

Taxes

Income tax (“Einkommenssteuer”)

Germany has a “progressive” income tax system; this means the more you earn, the more income tax you pay. Everybody pays income tax on their wage – employees and self-employed individuals alike. If you’re not married, you’ll be liable to pay income tax if you earn over 8,004 EUR a year; the amount is twice as high if you’re married.

The rate of tax ranges from 15% to 45% depending on your income. Tax returns must be submitted to the tax authorities (Finanzamt); the deadline for submissions is generally 31 May. It is possible to request a deadline extension. Tax returns can also be submitted online via the so-called “Elster Service”. Please contact the tax authorities for more information.

Just like many other countries, Germany also grants certain tax deductions that reduce your taxable income. Deductions can be made for children under the age of 18 (or under 27 if they are still in education), certain types of insurance, donations to charities and political parties (up to a certain limit) and unavoidable extra expenditure (e.g. in the event of illness).

If you expect some taxes to be refunded by the tax authorities – as is the case with most taxpayers – you should seek professional help from an income tax association (Lohnsteuerverein) or accountant (Steuerberater). These professionals will either charge you a fixed amount or a fee based on your income; however, you’ll be able to declare these costs as outgoings in your following tax return.

Pension scheme, unemployment insurance, health insurance and nursing care insurance

Besides income tax, you’ve also got to make a whole range of social security contributions, especially for your pension scheme, unemployment insurance, health insurance and nursing care insurance. These payments are usually shared between the employer and employee.

The highest contribution is currently made to the pension scheme, amounting to 19.5%

of your monthly income. Unemployment insurance amounts to 6.5% of your total income, while nursing care insurance equates to 1.7% (1.95% for those without children).

If you've lived in Germany for less than five years, you might be entitled to a partial refund of your employee contributions (not employer contributions) to the pension scheme. However, this does not apply to unemployment insurance or nursing care insurance.

Solidarity supplement (“Solidaritätszuschlag”)

The solidarity supplement was originally introduced to meet the great demands posed by the reunification of East and West Germany. It amounts to 5.5% of income tax. Even though German reunification was achieved over 20 years ago, the “Soli” is still levied for all companies and citizens.

Church tax (“Kirchensteuer”)

If you're a member of the Catholic or Evangelical Church, you'll pay church tax; the current rate of church tax is 8-9%.

Other taxes

Besides income tax, there's a range of taxes that affect individuals and companies alike. The most important tax is Mehrwertsteuer, or VAT, which is paid on most goods and services. The current rate of VAT is 19%; a reduced rate of 7% is levied on certain foodstuffs and books. Petrol, alcohol, tobacco, tea and coffee are also subject to a special rate of VAT.

Links

[Elster Service \(in German\)](#)

[Bundeszentralamt für Steuern \[Federal Central Tax Office\] \(in German\)](#)