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German Tax and Legal News

Upper house of parliament approves ratification of MLI

MLI still needs to be ratified to become effective, additional legislation required for specified covered tax agreements.

The German upper 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 6 November 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.

The lower house of parliament approved the MLI on 8 October 2020 (see [GTLN dated 14 October 2020](#)), and the relevant implementation act now must be signed by the president and published in the federal gazette to become effective. The MLI can then be officially ratified by the German government.

Germany plans to implement the changes that result from the MLI for specific covered tax agreements (CTAs) through a separate MLI application act that still must be approved by the upper and lower houses of parliament.

It also should be highlighted that 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.

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