



# Crowe Germany

**Update on recent tax legislation -  
'One Big Beautiful Bill' for Germany?**

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Audit / Tax / Advisory / Risk

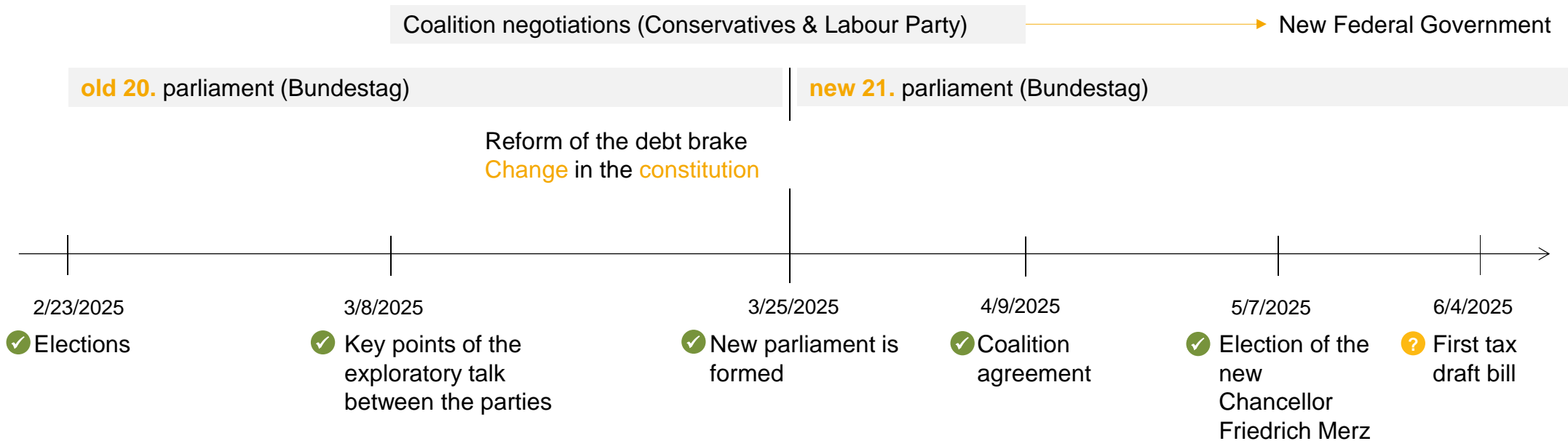
Smart decisions. Lasting value.



# Agenda

TOPIC	
1	Political Changes in Germany
2	Overview of the Key Measures
3	Investment Booster
4	Electric Vehicles
5	Reduction of the CIT rate
6	Retention of Profits for Partnerships
7	R&D Tax Credit
8	What's next?
9	The view of the OECD
10	Appendix

# Political Changes in Germany

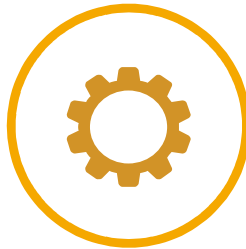


# Draft Bill

Overview of the Key Measures of the 'Draft Bill on an immediate tax investment program to strengthen Germany as a business location'



*The "Investment Booster"*



*Special Tax Benefits with respect to Electric Vehicles*



*Reduction of the Corporate Income Tax rate*



*Reduction of the Tax Rate on Retained Earnings of Partnerships*



*Improvements to the R&D Tax Credit*



Expected shortfall of tax revenue: EUR 45.8bn

# Draft Bill

## Investment Booster

1. Reintroduction of a **declining balance depreciation method** (Investment booster) for moveable fixed assets
2. Increase of the declining balance depreciation to 30 %; maximum amount limited to three-times the applicable straight line depreciation rate
3. Firstly applicable in the 2025 tax period if acquisition / production after 6/30/2025 (no retroactive effect) and before 1/1/2028

DATE OF ACQUISITION		DEPRECIATION RATE	MAXIMUM
From 1/1/2020 to 12/31/2022	Also declining balance method	<b>2.5 times</b> the applicable straight line depreciation rate	25 %
From 1/1/2023 to 3/31/2024	Only straight line depreciation method		
From 4/1/2024 to 12/31/2024	Also declining balance method	<b>2 times</b> the applicable straight line depreciation rate	20 %
From 1/1/2025 to 6/30/2025	Only straight line depreciation method		
From 7/1/2025 to 12/31/2027	Also declining balance method	<b>3 times</b> the applicable straight line depreciation rate	30 %



# Draft Bill

## Special Tax Benefits with respect to Electric Vehicles

1. Increased price limit for the tax favourable treatment of company cars (**0.25 % - Rule**) from 70,000 to 100,000 EUR
  - Applicable for electric vehicles that are newly acquired after 6/30/2025 and before 1/1/2031
2. Introduction of a special depreciation allowance (see table) for electric vehicles that are acquired after 6/30/2025 and before 1/1/2028

YEAR	DEPRECIATION RATE	ACCUMULATED
01	75 %	75 %
02	10 %	85 %
03	5 %	90 %
04	5 %	95 %
05	3 %	98 %
06	2 %	100 %

# Draft Bill

## Reduction of the CIT rate

Reduction of the CIT rate over a 5 year period by 1 % annually from currently 15 % down to 10 % in 2032, starting in 2028

YEAR	UNTIL 2027	2028	2029	2030	2031	2032
CIT Rate	15 %	14 %	13 %	12 %	11 %	10 %



Municipal **Trade Tax** remains unchanged (7 to 24.5 %) and will be in most cases higher than CIT then

# Draft Bill

## Retention of Profits for Partnerships

For partnerships, unlike corporations, profits are **subject to income tax** which can be up to **45 %** at the level of the individual. According to **Section 34a ITA**, a different rate applies to profits that are not withdrawn. The intention is, that partnerships should be able to retain profits **as favorably as corporations**.

**Draft Law measure:** Reduction of the **tax rate on Retained Earnings** from currently 28.25 % in three steps down to 25 % in 2032

YEAR	UNTIL 2027	2028	2029	2030	2031	2032
tax rate on retention of profits	28.25 %	27 %		26 %		25 %



# Draft Bill

## R&D Tax Credit

- Personnel expenses for employees (gross wage), when attributable to beneficiary projects
  - + Tax-free employer contributions to social security
  - + Wage expenses for employees without PAYE tax deduction
  - + Notional hourly wages for “researching” individual entrepreneurs and “researching” co-entrepreneurs new  
(lump sum of 100 Euro/h per 40h work week instead of 70 Euro/h before)
  - + Parts of the acquisition and production costs of a depreciable movable fixed assets
- 
- = Previous cost basis
  - + 20 % (lump sum of operating and overhead expenses) new
  - = New cost basis

cost basis limit p. a.

AFTER 1/1/2020 BEFORE 7/1/2020	AFTER 6/30/2020 BEFORE 3/28/2024	AFTER 3/27/2024 BEFORE 1/1/2026	AFTER 12/31/2025		Research Allowance
2,000,000 Euro	4,000,000 Euro	10,000,000 Euro	12,000,000 Euro <span>new</span>	×	For SME's 35 %
					Base rate 25%
Maximum amount per company and R&D project over the years				=	15,000,000 Euro

# Timeline

When will the bill come into force?

- According to plan, the law should come into force by July
- The Parliament (Bundestag) has agreed on the draft law on 26 June
- As a next step, the draft needs to pass the Federal Council (Bundesrat) on 11 July



# Demand for a change of course

## The view of the OECD

While the German government plans on **boosting** the economy by **reducing taxes**, the OECD remains **critical**. Instead the OECD proposes:



Reducing the tax burden for employees



Extension of the taxation of capital



Reduction of tax allowances

Source: Handelsblatt from 12.06.2025, accessible via: [Deutschlandbericht: OECD fordert Kurswechsel in der deutschen Steuerpolitik](#)



# Contact us



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# Thank you