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By PwC Deutschland | 11 September 2025

Federal Cabinet agrees on draft of 2025 Tax Amendment Act

On 10 September 2025 the Federal Cabinet reached agreement on the Tax Amendment Act 2025. The declared goal is to provide relief as broadly as possible in areas where the crises of recent years have caused increased costs for private citizens. The measures are in line with relief measures already introduced such as lower energy prices, the Federal Ministry of Finance said.

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The draft Act provides for the following measures, inter alia:

As of 1 January 2026, the **mileage allowance** will be increased to a uniform rate of 38 cents per kilometer already from the first kilometer driven. Previously, this rate only applied from the 21st kilometer onwards.

The **mobility subsidy (mobility premium)** - a tax incentive for people with low income - which was formerly introduced as a temporary measure will now be granted indefinitely without time restrictions.

The **electronic notification of the non-forwarding of an application for refund of input VAT** by the Federal Central Tax Office will be structured as the standard procedure with regard to Section 122a of the German Fiscal Code in the version applicable from 1 January 2026, whereby the current requirement for initial approval by the domestic entrepreneur will be dropped.

The **VAT rate for restaurant and catering services**, except for the sale of beverages, will be reduced from the current standards rate of 19 percent to 7 percent as of 1 January 2026.

Establishing a legal basis for the proper **collection of import VAT** when using central customs clearance.

Update of the reference to the **de minimis regulation** within the framework of the **special depreciation allowance** for the construction of new rental housing in accordance with Section 7b of the German Income Tax Act and the **research allowance**.

In addition, the draft of the so-called Cuxhaven Act, which was also passed by the cabinet, includes relief in the energy tax law in addition to the abolition of the Cuxhaven free zone. This will fully reintroduce the **tax relief for agricultural and forestry businesses**.

Furthermore, the Tax Amendment Act 2025 contains various regulations regarding the **charitable non-profit status** (tax privileged public-benefit purposes).

Source:

Federal Ministry of Finance, press release of 10 September 2025.

Keywords

tax amendments