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By PwC Deutschland | 18. November 2026

Bundestag passes the Finance Act 2026

On 11 November 2026, the Finance Committee adopted a recommendation proposing numerous amendments and additions to the government’s draft. The Bundestag incorporated these changes into the Act in its resolution of 12 November 2026.

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The key provisions of the **Finance Act 2026**, as adopted, are summarised below. Differences from the Federal Government's original draft bill of 12 August 2026 are shown in *italics*.

Amendments to the Income Tax Act

Basic wage used to calculate allowances for work on Sundays, public holidays or at night
(Section 3b(2), first sentence ITA-D

The existing administrative practice for determining the basic wage used to calculate tax-free allowances for work on Sundays, public holidays or at night is to be put on a statutory footing. This follows the Supreme Tax Court 's ruling VI R 11/21 of 10 August 2023.

As before, the calculation will include taxable wages and tax-free employer contributions to occupational pension schemes, but only where those contributions constitute current wages. Other tax-free or non-taxable wage components will be disregarded.

The new rule is due to take effect on 1 January 2027. It will first apply to current wages paid for a pay period ending after 31 December 2026.

Exclusion of exit taxation for domestic immovable property
(Section 4(1), fourth sentence, and Section 52(6), second sentence, of the draft Income Tax Act (ITA-D); Section 12(1), second sentence, and Section 34(6d), fourth sentence, of the draft Corporate Income Act (CTA-DRAFT))

In its judgement of 26 March 2025 (I R 5/24), the Supreme Tax Court held that allocating an asset to a foreign permanent establishment triggers a notional withdrawal under Section 4(1), fourth sentence, of the Income Tax Act (ITA). The Court took the view that there was no need to separately examine whether the conditions in the third sentence are met.

This ruling raised concerns that the wording of the fourth sentence could trigger exit taxation when domestic immovable property is allocated to a foreign permanent establishment. That could happen even though Germany retains an unrestricted right to tax subsequent capital gains under double taxation treaties (DTT), in accordance with the principle of location.

According to the explanatory memorandum, the amendments to Section 4(1), fourth sentence, ITA-D and Section 12(1), second sentence, CTA-DRAFT are intended to clarify that domestic immovable property is excluded from this exit presumption to the extent that any gain on its subsequent disposal remains subject to unrestricted domestic taxation.

The amendments to Section 4 ITA and Section 12 CTA are to apply to all pending cases, except those relating to financial years ending before 1 January 2006.

Transfers at book value where the transferor reserves a right of usufruct

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(Section 6(3), fourth sentence, and Section 52(12), 20th sentence ITA-D

At the Bundesrat's request, a new fourth sentence in Section 6(3) ITA is intended to put the existing administrative interpretation on a statutory footing. It would allow businesses or parts of businesses to be transferred tax-neutrally at book value even where the transferor reserves a right of usufruct. This is intended to cover both active and leased commercial enterprises.

The amendment is in response to the Supreme Tax Court judgement X R 35/19 of 29 January 2025, according to which, in the case of a transfer subject to a right of usufruct with reservation of title, the transfer does not constitute a transfer for no consideration due to the continuation of the commercial activity by the usufructuary, and hidden reserves would therefore have to be disclosed.

The new statutory provision is to apply to all transfers taking place after 31 December 2026.

Allocation of the total purchase price for developed land
(Section 6f ITA-D; Section 52(14b) ITA-D)

A new Section 6f ITA is intended to codify the Supreme Tax Court's case law - particularly its judgement IX R 12/14 of 16 September 2015 - on allocating the purchase price for developed land,

Where the sale contract allocates the total purchase price between the land and the building, that allocation is to be used for tax purposes, provided it does not fundamentally misrepresent their relative values and is economically reasonable (Section 6f(1) ITA-D).

If a contractual allocation cannot be used for tax purposes, the total purchase price is to be apportioned according to the separately determined values of the land and the building. The valuation must comply with the Property Valuation Ordinance of 14 July 2021, as amended from time to time (Section 6f(2) ITA-D).

The Federal Ministry of Finance is to publish guidance - agreed with the federal states - on its website for a simplified allocation of the purchase price. The results may be used for tax purposes. A different allocation may be substantiated by a report from a publicly appointed and sworn expert or a person accredited under DIN EN ISO/IEC 17024.

On the Finance Committee's recommendation, *the phrase 'all types of developed and undeveloped land' in Section 6f(3), third sentence, ITA-D has been replaced by 'land'. In line with Section 198(2) and Section 220(2), third sentence, of the Valuation Act, this is intended to clarify that experts with general certification for valuing 'land' may also prepare reports, even if their certificate does not expressly include the words 'all types of developed and undeveloped' land.*

The provision is intended to apply to developed land acquired under a binding contract or equivalent legal act validly concluded after the date on which the Act is promulgated.

Tax relief for investments in EU/EEA permanent establishments under Section 7g ITA
(Section 7g(1), first sentence; (4), first sentence; and (6), No. 2, ITA-D; Section 52(16) ITA-D)

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Under current law, investment allowances (IAB) under Section 7g(1), first sentence ITA may be claimed only for depreciable movable fixed assets used exclusively or almost exclusively for business purposes at the business's domestic premises.

By reason of European law, investments attributable to a permanent establishment of the business in an EU/EEA state are also to qualify for relief under Section 7g ITA. Infringement proceedings against Germany are currently underway concerning the requirement for domestic-origin of eligible assets.

However, according to the explanatory memorandum, a profit-reducing reduction in acquisition or production costs under Section 7g(2), third sentence, ITA, or special depreciation allowances under Section 7g(5) ITA, will be permitted only to the extent that the asset acquired is subject to German tax law.

As a result of the broader eligibility rules, transferring an investment initially made at a domestic permanent establishment to an EU/EEA permanent establishment during the required use and retention period will also become tax-neutral (Section 7g(4), first sentence, and (6)(2) ITA).

The new provision is to apply to all pending cases.

Timing of taxation of earn-out payments on business disposals
(Section 16(2), fourth sentence; Section 17(2), seventh sentence; and Section 52(25a) and (25b), third sentence ITA-D

At the Bundesrat's request, the adopted Act provides that profit- or turnover-dependent earn-out payments subject to a condition precedent are to be recognised retroactively in the tax period of the disposal, regardless of when the condition is fulfilled.

This is in reaction to the Supreme Tax Court ruling IV R 9/21, under which such payments are taxable as subsequent business income only when received.

The retroactive treatment is intended to prevent the exploitation of tax loopholes, for example where the seller moves abroad before receiving the payment. It is also intended to ensure that these payments are properly considered when applying the preferential tax rates under Section 34 ITA and the allowances under Sections 16 and 17 ITA.

Section 233a(2a) of the German Tax Code is to govern the start of the interest period. To protect legitimate expectations, the new provision is to apply for the first time to disposals taking place after 31 December 2026.

Limitation of tax-neutral share swaps to shares held in custody
(Section 20(4a), first sentence, ITA-D)

At the Bundesrat's request, the rule according to which share swaps are always tax-neutral (Section 20(4a), first sentence ITA) is to be expressly restricted to shares falling under Section 43(1), first sentence, No. 1a

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ITA and comparable foreign shares.

Section 43(1), first sentence, No. 1a ITA covers shares and profit participation certificates that are authorised for collective custody by a central securities depository under Section 5 of the Securities Deposit Act and have been entrusted to that depository for collective custody in Germany.

The amendment is intended to prevent abusive arrangements, such as contributing private share portfolios to a self-owned limited liability company (GmbH) in exchange for shareholders' rights, so that a subsequent sale of the shares benefits from the exemption under Section 8b(2) CTA.

Only shares held in a securities account would therefore qualify for the simplified rule in future. According to the explanatory memorandum, shares which are not held in a securities account and which represent holdings of less than 1 per cent are instead to be covered by the general company reorganisation tax rules in Sections 13 or 21 of the Reorganisations Tax Act.

The amendments are due to take effect on the day after promulgation. No separate application provision is envisaged.

***Note:** Under paragraphs 13.01 and 21.02 of the 2025 Reorganisations Tax Circular, the tax authorities have so far treated only shares within Section 17 ITA and shares held as business assets as falling within Sections 13 and 21 of the Reorganisations TaxAct. All other shares are deemed to fall exclusively within Section 20(4a), first, second or seventh sentence ITA.*

The tax authorities are therefore called upon to amend the 2025 Reorganisations Tax Decree to reflect the narrower scope of Section 20(4a) ITA. This is needed to ensure that, even under the wording of the decree, shares in a GmbH that do not fall within Section 17 ITA, for example, can at least be transferred tax-neutrally under Sections 13 and 21 Reorganisations Tax Act.

Taxation of capital gains on partially exempt investment income
(Section 34(2)(1) ITA-D)

The reduced taxation of extraordinary income under Section 34 ITA is to be restricted for capital gains within Sections 14, 14a(1), 16 and 18(3) ITA. The relief will no longer apply to the extent that the gain includes gains from the disposal of investment or special investment units that is exempt under Section 20 of the Investment Income Tax Act in conjunction with Section 21 Investment Income Tax Act, or under Section 49(1) Investment Tax Act. This applies whether the gains consist wholly or partly of such income.

The change is intended to prevent an unjustified double-dip of preferential treatment of that income. The current Section 34(2)(1) ITA already contains a corresponding rule for capital gains subject to the partial income procedure under Section 3(40)(b) ITA in conjunction with Section 3c(2) ITA.

The new provision is intended to apply for the first time to the 2027 tax assessment period .

***Extension of the deadline for withdrawing applications for the retention allowance** (Section 34a(1),*

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fifth sentence ITA-D; Section 52(34), fourth sentence ITA-D)

An application for the retention allowance may currently be withdrawn until the income tax assessment for the following assessment period becomes final. The introduction of the two-year loss carry-back under Section 10d(1) of the Income Tax Act, as amended by the Fourth Corona Tax Relief Act of 19 June 2022, means that losses arising in the second year after profits are retained may be carried back to the tax period in which those profits were retained. In response to a request from the Bundesrat, the deadline for withdrawing an application for tax relief on retained profits is therefore to be extended until the income tax assessment for that second subsequent year becomes final. The new provision is to apply for the first time to profits taxed on a preferential basis in the 2025 tax year under Section 34a(1) ITA.

Increase in the exemption threshold for withholding tax on artistic and similar performances (Section 50a(2), third sentence ITA-D)

The withholding tax exemption threshold for income earned by persons with limited tax liability from artistic, sporting, acrobatic, entertainment or similar performances in Germany is to be doubled to EUR 500 per performance. The increase is to apply to income accruing after 31 December 2026.

Withholding tax relief for licences under Section 50a ITA and shares held in a centralised securities deposit account within the meaning of Section 43(1), first sentence, No. 1a ITA (Section 50c(2), first sentence, No. 2 and sixth sentence, and Section 52(47a), third and fourth sentences ITA-D; Section 50j(1), first sentence, and (4), first sentence, and Section 52(48a) ITA-D)

The exemption threshold in Section 50c(2), first sentence, No. 2 ITA, most recently increased by the Growth Opportunities Act, is to rise from EUR 10,000 to EUR 100,000. Up to this threshold, a recipient of remuneration may claim the required exemption for income subject to limited tax liability from the grant of licences within the meaning of Section 50a(1), No. 3 of the ITA without a prior review by the tax authorities in the form of an exemption certificate. The increase is intended to allow significantly more payers to dispense with withholding tax where taxation is precluded by a tax treaty.

For persons with limited tax liability, the exemption procedure is to be excluded in future under Section 50c(2), sixth sentence ITA-D for investment income within the meaning of Section 43(1), first sentence, No. 1a ITA from shares held in collective or special custody.

The planned amendment is intended to prevent the circumvention of dividend taxation through so-called ‘cum/cum’ arrangements. These involve minority shareholders with holdings of less than 10 per cent, who have no corresponding entitlement to relief, transferring shares shortly before the dividend record date to holders of exemption certificates or major shareholders with holdings of at least 10 per cent, and receiving the shares back shortly afterwards. For investment income from shares held in collective or special custody, relief would then be available only through the refund procedure under Section 50c(3) ITA.

The refund procedure must, in turn, comply with Section 50j of the ITA, which provides, in particular, for minimum holding periods around the dividend record date. This provision has so far applied only to minority

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shareholders. Following a request for review by the Bundesrat, its scope is therefore to be extended, as an accompanying measure to Section 50c(2), sixth sentence, of the ITA-D, to refund claims under Section 43b of the ITA (Parent-Subsidiary Directive) and to shareholdings of at least 10 per cent under double taxation agreements. Section 50j of the ITA would thus always apply to investment income from shares held in collective or special custody, including income received by major shareholders. The exception for recipients who have held a continuous shareholding for at least one year under Section 50j(4), second sentence, ITA is to remain unchanged.

The amendments are to apply for the first time to investment income received after 31 December 2026. Previously issued exemption certificates that are no longer permissible under Section 50c(2), sixth sentence ITA-D will expire no later than that date.

Further amendments to the Income Tax Act

- Introduction of a statutory provision on interest accrual when valuations are amended or corrected (Section 4(2a) ITA-D);
- *Prohibition on deducting business expenses and income-related expenses where the cash payment ban is breached, for payments from 9 July 2027 (Section 4(5), first sentence, No. 14 and Section 9(5) ITA-D; Section 52(6), 14th sentence ITA-D);*
- *Introduction of a taxable event for payments to redeem usufruct rights (Section 22, No. 6 and Section 52(30), second sentence ITA-D));*
- *Introduction of an exemption from capital gains tax on property sales in divorce cases (Section 23(1), first sentence, No. 1, fourth sentence, and Section 52(31), eighth sentence ITA-D);*
- *Adjustment of the tax relief for energy-efficiency measures in owner-occupied residential buildings (Section 35c ITA-D).*

The final Act does not include the change originally proposed in the Government's draft to reduce the permanence criterion for the primary place of work in Germany from 48 to 24 months (Section 9(4), third sentence, and Section 52(16b) ITA-D).

Amendments to the Corporation Tax Act

Extension of Section 8b(6), second sentence of the Corporation Tax Act to indirect shareholdings via tax-exempt legal entities under private law (Section 8b(6), second sentence of the Draft Corporation Tax Act (CTA-D))

Section 8b(6), second sentence of the Corporation Tax Act (CTA) is to be extended. This provision governs the application of Sections 8b(1) to (5) CTA to income and profits accruing to a commercial enterprise of a legal person governed by public law or to a company with a public-benefit mandate in the banking sector. The Business Location Promotion Act of 4 February 2026 already placed savings banks established as

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companies limited by shares, which hold stakes in corporations indirectly through one or more legal persons governed by public law, on an equal footing with savings banks established as legal persons governed by public law, particularly in relation to income and profits from those arrangements. In future, the provisions are also to cover holdings held through a legal entity under private law that is exempt from tax under Section 5 CTA and has acquired legal capacity by state conferral. The new provision is to apply for the first time to the 2027 tax year but may also be applied to earlier tax years at the taxpayer's request.

Extension of the loss forfeiture rule to partnership losses and add-back taxation (Section 8c(1), ninth sentence, and Section 34(1) CTA-D; Section 10(3), fifth sentence of the draft Foreign Tax Act (FTA) and Section 21(10) of the FTA)

In response to a request from the Bundesrat and in light of the Supreme Tax Court's ruling of 24 April 2024, IV R 27/21, the previous administrative interpretation that Section 8c CTA also applies to losses off-settable under Section 15a ITA is to be enshrined in Section 8c(1), ninth sentence CTA-D. Unused losses are also to include those under Sections 2a, 15(4) and 15b ITA. The new provision is to apply for the first time to the 2027 tax year and therefore to harmful acquisitions of shareholdings after 31 December 2026.

Complementing the amendment to Section 8c CTA, Section 10(3), fifth sentence of the Draft Foreign Tax Act (FTA-D) is to expressly provide for the corresponding application of the loss deduction restrictions under Sections 8c and 8d CTA when determining the intermediate income of a foreign intermediate company/CFC. Losses incurred by an intermediate company/CFC before a harmful acquisition of a shareholding would consequently no longer be available for use within the scope of CFC add-back taxation. The amended Section 10(3), fifth sentence FTA-D is to apply for the first time to the assessment period for which intermediate income is to be added from a financial year of the intermediate company beginning after 31 December 2026.

Amendments to the Trade Tax Act

Reduction of the trade tax shareholding threshold for multi-tier shareholdings in EU cases (Section 9(7), third sentence, and Section 36(5), third sentence of the Draft Trade Tax Act (TTA-D))

Under Section 9(7), third sentence TTA-D, the shareholding threshold for the trade tax deduction of dividends from shares covered by the Parent-Subsidiary Directive (Article 4(1) PSD) is to be reduced from 15 per cent to 10 per cent. The ECJ's judgement of 1 August 2025 in joined cases C-92/24 to C-94/24, Banca Mediolanum, has given rise to justified concerns about whether the 15 per cent threshold complies with EU law. Infringement proceedings against Germany concerning the trade tax treatment of inter-company dividends are, in fact, already underway. The lower threshold is intended to ensure that dividends within the scope of the Parent-Subsidiary Directive are treated in accordance with EU law. The new rules are to apply to all open cases. For shareholdings in companies outside the scope of the Parent-Subsidiary Directive, however, the minimum shareholding threshold remains 15 per cent.

Amendments to the Minimum Tax Act

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Side-by-Side Safe Harbour (Section 81a MinTA-D)

As part of the implementation of the OECD side-by-side package, a new Section 81a of the Draft Minimum Tax Act (MinTA-D) introduces the side-by-side safe harbour.

Upon application by the reporting business entity, the top-up tax amount for a financial year is to be reduced to zero for the purposes of Section 54 MinTA if the ultimate parent company is continuously resident throughout that financial year in a tax jurisdiction with a recognised side-by-side taxation regime for that year. Under the draft, however, this does not apply insofar as an additional top-up tax arises.

A tax jurisdiction has a recognised side-by-side taxation regime if it has established appropriate national and international taxation regimes that entered into force no later than 1 January 2029, and credits recognised national supplementary taxes in the same way as other taxes on foreign income. The OECD itself refers instead to 2026 or, where applicable, a later date following a specific review process.

An appropriate national taxation regime must have a nominal corporation tax rate of at least 20 per cent and provide for either a recognised national top-up tax or an alternative minimum tax with a nominal rate of at least 15 per cent. It must also pose no significant risk that corporate groups will bear an effective tax burden of less than 15 per cent on profits from their domestic business activities.

An appropriate international taxation regime must provide for a broad tax base and the taxation of all foreign income and include mechanisms to prevent tax base erosion and profit shifting. It must also pose no significant risk that corporate groups will bear an effective tax burden of less than 15 per cent on profits from their foreign business activities.

Under Section 99(5)(5) MinTA-D, the Federal Ministry of Finance is to identify by statutory instrument the tax jurisdictions that have a recognised side-by-side taxation regime. The relevant OECD Central Record currently lists only the USA as having such a regime.

Under Section 101(5) MinTA-D, the provision is to apply for the first time to financial years beginning after 31 December 2025.

UPE Safe Harbour (Section 81b MinTA-D)

The side-by-side package also provides for the introduction of the UPE Safe Harbour (Ultimate Parent Entity Safe Harbour) in Section 81b MinTA-D.

Upon application by the reporting business entity, for purposes of calculating the top-up tax, the top-up tax amount for a fiscal year shall be reduced to zero, for purposes of Section 54 MinTA, in respect of the jurisdiction in which the ultimate parent entity is located. This applies only where the ultimate parent entity is located without interruption throughout the entire fiscal year in a jurisdiction that has a qualified UPE taxation regime for that fiscal year. This does not apply, however, to the extent that an additional top-up tax amount arises.

A tax jurisdiction has a recognised UPE taxation regime if it has established a suitable national taxation

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regime within the meaning of Section 81a(3) MinTA-D that was in force and applicable on 1 January 2026.

Under Section 99(5)(6) MinTA-D, the Federal Ministry of Finance is to identify by statutory instruments the tax jurisdictions that have a recognised UPE taxation regime.

Under Section 101(5) MinTA-D, the provision is to apply for the first time to financial years beginning after 31 December 2025.

Extension of the CbCR safe harbour (Section 84(1), first sentence, and Section 87(9) MinTA-D)

As an additional element of the side-by-side package, the period during which the CbCR safe harbour (Country-by-Country Reporting safe harbour) applies is to be extended by one financial year. *Following a proposal by the Bundesrat, the final Act also includes a necessary consequential editorial amendment to Section 87(9) MinTA-D. This clarifies that the threshold for the simplified effective tax rate test (Simplified ETR Test) remains unchanged at 17 per cent during the extended transitional period, including the 2027 financial year*. *Through an amendment to Section 101(3) MinTA, the so-called 'transitional penalty relief', however, is expressly not to be extended.*

Further amendments to the Minimum Tax Act

The draft provides for additional, largely editorial amendments to the Minimum Tax Act, including:

- adjustments to the definition of securitisation special-purpose entities in Section 7(33b), second sentence MinTA,
- the reordering of the grounds for exclusion from the QDMTT safe harbour in Section 81(1) MinTA,
- the treatment, in Section 99(4), first sentence MinTA, of safe harbours that do not necessarily reduce the top-up tax to zero, such as the substance-based tax incentive safe harbour, which has yet to be implemented,
- references to the new safe harbour provisions,
- clarifications regarding the use of accounting data in the CBCR safe harbour,
- amendments to the definition of 'qualified shareholders' in Section 87(10) MinTA.

According to the Ministry, the remaining components of the side-by-side package—the permanent ETR safe harbour and the substance-based tax incentives safe harbour—are to be implemented through a statutory instrument under Section 99(4), second sentence MinTA. The OECD is also working on further safe harbours and guidance on specific issues.

Amendments to the Value Added Tax Act

New provisions on VAT group status (Section 2(2)(2) of the VATA – deleted –; Section 2c and Section 27(42) of the VATA-D; Section 1 of the VAT Implementation Regulation -Draft)

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The existing Section 2(2)(2) of the Value Added Tax Act (VATA) is to be repealed and replaced by a comprehensive set of VAT group provisions in a new Section 2c of the VATA. Some of these provisions revise existing rules, while others are being introduced into law for the first time. Under Section 2c(1), first sentence of the VATA-D, partnerships, as well as legal entities, may qualify as controlled companies if the overall picture of the actual circumstances shows that they are financially, economically and organisationally integrated into the parent company's business. This responds to the case law of the European Court of Justice (judgements of 16 July 2015 in cases C-108/14 and C-109/14) and the Supreme Tax Court (judgement of 1 June 2016, XI R 17/11).

Under Section 2c(1), fifth sentence of the Draft Value Added Tax Act (VATA-D), fulfilling the integration requirements will no longer automatically trigger the legal consequences of a VAT group. Those consequences will arise only when the controlling company submits an additional declaration to the competent tax authority on behalf of itself and the controlled companies named in the declaration, and only with effect for the future (**application requirement**). The same requirement is intended to apply when additional legal entities or partnerships join an existing group. The controlling company should also be able to revoke its declaration to the tax authority responsible for it, with effect for the future, either for the group as a whole or for individual group companies.

If the substantive legal requirements for a VAT group are not met, or cease to be met, the relevant tax assessments must be corrected retroactively. The legal basis is to be the new correction provision in Section 2c(2) of the VATA-D concerning the reversal of erroneously recognised group arrangements. Under Section 2c(3) of the VATA-D, a joint and irrevocable application by all parties involved should allow such a "reversal" to be waived, provided there is no risk of tax revenue shortfalls.

The declaration under Section 2c(1), fifth sentence of the Draft VAT Act (VATA-D) is intended to be available from 1 July 2029, with effect from 1 January 2030. Section 2(2)(2) of the VAT Act, in the version in force on 30 June 2029, is to remain applicable until 31 December 2029. The new Section 2c of the Draft VAT Act is to apply for the first time from 1 January 2030. These new VAT group rules are to be accompanied by a new Section 1 of the Value Added Tax Implementation Regulation.

Further amendments to the Value Added Tax Act:

- Restriction of gratuitous transfers of value to the non-business (private) sphere (Section 3(1b) and (9a) VATA-D);
- Introduction of an exception to the place-of-supply rules for telecommunications, radio and television services, other electronically supplied services and intra-Community distance sales (Section 3f VATA-D);
- Limitation of the period during which the provision on intra-Community transfers applies (Section 6b(1) and (7) VATA-D, Section 28(7) VATA-D);
- *VAT exemption for the administration of loans and loan collateral by lenders from 2027 (Section 4(8)(a) and (g) VATA-D).*

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Amendments to the German Tax Code

Increase in the interest rate for full interest accrual from 1 January 2027 (Section 233a GTC-D)

The German Tax Code is to increase the interest rate for underpaid/overpaid tax under Section 233a from 0.15 per cent to 0.30 per cent per month for interest periods from 1 January 2027.

Obligation to correct country-by-country reports and related administrative fines (Section 138a(8) and Section 379 GTC-D)

An obligation to **correct country-by-country reports** is to be introduced in Section 138a(8) of the Draft German Tax Code (GTC-D), with effect for financial years beginning after 31 December 2023. Failure to make the corrections without delay is to constitute an administrative offence punishable by a fine under the revised Section 379(2), No. 1c GTC-D. The new No. 1c adds to the existing grounds of failure to submit, late submission and incomplete submission the previously omitted ground of incorrect submission.

Administrative appeal proceedings: no general duty of comprehensive review and full rejection by general decision (Section 367(2c) GTC-D)

Section 367 GTC is to be amended in two respects. First, Section 367(2), first sentence, GTC-D is to be reworded for clarity. Whereas the tax authority deciding on an administrative appeal has so far been obliged to re-examine the matter in its entirety, it will in future be entitled, rather than generally required, to do so. This is intended to clarify that there is no general duty to review the entire case in every individual instance.

Second, a new provision is to be inserted into Section 367(2c) GTC-D. The existing Section 367(2b) GTC allows refusal of an appeal through a publicised general ruling only ‘to the extent that’ the relevant conditions are met. By contrast, the new provision would allow pending administrative appeals to be dismissed in their entirety via a publicised general ruling where the appeal

- relates exclusively to legal issues ruled upon by the Court of Justice of the European Union, the Federal Constitutional Court or the Supreme Tax Court and
- cannot be remedied in light of the outcome of those court proceedings.

Section 367(2b), sentences 2 to 6 GTC is to apply mutatis mutandis.

Further amendments to the German Tax Code

- Abolition of simple amendments after an administrative appeal decision has been issued (Section 172(1), third sentence GTC; Article 97(9)(6) of the Draft Introductory Act to the German Tax Code);
- Extension of the rules on tax authorities’ processing of personal data to cover the use of AI systems (Section 29c(1), first sentence, No. 4 and second sentence GTC-D)

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The final Act does not include the new rules originally proposed in the Government's draft on the electronic service of administrative documents, including service on authorised representatives (Sections 122a, 124(1), second sentence, and 125(3) GTC-D; Article 97, Section 28 of the Draft Introductory Act to the German Tax Code).

Amendments to the Research Allowance Act

Under **Section 4(3) of the Research Allowance Act** total **state aid** for a research and development project, including research allowances, must not exceed EUR 15 million per undertaking and per project. The Finance Act 2026 is to raise this ceiling retroactively to EUR 25 million for all claims to research allowances arising from an R&D project from 1 January 2026 onwards.

The application procedure is also to be made more practical. In particular, **Section 12(2) of the Draft Research Allowance Act** is intended to ensure that an application for a certificate under Section 6 of the Research Allowance Act can be submitted up to four years after the end of the calendar year in which the relevant financial year under Section 5(1), first sentence, of the Research Allowance Act ends, without forfeiting entitlement to the research allowance.

Further amendments to other tax legislation

Further adjustments are envisaged, in addition to those described above, to

- the Investment Tax Act,
- the EU Mutual Assistance Act,
- the Inheritance Tax Act,
- the Valuation Act,
- the Financial Administration Act,
- the Crypto-Assets Tax Transparency Act and
- the Platform Tax Transparency Act, among others.

The changes to the Platform Tax Transparency Act include establishing the conditions for the automatic exchange of information with third countries.

Schlagwörter

Corporation tax, General Tax Code, Income Tax Act, VAT