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Tax & Legal Newsflash - German draft bill on the modernization of the withholding tax relief procedure

On January 20, 2021, the German Government adopted the draft bill on the modernization of the relief from withholding taxes and the certification of withholding tax paid (“Abzugsteuerentlastungsmodernisierungsgesetz; AbzStEntModG).

The draft bill includes changes to the withholding tax and relief procedure and an adjustment of the German anti-treaty-shopping rules. However, the envisaged retroactive abolishment of the German sourcing rules for licenses and IP sales transactions based on the mere registration of underlying rights in a German register was dropped. The approval of the bill by the German Government is the first step of the legislative process so further changes of the draft bill may occur and need to be monitored.

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