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Mannheim, 6 November 2023

Press Release

Companies Are Skeptical About the Investment-Promotion Effect of the Growth Opportunities Act

The Growth Opportunities Act, which is about to be passed, aims to promote investments in Germany and to counteract economic crises. But can the planned measures deliver what they promise? The new study of the German Business Panel shows that many companies are skeptical about that. Less than 20 percent of the companies in the survey said that the planned measures would lead to early or more investments in their own company. The vast majority does not expect positive effects for their own investments or does not know the measures.

In August, the government draft of the Growth Opportunities Act was adopted. The law was expected from many for a long time. Currently, the government draft of the law is discussed and revised in the Bundestag's committees and working groups before the Bundestag will decide on its adoption on 17 November 2023. The new study of the German Business Panel (GPB Monitor) could provide valuable information for the revision. To assess if the proposed measures actually lead to more investments, it is important to include the companies' perspectives. Researchers of Paderborn University, Humboldt-University zu Berlin, and the team of the German Business Panel (University of Mannheim) have asked companies in Germany how five of the proposed tax measures affect their investments.

The surprising result: On average, only about 13.5 percent of the companies see the tax measures as an incentive to invest earlier or to invest more. Better depreciation opportunities and the investment bonus for climate and environmental measures received the most support (about 17 percent). The extended loss carryback (9.1 percent) and, above all, tax incentives for research (7.6 percent) are only for a few companies an incentive to invest more or invest earlier.

The researcher team explains the results with regard to the tax incentives for research as follows: "The companies in the survey are mostly small companies in which research and development only play a small role," says Professor Dr. Caren Sureth-Sloane from Paderborn University. "Reports also indicate that applying for research funding may come with a high burden of proof and a lot of work, which is almost impossible to do for small companies."

However, it is questionable that some measures are unknown to about a fifth to a third of all companies. This also applies to measures for small companies such as the special depreciation increase from 20 to 50 percent. Almost 30 percent of the companies in the survey which are mostly from the group of small companies do not know this tax measure. However, Sureth-Sloane is sure: “Simplifications, better application support, and information could help and should be planned from the beginning.”

In total, the researchers are surprised by the moderate effects of the measures. “Earlier surveys have shown that most companies account for taxes when making investment decisions. Tax incentives should therefore stimulate investment activities,” explains Professor Dr. Ralf Maiterth of the Humboldt-Universität zu Berlin. However, the survey also shows that the size of the companies and if they are currently expecting profits or losses are decisive when it comes to evaluating the measures. Companies expecting profits or having more than five employees estimate the effect of investments to be higher, on average.

It can also be not excluded that the companies’ general dissatisfaction with the current economic policy plays an important role when it comes to evaluating the measures. About 71.9 percent of the survey participants are dissatisfied with the economic policy of the federal government. In addition, companies are faced with a high administrative tax burden, also with regard to the Growth Opportunities Act.

The complete report on company trends in November 2023 (“GBP-Monitor: Unternehmenstrends im November 2023”) can be found here: https://www.accounting-for-transparency.de/wp-content/uploads/2023/11/gbp_monitor_2023_11.pdf

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