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By PwC Deutschland | 26. Juni 2025

Act for an Immediate Tax Investment Programme to Strengthen Germany as a Business Location

On Thursday, 26 June 2025, the Bundestag adopted the draft bill for the “Act for an Immediate Tax Investment Programme to Strengthen Germany as a Business Location” as proposed by the coalition parties (21/323).

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The legislative package, amended by the Finance Committee, was passed by the CDU/CSU and SPD, with the Bündnis 90/Die Grünen and Die Linke parties voting against and the AfD abstaining. The decision was based on recommendations from the Finance Committee (21/629) and the Budget Committee (21/643), in accordance with Section 96 of the Rules of Procedure.

The bill passed substantially follows the government draft approved by Federal Cabinet on 4 June 2025. The law aims to swiftly implement the tax law changes included in the “Immediate Investment Programme for Germany”, which was adopted by the coalition committee on 28 May 2025.

The law requires a majority in the Bundesrat. The vote in the Bundesrat is scheduled for 11 July 2025.

The draft sets out the following measures in detail:

- **Gradual reduction of the corporation tax rate to 10% from 1 January 2028 (Section 23(1) Draft Corporate Income Tax Act (“CTA”).**

In line with the coalition agreement the government draft provides for the implementation of a gradual reduction of the corporation tax rate. Specifically, the corporation tax rate under Section 23 CTA is to remain at the current level of 15 per cent up to and including the 2027 assessment period, after which it will be reduced by one percentage point each year, reaching 10 per cent from the 2032 assessment period onwards. According to the explanatory memorandum to the bill, necessary consequential amendments, including those relating to the capital gains tax procedure and the tax deduction for persons with limited tax liability, will be implemented via a subsequent legislative procedure with the relevant legislation coming into force in line with the rules on the reduction of the corporation tax rate.

- **Reintroduction and increase of the declining balance depreciation option for movable fixed assets (Section 7(2), Sentences 1 and 2, Draft Income Tax Act “ITA”)**

This option expired recently and is to be reintroduced for assets acquired or manufactured after 30 June 2025 and before 1 January 2028. According to the wording of the proposed legislation and the explanatory memorandum, the measure announced in the coalition agreement as an 'investment booster' will not be limited to certain 'equipment items', but rather will cover movable fixed assets in general. Compared to previous regulations, the depreciation rate will increase to 30 per cent, up to a maximum of three times the straight-line depreciation rate.

- **Tax incentives to promote electric vehicles (Section 6 (1) No. 4 Sentence 2 No. 3 and Sentence 3 No. 3 Draft ITA and Section 7 (2a) Draft ITA)**

According to Section 6 (1) No. 4 Sentence 2 No. 3 and Sentence 3 No. 3 ITA, under the so-called 1 percent rule, only one quarter of the gross list price is to be applied for the private use of a purely electric vehicle,

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provided this does not exceed a certain maximum amount. For vehicles purchased between 1 July 2025 and 31 December 2027, this maximum amount is to be increased by €30,000 to €100,000, according to the current draft. The maximum amount was most recently increased to €70,000 for vehicles purchased after 31 December 2023 under the Growth Opportunities Act. This provision also applies to the transfer of company cars to employees under Section 8(2), Sentences 2, 3 and 5 ITA.

To further promote electric mobility, Section 7(2a) of the Draft ITA will introduce 'arithmetically degressive' depreciation with declining graduated rates for purely electric vehicles purchased between these dates. The depreciation rate will be 75 per cent in the year of acquisition, 10 per cent in the first year, 5 per cent in the second and third years, 3 per cent in the fourth year, and 2 per cent in the fifth year following acquisition. This option is only to be considered if the taxpayer has not claimed any special depreciation allowances for the asset. Depreciation will not be reduced on a monthly basis in the year of acquisition (i.e. the pro rata temporis rule in Section 7(1) Sentence 4 of the ITA will not apply).

- **The retention tax rate for undistributed profits(Section 34a ITA)**

The so-called retention tax rate for undistributed profits is also to be reduced as part of this first tax legislative procedure of the parliamentary term. Improvements to the provision were first announced in the coalition agreement. Specifically, the retention tax rate under Section 34a(1) sentence 1 ITA is to be gradually reduced from the current 28.25 per cent (corresponding to the tax rate reduction planned in the Corporation Tax Act) in three stages, starting from the 2028 assessment period. For the 2028 and 2029 assessment periods, the retention tax rate will be 27 per cent; for the 2030 and 2031 assessment periods, it will be 26 per cent; and for assessment periods from 2032 onwards, it will be 25 per cent. The improvements to the option model under Section 1a of the Corporation Tax Act (CTA), which were also announced in the coalition agreement, are not included in the present draft.

- **The tax research allowance (Section 3 draftTax Incentives for Research and Development Act) is to be extended.**

In the coalition agreement, the coalition parties agreed on a significant increase in the subsidy rate, an expansion of the assessment basis, and a simplification of the relevant procedure. As part of the current draft, the basis for calculating the allowance is to be extended to include additional common and operating costs incurred in the context of an eligible research and development project that began after 31 December 2025. Section 3(3b) of the draft Tax Incentives for Research and Development Act provides for a flat-rate allowance of 20 per cent of the eligible expenses incurred in the financial year. Additionally, the maximum assessment basis for the research allowance, last increased under the Growth Opportunities Act, will be raised to €12 million in Section 3(5) Tax Incentives for Research and Development Act for eligible expenses incurred after 31 December 2025. Previously, the maximum assessment basis for eligible expenses incurred after 27 March 2024 was €10 million.

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The only changes to the bill passed to the draft government bill occurred in relation to research allowances. Here the limitation of eligible expenses under the activity agreement for co-entrepreneurs in Section 3(3) of the Tax Incentives for Research and Development Act is to increase from €70 to €100, as will the eligible hourly rate for own work.

The following measures, adopted by the coalition committee on 28 May 2025, are not included in the present draft:

- reduction of the VAT rate in the catering industry as of 1 January 2026;
- introduction of the “active pension”;
- increase in the mileage allowance as of 1 January 2026;
- reduction in electricity tax and measures to reduce grid fees and levies in the electricity sector;
- reintroduction of the full agricultural diesel rebate as of 1 January 2026.

Schlagwörter

Income Tax Act, corporate income tax, tax incentive