

# Government Approves Draft Bill to Implement Minimum Global Taxation

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The Federal Cabinet (*Bundesregierung*) approved a draft bill (*Minimum Tax Directive Implementation Act (Entwurf eines Gesetzes für die Umsetzung der Richtlinie zur Gewährleistung einer globalen Mindestbesteuerung für multinationale Unternehmensgruppen und große inländische Gruppen in der Union und die Umsetzung weiterer Begleitmaßnahmen)*) to implement the [European Union Minimum Taxation Directive \(2022/2523\) \(2022\)](#) (Directive). The directive seeks to ensure a global minimum level of taxation (at the rate of 15%) for multinational groups and large domestic groups with a consolidated turnover of at least EUR 750 million in the European Union. It also transposes the Global Anti-Base Erosion Model Rules developed by the Inclusive Framework (IF) on BEPS into European law. The EU Member States approved Directive 2022/2523 on 15 December 2022 (see [Council Formally Adopts Minimum Taxation Directive \(16 December 2022\)](#)). The deadline for its transposition into national law is 31 December 2023.

The draft bill also contains accompanying tax measures and amendments to the German Commercial Code. In the case of the add back (*Hinzurechnungsbesteuerung*) of income under the Foreign Tax Act and for the deductibility of intra-group royalty payments, the low taxation threshold is reduced from 25% to 15%. For previous reporting, see [Ministry of Finance Publishes Draft Bill to Implement Minimum Global Taxation, Pillar Two Rules, Amends CFC-Rules \(12 July 2023\)](#).

The Federal Cabinet approved the draft bill on 16 August 2023. As a next step, the draft bill will undergo the legislative process for approval through the lower house of the parliament (*Bundestag*) and the Federal Council (*Bundesrat*).

The full text of the government press release can be found [here](#) (in German only).

*Note:* The [Minimum Taxation Directive \(2022/2523\)](#) aims to implement the Pillar Two Global anti-Base Erosion (GloBE) rules of the two-pillar approach to address the tax challenges of the digital economy, agreed by the members of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework in October 2021 (see [Vast Majority of Inclusive Framework Members Sign Up To Landmark Global Tax Reform \(11 October 2021\)](#)).

