched over information of the WM data service according to tax law in particular.

## STATEMENT OF INCOME FROM CAPITAL INVESTMENT

- Determination of the fiscal assessment basis according to §20 EStG (investment income)
- Separate statement of income that are subject to the half income taxation
- Determination and compared presentation of market yield as well as issue yield in base currencies.
- Income allocation of domestic and foreign sources
- Consideration of fees within the income calculation
- Disclosure of fees in respect to income-related expenses
- Information on fictitious and actually retained withholding taxes

## STATEMENT OF SHORT-TERM CAPITAL GAINS AND LOSSES

- Determination of the fiscal assessment basis according to §22 Nr.2 in conjunction with § 23 EStG i.e. the calculation of acquisition costs, proceeds, transaction fees and realized capital gain and loss
- Automated determination of tax-based acquisition costs (incidental acquisition costs) with respect to corporate actions
- Practice of the different compensation methods within and outside of a year's time in consideration of the acquisition procedure and corporate actions
- Treatment of transactions in foreign currencies
- Consideration of tax-based relevant corporate actions and calculation particularly with regard to the impact on the acquisition costs (e.g. distinction and calculation between original and derivative acquired subscription rights)
- Consideration of other income based on trades from option writers according to §22 Nr.3 EStG

In accordance with the regulations of the tax law a mutual consideration of income between investment income and realized capital gain is provided within EasyTax in order to avoid a double taxation.

## THE BENEFIT

The employment of the standard software EasyTax offers a large increase in added value to the bank regarding sinking unit costs of the tax reporting as well as an improved process efficiency of the customer reporting.

Additionally, each individual banking customer profits from a qualified support of the bank by the process of the explanation of his income for the income tax.

The substantial advantages of the employment from EasyTax are:

- Security concerning the topicality and the constant use of the tax-based fundamentals
- Cost and time saving with regard to the report production
- Smaller unit costs in comparison to a custom solution and manual statement respectively
- Permanent availability for ad-hoc computations, also on the work place of the account executives
- Comprehensible computations
- Increased customer satisfaction by improved and evenly high report quality
- Additional source of income by the possibility of charging fees

## CONTACTS

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