

Stimulus package due to the consequences of the corona virus

The German government has agreed on a corona economic stimulus package. The result is financial aid of around 130 billion euros. We would like to give you an overview of the tax-related resolutions:

Reduction of the VAT

To strengthen domestic consumption, the value-added tax will be reduced from 19 percent to 16 percent for six months in the period from 01.07.2020 to 31.12.2020. The reduced rate will be downsized from 7 to 5 percent.

For restaurant and catering services provided after 30.06.2020 and before 01.07.2021 (with the exception of the supply of beverages), the reduced tax rate is to apply for the above-mentioned period.

Extension of the tax loss carryback

For the years 2020 and 2021, the tax loss carryback is to be extended by law to a maximum of EUR 5 million (currently EUR 1 million) or EUR 10 million in the case of joint taxation (currently EUR 2 million). A mechanism is to be introduced to make this carryback immediately usable in the 2019 tax return, e.g. by setting up a corona-related tax reserve. The reserve is to be released by the end of 2022 at the latest.

Degressive depreciation

As a tax investment incentive, a declining balance depreciation for wear and tear is to be introduced with a factor of 2.5 compared to the currently applicable factor and a maximum of 25% per annum for movable fixed assets in the fiscal years 2020 and 2021.

Tax-free amount for single parents

Due to higher care costs, especially for single parents in times of corona, and the resulting expenses, the relief amount for single parents is to be increased from currently EUR 1,908 to EUR 4,000 for the years 2020 and 2021 and thus more than doubled.

Maturity of the Import VAT

The due date of the import Value Added Tax is to be extended to the 26th of the following month. This should strengthen the liquidity of the companies.

Modernization of income taxes

To improve the competitive conditions for companies, partnerships can now opt to pay corporate income tax. In addition, the trade tax credit at the level of natural persons will be increased from 3.8 to 4.0 of the trade tax base if the income is derived from a trade business. In this way, taxpayers are relieved of income tax.

Tax credit for research

The rate of the tax credit for research is to be granted retroactively as of 1 January 2020 and limited until 31 December 2025 on an assessment basis of up to EUR 4 million per company. This is intended to create an incentive for companies to invest in research and development - despite the crisis - and thus in the sustainability of their products.

Child bonus

A one-off child bonus of EUR 300 per child for each child entitled to child benefit is intended to support families particularly affected by the restrictions. The bonus is offset against the taxable child deduction. It will not be credited against the basic provision.

Training offered by small and medium-sized enterprises

Small and medium-sized enterprises that do not reduce the number of training places they offer in 2020 compared to the three previous years are to receive a one-off premium of EUR 2,000 for each new training contract they conclude. Companies that increase the number of training places on offer will receive EUR 3,000 for the additional training contracts. Small and medium-sized enterprises that continue their training activities despite corona burdens and do not put trainers and trainees on short-time working will be eligible for funding. Companies that take on additional trainees who cannot continue their training due to the insolvency of their training company are to receive a take-over bonus.

Bridging subsidy program

In order to secure the existence of small and medium-sized enterprises, a program for bridging aid is being set up for Corona-related loss of turnover. The bridging aid is granted for the months June to August. The bridging aid applies across all sectors, whereby due account is to be taken of the special features of the particularly affected sectors, such as the hotel and catering industry, pubs, clubs and bars and companies in the area of trade fairs.

Eligible to apply are companies whose sales in April and May 2020 were down by at least 60 % compared to April and May 2019 due to corona effects and whose sales declines continue in the months June to August 2020 by at least 50 %.

The maximum reimbursement amount is EUR 150,000 for three months. For companies with up to five employees, the reimbursement amount should exceed EUR 9,000, for companies with up to 10 employees EUR 15,000 only in justified exceptional cases. Decreases in turnover and fixed operating costs that are claimed must be audited and confirmed by a tax consultant or auditor in an appropriate manner.

Other points of the stimulus package

The following points were also decided:

- * Future social security contributions max. 40%
- * Private insolvency by corona: debt relief proceedings shortened to 3 years
- * Vehicle tax is set according to CO2-emissions
- * Environmental bonus for the purchase of new vehicles increases from EUR 3,000 to EUR 6,000 (max. 40k gross list price)

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