

By PwC Deutschland | 05.03.2021

# Update: Increase of tax loss carry-back and further Corona aid planned

**Third Corona Tax Relief Act: Following the decisions of the coalition committee on 3 February 2021 further Corona aid for companies is planned.**

According to an announcement from the Federal Ministry of Finance it is planned to increase the current tax loss carryback for 2020 and 2021 to a maximum of EUR 10 million or EUR 20 million (for jointly assessed couples). As part of the Second Corona Tax Assistance Act, the tax loss carryback for 2020 and 2021 losses had already been extended to EUR 5 million or EUR 10 million for jointly assessed couples (more to be found in our [blog post](#) of 16 June 2020). The Finance Ministry points out, that the new measure should create the necessary liquidity in the crisis, especially for small and medium-sized businesses.

According to the decisions of the coalition committee of February 3, 2021, further Corona aid is also planned, especially for families, low-income households, the catering trade, the cultural sector and for businesses:

A one-time bonus of €150 is granted per child on top of the normal child benefit.

Reduction of the VAT rate for the catering trade (with the exception of the sale of beverages): The VAT on food in restaurants will be reduced to the rate of 7% beyond June 30, 2021 and for a limited period until December 31, 2022.

**Entry into force:** In principle, the statute shall enter into force on the day following its publication in the Federal Law Gazette. Part of the bill by which the former limits for tax loss carrybacks are restored and set at EUR 1 million and EUR 2 million starting with the 2022 assessment period is scheduled to come into force on 1 January 2022.

#### **Update (5 March 2021)**

In its meeting today, the *Bundesrat* (i. e. the upper chamber, representatives of all members of the federation) approved the bill in the version adopted by the Bundestag.

#### **Update (26 February 2021)**

On 26 February 2021, the *Bundestag* agreed with the bill as partly amended by the Finance Committee.

#### **Update (25 February 2021)**

The Finance Committee passed the Third Corona Tax Relief Act at its meeting on February 24, 2021 - with one amendment/adjustment: As part of the Second Corona Tax Assistance Act, the mechanism of a "provisional loss carryback" up to a maximum of EUR 10 million or EUR 20 million in the case of joint taxation of individuals for the 2019 assessment period was introduced. The "provisional loss carryback" for 2021 will now also be taken into account in the tax assessment for 2020.

#### **Update (12 February 2021)**

The German government's draft bill has been referred to the Finance Committee for further deliberations. The draft bill should then be dealt with by the Bundestag on 26 February 2021.

#### **Source:**

Homepage of the Federal Ministry of Finance, announcement from 5 February 2021.

**Keywords**

Coronavirus (COVID-19), tax loss carry-back