

Startups: Durchbruch für attraktivere Mitarbeiterbeteiligung

From GERMANY: Startups: breakthrough for more attractive employee participation

Automatic translation of the original German text

Berlin, April 4, 2023 - The draft law for the Future Financing Act that has now been published provides for significant improvements for employee capital participation in startups. Bitkom President Achim Berg explains:

“The federal government has taken to heart the criticism of startups regarding the previous regulations on employee capital participation. The changes that have now been announced are really good news for our startup scene and for Germany as a tech location. With a financially more attractive participation of employees, German startups can finally move on an equal footing in the international competition for the best specialists. It is now crucial that no more time is wasted and that the government factions quickly initiate the change in the law. Then many more startup employees will soon be able to benefit from the economic success of the company.

Instead of after twelve years, unsold shares will only have to be taxed after 20 years - and above all, there will be no taxation if you change employer, at least if the start-up voluntarily assumes liability for securing the tax claim. This significantly alleviates the so-called dry income problem, which means that the employees have to pay taxes on the transferred shares, even if they have not yet sold them themselves - or were able to do so at all.

It is also to be welcomed that the income tax that is already due when the shares are transferred can be deferred in more companies, from which fast-growing and internationally expanding start-ups as well as research-intensive start-ups that need more time benefit equally. Previously, this was only possible in companies with up to 250 employees and an annual turnover of 50 million euros, but the limit will be doubled to 500 employees and 100 million euros. In addition, companies can benefit from this for up to 20 years after they were founded, not just twelve years as was previously the case. In addition, a transition period of seven years applies if a startup exceeds the new thresholds. In this way, German startups continue to be supported on their way to becoming European champions.

The coalition also wants to make employee capital participation more attractive in other areas, for example by introducing a flat tax rate of 25 percent for employee capital participation in the future and raising the tax allowance from 1,440 to 5,000 euros. However, other countries are much more ambitious here, in Spain the allowance was recently set at 50,000 euros.”

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