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By PwC Deutschland | 23. November 2026

Initial indications regarding a Tax Simplification Act 2027

The first details of the so-called ‘Autumn Package’ in the form of a Tax Simplification Act 2027 have been disclosed. Essentially, discussions are centring on simplifications to the Income Tax Act (ITA), Corporation Tax Act (CTA), Reorganisations Tax Act (RTA) and Foreign Tax Act (FTA), which relate in particular to corporate restructuring. For partnerships, a fundamental revision of the restriction on loss relief for limited partners in a limited partnership (KG) (Section 15a ITA) is being considered. Finally, the international taxation of permanent establishments is to be placed on a new footing.

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The key changes under discussion regarding the taxation of business enterprises are:

Restructuring and partnerships

- Instead of examining an overall plan in the case of transfers of functionally essential business assets to another business asset prior to a conversion or a contribution, a strict 24-month transfer and carry-over prohibition is to be established in a new Section 1(6) of the Reorganisations Tax Act (RTA). *(The overall plan approach represents an administrative view, that if essential business assets are transferred, sold, or extracted shortly before or in connection with a reorganization, the tax authorities may refuse tax neutrality (book or intermediate value rollover) for the remaining business assets on the grounds that they no longer constitute a complete qualifying business unit at the time of the transfer.*)
- Furthermore, in the case of demergers, the existence of a separate business unit is to be presumed in future even where jointly used essential business assets are made available to the other company by way of a permanent transfer of use.
- In the case of contributions under Section 20 RTA, the retention of functionally essential assets from the special business assets is to be deemed not to affect tax neutrality.
- Transfers at book value between sister partnerships are to be made simpler in that they will no longer require the partners to hold identical participations in the participating companies (Section 6(5), third sentence, No. 4 ITA).
- The tax lock-up periods for transfers under Section 6(3) and (5) and Section 16(3) of the ITA are to be harmonised uniformly at five years from the date of the transfer. Furthermore, it should become possible to prevent breaches of the lock-up period more effectively than before through drawing up supplementary balance sheets.
- For partnerships, a change to the rules on loss deduction for limited liability partners under Section 15a ITA is being considered, moving towards a so-called ‘capital contribution model’ spanning multiple financial years.
- For intercompany dividends, corporation tax and trade tax are to be harmonised applying a participation threshold of 10 per cent (Section 8b (4) CTA, Section 9(2a), (7) and (8) of the Trade Tax Act.

International Tax Law

- Plans in the field of international tax law include, amongst other things, an amendment to the cooperation and record-keeping obligations for transfer pricing under the German Tax Code (Sections 90, 162 GTC).
- With regard to the so-called ‘correspondence principle’ for the taxation of hidden profit distributions, the reverse exception (Section 8b(1), fifth sentence CTA) is to be extended, together with follow-up

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amendments to the Income Tax Act.

- Furthermore, in the list of activities in the Foreign Tax Act (FTA), the wording of Section 8(1), No. 7 FTA is to be amended vis-à-vis the definition of amounts received within the meaning of Section 8b(1) CTA.
- A new Section 1b FTA is intended to incorporate the existing provisions of Section 1(5) FTA whilst at the same time elevating the status of the Authorised OECD Approach to a general provision for the determination of the profits of permanent establishments.
- Finally, consideration is being given to extending the option of providing evidence of relief for foreign family foundations to include third countries as well (Section 15(6) of FTA).

Schlagwörter

Income Tax Act, corporate income tax