



ON YOUR SIDE
AUF IHRER SEITE

Client Information
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Overview of German taxation of resident individuals 2013

Please find attached an overview of German income tax relevant information.

The overview consists of frequently asked questions from clients and provides an initial guidance for the German income tax.

Should you have any further questions which have not been covered in this overview or should you require tax advice, please feel free to contact us.



Income Tax

What is the Tax Year in Germany?

The tax year runs from 1 January to 31 December.

What are the deadlines for Filing an Income Tax Return in Germany?

An income tax return has to be filed by May 31st for the previous year. It is possible to file for extensions. If the return will be prepared by a German tax consultant the deadline will be extended upon request until the end of December.

Are German tax forms available in English language?

Official language is German, therefore the German tax forms are unfortunately only provided in German language.

What are the Tax Rates on Income in Germany?

The taxable income of individuals is generally subject to the individual progressive income tax rate (up to the maximum rate of 45%) plus solidarity surcharge in the amount of 5.5%.

The annual income of less than EUR 8,130 is not taxed at all. Income tax starts with 14% and gradually goes up to 42%. The top tax rate applies to taxable income of more than EUR 52,882. A married couple living together may opt for joint assessment; thus the amounts double for married couples filing joint returns.

	<i>Tax rate</i>
Personal exemption (EUR 8,130)	0%
Entry-level bracket rate (from EUR 8,131)	14%
End of tax rate progression (at EUR 52,882)	42%
Maximum tax rate for income over EUR 250,731	45%

When do you pay church tax?

You are obliged to pay church tax if you are affiliated to one of Germany's established churches; generally the Catholic or the Protestant. The church tax amounts to 8% of your income tax in Bavaria and Baden-Württemberg and 9% in all other federal states in Germany.

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For example:

A resident individual with a taxable income of EUR 50,000 may pay an average income-tax rate of 26%, as a result an income tax of EUR 13,000. The church tax is then 8% (9%) of the EUR 13,000, thus EUR 1.040 (EUR 1.170).

The church tax paid remains deductible as a special private expense and decreases the income tax.

What are the taxation classes?

The German income tax divides the earnings in seven different types of income:

1. Income from agriculture and forestry
2. Income from business operations
3. Income from self-employed work
4. Income from employed work
5. Income from capital
6. Income from letting property
7. Miscellaneous income.

In specific circumstances, when the income does not fall into one of these categories, the income remains tax free (e.g. a lottery win).

What tax allowances can I claim?

<i>Employee standard deduction</i>	EUR 1,000
<i>Savers standard deduction</i>	EUR 801
<i>Standard deduction for other income</i>	EUR 102

Tax exemption for company/staff pension in 2013:

27.2% of the pension received	max. EUR 2,040
plus additional allowance of	EUR 612

<i>Child Allowance</i>	EUR 2,184
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Maximum age for child allowances is 25. Further requirements need to be considered.

<i>Allowance for Single Parents</i>	EUR 1,308
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Single parents with at least one child belonging to the household, for whom they are entitled to claim a tax-free child allowance or child benefits, are granted this allowance.

<i>Old-age Allowance</i>	max. EUR 1,292
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An old-age allowance is granted to taxpayers aged 64 and over up to a maximum amount that is calculated as 27.2% of the sum of the wages or salary and positive income not arising from dependent employment.

<i>Educational Allowance</i>	EUR 924
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It is required that the children are aged 18 and over and are not living at home and still are in professional training or studying.



Kilometer Allowance for Trips between Home and Place of Work

Regardless of the chosen means of transportation for the shortest, most convenient distance between home and the place of work for each work day on which the employee attends his place work EUR 0.30 can be deducted, up to a total of EUR 4,500 p.a.

An amount exceeding EUR 4.500 can be claimed if the employee uses his private vehicle or a company vehicle is made available free of charge. This does not apply to flight routes and distances covered by collective transportation.

This allowance is deemed to cover all expenses for travel between home and the place of work. The comparative calculation to determine whether the actual expenditure for the use of public transport can be offset if it exceeds the commuting allowance is to be made on an annual, not daily, basis.

Is the personal use of an employer provided car taxed?

Personal use of a car is to be reported at 1% of the domestic list price at the time of the original registration plus the costs for extras, including VAT for each calendar month.

Value in use	1% per month
+ if applicable travel between home and place of work	0.03% per one way km /per month (or 0.002% per one way km/per day)

Alternatively: if the personal use of the car is substantiated by documentary evidence and a properly kept log book the amount is replaced by the actual expenditure.

What is the rate dividends are taxed in Germany?

For individuals who hold shares in corporations as private assets, the withholding tax rate is standardized at 25%. The solidarity surcharge is added to this so that the amount withheld is 26.375%.

As a general rule, the withheld tax is a final charge.

Upon request, the progressive income tax rate is applied.

What is the rate capital for capital gains from shares?

The capital gains from shares held as part of personal assets are taxed at a standardized rate of 25%.

No deduction of income-related expenses is generally permitted in the framework of this flat rate tax.

The progressive income tax rate is applied on request.

However, the partial income-rule is applied, if during the last 5 years the seller had a direct or indirect interest of at least 1%. Capital gain is the amount by which the selling price minus the costs of selling exceeds the acquisition costs. An exemption from tax of EUR 9,060 is granted under certain conditions.

What is the rate for capital gains on property?



The capital gain on property used as a private home is not taxable.

Sales of real estate and rights to private property are taxed at your personal income tax rate if you held the property less than 10 years. The sale of other assets is also taxed at your personal income tax rate if you held the assets for less than one year.

What straight line depreciation can be applied for buildings held as private asset?

Regarding buildings used for residential purpose, held as private asset, the straight line depreciation amounts to:

Completion before Jan.1, 1925	2.50%
Completion after Dec. 31, 1924	2.00%

In certain cases declining balance depreciation is possible.

The Federal Ministry of Finance has published tax depreciation rates for movable fixed assets generally usable (see “AfA-Tabellen” in www.bundesfinanzministerium.de).

What are the restrictions for the deduction of losses (Minimum taxation)?

Losses may be carried back one year and carried forward indefinitely.

However the minimum taxation limits the offsetting. Negative income not set off in the year of occurrence may be offset against profits in the immediately preceding assessment period up to EUR 1 million without restriction. After that only up to 60% of the adjusted gross income in excess of the EUR 1 million can be offset against loss carry forwards.

How can I avoid double taxation?

The aim of the Double taxation agreements is to avoid the charge of similar taxes more than once on the same income and for the same period (in Germany and your home country).

Germany has signed Double taxation treaties with about 90 countries (see for existing double taxation agreements: www.bundesfinanzministerium.de)

All articles have been compiled to the best of our knowledge. However, no guarantee can be assumed for their correctness, completeness or actuality. Our current statements only reflect excerpts from the legislation, pending legislative proposals, administrative instructions of the finance authorities and other official publications.

It may thus be required in individual cases that you consult the full texts in order to avoid being



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This information service cannot replace individual consultancy.

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