

Germany – March 2020

Tax relief during COVID-19 pandemic: Germany latest country to announce liquidity measures

In brief

On 19 March 2020, Germany became the latest territory to implement tax relief measures as the ongoing coronavirus pandemic (COVID-19/SARS-CoV-2) creates economic challenges for organisation on an international level. The measures echo those being introduced across a number of territories and seek to offer German taxpayers additional opportunities to improve their liquidity by managing their cash tax position.

Governments

As the coronavirus (COVID-19) global pandemic continues, there is an increasing need for organisations to respond rapidly to the operational, financial and liquidity challenges brought about by the crisis. As the latest territory to respond to the heightened liquidity strains faced by businesses and individuals, we look at the measures introduced by the German Federal Government to ease working capital pressures and as an example of the tax payment reliefs now being introduced across a number of jurisdictions.

A “protective shield” for employees and companies

On 17 March 2020, the German Federal Government issued a package of economic and fiscal policy measures to mitigate the impact of the coronavirus. Both the Federal Minister of Finance and the Federal Minister of Economic Affairs agreed on a far-reaching package of measures to protect jobs and support companies. The goal is to equip businesses with sufficient strategies for managing liquidity during such that they are able to continue operating while the crisis is resolved.

Specifically, the measures issued by the German Federal Government aim to shield employees and companies most impacted by the pandemic. The measures can broadly be divided into four categories:

1. Increased flexibility around the compensation benefits available for reduced working hours (*Kurzarbeitergeld*)
2. Tax-related liquidity assistance for businesses
3. Liquidity assistance programmes to mitigate reduced turnover
4. Strengthening European cohesion and coordinated action at a European Level

Tax policy measures announced

In follow up to the measures announced on 17 March 2020, the German Federal Ministry of Finance issued a circular in cooperation with the Federal States on 19 March 2020 with regard to taxes administered by the financial authorities in each Federal State. The liquidity measures can be summarised as follows:

Deferral of pending tax payments

Taxpayers who can demonstrate that they are directly and materially affected may submit an application by 31 December 2020 for deferral of pending tax payments due or becoming due by that date, as well as adjustments for advance payments on income and corporation tax. No strict requirements will apply in respect of the evidence to be submitted and interest on any deferral will generally not be levied.

Adjustment of advance payments

Taxpayers may also apply for the deferral of taxes or adjustments of advance payments due after 31 December 2020, however, these applications will require additional justification.

Suspension of enforcement measures

Similarly, where the tax office has initiated enforcement proceedings against a taxpayer and becomes aware on the basis of other information that the taxpayer is directly and materially affected by the outbreak, enforcement measures will be suspended for taxes payable by 31 December 2020. In these cases, any late payment surcharges will be suspended.

Our view

The measures announced by the German government to address the economic difficulties created by the ongoing COVID-19 crisis demonstrate the commitment of the German government to countering short term challenges organisations are facing and are the latest in a series of similar announcements offering relief to businesses on an international level.

Organisations should be looking to take advantage of these measures to improve their cash tax payment profile and look to mitigate the impact of any short-term liquidity difficulties.

For more details of the specific measures being introduced in each territory, please speak to your usual PwC contact.

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