



Government action in challenging times

Economic situation and framework conditions

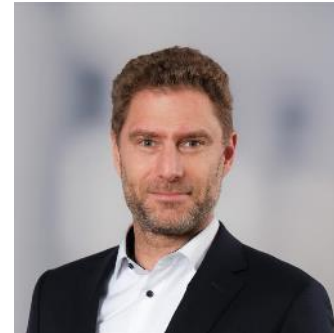
Overview | Your speakers



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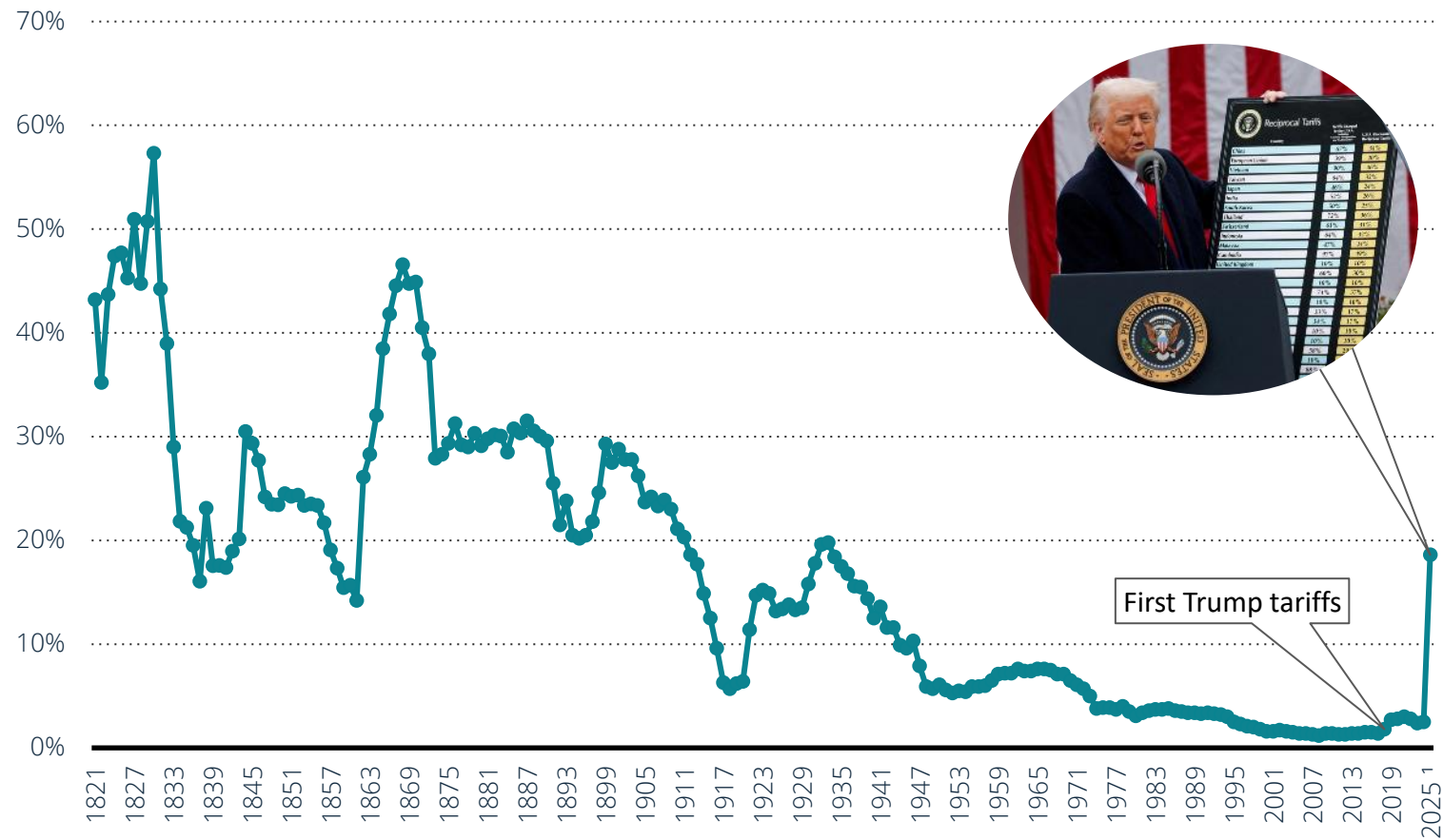
Questions & Answers

Geopolitical and economic overview

Trade policy | US tariffs disrupt global trade patterns

High tariffs are the new normal

Average tariff rate on imports into the USA 1821-2025



- **Current Tariff Rate:** Average effective U.S. tariff rate stands at 18.6%, the highest since 1933.
- **Trade deals:** Nearly 70 countries are subject to US tariffs ranging from 10–50%. Some trade agreements ease the impact, while other countries face significant challenges:
 - **EU:** 15% tariffs on products, along with investments in the US (\$600 billion) and energy imports (\$750 billion)
 - **UK:** 10% universal tariff with exemptions (aircraft parts and engines)
 - **Vietnam:** 20% universal tariff and 40% for trans-shipped goods
 - **China:** 30% universal tariff (10% for US exports) and better access to rare earths and magnets for US firms
- **Acceleration of free trade negotiations outside the U.S.** (UK-India FTA)

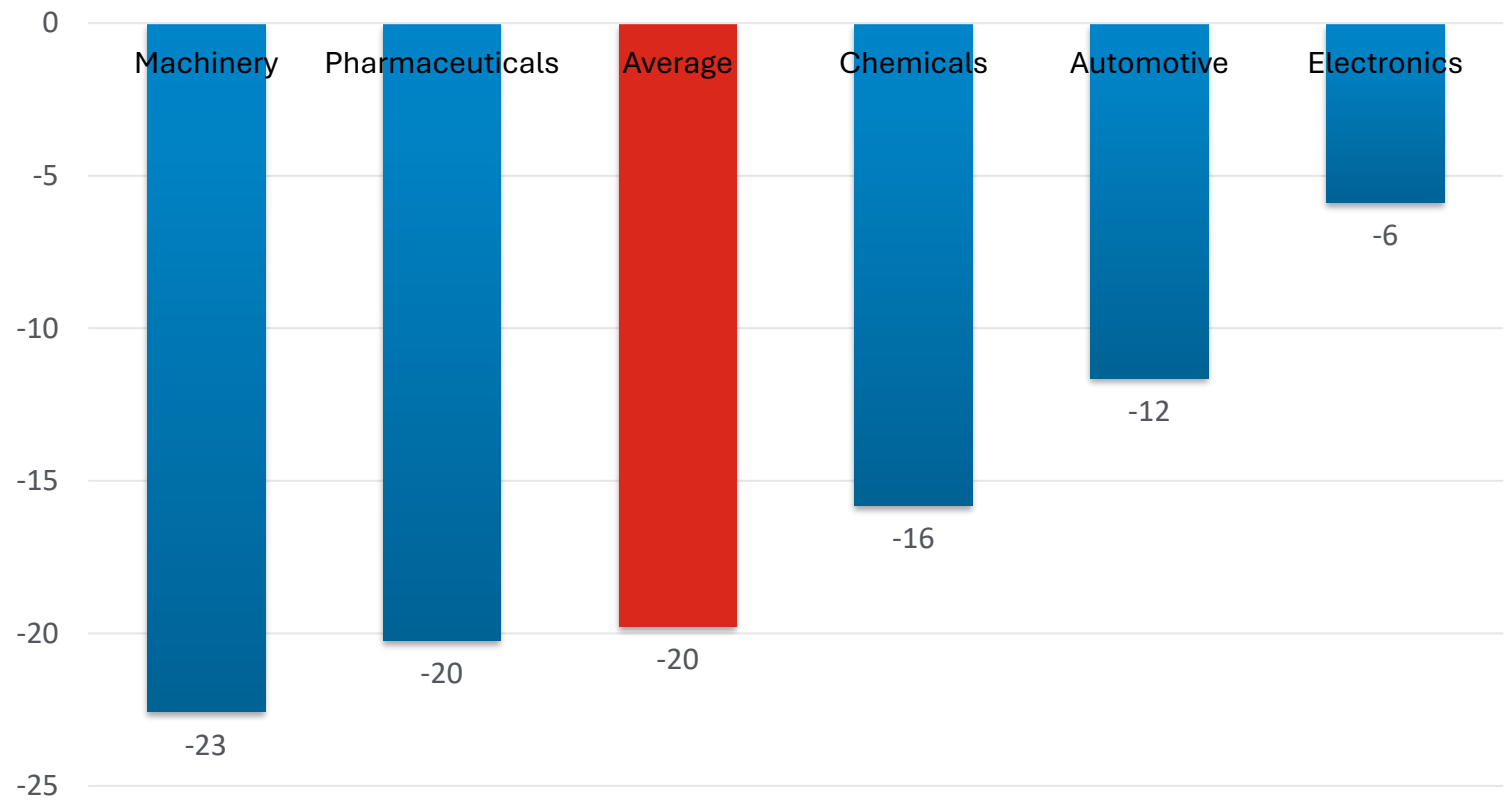
Source: US International Trade Commission; US Census Bureau; Tax Foundation, Yale Budgetlab (2025)

Trade policy | EU-US tariff deal eases risks but poses major challenges for German exporters

Key actions for exporters include reviewing and restructuring supply chains to adapt to the new trade environment.

Outlook for German exports to the US under the new tariff regulations

Export change in % Medium term (2-3 years)

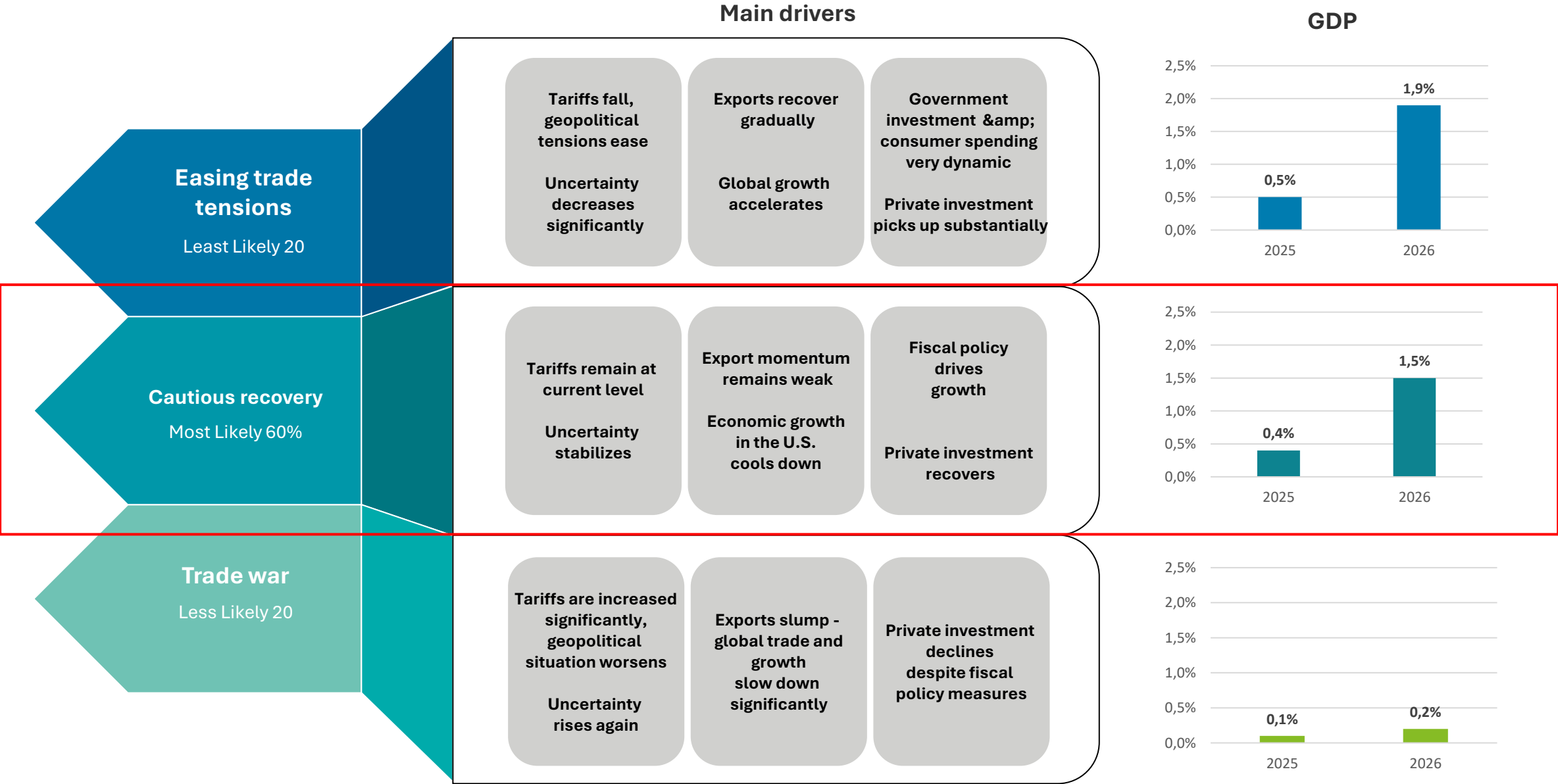


Deloitte trade simulation

- 15% uniform US tariffs on EU goods raise costs in the US, reducing demand for German exports
- German exports to the US are expected to decline by €31 billion in the medium term
- Export growth to Indonesia, South Korea, and within the EU may partially offset losses
- Overall, Germany faces a net export loss of €7.1 billion

Source: Deloitte Trade Foresight (2025)

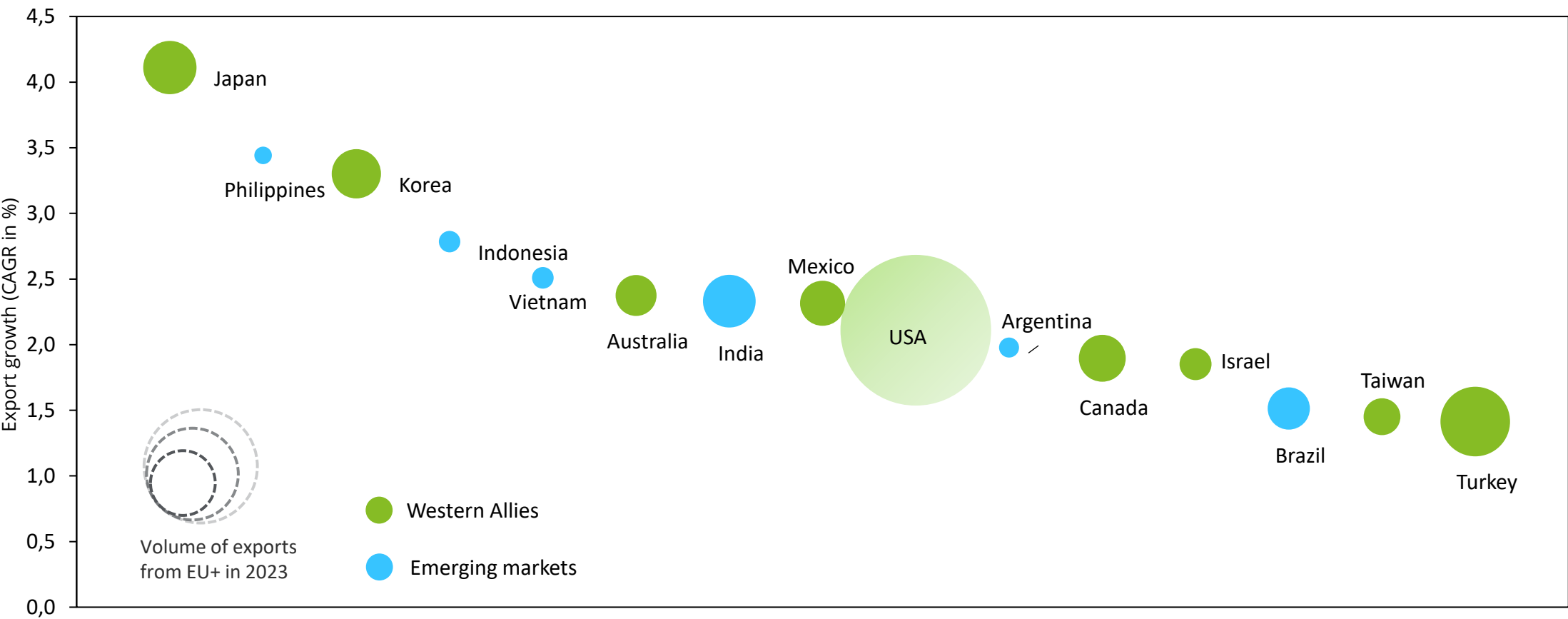
Economic Scenarios | Minimal growth expected this year, significantly more next year



Outlook | New markets wanted

Europe's trade corridors will change in the next decade - established as well as emerging Asian countries will become key export markets

Top 15 EU+ export destinations (2035, GDP >400 billion USD)

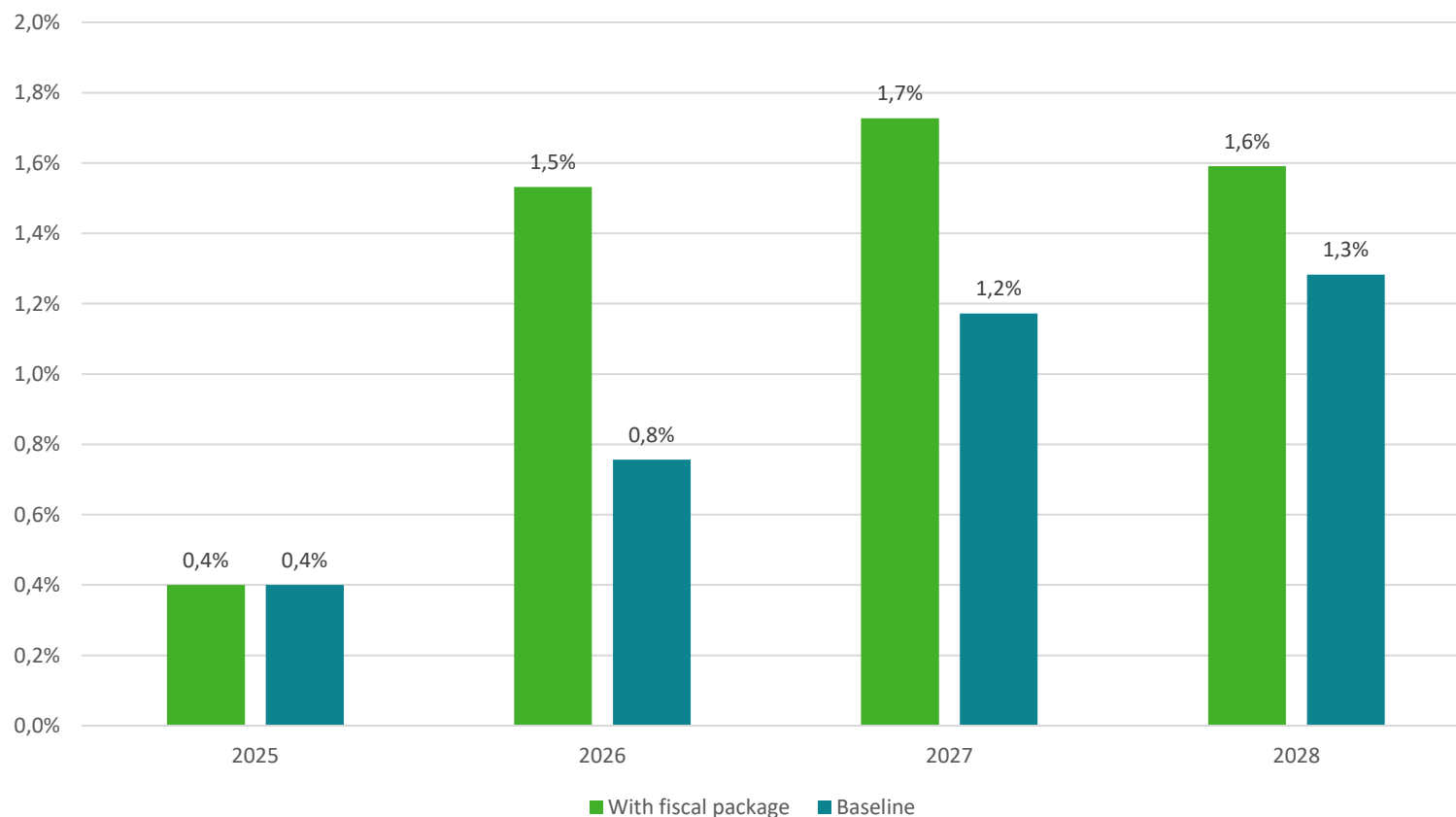


Source: Deloitte New rules of globalization

German economic policy focus | Defense & infrastructure

Defense and infrastructure packages will have the greatest impact between 2026 and 2028 – depending on how the money is spent

Forecast GDP Growth Germany [%]



Source: Deloitte Research, Oxford Global Economic Model

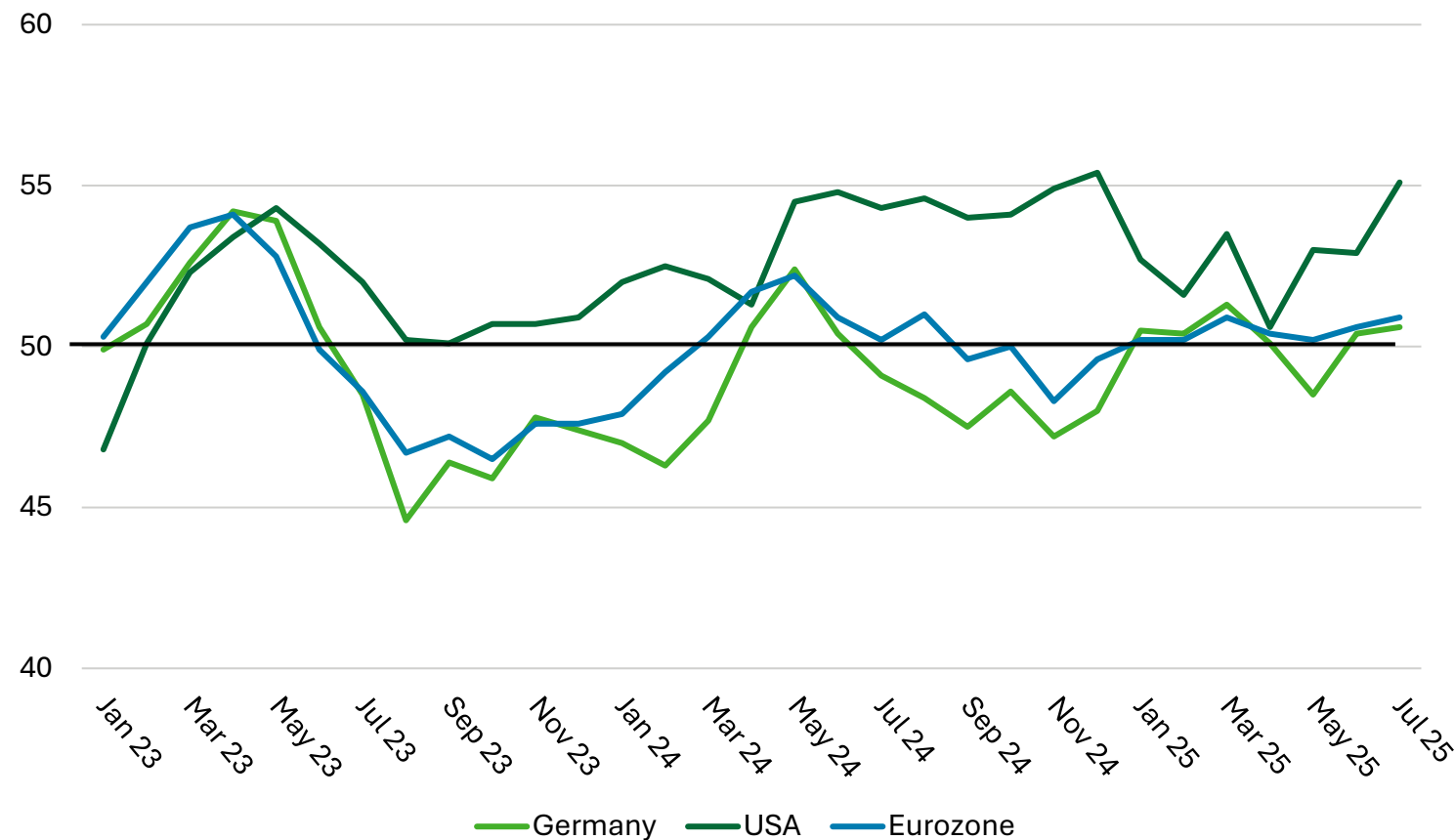
Deloitte Legal 2025

- Substantial **time lag** between announcement and implementation – development of investment plan and programs
- **Economic effects** dependent on **distribution between investments** and government **consumption**
- **Upside risks:**
 - **Technological spill-overs** from defense R&D and start of a technological catch-up process
 - Higher **productivity** – if **structural reforms** follow
- **Downside risks**
 - Increasing **bond yields** and **inflation** pressures
 - Outsourcing of planned investments from the budget to special funds without additional effect

Economic Situation | Early indicators rising

Business activity in Germany back in positive territory – cautious recovery underway

Purchasing Manager Index (50 = no change)



Source: LSEG Data & Analytics (2025)

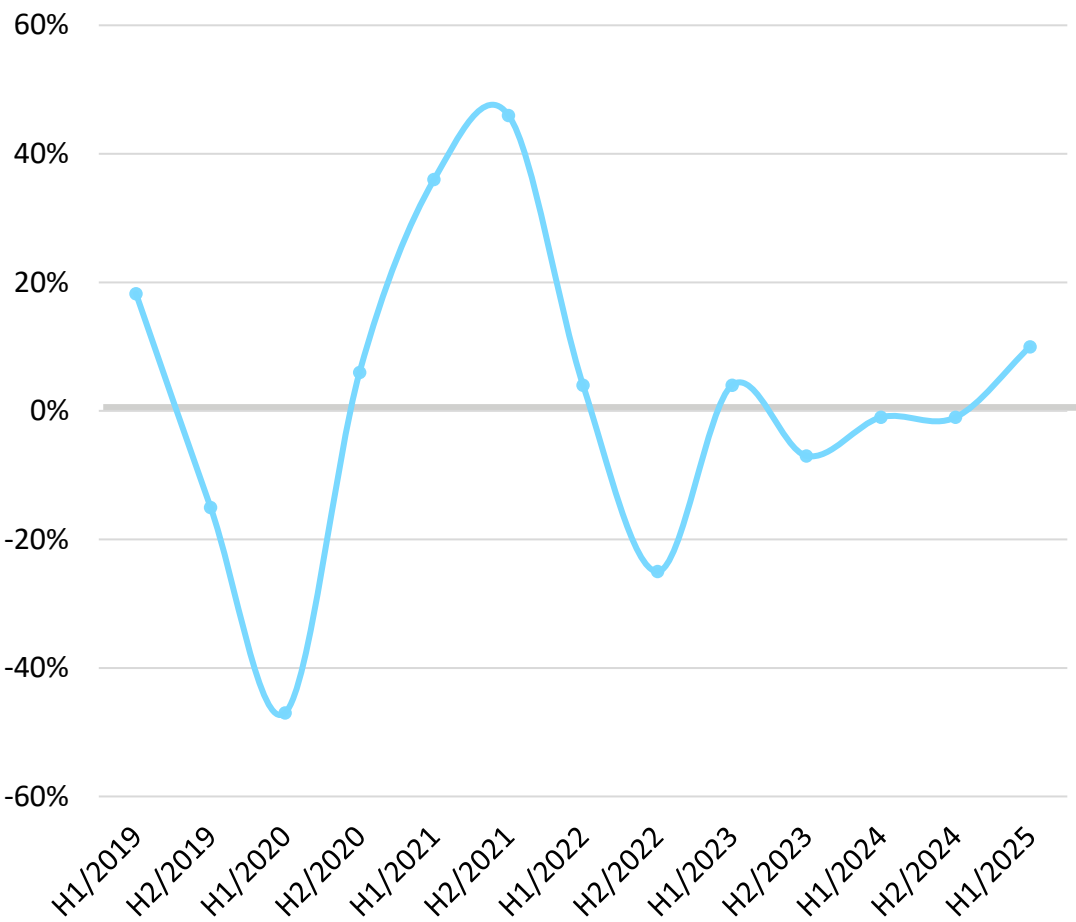
Germany

- Slightly faster business activity growth, led by rebound in services (50.6 July vs 49.7 June)
- Manufacturing remained in contraction (49.1 July vs 49 June)
- However, business activity is very close to the neutral threshold of 50 – no dynamic recovery or clear direction in sight

Economic situation | Investment intentions

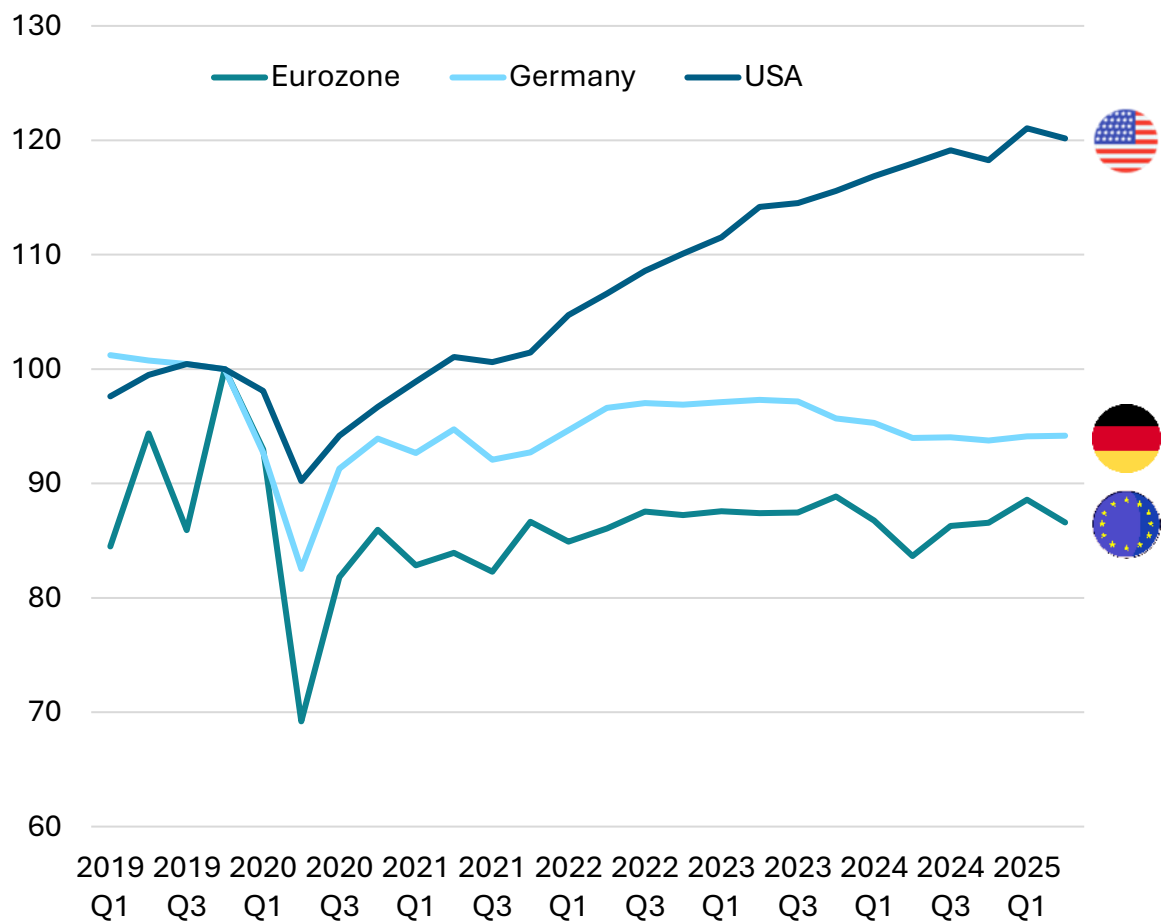
CFO survey suggests a slight recovery in planned investments – huge investment gap developed over last years

Investment intentions (CFO survey Germany)



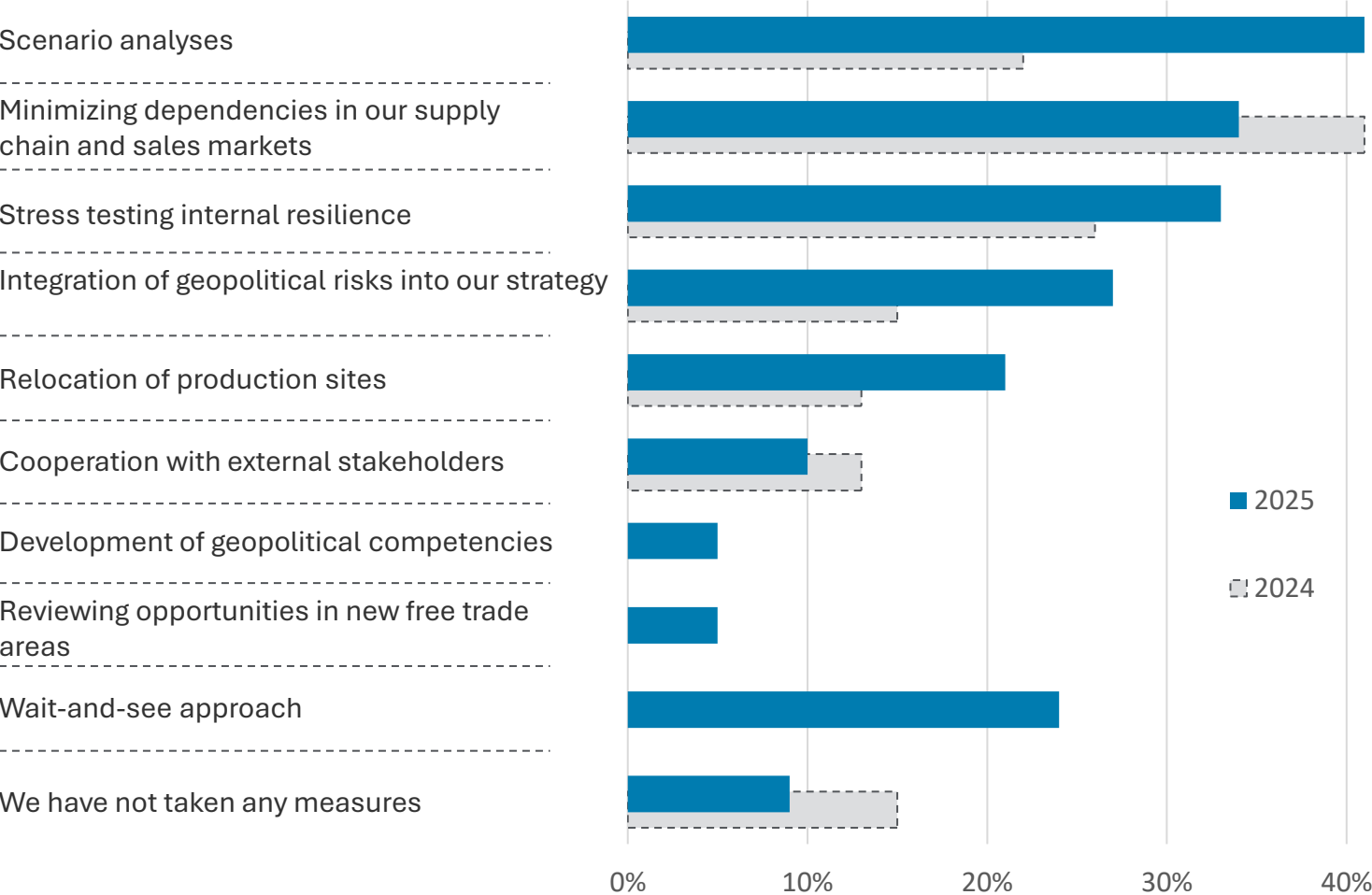
Sources: Oxford Economics, CFO Survey (2025)

Investments, international comparison (real, 2019 Q4 = 100)



Outlook | Companies are (partly) developing geoeconomic resilience

Question: What measures is your company investing in to be better prepared for geopolitical risks?



"We may be entering a period of more frequent, and potentially more persistent, supply shocks — a difficult challenge for the economy and for central banks"



Source: Deloitte CFO Survey Spring 2025

Tax law overview

I. Tax legislation in Germany

Selection of tax law topics from the coalition agreement

Corporate taxation

- ✓ Introduction of a 30 percent declining balance depreciation allowance on equipment investments in 2025, 2026, and 2027
- ✓ Reduction of corporate income tax in five steps by one percentage point each from January 1, 2028
- Significant improvement of the option model under Section 1a of the German Corporation Tax Act (KStG) and the retention allowance under Section 34a of the German Income Tax Act (EStG)
- Examination of whether, from 2027, the commercial income of newly founded companies can fall within the scope of corporation tax regardless of their legal form
- Increase the minimum trade tax rate from 200 to 280 percent and take administrative measures to effectively counteract fictitious relocations to trade tax havens
- Adherence to the global minimum tax; support for work at the international level to achieve permanent simplifications
- ✓ Advocating for a uniform assessment basis for corporate income tax at EU level
- Increasing the subsidy rate and the assessment basis for the tax research allowance and simplifying the procedure

Capital market

- Support for a financial transaction tax at European level
- Examine further measures to prevent any unjustified advantages in dividend taxation ("cum-cum transactions")

✓ = Implemented with the law for an immediate tax program

Selection of tax law topics from the coalition agreement

Income tax / Payroll tax

- Reduction in income tax for low and middle incomes in the middle of the legislative period
- Gradual reduction of the gap between the tax relief effect of child allowances and child benefit
- Legal regulation for an adequate increase in child benefit in the event of an increase in the child allowance
- Increase or further development of the single parent relief amount
- Solidarity surcharge remains unchanged
- Tax exemption for overtime pay that exceeds the full-time work agreed in collective agreements or based on collective agreements (full-time work under collective agreements: weekly working time of at least 34 hours; working hours not specified or agreed in collective agreements: 40 hours)
- After reaching the statutory retirement age: tax exemption of salary from voluntary continued work up to €2,000 per month; additional measures are to be taken to prevent false incentives
- Tax exemption on income from an early retirement pension account until retirement age
- Tax relief on premiums for extending working hours for part-time workers
- Increase in the commuter allowance to 38 cents per kilometer from January 1, 2026 **(StÄndG-E)**
- Examine whether income-related expenses from employment can be combined in a flat rate for working days

Selection of tax law topics from the coalition agreement

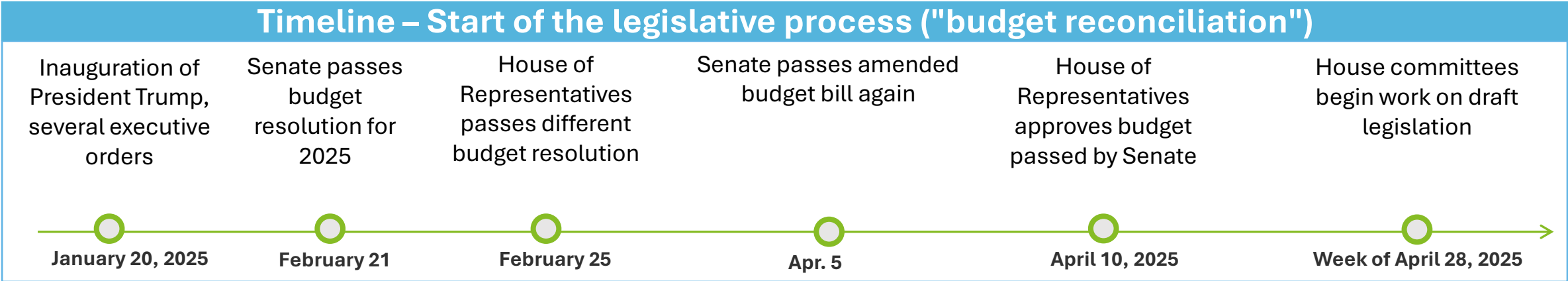
Value added tax/excise duties

- Reduction of sales tax on food in restaurants to 7 percent as of January 1, 2026 (→ **StÄndG-E**)
- Together with the federal states, conversion of the collection of import sales tax to a clearing model
- Exemptions for research in the Value Added Tax Act
- Reduction of the electricity tax in a first step to the European minimum level and of grid fees in order to achieve relief of at least five cents per kWh
- Full reintroduction of the agricultural diesel rebate
- Exemption of the use of alternative fuels in agriculture and forestry from energy tax
- Air transport-specific taxes, fees, and charges should be reduced and the increase in air transport tax should be reversed

II. International environment: USA (OB3) and OECD

Tax reforms in the USA: “One Big Beautiful Bill”

The legislative process



Comments

Context

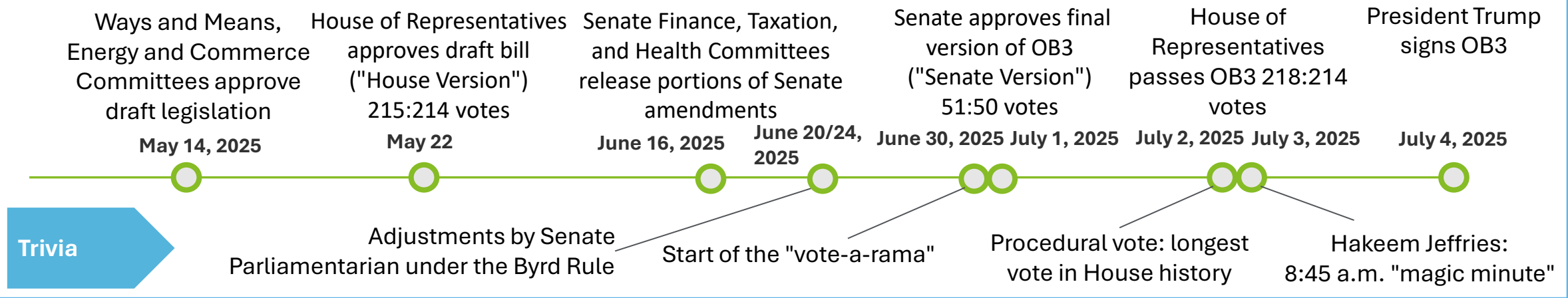
- At the beginning of Donald Trump's term in office, early discussions on whether the Republicans' tax and economic policy goals should be implemented in two bills (John Thune's initial position) or in one bill (President Trump's position)
- Bipartisan legislative process not an option given the political situation in the US

Budget process in the US

- Concurrent resolution by the House of Representatives and Senate (no approval by the president and no legal force)
- Resolution by April 15 of the year; without a resolution, the previous year's resolution remains in force
- Reconciliation procedure for adoption by simple majority requires a uniform budget draft with reconciliation instructions (= instructions to committees to propose measures to achieve specific budgetary targets (revenue and expenditure))

The legislative process

Timeline – Debate, vote, and signing



Comments

Controversial law	<ul style="list-style-type: none">Smallest possible majority in the Senate (50+1), narrow majorities in the House of Representatives, not a single vote from Democrats
Dynamic and complex procedure	<ul style="list-style-type: none">Some minor changes to the procedure in order to secure the approval of individual senators and representativesVery short period between the first draft versions becoming known and the signed legislative package
Ongoing uncertainties	<ul style="list-style-type: none">Numerous provisions still require implementing regulations ("Guidance") from the IRS

OB3 – Overview of content

Tax changes for individuals

Indefinite:

- Extension of reduced tax rates for individuals from the TCJA
- Increase in the standard deduction
- 20% QBI deduction (IRC Sec. 199A)
- Extension of increased AMT exemptions
- Permanent elimination of personal exemptions
- Establishment of a uniform tax exemption for inheritances and gifts of \$15 million (single persons) or \$30 million (jointly assessed married couples) from 2026

Temporary:

- Increase in the cap on the SALT deduction to \$40,000 for 5 years (PTET remains in place)
- Tax exemption for overtime pay and tips (until 2028)
- Interest deduction (\$10,000) for car purchases

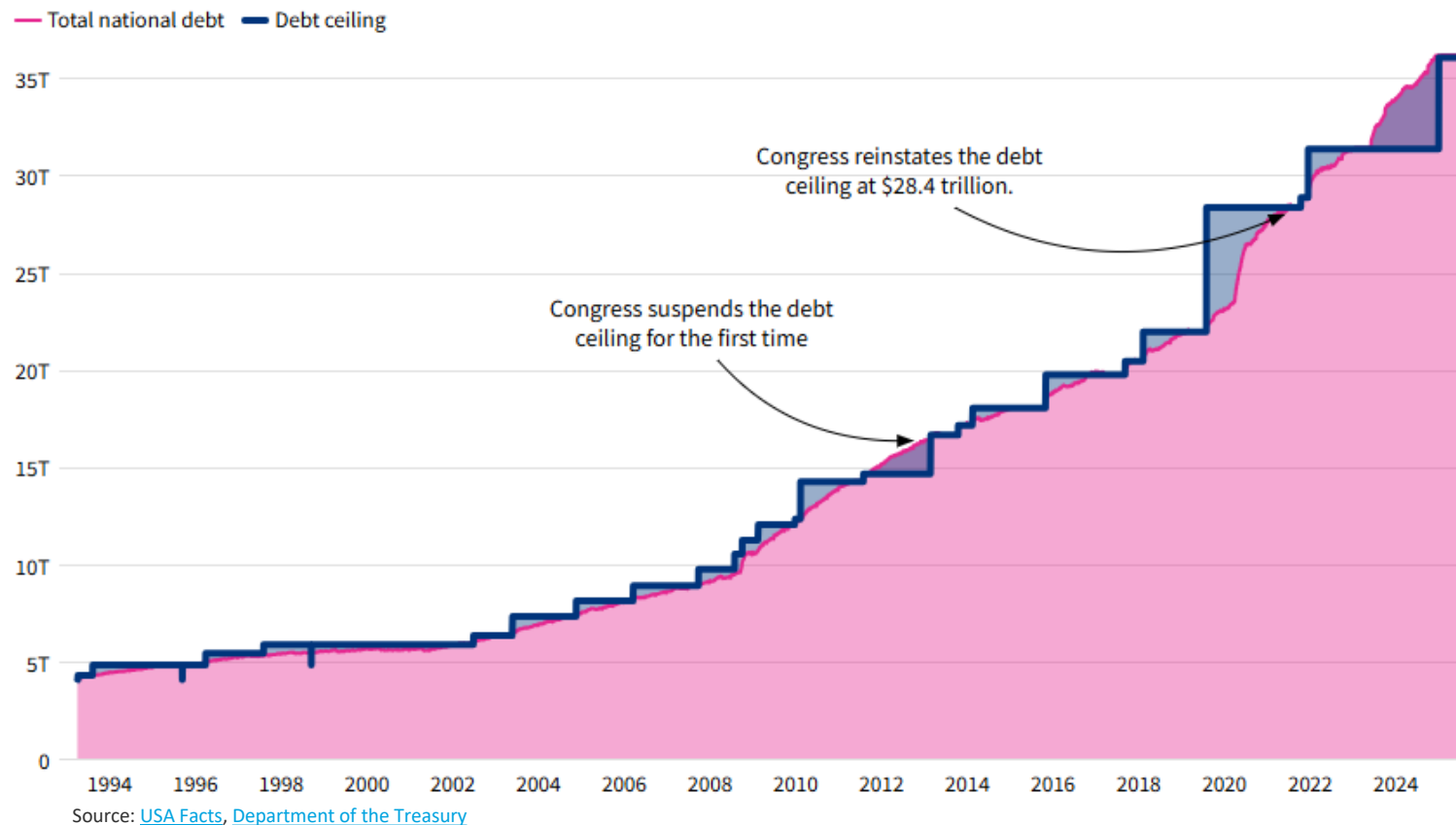
Tax changes for companies

- Permanent introduction of 100% special depreciation for certain assets
- Reintroduction of immediate depreciation for domestic research and development costs
- Calculation of interest deduction limitation on an EBITDA basis
- Immediate depreciation for the construction of new production facilities (until 2029)
- Abolition of IRA tax credits for clean energy and vehicles
- GILTI tax rate: 13.125%
- FDII tax rate: 14%
- BEAT tax rate: 10.5%
- "Look-through" rule of IRC Sec. 954(c)(6)

➤ **In addition to tax policy, the OB3 focuses on border security and defense, as well as energy security.**

Debt ceiling and current US debt from 1993 to 2025

- The OB3 raises the debt ceiling by another \$5 trillion. It was only in January 2025 that Congress set the debt ceiling at \$36.1 trillion.
- US government debt-to-GDP ratio in 2025: 127.4% (Germany 62.7%)



IV The proposed IRC Sec. 899 and the G7 agreement

“Agreement to come to an agreement”

OB3, Sec. 899, and the G7 statement

Tax dispute between the US and the OECD/EU

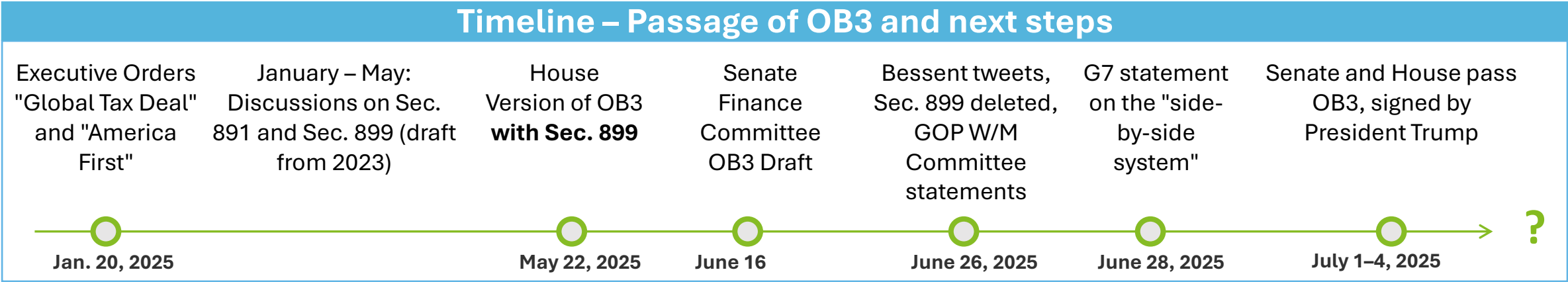
Sec. 891 and Draft Sec. 899

- Sec. 891 (which came into force in 1934) allows tax rates to be doubled for taxpayers from certain uncooperative countries (but presumably DTA takes precedence).
- 2023: Initial proposal for Sec. 899 by Jason Smith (R)
- 2025: Legislative initiative by Jason Smith/Ron Estes (both R)

Comparison: House and Senate versions

	House of Representatives	Senate
Effective	January 1, 2026, at the earliest	January 1, 2027, at the earliest
Affected countries	Discriminatory Foreign Countries (DFCs): Countries with UTPR, DST, DPT	Offending Foreign Countries (OFC) with UTPR or DST, but penalty tax rate only for UTPR
Penalty tax rate	5% p.a., max. 20% above the statutory rate	5% p.a., max. 15% above statutory rate or "rate in lieu of" (DTA!)
BEAT tightening	12.5% rate, no thresholds, no service cost method, no exception for capitalized costs	No minimum size, reduced thresholds, no service cost method, no exception for capitalized costs
Exceptions / Other	Exception for portfolio interest, relationship to Sec. 891 unclear	Certain exceptions, priority of Sec. 891

OB3, Sec. 899 and the G7 statement

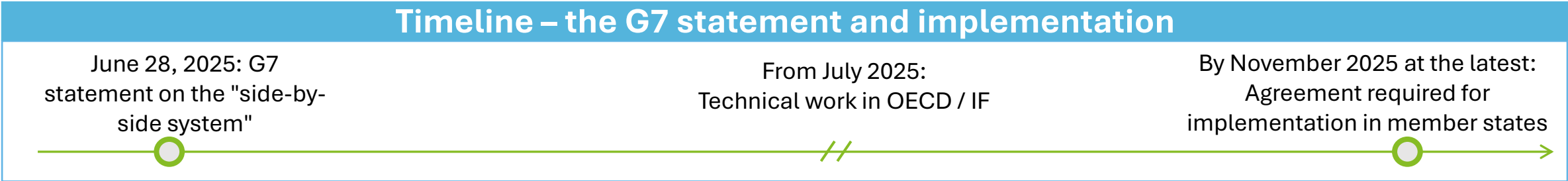


G7 statement

This understanding ... is based on the following accepted principles:

- A side-by-side system would fully exclude U.S. parented groups from the UTPR and the IIR with respect to both their domestic and foreign profits.
- A side-by-side system would include a commitment to ensure any substantial risks that may be identified with respect to the level playing field, or risks of base erosion and profit shifting, are addressed to preserve the common policy objectives of the side-by-side system.
- Work to deliver a side-by-side system would be undertaken alongside material simplifications being delivered to the overall Pillar 2 administration and compliance framework.
- Work to deliver a side-by-side system would be undertaken alongside considering changes to the Pillar 2 treatment of substance-based non-refundable tax credits that would ensure greater alignment with the treatment of refundable tax credits.

The G7 statement and next steps



The parties involved: Next steps and selected difficulties	
G7 / OECD / G20 / IF	<ul style="list-style-type: none">• Large parts of the statement are vague (especially common policy objectives and level playing field)• Solution (IIR/UTPR exemption for US-parented MNEs) leaves much complexity behind and leads to distortions (see examples on previous slide)• Changes to the OECD Model Rules require consensus in the Inclusive Framework (IF)• Additional complexity due to linking customs discussions with tax law (see DSTs)
EU	<ul style="list-style-type: none">• Implementation of Pillar 2 mandatory under EU directive, amendments require unanimity• Implementation via Safe Harbor (Art. 32 of the Directive: no supplementary tax in a tax jurisdiction "if the effective tax rate of the business entities located in that tax jurisdiction meets the conditions of a relevant international Safe Harbor agreement") requires agreement at OECD/IF level and may not be a viable option for all possible solutions• Also with Safe Harbor: Legal implementation in member states required → time pressure
USA	<ul style="list-style-type: none">• Sec. 899 has been repealed, but may be reinstated (at least as long as the GOP has a majority): "Congressional Republicans stand ready to take immediate action if the other parties walk away from this deal or slow walk its implementation." (June 26 statement)

What else is new?

Complex environment in relation to the US

Trade and tax policy cannot be viewed separately from one another, which means that tax policy is not purely national either.

Interdependencies, Erratics, and Miscellaneous

Non-tariff trade barriers

- German "registered case taxation" was deemed a non-tariff trade barrier
- Treatment of US tech companies in Europe (regulation, competition law, taxation)

Digital taxes and levies

- In Germany:
 - Initiative by Minister of State for Culture Weimer
 - September: Meeting between representatives of the Austrian Federal Ministry of Finance and the finance working group of the Union faction
- In Europe:
 - Numerous countries with digital levies
 - Older proposals for directives on digital taxes
- Worldwide:
 - Original OECD plans as a "two-pillar solution"
 - Resumption of discussions on Pillar 1 after finalization of the side-by-side agreement

EU and SoU address

- Criticism of EU/US trade deal from the EU Parliament
- Conflict between the trade deal and other policy areas (digital, Green Deal, etc.)

Challenges and reform in public procurement law

Current developments in public procurement law

Increasing relevance of implications under WTO procurement law

- Public procurement law as a trade policy vehicle and evidence of recurring protectionism
 - ECJ, judgment of March 13, 2025, C-266/22; ECJ, judgment of October 22, 2024, C-652/22
 - Foreign Subsidies Regulation (FSR); International Procurement Instrument (IPI)
- Government Procurement Agreement (GPA) as framework for the reform of EU public procurement law

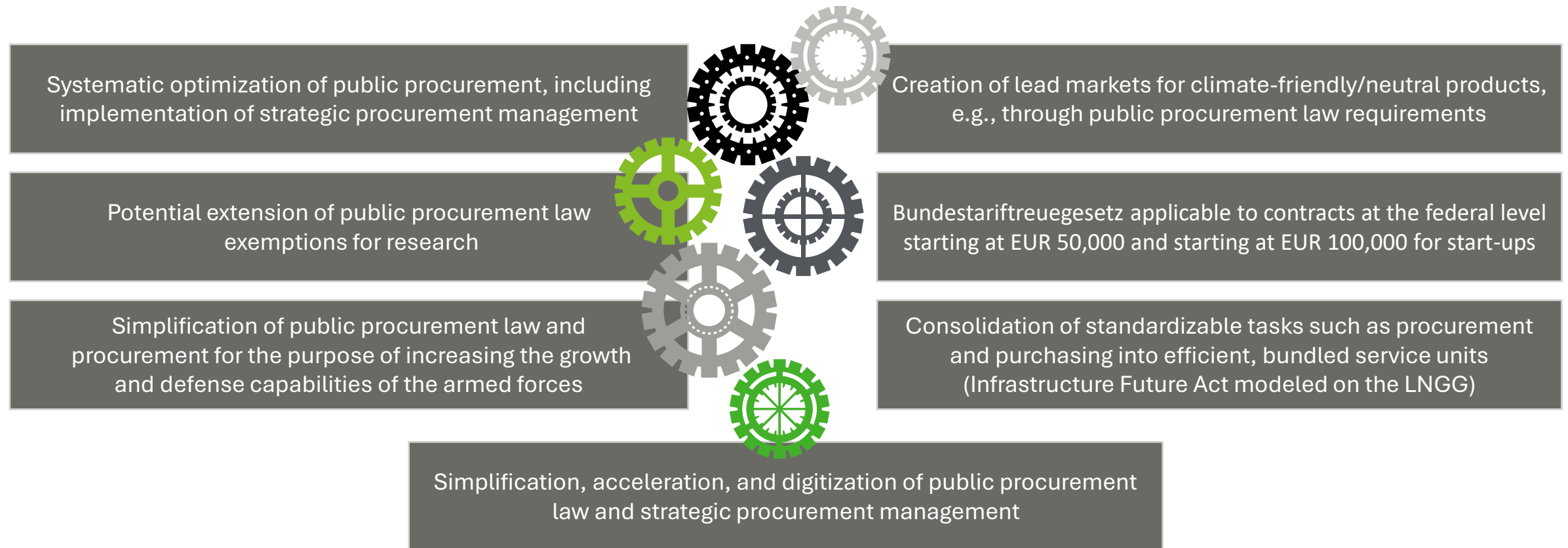
Reform of EU public procurement law

- Announcement of a reform of the EU public procurement directives
- End of the consultation process on March 7, 2025, summary report by the Commission in May 2025
- Adoption of a report with priorities in the Committee on the Internal Market and Consumer Protection on July 7, 2025

Procurement transformation in Germany

- Public Procurement Transformation Act (VergTransG) subject to the principle of discontinuity
- Parallel evaluation of the Public Procurement Law Modernization Act (VergRModG) and the Public Procurement Law Modernization Ordinance (VergRModVO) by the BMWK
- Political agenda from the coalition agreement between the CDU, CSU, and SPD
- Government draft for the Procurement Acceleration Act and the Federal Collective Bargaining Act on August 6, 2025

Coalition agreement between the CDU, CSU, and SPD



Government draft – Procurement Acceleration Act

Simplification, acceleration, and digitization of public procurement law

Significance

- Public procurement as an economic driver with an annual contract volume in the low triple-digit billion range
- Expected relief effects of EUR 98.9 million for the economy and EUR 281.9 million for the administration each year based on the compliance costs
- Continued commitment to harmonizing reforms in the sub-threshold area in agreement with the federal states and at European level as the legal framework for national procurement law
- Reduction in the scope of regulation compared to the procurement transformation package, particularly in the sub-threshold area

Simplification of the procurement process and reduction of bureaucracy

- Increase in the value limit for direct contracts awarded by the federal government from EUR 15,000 to EUR 50,000
- Facilitation of public-public cooperation in accordance with Section 108 GWB by specifying the exception
- Reduction of documentation requirements by establishing self-declarations as the primary form of documentation and standardizing the principle of proportionality within the framework of suitability criteria and evidence
- Possibility of exemption from the previously mandatory consequence of invalidity in the case of de facto awards within the meaning of Section 135 GWB for compelling reasons of general interest

Digitization

- Electronic implementation of market research
- Extended use of links in electronic notices and electronic communication
- Abandonment of the dual control principle when using an audit-proof electronic procurement system

Government draft – Procurement Acceleration Act

Simplification, acceleration, and digitization of public procurement law

Promotion of small and medium-sized enterprises and strengthening of start-ups and innovations

- Benefiting from general simplification measures
- Only narrow exceptions to the SME-friendly principle of lot
- Possibility for contracting authorities to oblige contractors in a total award to take into account the interests of SMEs in the case of subcontracts
- Requirement to decide and comment on greater consideration of alternative bids as a means of promoting innovative solutions and innovative companies
- Clarification that there is a legitimate reason for alternative proof of economic and financial capacity, especially for young companies
- Separately (but at least at the same time), the value limits for direct awards to start-ups with innovative services are to be increased to EUR 100,000

Special fund

- Exemption from the principle of division into lots when the thresholds specified in Section 106(2) of the German Act against Restraints of Competition (GWB) are exceeded by two and a half times for the implementation of urgent infrastructure projects financed from the special fund "Infrastructure and Climate Neutrality"

Defense and security

- Exemption from the principle of lot division limited until 2030 for defense or security-specific public contracts pursuant to Section 104 GWB
- Inclusion of intelligence services in the general exemption under Section 107 GWB to strengthen the confidentiality and security interests of the Federal Republic of Germany
- Possible consideration of defense and security interests with regard to the exception of mandatory invalidity in de facto awards

Government draft – Procurement Acceleration Act

Simplification, acceleration, and digitization of public procurement law

Acceleration and digitization of legal protection

- Elimination of the suspensive effect of immediate appeals
- Facilitation of advance approval of the award by the appeals court by reversing the preponderance of the weighing decision
- Promotion of text-based proceedings (in writing or electronically) and the digital format of file transmission, inspection, and applications
- Many procedural decisions can be made by the presiding judge or full-time associate judge instead of the chamber
- Expansion of decision-making options based on the file
- Enabling video hearings
- Restriction of the right to file applications in cases of obvious abuse of the right to file applications or appeals

Discrimination against third countries

- Restriction of the principle of equal treatment where permitted or required by EU or federal law
- Adaptation to the decisions of the ECJ C-652/22 (Kolin) of October 22, 2024, and C-266/22 (CRRC Qingdao Sifang) of March 13, 2025

Sustainability

- Regulatory authority of the federal government with regard to mandatory climate-friendly requirements in the procurement of services
- Market surveys may also cover social and environmental aspects (as well as aspects of quality and innovation)

Questions and answers





**Thank you very
much**
for your attention.



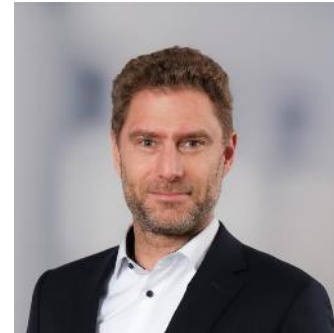
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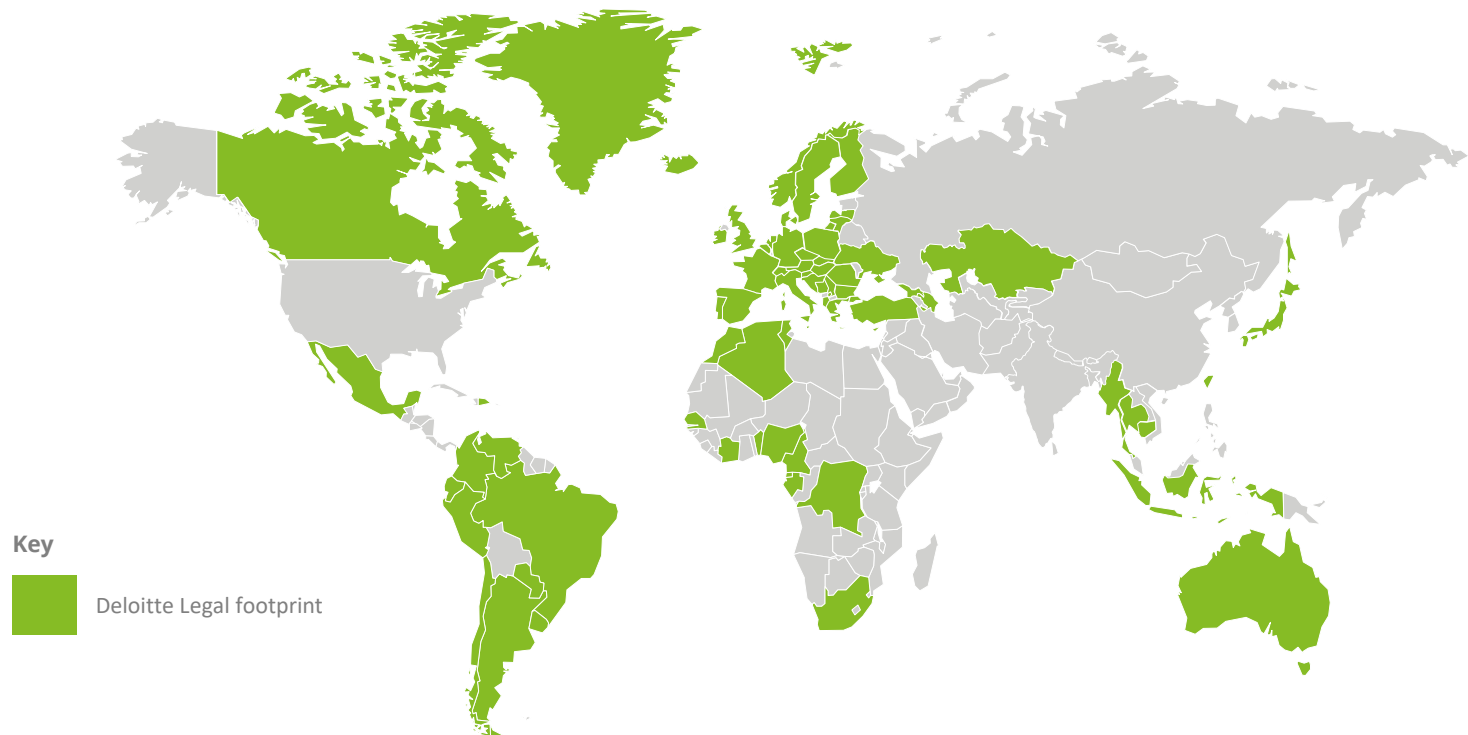
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7. Belgium	21. Democratic Republic of Congo	35. Hong Kong SAR, China	49. Montenegro	63. Singapore	77. Venezuela
8. Benin	22. Denmark	36. Hungary	50. Morocco	64. Slovakia	
9. Bosnia	23. Dominican Republic	37. Iceland	51. Myanmar	65. Slovenia	
10. Brazil	24. Ecuador	38. Indonesia	52. Netherlands	66. South Africa	
11. Bulgaria	25. El Salvador	39. Ireland	53. Nicaragua	67. Spain	
12. Cambodia	26. Equatorial Guinea	40. Italy	54. Nigeria	68. Sweden	
13. Cameroon	27. Finland	41. Ivory Coast	55. Norway	69. Switzerland	
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