

TAX RELIEFS FOR COVID-19 CRISIS-AFFECTED BUSINESSES

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The COVID-19 pandemic challenges businesses in various sectors and countries. One of the most important measures to secure your business is liquidity management. German tax authorities have published measures which will help to reduce and delay tax payments in 2020. Each business will need to apply for these tax reliefs individually at the competent German tax office.

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Germany's Federal Ministry of Finance and the Finance Ministries of Germany's states have published measures to improve businesses' liquidity during the COVID-19 crisis. The measures are intended to simplify the following key areas: (i) interest free deferral of tax payments, (ii) reduction of tax prepayments and (iii) a suspension of enforcement measures for tax collection. All three can be applied for simultaneously.

Tax authorities have been instructed not to refuse any such applications because the value of the damages incurred would be difficult to prove. Furthermore, no strict requirements will apply when determining the conditions for deferral.

These measures will apply to corporate income tax (*Körperschaftsteuer*), individual income tax (*Einkommensteuer*) and value added tax (*Umsatzsteuer*). In cases involving reductions of tax prepayments for corporate income tax or individual income tax, the tax authorities will also grant similar reductions on trade tax (*Gewerbesteuer*). Deferrals of trade tax payments need to be agreed individually with the competent municipality.

These more flexible conditions will only apply to businesses that are demonstrably directly and significantly affected by the COVID-19 crisis. They do not apply to indirectly affected businesses; these must apply for similar relief under the general rules only. There is no residence-based restriction on the taxpayer, therefore the simplifications should apply to all taxpayers who are subject to German taxation. Each business needs to apply individually for these tax reliefs at its competent tax office.

These measures are limited to the year 2020, i.e. until 31 December 2020.

The measures do not cover other taxes like customs duties, energy duties, withholding taxes, e.g. wage tax (*Lohnsteuer*) or withholding tax on capital income (*Kapitalertragsteuer*), insurance tax (*Versicherungsteuer*) or excise duties (*Verbrauchssteuern*).

However, the Central Customs Authority has been instructed by the Federal Ministry of Finance to make appropriate concessions to taxpayers for energy duty and aviation tax. The same shall apply to insurance tax and value added tax to the extent the Federal Central Tax Office is involved.

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