

# EU BUSINESS NEWS & INSIGHTS

## Minimum Wage in Germany

The German Parliament (Bundestag) approved with a significant majority (535 in favor, 5 against and 61 abstentions) on 3<sup>rd</sup> July the first minimum wage in Germany, which will be set at 8.50 Euros per hour. Subject to the ratification of the Federal Council (Bundesrat), it will become effective from the 1<sup>st</sup> January 2015. Two-year transitional period will be granted to some sectors and the wage will be reviewed annually starting from 2018. The reform is viewed as a victory of the Social Democratic Party (SPD) which successfully secured the legislation of the minimum wage with Angela Merkel's Christian Democrats during the negotiation of a CDU-SPD coalition following the German election in September last year.

According to the German Labor Minister Andrea Nahles, 3.7 million workers would benefit from the minimum wage and this would bring more fairness to business and society and make Germany stronger. However, some of trade union representatives are not very satisfied with the exceptions, in which, for example, interns, seasonal workers and others would not immediately benefit from the new wage requirement. Concerns are also raised by business leaders and lobbyists warning that the minimum wage could undermine German economic competitiveness and slow down job creation. SMEs are particularly vulnerable as it would be more difficult for them to transfer the extra cost to consumers.

In the European Union, the majority of countries have already set up the minimum wages. Germany is currently one of the seven EU member states without any statutory minimum wage. As shown in table 1 below, the minimum wage varies in different EU countries, with Luxembourg having the highest minimum wage (€11.10 per hour) and Bulgaria the lowest (€1.04 per hour). Germany's new minimum wage will be lower than France (€9.53/hour) but higher than that of the UK (€7.43/hour).

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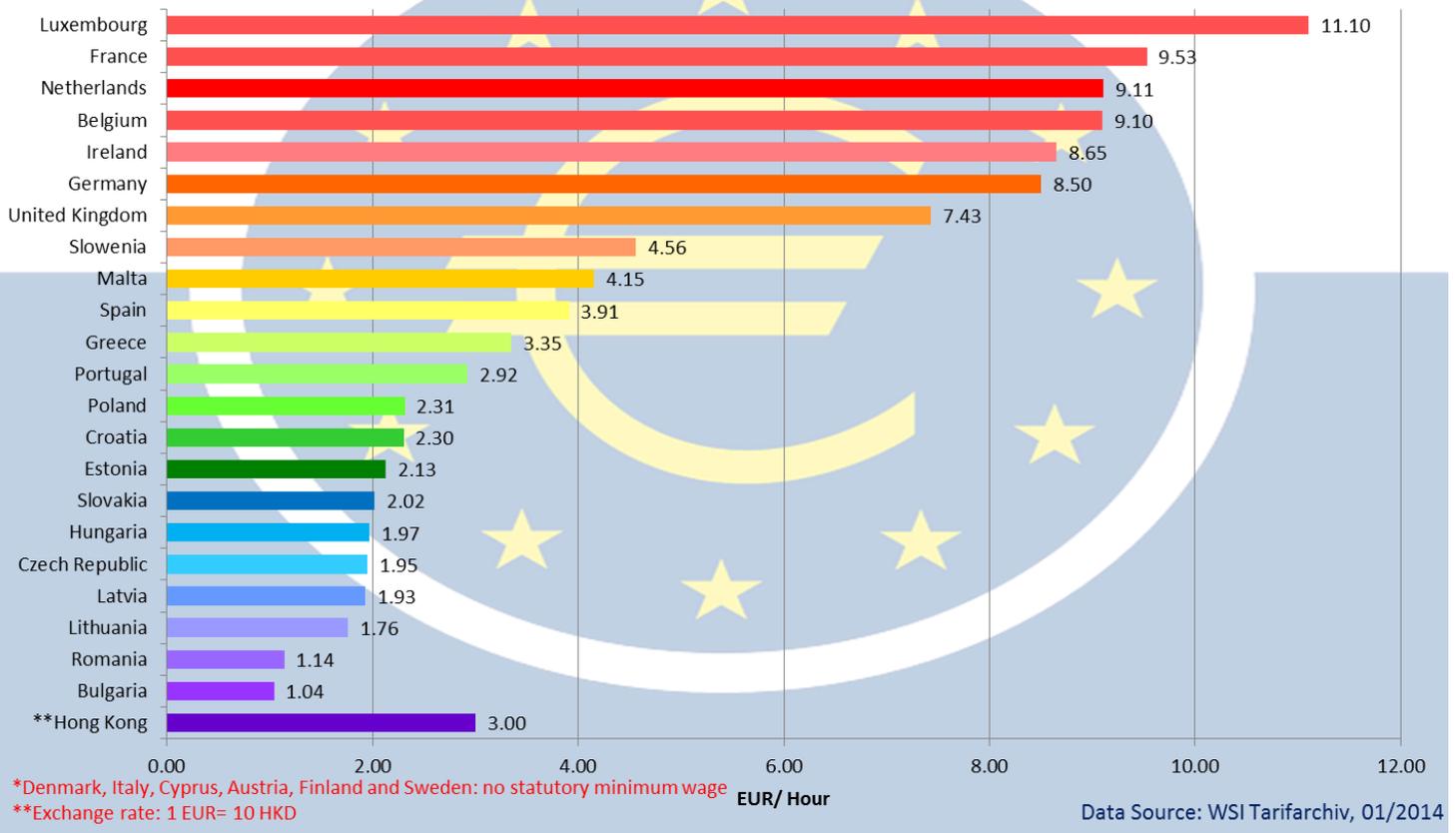
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Table 1

### The minimum wage per hour in European countries



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## European Commission Investigate Tax Affairs

The European Commission has opened three investigations into Apple, Starbucks and Fiat to examine whether decisions by tax authorities in Ireland, the Netherlands and Luxembourg comply with the EU rules. The investigation has been initiated following media reports alleging that some companies have received significant tax reductions by way of “tax rulings” issued by national tax authorities, according to the European Commission.

The EU focuses its investigation on “transfer pricing” arrangements, which is a profit allocation method for multinationals to determine how the taxable profits of these companies are allocated between countries. Investigation will concentrate on the calculation of the taxable profit basis of the three companies and examine whether it involves state aid to the benefit of the beneficiary companies.

EU Competition Commissioner Joaquin Almunia said, “*In the current context of tight public budgets, it is particularly important that large multinationals pay their fair share of taxes.*” EU Commissioner for Taxation, Algirdas Semeta added, “*Fair tax competition is essential for the integrity of the Single Market, for the fiscal sustainability of our Member States and for a level-playing field between our businesses.*” According to a press release of the European Commission in December 2013, it will be important for the EU to take strong and cohesive stance to fight against tax evaders.



More about the Investigation:

- 1) [European Commission's press release](#)

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### About the Business and Economic Information Platform

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