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## Press Release

### **GBP Monitor: German Companies Skeptical about the Bureaucracy Reduction Act – Most Companies Do Not Expect Any Noticeable Relief**

**The federal government wants to ease the burden on the German economy with numerous new laws. According to the latest results of the German Business Panel (GBP), however, companies in Germany are cautious about the effects of the Fourth Bureaucracy Reduction Act (Viertes Bürokratieentlastungsgesetz (BEG IV)). Although the law aims to reduce bureaucratic costs by almost one billion euros per year, only ten percent of the companies in the survey expect a significant reduction in their bureaucratic workload. The manufacturing industry, healthcare, construction, and retail sectors have particularly low expectations.**

On 26 September 2024, the Bundestag adopted the Bureaucracy Reduction Act (BEG IV). The law is intended to improve the economic location factors in Germany and promote investments. The key measures include shortening the retention periods for accounting records from ten to eight years, digitizing tax assessments, and reducing reporting and information obligations. In addition, written form requirements will be reduced so that paper signatures are not needed for digitized processes. However, current GBP data shows that 69 percent of the companies in the survey believe that the proposed legislation will only have a minor or very minor impact on their bureaucratic burden. Only ten percent expect a noticeable reduction in their workload.

The reasons for this become clear in the survey results: For the majority of the companies, the main cause of their bureaucratic burden is the implementation of the laws by state authorities and less the law itself. Over 57 percent of respondents say that bureaucracy arises equally from legal requirements and from interacting with authorities. 21.1 percent of respondents even state that bureaucracy arises primarily from interaction with authorities and less from the regulations. Particular complaints include multiple data entries, the lack of networking between authorities, the digitalization backlog and lengthy administrative procedures.

"Significantly reducing government bureaucracy has the potential to revive the German economy and increase company profits," explains Professor Dr. Philipp Dörrenberg, Chair of

Business Administration and Taxation at the University of Mannheim and scientific project manager of the GBP. According to the GBP results, companies estimate that they lose around 16.9 percent of their potential profit due to unnecessary bureaucratic requirements. For companies that see dealing with authorities as the main cause of bureaucracy, this loss is as high as 19.6 percent.

Companies see another significant bureaucratic burden in the area of taxes and social security contributions. In fact, 50.1 percent of companies cite taxes as the main cause and 68.1 percent see social security obligations among the three most important areas that cause bureaucracy. Looking at tax obligations, trade tax (62.2 percent) and VAT (60 percent) are among the bureaucracy drivers.

More reporting obligations that have recently been introduced in connection with sustainability reporting (CSRD) and the Supply Chain Act (LkSG) have also increased the administrative burden for companies in Germany. Despite certain size limits, these documentation obligations often also affect smaller companies, for example if they have to pass on data within the supply chain. The GBP data confirms this: 30 percent of companies with more than 1,000 employees that are directly subject to the Supply Chain Act (Lieferkettensorgfaltspflichtengesetz) see this as a bureaucratic hurdle. For companies with fewer than 1,000 employees, the number is as high as 35 percent.

The consequences of bureaucratic burdens are reflected in the investment decisions of German companies: 56.4 percent of companies stated that they had canceled planned investments in the last two years due to this reason. For companies that complain about bureaucracy due to supply chain regulations, the number is as high as 65 percent.

"Bureaucratic hurdles due to documentation requirements along the supply chain are often an obstacle to investment for German companies and can even lead to negative economic effects," says Dörrenberg. 23.6 percent of the companies affected have relocated projects abroad. The number is only 10.4 percent for companies that do not feel burdened in this aspect.

Bureaucratic hurdles ultimately have an impact not only on investments, but also on personnel decisions. The GBP data shows that more staff were hired in the area of compliance (61.5 percent), but less in the growth-promoting core business. Around 46 percent of companies there have refrained from hiring the skilled workers they need due to the bureaucratic effort involved. This effect is even more pronounced in larger companies with more than 50 employees.

"Despite legislative efforts, the bureaucratic burden still represents a considerable hurdle for many companies in Germany. Dealing with authorities in particular is a major challenge for companies. Without a comprehensive reform of these processes, the success of reducing bureaucracy is limited from the perspective of many companies," summarizes Dörrenberg.

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

**[https://www.accounting-for-transparency.de/wp-content/uploads/2024/10/gbp\\_monitor\\_okt\\_2024.pdf](https://www.accounting-for-transparency.de/wp-content/uploads/2024/10/gbp_monitor_okt_2024.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](http://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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