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Press Release

GBP Monitor Report April: Most Tax Experts Are in Favor of Reducing Business Taxes

The recently adopted Growth Opportunities Act was designed to increase competitiveness and investment incentives. But are the tax measures of the law sufficient to achieve these goals? The current survey of the German Business Panels (GBP) shows that this is not the case. The GBP data show that companies and tax experts are dissatisfied with the economic policy and that they have little hope that the policy will change. However, they agree on what tax policy could do.

After numerous negotiations and adjustments, the German Bundestag and Bundesrat have adopted the act to strengthen growth opportunities, investment, and innovation as well as tax simplification and tax fairness (Growth Opportunities Act) in March 2024. It aims at improving the liquidity of companies in Germany and at creating important incentives for investment and innovation. The law is intended to revive Germany's stagnating economy. The law contains measures such as tax simplifications or the raising of thresholds and flat rates. However, it does not provide for a fundamental tax policy reform. The current GBP survey among experts and the GBP survey among companies provide information on the measures which are considered necessary by tax experts and decision-makers in the economy.

The expert survey shows a clear result. 55.8 percent of the more than 250 experts at universities and research institutions are in favor of reducing business taxes, while only 10.8 percent would support an increase in business taxes. How could business taxes be reduced? 72.5 percent of the survey participants are in favor of completely abolishing the solidarity surcharge, which limited companies still have to pay (although many wage taxpayers and partnerships no longer have to pay the solidarity surcharge).

Despite the tax relief recommended by experts, the GBP data show that only slight changes in standard taxation (tarifliche Besteuerung) can be expected in the short to medium term. The survey participants expect a slight reduction of the standard corporation tax (tarifliche Körperschaftssteuer) and a simultaneous increase in income tax at the end of 2026. "The opinions of tax experts and business insiders show a surprisingly high agreement in their request for tax reductions but also that they do not expect that taxes will be reduced during the next years," explains Professor Dr. Davud Rostam-Afschar, project manager of the GBP. "The discrepancy between wish and expectation could be one reason for the great

dissatisfaction with the economic policy among both researchers and companies”, said Rostam-Afschar.

In fact, the majority of experts (50.2 percent) is dissatisfied with Germany’s economic policy and cite increasing tax and regulatory burdens and a lack of investment incentives as the causes. Many bureaucratic requirements and uncertainty about regulatory obligations are also reasons why companies are investing less.

A lack of incentives can lead to a long-term decline in the attractiveness and competitiveness of Germany as a business location,” concludes Rostam-Afschar. The dissatisfaction with the economic policy is also reflected in the GBP survey among companies. In this survey, 68.9 percent of German companies are dissatisfied with Germany’s economic policy. The proportion of very dissatisfied companies amounts to 42.9 percent, which is almost four times as high as the dissatisfaction among the experts.

The surveys clearly show that both researchers and companies are calling for an extensive reform of the tax policy to improve Germany’s economic situation. Rostam-Afschar emphasizes the need for a continued dialog between research, practice, and politics: “This clear picture shows that we need a more intensive discussion about substantial tax reforms.”

The report also shows a positive development of business indicators: The expected change in profit rose by 0.76 percent. This is the first time since the first quarter of 2023 that the expected profits are on the course for growth, albeit only slightly.

The complete report on company trends in April 2024 can be found here:

https://www.accounting-for-transparency.de/wp-content/uploads/2024/04/gbp_monitor_2024_04.pdf

Further information on the GBP monitoring report

The German Business Panel interviews more than 800 companies per month and in March 2024, also more than 250 researchers, on the economic situation in Germany and collects data on 1) any expected changes in revenue, profit and investments, 2) economic decisions, 3) the expected shutdown rate in the sector, and 4) the satisfaction with the economic policy. Furthermore, GBP reports on particularly relevant questions every three months.

Background information on the German Business Panel

The GBP is the long-term survey panel of the trans-regional Collaborative Research Centre “Accounting for Transparency” (www.accounting-for-transparency.de). The Collaborative Research Center (CRC) “TRR 266 Accounting for Transparency” was established in July 2019. In May 2023, the German Research Foundation (DFG) approved the extension of four additional years. It is the first CRC with a focus on business administration. More than 100 researchers from the following nine universities are involved in the CRC: Paderborn University (host university), Humboldt-Universität zu Berlin, University of Mannheim, researchers of Ludwig-Maximilians-Universität München, Goethe University Frankfurt am Main, Frankfurt School of Finance & Management, University of Cologne and Leibniz University Hannover. The researchers examine how accounting and taxation affect the

transparency of companies and how regulation and firm transparency impact our economy and society. The CRC is funded with approx. EUR 18 million.

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