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By PwC Deutschland | 04 June 2020

Government Coalition Committee agrees Crisis Management Package

In the night of 3-4 June, coalition partners CDU/CSU and SPD agreed on a crisis management package to mitigate the economic impact of the COVID 19 pandemic.

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The package includes the following tax measures:

- Statutory **increase of the amount of losses available for tax carry-back** for the years **2020 and 2021** to a maximum of **EUR 5 million or EUR 10 million** (in the case of joint assessment); in this regard a mechanism is being introduced to allow for this carry-back to become **financially effective in the 2019 tax return**, e.g. through the creation of a tax "corona reserve", which is to be released by the end of 2022 at the latest;
- Modernization of corporation tax law, including a model for **partnerships to opt for corporation tax**;
- Increase of the **factor under Section 35 Income Tax Act** for the calculation of a **reduction of income tax** in relation to **trading income** to four times the trade tax base;
- Increase of the tax **exempt amount** of **trade tax add-backs** to EUR 200,000;
- Introduction of a **degressive depreciation** to the factor of 2.5 compared to the currently applicable depreciation up to a maximum of 25% per annum for **movable fixed assets in the fiscal years 2020 and 2021**;
- **Reduction of the VAT rate** from 19% to 16% and from 7% to 5% for a limited period from **1.7.2020 to 31.12.2020**
- **Postponement of the due date for import VAT** to the 26th of the following month;
- **Increase in the assessment basis for the tax research allowance** under the Research Allowance Act to up to **EUR 4 million per company.** The increase is effective **from 1.1.2020 retroactively** and is available **until 31.12.2025**. In additon other measures in the area of research promotion are to be introduced.

Further planned measures include:

- Creation of attractive **opportunities for employee participation** (also for start-ups);
- Stabilisation of the **renewable energy levy** "EEG levy": from 2021, in addition to the revenues from the national fuel emissions trading scheme, a further subsidy is to be provided from federal budget funds for the gradual and reliable reduction of the EEG levy (in 2021 this is to be 6.5 ct/kwh, in 2022 6.0 ct/kwh);
- Introduction of a **pre-insolvency restructuring process** for insolvent businesses;
- Draft for an **established regulation** for the **receipt of reduced working-hours allowances** from 1.1.2021; the draft should be availble as early as September;
- **Link between motor vehicle tax for passenger cars and CO2 emissions** to be enhanced (assessment base for new registrations as of 1.1.2021 is to be based mainly on CO2 emissions per km and raised in stages above 95g CO2/km; the ten-year motor vehicle tax exemption already in

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force for exclusively electric vehicles which is available until 31.12.2025 is to be extended to 31.12.2030).

Source:

Key Paper on the results of the Coalition Committee of 3 June 2020.

Keywords

Coronavirus (COVID-19), Corporation tax, VAT, loss carry-back, tax relief, trade tax