

Current tax information for our clients

12 June 2026

Bill Passed: Increase in Minimum Local Trade Tax Rate, Real Estate Transfer Tax (Signing/Closing-Cases, Notification Period, Tax Relief for Partnerships)

On 11 June and 12 June 2026, the Bundestag and the Bundesrat adopted the **Ninth Act Amending the Tax Advisory Act and Other Tax Regulations**. The legislative process is in its second attempt because the Bundesrat did not approve the original bill passed by the Bundestag at its meeting on 8 May 2026. The reason for the non-approval at the time was the planned introduction of a tax-free relief bonus for employees of up to EUR 1,000, which the Bundesrat rejected. The new draft is similar to the bill passed by the Bundestag on 24 April 2026, but does not include the tax-free relief bonus.

In addition to amendments to the Tax Advisory Act, the Act also provides for an increase in the minimum **local trade tax rate** and amendments to **the Real Estate Transfer Tax Act** (to exclude possible double taxation in the event of a time lag between signing and closing, to extend the notification period for real estate acquisitions and to ensure that tax reliefs for partnerships continue to apply).

1. Minimum Local Trade Tax Rate

The local trade tax rate is calculated by multiplying the municipal assessment rate by the basic federal tax rate of 3.5 percent. Each municipality can set its own assessment rate. In 2024, the average in Germany was 409 percent, resulting in an average trade tax rate of 14.3 percent ($3.5\% \times 409\%$).

However, there is a **minimum rate** for the municipal assessment rate, which currently stands at 200 percent resulting in minimum local trade tax rate of 7 percent ($200\% \times 3.5\%$). Its introduction at the end of 2003 served to prevent purely tax-motivated business relocations. According to the explanatory memorandum to the bill, it has since become apparent that the current minimum assessment rate still offers too much incentive for companies to relocate purely for tax reasons.

Therefore, the minimum assessment rate will to be raised to **280 percent** with effect from **2027**. As a result, the minimum local trade tax rate will increase from 7 percent to 9.8 percent ($280\% \times 3.5\%$).

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The increase in the minimum assessment rate has been agreed in **the coalition agreement** between the governing parties. The aim is to counteract the practice of companies using low-assessment-rate municipalities to an even greater extent than is already the case.

As of 31 December 2024, **43 cities** had a municipal assessment rate of less than 280 percent (source: Joint statistics portal of the federal government and the states). These cities will have to raise their assessment rate to at least 280 percent by 1 January 2027 at the latest.

2. Real Estate Transfer Tax

Taxation in the event of a time lag between signing and closing

Since the treatment of share deals for real estate transfer tax purposes was fundamentally changed in **mid-2021**, there have been an increasing number of cases in practice where there is a risk of double taxation with real estate transfer tax, even though it is the same share purchase.

The direct or indirect transfer of shares in corporations or partnerships that own real estate (**share deals**) can trigger two taxable events, which can lead to **double taxation of real estate transfer tax** for the same share deal:

1. At the time of **signing** (signing of the contract under the law of obligations – binding transaction; share consolidation / share transfer in accordance with Section 1 (3) or Section 1 (3a) of the Real Estate Transfer Tax Act (RETTA)). The tax is usually assessed against the purchaser of the shares.
2. At the time of **closing** (transfer of shares; change of shareholders in accordance with Section 1 (2a) RETTA in the case of partnerships or

Section 1 (2b) RETTA for corporations). The tax is assessed against the company that owns the property.

The Annual Tax Act 2022 introduced a legal provision to avoid double taxation (Section 16 (4a) and (5) RETTA): Upon **request**, the (first) assessment of real estate transfer tax for the signing will be revoked or amended if the shares are transferred in fulfillment of the underlying legal transaction (signing) and the taxable event for the closing is thereby realised. However, the provision only applies if all real estate acquisitions affected by this transaction were notified to the tax office in full within the strict deadline of **two weeks**.

Without **timely and complete notification** of all real estate acquisitions **in all respects**, however, there is a risk of the real estate transfer tax being assessed twice.

The present **bill** aims to resolve the issue of double taxation of the same transaction. To this end, the **order of priority for taxation**, i.e., the sequence in which the tax criteria are applied, will be reversed: in future, **signing** will be taxed **primarily**. Taxation of closing will only be secondary. According to the explanatory memorandum to the bill, reversing the precedence of taxation is intended to simplify the application of the law, as in principle only one real estate transfer tax notification will be required at the time of signing, and the transaction can usually be **taxed conclusively** at that point in time.

The above-mentioned **procedural requirements** for the necessary notification of acquisition transactions to avoid double taxation will no longer be necessary in future and are therefore to be repealed.

However, the regulations governing the taxation of the **closing** will

continue to apply **on a subordinate basis** if no tax liability has arisen under the priority regulations for the signing. According to the explanatory memorandum to the bill, this applies, **for example**, to properties that were acquired between the signing and the closing. At the time of closing, only those properties that did not yet belong to the company's assets at the time of signing would be taxed separately.

First-time application: The new regulation applies for the first time to legal transactions that are realised after the date of promulgation of the Act. In cases where the contract is concluded before the first-time application of the Act (signing), i.e., on or before the date of promulgation, but the shares are only transferred after that date (closing), only the signing is to be taxed.

The new regulations would therefore **not apply** to share acquisitions whose signing **and** closing were completed before the Act was promulgated (**old cases**). The risk of double taxation continues to exist in these cases. However, in several rulings on interim legal measures, the Federal Tax Court has expressed **considerable doubts** about the legality of double taxation when the signing and closing dates are not the same (Federal Tax Court, rulings II B 13/25, 23/25, 47/25). Corresponding real estate transfer tax assessments should therefore be kept open in terms of procedural law until the Federal Tax Court has made a final decision on the legal issue in the main proceedings.

The planned changes may have possible **consequences** for the rules on **the crediting of real estate transfer tax** in the case of successive taxable legal transactions (Section 1 (6) RETTA), e.g. if, after a taxable share deal in a company owning real estate, real

estate is transferred from this company to the acquiring shareholder. Currently, the application of the regulation is "blocked" because the share deal is primarily taxed according to the rules for closing, which are not mentioned in this regulation. As a result of the reversal of the taxation priority, the regulation could be applicable again.

Tax liability for real estate transfer tax

Under **current law**, at the time of **signing** (Section 1 (3) and (3a) RETTA), the debtor of the real estate transfer tax is the shareholder acquiring the shares and, in the case of a transfer of already combined shares (i.e. at least 90%), also the selling shareholder. At **closing** (Section 1 (2a) and (2b) RETTA), however, the company owning the real estate owes the real estate transfer tax. Due to the planned reversal of the taxation priority, the shareholder's tax liability would become the rule rather than the exception in the future, and vice versa regarding the tax liability of the real estate-owning company.

The draft bill therefore provides for an **extension of tax liability**. In addition to the acquiring shareholder – and, in the case of the transfer of combined shares, the selling shareholder – the **company owning the real estate** will also be liable for real estate transfer tax in future, so that, according to the explanatory memorandum to the bill, the company owning the real estate can continue to be held liable in future.

The **first-time application** is for legal transactions that are realised after the date of the promulgation of the Act.

The extension of tax liability has consequences for the **reporting obligations to the tax office** of those involved in a share deal.

This is because the reporting obligation is linked to tax liability. In future, in cases of share consolidation / share transfer (Section 1 (3) or Section 1 (3a) RETTA), the **company owning the real estate** is also obliged to submit a notification for real estate transfer tax. As a result, depending on the circumstances, up to three real estate transfer tax notifications may be required: from the seller, the buyer, and the company.

Notification period

Under current law, the notification periods for parties involved in domestic transactions are two weeks. The notification period is extended to **one month**. According to the explanatory memorandum to the bill, this is intended to harmonise the length of the deadlines in cases where the taxpayer has no domestic connection.

The new regulation is **applicable for the first time** to legal transactions that are realised after the date of promulgation of the Act.

Real estate transfer tax reliefs for partnerships

The current **time limit** on certain **real estate transfer tax reliefs for partnerships** shall be repealed (in particular Sections 5 and 6 RETTA).

Under current law, these benefits would otherwise expire on 31 December 2026.

The removal of the time limit is intended to maintain the current legal position – which has been largely established by decades of case law – for the time being. Consequently, partnerships with legal capacity continue to be treated as joint ownership for the purposes of real estate transfer tax, and their assets as joint assets, so that the benefits provided for in particular in Sections 5 and 6 RETTA remain in force for the transfer of a property to or from a

joint ownership (in particular partnerships).

The removal of the time limit is intended to provide legal certainty and predictability both for the business sector, in terms of business decisions, and for the tax authorities, given the implementation and administrative costs involved.

3. Tax Advisory Act

The draft bill provides for extensive changes to the Tax Advisory Act. One measure concerns the admissibility of providing **business assistance** in tax matters if it is related to another activity and is **a secondary service** to the profession or activity.

According to the explanatory memorandum to the bill, this means that **banks**, for example, will also be authorised to apply for **certificates of residence** for taxpayers (companies and individuals) and to submit applications for **refunds of withholding tax on investment income** (Section 44a (9) Income Tax Act – ITA, Section 50c ITA or Section 11 (1) Investment Tax Act) or an application for the issuance of a **status certificate for investment funds** (pursuant to Section 7 (4) Investment Tax Act) for the holder of the security who is their own customer (direct customer relationship) or in so-called multi-level custody structures for the customers of other banks (indirect customer relationship).

In addition, **payers** of cross-border payments should be authorized to apply for exemption or refund of **withholding tax** under Section 50c ITA, provided they are acting on behalf of their contractual partners (payees). However, there must be a direct or indirect customer relationship, in particular in the form of the custody and management of the securities of the creditor of the investment income or another

contractual relationship between the remuneration debtor and the remuneration creditor. Whether an activity is ancillary to a profession or occupation must be assessed on the basis of its content, scope, and factual **connection to the main activity**. The necessary knowledge of tax law must also be considered as one aspect.

4. Outlook

The Act still must be promulgated in the Federal Law Gazette. The Act should generally enter into force on the day after promulgation. The special regulations on the entry into force of the individual articles and the temporal application of the individual Acts must be observed.

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