**Arguments and Positions**

**Tax Competitiveness**

The chemical-pharmaceutical industry invests every year over 7 billion euros in Germany. This shows the commitment to the location. In order to keep it this way, the federal government needs to find answers to international tax policy developments: For example, the USA uses its tax policy for better framework conditions and thus for strengthening the US economy.

The tax burden on companies is being reduced not only in the European Union but worldwide. Therefore, further inactivity in tax policy reform is harmful to Germany as an industry location. In the future, investments will more and more go to other places – because in Germany the burden on industry has risen to up to 35 percent due to the constant increase in trade tax rates (Hebesätze). This means that company taxation in Germany ranks among the highest worldwide. Also plans such as expanding the land and real estate purchase tax (Grunderwerbssteuer) to share deals of capital companies are to the detriment of Germany as an industrial nation. The same holds true for considerations on a redistribution of global taxation rights and the introduction of an international minimum taxation. Without fine-tuning in the 137 participating countries, such considerations involve the risk of heavy administration and double taxation.

**Germany is falling behind**

In 2018, the US implemented the largest tax reform of the last 30 years. Now, the business tax rate is reduced from 35 to 21 percent, and there is an immediate deduction of investment. Licensing fees from cross-border digital services benefit from lower taxation (ca. 13 percent). Moreover, a special tax is charged on license and service payments from large US corporations to foreign parent companies. In consequence, the investment location Germany is increasingly left at a disadvantage. Internationally operating companies in Germany pay a disproportionately high share of their earnings taxes in this country: According to a VCI survey, some businesses realise only around 20 percent of their sales in Germany, while this is where up to 60 percent of their worldwide earnings taxes become due. Add to this further tax payments because of energy taxation or real estate tax. There are also positive direct revenue effects such as the wages and salaries tax (Lohnsteuer) and the employer’s contributions to social insurance.

**Burdens on companies have risen**

Since the last major company tax reform back in 2008, little has been done to bring the fiscal conditions in a competitive form. Quite the contrary, political decisions resulted in further burdens. For example, the additional inclusion of income-independent elements like rent, interest, leasing or licensing fees as well as the interest barrier (Zinsschranke) clearly broadened the assessment base and make an international harmonisation of company taxation even more difficult.

---

**THE VCI IS CALLING FOR THE FOLLOWING**

- **Cut company tax**
  Germany must be able to keep pace internationally. Prerequisites for this are lower company taxation and a fiscal environment that drives forward innovation and investment in this country to a larger extent.

- **Bring company tax law in a competitive form and cut bureaucracy**
  Germany needs to modernise its company tax legislation. This includes that the taxation of foreign activities of enterprises should not be higher in Germany than the taxation of comparable domestic activities. Therefore, the trade tax should be reformed, it should be possible to offset foreign taxes in German trade tax, and the much too high “low tax country” threshold under the foreign transactions tax law (Außensteuergesetz) should be lowered from 25 to 15 percent.

- **Avoid new burdens**
  There must be no new burdens from a restructuring of international taxation rights or from a global minimum taxation. Here, international solutions make sense – while national go-it-alone actions cause unilateral strains for German companies. New burdens, especially under the guise of preventing abuse, must be avoided too. For example, the land and real estate purchase tax must not unnecessarily burden listed capital companies just to prevent forms of share deals.