

2025 Growth Booster – Key Points at a Glance

The Federal government has approved an emergency program in order to boost short-term growth. The goal is to strengthen innovation, the readiness to invest and competitiveness in Germany by providing companies with targeted hardship tax relief.



Law for an immediate investment program with tax relief

On the 26th of June 2025 the German Parliament approved a law for an immediate investment program, called "Investitionsbooster". The Federal Council followed by approving this law on the 11th of July so that a comprehensive package of measures could officially go into effect.

Some of the measures are to go into effect immediately after having been published in the Federal Law Gazette, while others are to be implemented gradually up until 2032. According to estimates, they will result in tax revenue shortfalls of around EUR 46 billion by 2029.

Declining-balance depreciation method up to 30%

The heart of the emergency program is to reintroduce and massively expand the declining-balance method for depreciating movable fixed assets.

For investments made between the 1st of July 2025 and the 31st of December 2027, the declining-balance depreciation method can be used in depreciating 30% of the acquisition cost in the year of acquisition and the residual book value can be depreciated over subsequent years. This should, in particular, motivate small and medium-sized companies to modernise their machinery and to implement digitalisation plans and other improvements.

Gradual reduction of the corporate income tax rate to 10% by 2032

A long-term component of the law is to gradually reduce the corporate income tax rate. Currently the 15% corporate income tax rate, in combination with trade tax and the solidarity surcharge amount to a total tax liability of about 30%. From the 2028 assessment period on, the corporate tax rate will annually be reduced by 1 percentage point so that by 2032 it will only amount to 10%. This measure is particularly relevant for incorporated companies and should push Germany forward in the international tax competition. The effective tax burden for corporate income tax combined with the municipal trade tax is likely to be under 25% as of 2032.

Relief for partnerships: Capital gains tax drops

Not only corporations, but also partnerships and sole proprietorships will benefit from this law. The so-called capital gains tax – i.e. the taxation of undistributed profits – will be gradually reduced from the current 28.25% in 2028 to 25% in 2032.

The scale is as follows:

- **From 2028 to 2029:** 27 %
- **From 2030 to 2031:** 26 %
- **From 2032 on:** 25 %

This brings investing partnerships closer to corporations in terms of taxation. The goal of this measure is to strengthen accumulating equity and reinvesting in family-owned businesses.

Special depreciation for electric vehicles

Within the framework of the investment emergency program, company electric vehicles are also targeted for being subsidised.

Company electric vehicles used for business, which are acquired between the 30th of June 2025 and the 31st of December 2027, qualify for the newly introduced declining-balance depreciation method. This makes it possible to write off 75% of the acquisition cost in the year acquired for tax purposes, followed by 10 % in the second year, 5 % in the third and fourth years as well as 3 % in the fifth year and 2 % in the sixth year.

In addition, the so-called 1% rule related to the gross list prices for electric vehicles costing between EUR 70,000 to EUR 100,000 has been raised.

Improved research grants

Innovations in the area of research and development (R&D) are strengthened by research grants being increased and by simplifying the application process for them.

From 2026 to 2030 the eligible assessment base amount will increase from EUR 10 million to EUR 12 million. Another new feature is introducing a flat-rate surcharge of 20% on eligible overheads, which significantly will reduce the time-consuming requirement to provide individual evidence.

Another incentive concerns own contributions made by business owners: The eligible hourly rate will be increased from EUR 70 to EUR 100 with a maximum limit of 40 hours per week.

This reform particularly aims at better supporting medium-sized businesses in medical technology, in biotechnology or in engineering.

Financial impacts

It is estimated that a tax revenue shortfall of about EUR 46 million will occur by 2029. This is spread over the period by being able to use the declining-balance depreciation method, by having the corporate income tax rate reduced and by benefitting from measures for financing research and development.

The Federal government and the 16 German states have agreed that the Federal government is to completely take over the tax revenue shortfalls of the municipalities for a limited period until 2029. In order to relieve the states, the Federal government is planning to invest EUR 8 million in pre-school childcare, in other educational institutions and in modern hospitals.



Forecast

The regulations announced in this law do not include reintroducing the agricultural diesel rebate, nor permanently increasing the mileage allowance, nor reducing the VAT rate in the catering industry. It remains to be seen when these plans from the coalition agreement will eventually be implemented.

Do you have any questions on this topic?

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