

Tax reliefs for businesses affected by the coronavirus crisis

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Protective shield of the German Federal Government, including liquidity support

The current coronavirus pandemic affects the global economy tremendously and is already having a very noticeable impact on a large number of businesses of all sizes in Germany. The German Government has therefore announced the implementation of a protective shield, which - among measures especially in respect to labor law - will also include tax-related liquidity support and billion-euro aid programmes for companies and businesses.

Tax-related measures will include in detail:

- Options for **deferring tax payments will be enhanced** where the collection of taxes would lead to a significant hardship on the taxpayer. The revenue authorities will be instructed to not impose strict conditions in this respect.
- **Tax prepayments** can be reduced in a swift and straightforward manner as soon as it becomes clear that the taxpayer's income in the current year is expected to be lower than in the previous year.
- **Enforcement rules** (e.g. attachment of bank accounts) and late-payment penalties will be waived until 31st December 2020 if the debtor of a pending tax payment is directly affected by the coronavirus.

Legislative implementation is pending at the moment. The Ministry of Finance has initiated the necessary coordination with all the German Federal States however.

In addition, the Central Customs Authority

(Generalzolldirektion) has been instructed to make appropriate concessions to taxpayers with regard to taxes that are administered by the customs administration (e.g. **energy tax** and **aviation tax**). The same applies to the Federal Central Tax Office (Bundeszentralamt für Steuern), which will proceed accordingly with regard to **insurance tax** and **value added tax (VAT)**. With regard to the reporting period for VAT, well-informed sources indicate that the submission deadlines could be extended, or the reporting period could be the calendar quarter - irrespective of the VAT amount payable. The deferral of **wage tax** is prohibited by law; the deferral of **social security contributions** is nevertheless possible upon application to the health insurance scheme (in this context, please also take note of the Kleeberg information on labor law topics: "The coronavirus from a labor law perspective for businesses" of 16th March 2020).

In particular, the revenue authorities in Bavaria have so far provided a [form](#) for "tax relief due to the effects of the coronavirus", as a download on their website (only available in German language). In other German Federal States, an informal application is sufficient according to initial information.

A requirement for the above-mentioned tax deferrals is - at least in Bavaria - the credible evidence (Glaubhaftmachung) of the coronavirus crisis being the **cause** of the lack of liquidity for tax payments. As per law, a "**significant hardship**" is required for a tax deferral, which generally only exists if the tax payment would lead to financial difficulties. It

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should also be noted that the statements for a tax deferral due to the coronavirus crisis must be **correct and complete**; reference is made to the statutory tax crime provisions for tax evasion and reckless tax reduction.

Of course, we will be happy to support you in this context and to prepare a **tax deferral request** for you. Please feel free to contact us at any time.

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