

German coalition government agrees a € 130 billion fiscal stimulus

June, 15 2020

German Tax Law

Background

On June 3, 2020, the committee of the German coalition government agreed a € 130 billion fiscal stimulus package to mitigate the economic damage created by the COVID-19 pandemic. With at least 60 cross-sector measures announced, these latest measures represent the largest economic package in the history of the Federal Republic of Germany.

Although the measures remain subject to the legislative process, it is expected that these will be implemented as soon as possible. The first government draft bill regarding the tax measures of the fiscal stimulus has been published on June, 12 2020

Please find hereafter a brief summary of the intended measures concerning German tax law.

VAT

- The standard VAT rate will be reduced from 19% to 16% and the lower band cut from 7% to 5% from 1 July to 31 December 2020, which shall stimulate and strengthen consumer demand.
- The due date for import VAT is postponed to the 26th of the following month in order to provide companies in Germany with additional liquidity

Corporate Taxation

- The ability to carry-back tax losses will be expanded from € 1 million to a maximum of € 5 million the years 2020 and 2021. As a complimentary measure hereto, a loss carry-back of 30% of the 2019 taxable income (max. EUR 5 Mio.) can be recognized as a lump-sum deduction for 2020 tax losses without further prove but subject to the final tax assessment of 2020. In addition, tax pre-payments made during 2019 fiscal year can be reduced retroactively by 30% (max. EUR 5 Mio.).
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- To provide a tax incentive for investment, enhanced depreciation rates will be made available in fiscal years 2020 and 2021. This will increase existing depreciation rates by 2.5 with a maximum rate of 25% per annum for moveable assets.
- With regard to trade tax, a tax-free allowance for existing add-backs is increased to €200,000. Furthermore, there shall be an increase in the relief available from German trade tax.

Bridging Financing

- In order to secure the existence of small and medium-sized enterprises, bridging financing will be provided in the months June to August 2020 to businesses suffering a loss of revenue as a result of the coronavirus pandemic, with total financing amounting to €25 billion. While this



bridging financing will be available across sectors, those particularly affected by the coronavirus pandemic, such as hospitality, will be given particular consideration.

