Real Estate Tax Services News

Keeping you informed

Germany – October 2019

Reform of the German Real Estate Transfer Tax Act postponed to the first half of 2020

In brief

On 24 October, the German coalition government issued a joint press release stating that the proposed reforms to the German Real Estate Transfer Tax (RETT) Act will be delayed to the first half of 2020. The coalition government has announced that they require more time to further consider the necessary changes following arguments brought forward by the leading associations of the German real estate industry at a public consultation on 14 October 2019.

Nevertheless, the coalition still intends to limit the existing RETT avoidance opportunities available through share deal structures and commits to finding solutions that will ensure effective and legally consistent new legislation in the first half of 2020 in line with the coalition agreement.

Amendment of the RETT Act

The amendment of the RETT Act has been long awaited and discussed since mid-2016. Finally, on 31 July 2019, the German Federal Cabinet adopted the draft bill to amend the RETT Act which was due to enter into force on 1 January 2020 – please refer to our previous Real Estate Tax Services News as of August 2019.

However, following the public consultation on the draft bill on 14 October 2019, the coalition government has now issued a press release announcing the delay to the amended provisions to the first half of 2020. The governmental bill attracted heavy criticism from leading associations of the German real estate industry, claiming the proposed changes would inflict collateral damage to the entire industry.

Our view

The press release does not comment on whether the new RETT Act will apply retroactively (i.e. from 1 January 2020 onwards). Given the long legislative process and recurring delays, a retroactive effect cannot be excluded but should be unlikely as retroactive effect was also not envisaged as part of the law that was originally planned to enter into force on 1 January 2020.

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