

## Germany Insight: German Law to Implement Tax Relief Measures in Connection with the COVID 19 (Coronavirus) Crisis

*In order to mitigate the economic consequences of the COVID-19 (coronavirus) crisis, special tax measures are being developed to ensure sustainable stabilization of economic development.*

The German Parliament adopted a bill to implement tax relief measures with regard to the COVID-19 crisis (*Gesetz zur Umsetzung steuerlicher Hilfsmaßnahmen zur Bewältigung der Corona-Krise (Corona-Steuerhilfegesetz)*) (the “Coronavirus Tax Assistance Act”) on May 28, 2020.

The Coronavirus Tax Assistance Act will enable tax measures that assist those particularly affected by the COVID-19 crisis. Liquidity of companies is to be improved and tax relief is to be provided.

The Coronavirus Tax Assistance Act includes, inter alia, the following tax measures:

- Amendment of the German Income Tax Act (*Einkommensteuergesetz*)

Tax exemption of employer subsidies towards short-time working hours allowance and seasonal short-time working hours allowance of up to 80% of the difference between target pay and actual pay with regard to payroll periods beginning after February 29, 2020 and ending before January 1, 2021.

- Amendment of the German Value Added Tax Act (*Umsatzsteuergesetz*)

Reduction of the VAT rate for restaurants, catering services and other food retailers which deliver ready-to-eat food (i.e., bakeries and butchers) provided after June 30, 2020 and before July 1, 2021 from 19% to 7%. Excluded from this is the sale of alcoholic and non-alcoholic beverages (VAT rate remains at 19%).

- Amendments of the German Transformation Tax Act (*Umwandlungssteuergesetz*)

Temporary extension of the retroactive tax periods from eight months to twelve months for changes of legal form and contributions in the German Transformation Tax Act provided that the application for registration or the conclusion of the contribution agreement is made in 2020. These adjustments bring the tax and non-tax retroactive period (provided in the German Transformation Act (*Umwandlungsgesetz*)) into line and aim to mitigate the effects of the COVID-19 crisis in civil, insolvency and transformation law.

The draft government law still requires the approval of the upper house of the German Parliament (*Bundesrat*), which is expected on June 5, 2020.

The Coronavirus Tax Assistance Act shall enter into force on the day after its promulgation.

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**Please feel free to contact Curtis' attorneys if you have any questions on this important development:**



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