By PwC Deutschland | 26. Juli 2026

MoF: Tax group (Organschaft) for corporate tax purposes

In a recently published circular, the Federal Ministry of Finance (MoF) commented on the minimum running period of profit and loss pooling agreements (PLPA) and on partnerships acting as controlling entities. The current letter now supersedes the previous letter on these subjects of 10 November 2005 in its entirety.

What's new?

The contents of the previous circular from 2005 regarding the changes to the taxation of tax groups resulting from the Tax Preference Reduction Act 2003 (TPRA - „*Steuervergünstigungsabbaugesetz*") has been adjusted to reflect the case law of the Supreme Tax Court issued in the meantime. In this connection, the comments on the group taxation with multiple parent companies (multi-parent tax group – "*Mehrmütterorganschaft*") which was abolished in the course of the TPRA, and the transitional provisions regarding the stricter requirements for a personnel company acting as a parent company have been removed.

Note: The *Mehrmütterorganschaft* (multi-parent tax group) was a former tax construct in Germany where multiple parent companies shared a single subsidiary. It allowed the subsidiary's profits and losses to be legally pooled across all parent companies. The German tax authorities considered the structure a loophole that was heavily exploited to transfer and hide losses. As a result, it was completely abolished in the course of the TPRA. Since 2003, it is required that a single, direct parent company hold the majority of the voting rights

The current circular, as it stands now, focuses on partnerships as controlling entities. These must demonstrate direct financial integration with the partnership; that is, the majority of voting rights in the controlled entity must be held in the partnership's jointly owned property. In addition, the partnership must demonstrate independent commercial activity that is not merely minor in nature to prevent so-called "multi-parent" tax groups.

For holding companies, this specifically means that they can act as a controlling parent only if they are involved in the management of their subsidiaries and hold interests in multiple subsidiary corporations. Simply entering into a control agreement is not sufficient.

Specifically, the ministry provides the following guidance:

A. Minimum term of the profit pooling agreement

The profit pooling agreement (PPA) must be concluded for at least five years. This requirement is not met if, although the agreement is signed for five years, it is not entered into the commercial register until a year following the year of its conclusion. Whether the minimum term is met depends on the validity of the PPA under civil law. A contractual provision whereby the term of the PPA does not begin until the fiscal year in which the PPA is entered in the commercial register will not be objected.

B. Partnership as parent

I. Financial Integration of the parent partnership

The parent may also be a partnership and the requirements for financial integration must be met by the partnership itself. Therefore, it is necessary that at least the shares that confer the majority of voting rights in the subsidiary be held in the joint ownership of the partnership.

II. Commercial activities of parent partnership

1. Scope of own business activities

The requirement that a parent partnership itself pursues a commercial activity as set forth in Section 14 (1) Sentence 1 item 2 second sentence of the Corporate Income Tax Act (CTA) is designed in particular to prevent the tax benefits of a multi-parent group - which is no longer permitted - from being achieved through the use of a partnership that does not engage in any substantial original commercial activity. The requirement is therefore met only if the controlling partnership exercises not only minor commercial activity within the meaning of Section 15 (2) of the Income Tax Act (ITA).

1.1 Management holding company

A holding partnership can be a controlling entity only if it carries out its own commercial activities. In certain cases, this may also involve acting as a managing holding company; this requires that the partnership holds interests in several subsidiary corporations and manages their operations. An interest in a corporation whose sole function is to serve as the general partner of the holding partnership is not sufficient. The mere conclusion of a control (domination) agreement with the subsidiaries is not adequate to establish actual management.

1.2. Provision of other services to group companies

The prerequisite of participating in the common economic market (true business activity) can already be met if a company provides services to only one customer. A commercial activity may therefore exist if a company provides services (such as bookkeeping, IT support, or similar services) exclusively to one or more affiliated companies if the services are provided and charged separately at arm's-length.

1.3 Participation in a commercial partnership

An asset-management partnership is not automatically considered to pursue a commercial activity merely because it holds an interest in a commercial partnership and derives business income solely because that commercial connection ranks as business income (tainted income) according to Section 15 (3) No. 1 Sentence 1 second alternative ITA.

2. Asset split (asset transfer from a corporation by way fo asset split - “Betriebsaufspaltung”)

A partnership that owns the assets resulting from an asset split may also qualify as controlling entity because it is primarily engaged in commercial activities within the meaning of Section 15 (1) Sentence 1, item 1, and (2) ITA. This applies even if the partnership otherwise engages solely in asset management activities.

3. Temporal considerations

For a tax group to be approved, all statutory requirements must generally be met as of the beginning of the subsidiary's fiscal year. However, it is not necessary that the parent company be engaged in business activities already at the beginning of the subsidiary's fiscal year.

C. Application

The principles of this circular replace the earlier ministerial announcement published on 10 November 2005 (IV B 7-S 2770-24/05).

Source:

Federal Ministry of Finance circular of 17 July 2026 (ref.: GZ IV C 2 - S 2770/00042/002/081) – officially published on 22 July 2026.

Schlagwörter

commercial partnerships, corporation tax group, management holding, profit pooling agreement