

Coronavirus

The Economic Stimulus and Crisis Management Package

The federal government's Future Package, a subset of an overall stimulus package to cope with economic restraints caused by the coronavirus pandemic, comprises measures in several areas to support investment in Germany.

The German federal government has agreed on an economic stimulus package worth EUR 130 billion. The program (Future Package) includes a number of measures to foster economic growth and investment in Germany.

Foreign investors wishing to invest in Germany can benefit in particular from funding in the areas of mobility, medical devices, CO₂ reduction, digitalization and artificial intelligence.

All measures will improve the general environment for companies, ensuring Germany remains highly attractive to foreign investors.

Overall measures

The government intends to stimulate consumption by introducing various measures.

Most important is the **reduction** of **VAT rates** from 19 percent to 16 percent and from 7 percent to 5 percent from 1 July 2020 to 31 December 2020. This means that the rate for restaurant meals will be reduced to 5 percent until the end of the year.

Social security contributions will be capped for both employers and employees until the end of 2021. The contributions will not exceed 40 percent in total for employers and employees.

Incentives for companies

The federal government intends to increase the **investment grants** from the Joint Task Economic Development Program (GRW) by EUR 500 million.

To further strengthen Germany as a location for innovation, the assessment base of the recently enacted **Research Tax Credit Act** will be increased, retroactively from January 1 2020 to December 31 2025, to EUR 4 million annually per company, leading to an increased annual credit value of **EUR 1 million**.

In addition, Germany will provide **an additional EUR 1 billion** for **R&D activities** to generate innovations (new technologies, processes and equipment) and for new innovation clusters, particularly within the automotive supply industry, for the current and coming year.

Tax-related measures

Companies will have better opportunities to **depreciate assets**. At present, assets can only be written off by straight-line depreciation, with the purchase price of the asset being distributed evenly over the coming years. The use of the declining balance method of depreciation will be introduced temporarily. This means that companies will enjoy a higher rate of depreciation in the first years of use of the assets, which will lead to higher deductible expenses. In addition, there will be exemptions for the depreciation of digital assets in order to promote the digitalization of the economy. This will also be beneficial for start-ups.

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The possibilities for [tax loss carry-back](#) will be extended. The maximum amount of a tax loss carry-back will increase from EUR 1 million to EUR 5 million in 2020 and 2021. It will be possible to make use of this provision in the 2019 tax return, for example by establishing a "corona reserve."

The law on [corporate income tax](#) will be modernized. This includes the possibility of taxing partnerships under the rules applicable to corporations.

Importers will benefit from a deferral of [import turnover tax](#) until the 26th of the following month, resulting in more liquidity in the hands of companies.

E-mobility bonus

The German government will double the amount of existing purchase incentives for [electric vehicles](#) (BEVs) to support the economy after the coronavirus. This corresponds to a cash grant of EUR 6,000 for a BEV. In addition, the car manufacturers will grant a subsidy of EUR 3,000 - **adding up to a bonus of EUR 9,000**. The measure applies to vehicles worth up to EUR 40,000 excluding VAT.

In order to further promote e-mobility, an additional **EUR 2.5 billion** will be made available for existing infrastructure programs to provide additional [charging stations](#) and to support further [battery cell production](#).

Healthcare

The federal government is starting a 'Public Health Services Pact' to strengthen support for

- building and upgrading the technological and digital capacities of local health authorities,
- funding for hospital investments,
- funding for German efforts to develop a Covid-19 vaccine through contributions to the CEPI (Coalition for Epidemic Preparedness Innovations) alliance.

The objective is to ensure that a safe vaccine is available as soon as possible, is producible in Germany, and that hospitals are 'future-proofed'.

It is the goal of the German government to establish greater production capacities and achieve greater independence in the areas of medical protective equipment, active ingredients and their precursors, and vaccine production. As a result, **EUR 1 billion** will therefore be made available to enable the flexible and scalable production of drugs and medical products.

CO₂ reduction and national hydrogen strategy

The CO₂ [building refurbishment](#) program will be increased by **EUR 1 billion** for the period 2020 through 2021.

[Hydrogen technology](#) is seen as an important approach to decarbonizing the energy system. Germany is to be a leader in the field of hydrogen technology. The federal government published its "National Hydrogen Strategy" on June 9, 2020. Suitable funding programs will be derived from this strategy, which should support the establishment of a total capacity of up to 15 GW by 2040. Funding of **EUR 7 billion** will be made available for projects in Germany.

Artificial intelligence and digitalization

Further development of [artificial intelligence](#) (AI) is gaining momentum in terms of both content and funding: the federal funds for the development and application of the technology are being **increased by EUR 2 billion**.

In conjunction with the update of the federal government's AI strategy, which is to be published in the middle of the year, more investments in data platforms and computing capacities for AI real-time applications will be possible. The

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competence centers are also to be strengthened and networked; an improvement in the transfer structures from research to application is planned, as is better integration into European research networks.

The 5G roll-out is to be accelerated, with **EUR 5 billion** earmarked for the promotion of future communication technologies and for a federal mobile infrastructure company. In addition, the government intends to promote the development and production of quantum technology.

For more information please refer to the [Federal Ministry of Finance](#) .

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