



Press Release

Munich, May 5, 2014

Balance of the inheritance tax reform after 5 years:

Strengthening of employment and investment

According to the ifo survey, if business assets are not exempted from taxation 43 percent of family businesses would have to be sold at times of generational transition

The exemption of business assets in terms of inheritance and gift taxes has existential significance for the future of the family business in Germany. This is shown in a broad study of the Ifo Institute on behalf of the Foundation for Family Businesses, which involved 1,729 companies in February and March this year. 43 percent of respondents from the family businesses surveyed by the Ifo Institute who had had an inheritance or gift tax case, said that without this exemption rule for generational transition the company or parts of it would have to have been sold.

„The Federal Constitutional Court is currently considering whether the exemption discounts for business assets are unconstitutional. A decision will take place this year. The discharge of business assets of the inheritance tax is not granted to businesses without condition: You must, among other things, for a property deduction of 85 percent for five years and for a reduction to the tune of 100 percent for seven years, maintain a certain payroll and thus ensure jobs,” warns Prof. Rainer Kirchdörfer, CEO of the Foundation for Family Businesses and Chairman of the Scientific Advisory Board of the Foundation. 43 percent of the family businesses polled hold these legal requirements for the tax exemptions to be too high.

The study „The impact of inheritance tax on family business“ analyzed the impact of inheritance tax reform of 2009 for the first time. 66 percent of family businesses estimate that they would have to reduce investment if it were not for the tax exemptions on business assets in the case of inheritance or gift taxes. 52 percent believe that it in this case the number of their employees would shrink.

„The study clearly shows the positive effects of the tax exemptions for both the labor market and investment. This rule prevents family businesses being significantly weakened in the most delicate phase of the transfer of control of the business. At the same time the state and society also benefit from the tax exemptions, because only the continuity of the business secures the tax income of tomorrow,” said Kirchdörfer.

Of the family businesses, that have taken the property deduction, 39 percent reported that it had led to an increase in their investments. 32 percent claim that the property deduction allowed them to increase their number of employees. „The trend shows that the tax deduction positively affects the number of people employed at companies that employ a larger number of people,” says Prof. Niklas Potrafke, author of the study and head of the Ifo Center for Public Finance and Political Economy. The sample describes the German corporate landscape in terms of various indicators such as location, industry, number of employees and total assets.



The results of the Ifo study make it clear why the more than three million family businesses look with so much anticipation to the decision that will be made in Karlsruhe late this year.

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