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 14.10.2020

German Tax and Legal News

Lower house of parliament approves ratification of MLI

List of covered tax agreements reduced to 14 jurisdictions.

The German lower house of parliament approved the ratification of the [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting \(MLI\)](#) on 8 October 2020.

The MLI aims to combat BEPS by allowing jurisdictions to implement the tax treaty-related measures developed through the [OECD/G20 BEPS](#) project in existing bilateral tax treaties in a coordinated and efficient manner. Germany was among the 68 initial jurisdictions that signed the MLI on 7 June 2017 in Paris.

Germany initially expressed its intention to apply the MLI to 35 covered tax agreements (CTAs); the draft law that was approved by the lower house would reduce the number to 14. According to an explanatory statement from the government, the reason behind the reduced number is that for some CTAs initially identified by Germany, the treaty partner has not chosen to classify the relevant tax treaty as a CTA (the US (which has not signed the MLI), Denmark, and Estonia); for others, the government (after consultation with the relevant treaty partner) considers an amendment of the specific tax treaty as likely to be the more efficient and faster way to introduce the provisions of the MLI into the tax treaty.

The CTAs that are currently on the list approved by the lower house include Austria, Croatia, Czech Republic, France, Greece (which had not been on the original list when Germany signed the MLI), Hungary, Italy, Japan, Luxembourg, Malta, Romania, Slovakia, Spain, and Turkey.

Germany plans to make use of the reservation provided in article 35(7) of the MLI, under which Germany must notify the OECD for the MLI to enter into effect for a specific tax treaty, instead of an automatic entry into effect for all CTAs after the ratification of the MLI and the deposit of Germany's ratification instrument with the OECD.

The approval of the MLI's ratification still must be confirmed by the upper house of parliament.

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