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German Tax and Legal News

## Minimum shareholding for participation exemption for capital gains from the sale of shares unlikely to be introduced

Contrary to an earlier draft of Germany's new investment act, it seems likely that an announced new draft of the act will not include a 10% minimum shareholding requirement to qualify for the 95% participation exemption for capital gains from the sale of shares.

The introduction of a minimum shareholding requirement has been on the agenda of the German government for some time. Since an analogous rule was introduced to benefit from the participation exemption for dividends (for payments made after 28 February 2013), the German tax authorities have been advocating for the extension of this requirement to capital gains from the sale of shares. The government originally announced that it would introduce such a requirement as part of a broader reform of the investment taxation rules.

It now appears that there is political resistance to this approach and that the next draft of the new investment tax act will no longer include such a requirement. It can be expected that this topic will be subject to further negotiations at a political level.

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