

Germany - Measures regarding the coronavirus disease

Spotlight taxes and financial grants

The spread of the coronavirus disease and the measures associated with it are having a massive impact on the liquidity and operating results of many companies. In order to cushion the burden on companies and citizens under these special circumstances, the federal and state governments have, among other things, decided on relieving tax measures. The following is a summary of the current measures.

1. TAX DEFERRALS, ADJUSTMENT OF TAX PREPAYMENTS AND ENFORCEMENT OF TAX AMOUNTS

Last week, the Federal Ministry of Finance and the federal states passed the following tax measures applicable to taxpayers who are **directly** and **not inconsiderably** affected by the corona crisis:

- **Adjustment of advance tax payments**

In the case of entrepreneurs and self-employed persons, the tax authority has usually set tax prepayments which are payable on a quarterly basis. As a result of the corona crisis, those directly and not inconsiderably affected can, in a simplified form, apply for a **reduction of advance payments** of Income Tax, Corporation Tax and Trade Tax. The next advance payment dates are June 10, 2020 for Income and Corporation Tax, and May 15, 2020 for Trade Tax.

In order to simplify the procedure, individual state tax authorities (including Hamburg) have already made an application form titled "Tax relief due to the effects of the corona virus" available for download.

A **retroactive reduction and repayment of advance payments already made for 2020** is generally also possible under the above-mentioned conditions. In case of expected loss carrybacks from 2020 to the 2019 assessment period, the reduction of advance payments is also possible for the 2019 assessment period.

- **Tax deferrals**

Until December 31, 2020, affected taxpayers may also submit applications for deferral of **Corporate Income Tax, Income Tax, Value Added Tax and Trade Tax** due or becoming due by that date. The taxpayer is required to explain the special circumstances leading to the respective application. However, the tax authorities have been urged not to impose strict requirements when reviewing the conditions for deferral. Applications for deferral or reduction of advance payments must be submitted to the competent authorities (tax authorities and municipalities).

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Tax deductions, e.g. Wage Tax or Capital Gains Tax, are currently excluded from deferrals. However, under certain conditions, an **application for a temporary suspension of enforcement** can be filed with the relevant tax authority for the withheld tax amounts.

Social security contributions can be deferred by the collecting agency (health insurance companies) under certain circumstances.

According to the letter from the Federal Ministry of Finance dated March 19, 2020, **interest on deferral payments** should regularly be waived.

- **Enforcement measures/default surcharges**

Until December 31, 2020, **enforcement measures** (e.g. attachment of bank accounts) should be waived for all taxes in arrears or due until then, provided that the tax authority is informed that the debtor is directly and not insignificantly affected by the coronavirus disease.

Additionally, the **default surcharges** that are generally due between March 19, 2020 and December 31, 2020 **are to be waived** in such cases.

The Federal Ministry of Finance has instructed the **customs administration** to take comparable measures – thus, the above-mentioned statements are also to apply to the Energy Tax, for example.

The aforementioned regulations do not apply to taxpayers indirectly affected by the coronavirus disease.

In the meantime, further measures have already been adopted in the individual federal states. We will provide you with information about this shortly.

2. LOANS AND GUARANTEES

In order to provide financial support for companies affected by the corona crisis, the German government has resolved extensive aid measures. With billions of euros in aid packages, the Federal Ministry of Finance provides immediate aid by providing grants for small businesses, self-employed and freelancers of up to EUR 9,000 for up to 5 employees and up to EUR 15,000 for up to 10 employees.

Apart from the regulations in individual federal states, there are comprehensive facilitations for businesses to obtain KfW Entrepreneur Loans and ERP Start-up Loans. For questions about guarantees and loans we are at your disposal or bring you in contact with our specialists.

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3. INTERNATIONAL TAX ASPECTS

Anyone who is affected by the corona crisis not only in Germany but also abroad, should consider tax relief regarding Income or Value Added Tax obligations if granted at international level. Currently, many countries are granting several tax incentives and preference measures to support entrepreneurs and guarantors in order to combat the disruptions caused by the coronavirus disease.

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