



Tax Corona aid measures in Germany

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Due to the far-reaching economic consequences of the effects of the coronavirus, the German government has adopted various fiscal aid and tax relief measures. The main measures are briefly outlined below.

Tax deferrals

Income tax, corporate tax and VAT already due or due by 31.12.2020 may be deferred interest-free on request until 31.12.2020 at the latest. In some German federal states, this also applies to real estate transfer tax as well as to inheritance and gift tax.

The deferral of wage tax and capital gains tax is not possible. However, the deadline for wage tax registrations may currently be extended upon request.

The deferral of trade tax and other taxes levied directly by the cities and municipalities is at the individual discretion of the respective city or municipality.

Reduction of tax instalments 2020

Instalments on income tax, corporate tax and trade tax (in Germany usually due every quarter) can – in case of an expected lower income for 2020 due to the effects of the coronavirus – be reduced (down to a minimum of zero) upon application. Tax instalments already paid may be refunded.

Deferment of enforcement measures

For taxes already due or due by 31.12.2020, no enforcement measures shall be initiated or default surcharges shall be imposed by the competent authorities for the time being until 31.12.2020.



Reimbursement of the special advance payment for 2020 on VAT

Almost all federal states will – upon application – reimburse a special advance payment already paid on the VAT for 2020. In some cases, extensions of the deadline for submitting advance VAT returns are also possible.

Further Corona aid measures to come

- **Increase in tax loss carryback**

The tax loss carryback shall – from the current maximum of EUR 1 million (or EUR 2 million in the case of a joint assessment for married couples) – be increased for the years 2020 and 2021 to a maximum of EUR 5 million or EUR 10 million in the case of a joint assessment for married couples.

- **Refund of tax instalments 2019**

Entrepreneurs and companies that have already made tax instalments in/for 2019, but will – most probably – make a loss in 2020 due to the effects of the coronavirus, can apply for a reduction of the tax instalments made so far in/for 2019 on the basis of a flat-rate loss carryback. The reduction will then be used to refund the (overpaid) tax instalments in/for 2019.

- **Temporary reduction of VAT rates**

To strengthen domestic consumer demand in Germany, the regular VAT rate shall be reduced from 19% to 16% and the standard reduced VAT rate from 7% to 5% for a limited period from 1 July 2020 to 31 December 2020.

- **Maturity of the import turnover tax**

The due date of import VAT shall be postponed to the respective following month in order to temporarily preserve companies' liquidity and to establish a level playing field between Germany and its European neighbors.



- **Company car taxation and electric vehicles**

Employees using a company car for private use are taxed on that possibility of private use. Hereby, tax is usually imposed each month on 1% of the car's gross list price if the car only has an internal combustion engine. When using an electric vehicle as a company car, the tax base can be reduced to 0.25% of the car's gross list price if the gross list price does not exceed EUR 40,000. This price limit shall be increased to EUR 60,000. For hybrid vehicles the income tax may imposed on 0.5% of the vehicle's gross list price.

- **R&D incentives**

All taxable persons which are liable to tax with regard to business income in Germany are eligible for an R&D tax credit. The tax credit is given for projects which have been recognized as R&D projects and can lead to a deduction of payable tax of up to EUR 1 million per business year and unrelated company. The tax credit is computed as 25% of staff cost and incidental wage cost of the personnel conducting R&D activities within the projects as well as 15% of expenses for contract research (up to EUR 4 million in total).