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German Tax and Legal News

COVID-19: Upper and lower houses of parliament approve economic stimulus bill

Stimulus bill to enter into force on 1 July 2020.

On 29 June 2020, the upper and lower houses of the German parliament approved the economic stimulus bill that was introduced into the legislative process by the government on 12 June 2020 (see [GTLN dated 15 June 2020](#)). The purpose of the “Second bill on tax relief measures relating to the COVID-19 crisis” is to combat the economic effects of the coronavirus (COVID-19) and to stimulate and reinvigorate the economy. The approved bill includes only minor changes compared to the draft bill.

The stimulus bill includes, among other things, a temporary reduction of the VAT rates (a reduction of the general 19% rate to 16% and the reduced 7% rate to 5%), an increase of the amount of the one-year loss carryback (to EUR 5 million for individual filers and EUR 10 million for corporations), and the introduction of an accelerated depreciation method. In addition, the maximum amount of annual qualifying expenses for the newly introduced R&D tax credit will be increased (to EUR 4 million) and the existing allowance for add-back amounts for local trade tax purposes will be doubled (to EUR 200,000). For a more detailed description of the measures, please see the [GTLN dated 15 June 2020](#).

The law is expected to enter into force on 1 July 2020 after it has been signed by the president and published in the federal gazette.

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