



Press release

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Annual Monitor of the Foundation for Family Businesses Companies fear competitive disadvantages through internationally declining tax rates

In view of declining corporate tax rates around the world, German companies fear considerable competitive disadvantages. This situation heightens the pressure on the German federal government to initiate a business tax reform, according to a conclusion drawn by the Annual Monitor of the Foundation for Family Businesses. The 1,250 companies surveyed for the Monitor make this the largest survey on international tax competition, carried out by the ifo Institute on behalf of the Foundation for Family Businesses.

A number of countries alongside the USA, France and Great Britain have resolved on – or already made – noticeable reductions in their corporate tax rates, resulting in competitive disadvantages for German companies vis-à-vis companies domiciled in these other countries. German companies can only benefit from tax reductions at their local offices in these countries.

Some 59 percent of all the companies surveyed assess international tax competition as strong or very strong. Larger companies in particular fear competitive disadvantages: 28.5 percent of companies with more than 250 employees told the Annual Monitor that all in all, international tax competition had negative consequences. Only 15.1 percent of those surveyed claimed to profit from them. Among family businesses, this negative view is significantly greater (31.9 percent) than among non family-owned businesses (16.9 percent).

“The federal government should regard these results as a wake-up call to increase the tax attractiveness of Germany as a business location after years of stagnation,” says Prof. Rainer Kirchdörfer, a member of the Executive Board of the Foundation for Family Businesses. “Germany takes fifth place on the list of the 36 OECD countries with the highest corporate tax rates, and is climbing even higher. A reduction in the tax burden of companies in Germany by at least five percentage points is necessary in order to restore fair competitive conditions. Otherwise, family businesses in particular threaten to become the losers in international tax competition.”

The study’s authors at the ifo Institute likewise recommend a business tax reform in Germany: “The results of the survey illustrate the need for action to improve the tax framework in Germany and prevent a further shift to countries with low tax rates and elsewhere abroad, so as to safeguard jobs and tax revenues in Germany.”



The example of the USA shows that countries can decisively improve their business conditions through lower corporate tax rates. Just under 27 percent of the German companies with facilities in the USA stated that they would expand their local capacities in response to the corporate tax rate reduction, and a further 14.2 percent of the surveyed companies even planned to establish new capacities.

Businesses see a need for action on the part of German legislators, and most companies (70 percent) see the simplification of tax bureaucracy as a priority. The time companies need to manage their taxes has significantly increased in recent years, in their view. 56 percent of the companies surveyed would approve of more international coordination in the tax sector. Considering the stated wish for less bureaucracy, however, we can conclude that this coordination should not lead to greater complexity in the tax system. Nearly half of the surveyed companies (just under 45 percent) call for a reduction in corporate tax rates.

Over 90 percent of all companies in Germany are family-owned. The purpose of the Foundation for Family Businesses, a non-profit organisation, is to preserve the country's family-business landscape. The foundation is the most important promoter of scientific research in this field and first port of call for politicians and the media in matters related to economic policy, legislation and taxation. The foundation was established in 2001 and is meanwhile supported by over 500 companies from among the largest family-owned enterprises in Germany.

Download the study "International tax competition from a company point of view – the Annual Monitor of the Foundation for Family Businesses" at www.familienunternehmen.de.

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