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German Tax and Legal News

COVID-19: Relief measures further extended relating to cross-border commuters and tax liquidity assistance

Relief measures for certain cross-border commuters and several tax liquidity assistance measures for taxpayers extended until at least 30 June 2021.

In response to the continuing effects of the coronavirus (COVID-19), in March 2021 the German Ministry of Finance (MOF) provided additional extensions until at least 30 June 2021 of relief measures for cross-border commuters to or from various neighboring jurisdictions, including Belgium, France, and the Netherlands. In the current environment, and in particular under the current German "lockdown" rules, cross-border commuters may spend more days working from home than under ordinary circumstances, which has the potential to affect the allocation of taxing rights between the residence jurisdiction and the jurisdiction of the regular workplace. In addition to the measures for cross-border commuters, certain tax-related measures that aim to boost liquidity were extended as well, including measures relating to corporate income tax payments.

Extension of measures relating to cross-border commuters

In a mutual agreement dated 17 March 2021, which was published on 23 March 2021, Germany and Belgium announced that the original mutual agreement dated 6 May 2020 regarding the taxation of income earned by cross-border commuters between the two countries is extended until 30 June 2021 and will then automatically be extended each month until the end of the following month if not terminated by one of the parties with a one-week notice period. The 6 May 2020 mutual agreement was previously extended on 20 May 2020, 22 June 2020, 28 August 2020, and 11 December 2020 (see GTLN dated 01/14/2021, GTLN dated 11/12/20, GTLN dated 06/30/20, GTLN dated 05/28/20 and GTLN dated 04/14/20).

For cross-border commuters to and from France, Germany and France signed a mutual agreement on 11 March 2021 and 9 March 2021, respectively, which was published by the MOF on 16 March 2021 and confirms that the original mutual agreement concluded between France and Germany on 13 May 2020 (see GTLN dated 05/28/20) regarding the taxation of income earned by cross-border commuters between France and Germany is extended until 30 June 2021. After 30 June 2021, the agreement will automatically be extended each month until the end of the following month if not terminated by Germany or France with a one-week notice period. The 13 May 2020 mutual agreement was previously extended on 23 October 2020 (see GTLN dated 11/12/20) and 15 December 2020 (see GTLN dated 01/14/2021).

On 23 March 2021, the MOF published a mutual agreement between Germany and the Netherlands dated 5 March 2021 (for the Netherlands) and 10 March 2021 (for Germany) that extends the original mutual agreement dated 6 April 2020 (see GTLN dated 04/14/20) to at least 30 June 2021. After 30 June 2021, the agreement will automatically be extended each month until the end of the following month if not terminated by one of the parties with a one-week notice period. The 6 April 2020 mutual agreement was previously extended on 27 October 2020 (see GTLN dated 11/12/20) and 11 December 2020 (see GTLN dated 01/14/2021).

Formal extensions of the agreements with Austria (which was officially extended until 31 March 2021 by a decree dated 15 January 2021), Luxembourg, Poland, and Switzerland have not been announced, but the original agreements (see GTLN dated 11/12/20 and GTLN dated 12/10/20) should still be valid due to the fact that they are automatically extended each month if not explicitly terminated.

Extension of administrative measures

A decree published by the MOF on 18 March 2021 announces the extension of several administrative measures to boost liquidity in response to COVID-19 that originally were provided for in a 19 March 2020 decree (see GTLN dated 03/23/20) and extended by a 22

December 2020 decree (see GTLN dated 01/04/20). The original measures described in the 19 March 2020 and 22 December 2020 decrees were set to expire on 31 March 2021, and the new decree extends the measures to 30 June 2021.

Under the extended measures, taxpayers have the option of applying to defer making corporate income tax payments, with the suspension of enforcement measures and without being charged interest, for taxes that become due on or before 30 June 2021. Taxpayers that are "directly and seriously affected" by COVID-19 may apply for such a deferral/suspension until 30 June 2021, and the deferral/suspension for approved applicants will be granted until 30 September 2021. An additional extension of the deferral/suspension until 31 December 2021 may be granted in connection with an installment payment plan. As described in the original decree, approval for the measures will be granted even if affected taxpayers cannot yet quantify the economic damage resulting from COVID-19. However, taxpayers that are affected only indirectly still will not be able to rely on the measures in the new decree.

In addition, the possibility still exists for taxpayers that are "directly and seriously affected" by COVID-19 to apply for an adjustment of advance payments of corporate income tax under a simplified procedure until 31 December 2021. Similar to the deferral for income tax payments, approval for an adjustment will be granted even if affected taxpayers cannot yet quantify the economic damage resulting from COVID-19.

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