

Cash Tax Rate Reconciliation Deutsche Telekom 2024

The combined income tax rate in Germany as home country of the Deutsche Telekom ultimate parent company is 31.7% (Corporate Income Tax plus Solidarity Surcharge thereon, local Trade Tax).

Since the profits of the operating companies are subject to domestic corporate income tax rates which are different from country to country, the weighted average effective income tax rate (based on local profits) amounts to 25-26% (so-called “*country mix*” income tax rate).

In particular, the combined US tax rate (21% federal income tax rate plus approx. 4% local taxes) is with 25-26% significantly lower than the German tax rate. The same holds true for numerous eastern European countries in which Deutsche Telekom operates, for instance Greece, Austria, Poland and Czech Republic as well as Slovakia.

The cash taxes paid by Deutsche Telekom group companies in 2023 amounted to € 1.5bn, based on profits before taxes according to IFRS accounting standards of €22,96bn (from continued and discontinued operations).

The difference between the actually paid cash taxes 2023 (€1,5bn) and the income taxes which would have been due applying the *group* tax rate of 31.7% (€7.3bn) is caused by so-called temporary differences, by the utilization of tax losses and interest carryforwards as well as non-taxable impairment reversals on participations, far predominantly to be considered in the US and in Germany.

When reconciling the expected cash tax rate to the actual cash tax rate for the US, temporary differences need to be considered, thus differences in recognition and valuation between the IFRS carrying value and the tax value of assets and liabilities which will reverse over time. In addition, the utilization of tax loss and interest carryforwards do also contribute to a lower than to be expected cash income tax rate in the US.

In Germany cash taxes actually paid are also below expected cash taxes applying the German rate to IFRS income, mainly because of impairment reversals on participations not being subject to tax.

The abovementioned effects largely explain the difference between the cash taxes actually paid by Deutsche Telekom in 2024 and the tax due if applying the ordinary group tax rate of 31.7% on the profits before tax of Deutsche Telekom Group (€5.8bn delta in total). In future years, the cash tax payments of Deutsche Telekom will be correspondingly higher due to the predominantly merely temporary nature of such impacts, of course not taking into account potential future tax law regulations meant to foster more investments, for instance extending *bonus depreciation* in the US or introducing a declining-balance depreciation in Germany.