

By PwC Deutschland | 08.05.2020

Government releases draft Corona – Tax Assistance Bill

At its meeting on 6 May 2020, the Federal Cabinet adopted the Corona Tax Assistance Bill, which - with the exception of editorial changes - essentially corresponds to the Federal Ministry of Finance's original formulation.

The only change worth noting here is an addition to the explanatory memorandum on the tax exemption on subventions by employers to reduced hours compensation payments and seasonal reduced hours compensation payments vis-à-vis corrections to salary withholding tax deducted prior to the Act taking effect.

Within the framework of the existing law (Act on the Implementation of Tax Aid Measures to cope with the Corona Crisis) more measures are to be introduced to cope with the impact of the COVID-19 pandemic; these include:

- The VAT rate is to be reduced from 19% to 7% on restaurant and catering services supplied between 1 July 2020 and 30 June 2021. The reduction will not apply to the supply of beverages.
- Following the treatment under social security provisions, a portion of subventions made by employers to top up reduced hours compensation payments and seasonal reduced hours compensation payments is to be tax exempted: the exempt amount should not exceed 80% of the difference between the target salary and the actual salary as defined by Section 106 Social Security Act III. The government bill differs from the original formulation of the Finance Ministry in that an addition is made to the relevant explanatory statement, according to which the salary withholding tax deductions made prior to the law coming into force on the assumption that the subventions were taxable, are generally to be corrected by the employer. Where the employer can no longer correct the salary withholding tax deduction because the employment relationship has been terminated in the meantime, a correction should be made in the income tax return. In this case, the taxable salary in the salary withholding tax certificate is to be reduced accordingly and the corresponding portion is to be included in the progression clause.
- The tax retroactive periods in the Reorganisations Taxes Act (Sections 9 sentence 3 and 20 (6) sentences 1 and 3) are to be temporarily extended in line with the extension of the retroactive period in the Reorganisations Act (Section 17(2) sentence 4) as set out in the Act on the Mitigation of the Consequences of the COVID 19 Pandemic in Civil, Insolvency and Criminal Procedure Law of 27 March 2020.

Keywords

Coronavirus (COVID-19), tax relief