



NEWSLETTER

21 July 2025

Law on an immediate tax investment programme to strengthen Germany as a business location

The law was published in the Federal Law Gazette on 18 July 2025 and contains the following key changes:

1 Declining balance depreciation for movable assets

Application:

Applies to movable fixed assets acquired or manufactured after 30 June 2025 and before 1 January 2028.

Depreciation method:

Option to choose degressive depreciation with a fixed percentage of the residual book value, which may not exceed three times the standard depreciation rate and may not exceed 30%.

2 Arithmetic declining balance depreciation for electric vehicles

Requirements:

Applies to purely electric vehicles as fixed assets that are acquired after 30 June 2025 and before 1 January 2028.

Depreciation method:

Option to deduct the following amounts as depreciation in percent of the acquisition costs:

- 75 % in the year of acquisition,
- 10 % in the first year following acquisition,
- in the second and third subsequent years, 5 % each,
- 3 % in the fourth year thereafter, and
- 2 % in the fifth year thereafter.

The arithmetic-degressive depreciation can only be applied to electric vehicles if no special depreciation allowances have been claimed for the asset.

3 Increase in the gross list price limit for company car taxation

Increase in the maximum gross list price for the application of the preferential 0.25% rule (1/4 of 1%) for purely electric vehicles from EUR 70,000 to EUR 100,000 (private use of company car). The change applies to vehicles purchased after 30 June 2025.

This rule applies when a company car is provided to an employee.

4 Reduction of the corporate income tax rate

Step by step reduction of the corporate income tax rate from 15% per annum by 1 % from 2028 to 10% from 2032.

The corporate income tax rate amounts to

- Fiscal Years up to 2027 15 %
- for Fiscal Year 2028 14 %
- for Fiscal Year 2029 13 %
- for Fiscal Year 2030 12 %
- for Fiscal Year 2031 11 %
- for Fiscal Years from 2032 onwards 10 %

Challenges due to the step-by-step reduction

In particular, the reversal of deferred taxes based on temporary differences, loss carry forwards and interest carry forwards requires a temporal allocation. However, many tax reporting tools and ERP systems are designed by default to manage only a single deferred tax rate.

Practical consequences

- Manual adjustments in existing systems will be necessary.
- Additional calculations are required to correctly reflect the effects of the tax rate change and determine the optimal approach for the company.

5 Reduction of the accumulating tax rate (for single entrepreneurs and partnerships)

For individual entrepreneurs and partnerships, the accumulating tax rate for undistributed profits will be reduced in three stages from the current 28.25 % to 27 % (Fiscal Years 2028/2029), 26 % (Fiscal Years 2030/2031) and 25 % (from Fiscal Year 2032 onwards).

These adjustments are intended to maintain the goal of tax neutrality between partnerships and corporations.

6 Extension of the Research & Development (R&D) Allowance Act

- The maximum assessment basis for eligible expenses incurred after 31 December 2025 and before 1 January 2030 will be increased from EUR 10 million to EUR 12 million.
- The R&D allowance will be extended to additional overheads and other operating costs for eligible R&D projects that began after 31 December 2025. Overheads and other operating costs amount to a flat rate of 20% of the eligible expenses incurred. Individual costs cannot be claimed.

If you have any questions, please do not hesitate to contact us.