

# Update: Second Corona Tax Aid Act

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Newsblog

**On 29.6.2020, the Bundestag and the Bundesrat passed the second law on the implementation of fiscal aid measures. The economic stimulus and crisis management package is intended to strengthen the economy and unleash Germany's economic power. The law contains the following measures in particular:**

## Reduction of VAT

A key measure in the package is a temporary reduction in VAT. From 1.7.2020 to 31.12.2020, the VAT rate will fall from 19% to 16% and the reduced rate from 7% to 5%. For entrepreneurs, many questions need to be clarified, e.g. regarding permanent invoices, partial services, down payments and vouchers. We are happy to answer all your questions.

## Maturity of the import turnover tax

The due date for payment of import VAT is postponed to the 26th day of the second calendar month following the month in question. For companies using the permanent extension, any input tax credit can be used to pay import VAT. The date of application will be announced separately in a letter from the Federal Ministry of Finance.

## Extension of the tax loss carryback

The maximum amount limits for loss carry-back pursuant to Section 10d (1) sentence 1 EStG are increased from EUR 1 million to EUR 5 million in the case of individual assessment and from EUR 2 million to EUR 10 million in the case of joint assessment for losses in the 2020 and 2021 tax years. The increase to EUR 5 million applies to corporations.

## Temporary reintroduction of degressive depreciation

As a tax investment incentive, a degressive depreciation method with a factor of 2.5 of the currently applicable straight-line depreciation and a maximum of 25% per annum for movable fixed assets in the fiscal years 2020 and 2021 has been introduced (§ 7 para. 2 EStG). Beneficiary is the acquisition or production after 31.12.2019 and before 1.1.2022.

## Provisional loss carryback for 2020

The extended carryback for losses from the 2020 tax credit period can be used in the 2019 tax return with immediate financial effect. Upon application, a provisional loss carryback for 2020 will be deducted from the total amount of income in 2019. This amounts to a flat rate of 30 % of the total amount of income under the 2019 tax credit.

Income from employment is not to be taken into account.

More than 30 % is possible if the expected loss carryback is proven by detailed documentation.

The flat-rate loss carryback is already taken into account in the advance payment procedure and replaces the flat-rate loss carryback under the previous BMF letter, which will be repealed when this Act enters into force. For this purpose, the advance payments in 2019 can be subsequently reduced upon application in the amount of the provisional loss carryback in accordance with § 10d paragraph 1a EStG. The prerequisite is the reduction of the advance payments 2020 to EUR 0.

The provisional loss carryback for 2020 will be reviewed in the course of the assessment 2020. The total amount of income for 2019 will be increased by the provisional loss carryback for 2020. If, in the second step - when determining the total amount of income for 2020 - there is no negative income that can be carried back, the tax assessment for 2019 must be amended to the extent that a loss carryback from 2020 cannot actually be granted.

#### Time limits for investment allowances ("In-vestitionsabzugsbeträge")

Investment allowances shall, in principle, be used for subsidised investments until the end of the third financial year following that in which the deduction was made. Otherwise they must be reversed. In cases where the 3-year investment period expires in 2020, it is extended to 4 years. This means that the investment can also be made in 2021 without having to fear negative tax consequences (reversal, interest on the back tax claim).

#### Deadlines for reinvestment reserves

Taxpayers may transfer gains from the sale of certain assets to a reserve free of tax. This reserve must actually be transferred to newly acquired or manufactured replacement assets within four years. The reinvestment periods of § 6b EStG are temporarily extended by one year.

#### Tax reduction on income from business operations

The reduction factor in § 35 EStG is increased from 3.8 to 4.0 of the trade tax base. This means that business partnerships can be fully exempt from trade tax up to a rate of assessment of up to 420 percent.

#### Company car taxation

In the case of company car taxation, the purchase price limit for the 0.25% taxation of purely electric vehicles without carbon dioxide emissions will be raised from EUR 40,000 to EUR 60,000. The change applies to vehicles purchased, leased or given away for private use for the first time after 31.12.2018 and for valuation from 01.01.2020.

#### Fiscal research allowance ("Forschungszulage")

The fiscal research allowance is granted retroactively as of 1 January 2020 and for a limited period until 31 December 2025 on an assessment basis of up to EUR 4 million per company (previously EUR 2 million).

#### Trade tax - additions to trade tax base

In the case of trade tax, the allowance for existing additions to trade tax base will be increased from EUR 100,000 to EUR 200,000 from the 2020 collection period.

We will be happy to answer all your questions about the second Corona Tax Aid Act.



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