[DE] Media Funds Restricted

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On 24 November 2005, the governing parties adopted a preliminary draft Bill designed to limit certain tax relief schemes ("closed funds"), including media funds.

Under such schemes, investors can offset any initial losses from shareholdings against their tax bill. The prominent feature of the schemes is not the yield on the fund, but the possibility of reducing the investor's taxable income in order to pay less tax.

Under the new Bill, initial losses can only be offset against subsequent gains from the same source of income. Therefore, if the fund does not generate any profit, the investors suffer genuine losses and their tax liability is not reduced.

According to the draft, the new provisions will take effect retrospectively from 11 November 2005. However, some people claim that the retrospective effect is unconstitutional.

Media funds for the financing of films are often based on the "closed funds" model. The Federal Government stressed that the restrictions on the tax relief schemes would not have a detrimental effect on the German film industry. In particular, other methods of funding for German films would be investigated.

The amendments will not enter into force until the legislative process is complete.

Pressemitteilung der Bundesregierung vom 24. November 2005

http://www.bundesregierung.de/

Federal Government press release of 24 November 2005

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