



ATC – responsible, passionate, innovative.

Client information:

2025 Immediate Investment Program

Dear Client,

On July 11, 2025, following the Federal Parliament, the Federal Council also passed the law for an immediate tax investment program to strengthen Germany as a business location. The aim is to promote investment, create tax incentives for innovation, and reduce the tax burden on companies.

Below, you will find an overview of the most important new regulations and their relevance for your business practice.

1 Declining balance depreciation

For the years 2025 to 2027, a declining balance depreciation rate of 30% will be introduced for movable economic goods of fixed assets (Section 7 para 2 of the Income Tax Act). This applies, for example, to machinery, vehicle fleets, and office equipment. Real estate and intangible economic goods are not eligible. The depreciation rate remains constant at 30%, but is applied annually to the residual book value. This form of depreciation is particularly advantageous for assets with a longer useful life (four years or more).

Example: A company acquires a machine for EUR 100,000 on July 15, 2025.

Applying the declining balance method of depreciation at 30% results in depreciation of EUR 30,000 in the first year, EUR 21,000 in the second year, EUR 14,700 in the third year, and so on.

Compared to an even distribution over a 10-year useful life, this corresponds to an additional operating expense deduction in the first year of 20 % of the acquisition costs. The deduction can be combined with further special depreciation in accordance with Section 7g of the Income Tax Act.

2 Reduction of the corporate income tax rate for corporations from 2028

Starting in the 2028 assessment period, the corporate income tax rate will be gradually reduced over five years to 10% from 2032 onwards (Section 23 para 1 of the Corporate Income Tax Act). This will significantly reduce the tax burden on corporations. The solidarity surcharge is reduced accordingly, as it is calculated on the basis of corporate income tax.

Example: A limited liability company generates taxable income of EUR 100,000 in 2032. With a corporate income tax rate of 10%, this results in a tax burden of EUR 10,000. The solidarity surcharge is added to this. Overall, the tax burden is significantly reduced compared to the current 15% corporate income tax rate.

Together with trade tax, this will result, from 2032, in a combined income tax burden on undistributed corporate profits of around 30% currently, falling to around 25%.

3 Adjustment of the reinvestment tax allowance (Section 34a of the Income Tax Act)

Individual entrepreneurs and co-entrepreneurs will also be able to benefit from tax relief in future through the reinvestment tax allowance. The reduced tax rate will be gradually lowered between 2028 and 2032 from the current 28.25 % (including solidarity surcharge) to 25 %.

Example: In 2032, a sole proprietor generates a profit of EUR 200,000, which he does not withdraw. Instead of being taxed at the progressive income tax rate of up to 45%, the profit is taxed at only 25% until it is withdrawn – undrawn liquidity thus remains available for investment in the business

4 Extension of the research allowance from 2026

From 2026, the maximum assessment basis for the research allowance will be increased from EUR 10 million to EUR 12 million. In addition, a flatrate overhead surcharge of 20% will be introduced. The eligible hourly wage for own contributions by entrepreneurs or co-entrepreneurs will be increased to EUR 100/hour, maximum 40 hours per week.

With the Research Allowance Act, the legislature is specifically promoting research and development in companies. The measure is intended to create incentives for innovation and is of particular interest to small and medium-sized enterprises (SMEs). The research allowance is structured as a tax benefit and can be granted regardless of the company's profit situation.

What is funded?

Funding is available for expenses for research and development projects expenditure on research and development projects in the following areas:

- **Basic research**
- **Industrial research**
- **Experimental development**

Both in-house research activities and contract research can be considered. The following are particularly eligible for funding:

- **Personnel costs** for employees entrusted with research and development
- **Fees for contract research** to external third parties
- Also **own contributions** by sole proprietors and co-entrepreneurs (under certain conditions)

Amount of funding

- The research allowance amounts to **25% of eligible expenses, and for small businesses with up to 50 employees/EUR 10 million revenue, it is even 35 %**.
- A maximum of **EUR 12 million** can be considered as the **assessment basis** per year.
- This usually results in a maximum allowance of **EUR 4 million per year per company**.

Who is eligible to apply?

All **taxable companies with a permanent establishment in Germany** are eligible to apply, regardless of their legal form, size, or industry. Sole proprietorships and partnerships can also apply for the allowance.

Process of the application procedure

The procedure is a two-stage process:

1. Assessment of the research and development project

First, an application for certification must be submitted to the Research Allowance Certification Office. This office checks whether the project meets the requirements of the Research Allowance Act.

2. Application for research allowance at the tax office

Once certification has been successfully obtained, the actual **application for research allowance is submitted to the relevant tax office**. The allowance is determined in the tax assessment notice and paid out – even in the event of losses (so-called “negative tax”).

5 Tax subsidy for electric cars

The company car tax for **purely electric vehicles** will be improved. The gross list price up to which the flatrate 0.25% rule for private use of company electric vehicles applies, will increase from EUR 70,000 to EUR 100,000.

In addition, a declining balance depreciation with fixed graduated rates for electric vehicles will be introduced, e.g., 75 % in the first year, followed by 10%, 5 %, 5 %, 3 %, and 2 %.

Example: A company acquires an electric commercial vehicle for EUR 80,000 in December 2025. In the first year, EUR 60,000 (75 %) can be depreciated immediately.

In 2026, another EUR 8,000 can be depreciated.

But be careful: Any subsequent capital gains from the sale of the electric vehicle will be taxable.

The subsidy only applies to purchases, not leases!

6 Entry into force

The law will generally enter into force on the day after its publication in the Federal Law Gazette. The amendments to the Research Allowance Act will apply from January 1, 2026.

If you have any questions about the 2025 immediate investment program, please contact us!

Kind regards,
Your ATC Team

All information is provided to the best of our knowledge, but without guarantee. This information does not replace individual consultation!
Legal status: July 23, 2025