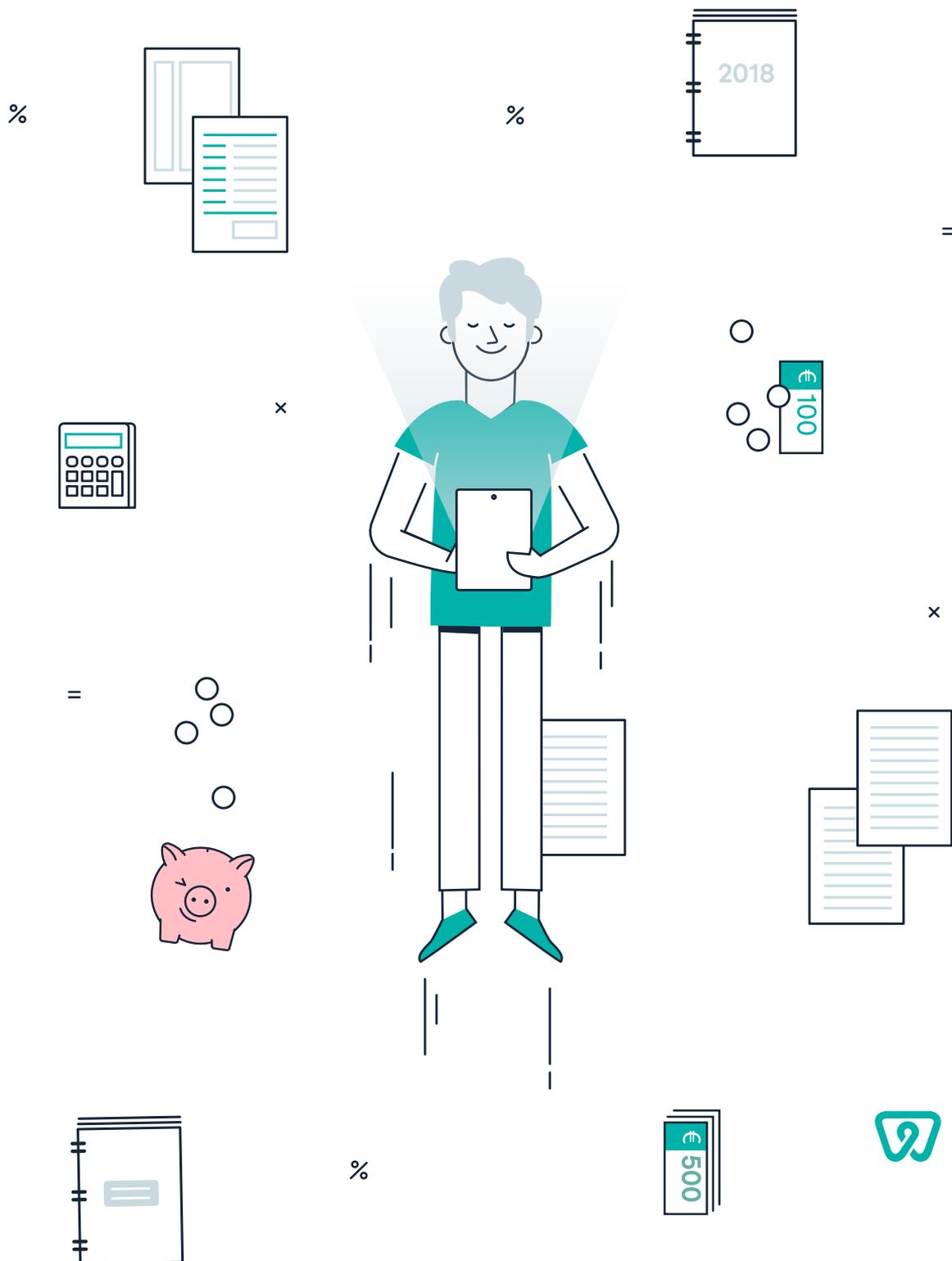


Tax Guide 2019



Experience an easy tax return!

Filing taxes is worth it for almost everyone, even if you are not required to make a declaration.

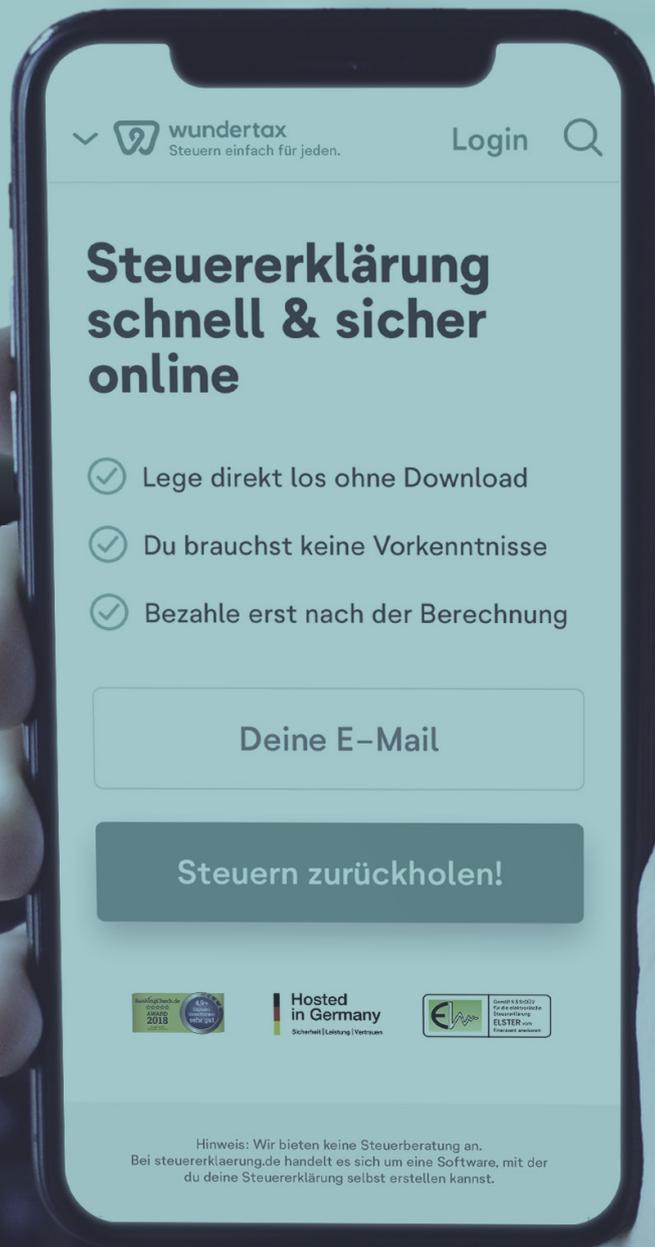
wundertax is here to help you file your taxes, without prior knowledge, in about 15 minutes. Taxpayers receive an average of €1,007 back with their tax return. Around 12 million people do not file their taxes each year. “Too difficult.” “Hardly understandable.” “It’s a waste of time.” – those days are long gone. wundertax has simplified filing taxes for everyone.

This Berlin-based company has already generated more than 150 million Euros in tax refunds for their customers with their ‘bankingCheck.de’ award-winning solution. wundertax helps you submit your personal tax return quickly and easily with simple user navigation tailored to the needs of the customer – without having to hire an expensive tax consultant or income tax assistance (Lohnsteuerhilfeverein).

Your tax declaration is done quickly with our guidance. Never panic about some deadline again and no incomprehensible tax forms (Steuerformulare) any more.

We wish you a lot of fun and a generous tax refund!

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1. What is a tax return?

Simply put, your tax return shows the tax office (Finanzamt) your level of income. Based on this, the tax office can determine the amount of income tax (Einkommensteuer) that is payable monthly if you have a job where you earn more than €450 per month. It could be that taxpayers have paid too much tax within one year. With the help of the tax return, you can claim your expenses and ideally benefit from a refund.

Tax identification number (Steuer-Identifikationsnummer) and tax number (Steuernummer)

Tax identification number:

The nationwide tax identification number is permanently assigned to a person. The requirement for this is that a person has a permanent residence in Germany. The tax ID has 11 digits. Every German citizen is already assigned a tax identification number at birth.

Tax number:

The tax number is assigned to a person by the respective tax office in the area where they reside. The tax number structure was standardized during the course of the ELSTER (electronic income tax return procedure) introduction. The tax number consists of 13 digits and changes as soon as someone moves to a new town. In that case, the respective tax office will assign a new tax number.

Applying for a tax number

Anyone in business (Gewerbetreibende) must apply for a tax number with the respective tax office. When they start doing business, they must complete a questionnaire containing personal data and living conditions as well as the planned scope of business activity. In addition, an estimate expected profits and sales must be made.

Steuerklassen

Tax bracket 1: single, widowed, separated/divorced

Tax bracket 2: single parent, separated

Tax bracket 3: married and/or same-sex marriage (higher income), parental allowance recipient, in combination with tax bracket 5

Tax bracket 4: married and/or same-sex marriage (both incomes are the same)

Tax bracket 5: married and/or same-sex marriage (lower income), combination with tax bracket 3

Tax bracket 6: second and side jobs

Switching tax brackets (Steuerklassenwechsel)

Tax brackets can only be changed once a year. The application must be received no later than November 30th by the tax office. Changing tax brackets has its advantages. This needs to be checked out individually. Subsequently, tax brackets can only be changed again in the following cases:

- Spouse starts a new job (after they were unemployed)
- Death of a spouse
- Divorce
- Spouse no longer receives wages as an employee

Mandatory tax assessment (Pflichtveranlagung)

A mandatory assessment takes place when the income is wholly or partially made up of non-self employment. This means that those affected are required to file a tax return.

Taxpayers won't avoid a mandatory tax assessment if:

- Tax office has entered a tax deduction allowance (Lohnsteuerfreibetrag – no obligation to pay if the wages earned do not exceed € 10,800 per calendar year and no additional income was recorded)
- Benefits have been received which are subject to the proviso safeguarding progression (Progressionsvorbehalt) and amount to more than € 410
- In the case of separated spouses, the training allowance, disability or survivor's lump sum for children (Ausbildungsfreibetrag, Behinderten- oder Hinterbliebenen-Pauschbetrag für Kinder) is not divided 50/50
- Income was received from multiple employers
- Compensation (Abfindung) was paid according to the 1/5 rule (Fünftelregelung)
- Withholding taxable capital gains (abgeltungsteuerpflichtige Kapitalerträge) on which no flat rate tax (Abgeltungsteuer) was paid
- The employee's marriage was dissolved by death or divorce during the assessment period (Veranlagungszeitraum)
- Minimum provisional lump sum (Mindestvorsorgepauschale) is higher than social security contributions (Vorsorgeaufwendungen)
- Additional income over €410

Joint return (Zusammenveranlagung)

Since 2013, married couples have had two ways to submit their tax returns to their respective tax office. First of all, there is the joint return, which is often referred to as spouse splitting (Ehegattensplitting). On the other hand, it is also possible to file an individual tax return (Einzelveranlagung).

Married couples submit a common tax declaration when they file their taxes jointly. Legislature treat both as individuals. Logically, this also means that couple only receives one tax assessment notice (Steuerbescheid). A possible refund will therefore only be transferred to one account and can not be divided between the spouses.

Not every taxpayer benefits from a joint return. There are certain conditions that must be met:

- Partners are subject to unlimited income tax (unbeschränkt einkommensteuerpflichtig)
- Spouses may not live permanently separated
- Marriage is legal

In the case of separation, the tax office first considers the spouses separately, then both incomes are added together. The total revenue is then halved again and income tax (Einkommensteuer) is only applied to one half. The result is multiplied by 2 and finally, taxes are then paid on this result.

Since both partners' income is taken into account, the tax office also recognizes all of the couple's expenses. Extraordinary burdens (Außergewöhnliche Belastungen), special expenses (Sonderausgaben) etc. can therefore be stated in the tax return.

Deadlines

There are different deadlines that have to be adhered to; otherwise, there may be consequences. Those who are required to file their taxes have until July 31st of the following year to do so. So, a return filed for the 2018 tax year must be submitted by 07/31/2019.

Should this deadline fall on a weekend, then the deadline is automatically extended to the next working day.

Not everyone has to actually file a tax return with the tax office. Those who are not required to file their taxes actually have up to 4 years to do it. This means that you can file your taxes for up to four years retroactively. So, theoretically you can file your taxes for 2015 in 2019.

This means the deadline for those not required to file taxes is then always December 31st. of each calendar year. This means that the post must have been received by then. If you send your tax return on the last day of the year, you must assume that the deadline will be missed.

Obligation to prove the accuracy of a tax return (Nachweispflicht)

In 2017, a law was amended, which almost equated to a revolution in tax law. As early as July 2016, it was announced that as of 01.01.2017, no further proof would have to be submitted together with the income tax return (Steuererklärung). From then on, it is only required to retain your documentation. This means that proof must only be submitted if it has been expressly requested. The aim is to keep the workload for tax officials as low as possible.

There are still expenses in the tax return, which must be proven with original documentation and attached.

This includes:

- Investment income (Kapitalerträge)
- Exceptional costs (Außergewöhnliche Belastungen)
- Maintenance payments (Unterhaltszahlungen)
- Retirement provision (Altersvorsorge)
- Social benefits (Sozialleistungen)
- Donations
- Disabilities
- Capital accumulation benefits (vermögenswirksame Leistungen)
- Certificate of study

Tax assessment notice (Steuerbescheid)

The basic structure of a tax assessment is always the same. First of all, the letter provides information about whether it is a provisional (vorläufig) or final (endgültig) tax assessment. A provisional disclosure (Vorläufigkeitsvermerk) is usually applied when no corresponding court decision has yet been announced with respect to a tax law issue. Once a judgment has been made, the provisional assessment changes to a final one. Sometimes, a new tax assessment notice with the current case law is sent to the taxpayer.

In due course, the citizen's tax liability (Steuerschuld) is then listed. This is determined by the tax office. The tax liability is divided into income tax (Einkommensteuer), solidarity surcharge (Solidaritätszuschlag) and, if applicable, church tax (Kirchensteuer). Personal details are stated below.

It is important to make sure correct banking information has been submitted, in order for a possible refund to be transferred to the respective account.

Request for amendment (Änderungsantrag)

In Germany, there are two ways to appeal a tax assessment. On the one hand, objections (Einspruch) can be raised in the case of certain items not being taken into account and, on the other hand, a simple request for an amendment (Änderungsantrag) is often sufficient.

Purpose of an amendment:

- Only selective check
- Tax assessment may only be changed in favor of the taxpayer
- As with an appeal, the deadline is one month
- Amendment must be formulated in concrete terms (it must be pointed out which facts are up for review)

Reasons for an amendment:

- Tax notice contains formal errors such as wrong address
- The facts were not clearly stated
- Taxpayer forgot to indicate costs or expenses
- Only one specific issue should be changed; however, not the entire tax assessment

Appeal (Einspruch)

Reasons for an appeal can be very different. It is common for most taxpayers to feel like they are at a disadvantage. Sometimes, however, essential information was simply forgotten. After receiving the tax notice (Steuerbescheid), you have one month to file an appeal.

First of all, sending an informal letter to the tax office that an appeal has been made is sufficient. You are not required to even mention a reason. Later, this letter can also be withdrawn without fear of consequences.

These are the following reasons for an appeal:

- Costs for household services (Haushaltsnahe Dienstleistungen) have not been accepted
- Tax office has miscalculated
- Special expenses (Sonderausgaben) were not included
- Taxpayer-friendly judgments and administrative instructions were disregarded

2. What is tax deductible (Absetzbare Kosten)?

First and foremost, income-related expenses are tax-deductible. These include all the expenses that employees have to incur in order to pursue a profession. This includes, eg. the daily commute to work (Fahrtkosten), business trips (Dienstreisen), training (Fortbildungen), expenses for work clothes (Berufsbekleidung) or occupational insurance (berufliche Versicherungen).

Legislation defines occupation-related costs (Werbungskosten) in general:

Occupation-related costs are expenses for acquiring, securing and maintaining revenue according to § 9 EStG.

The tax office takes into account the employee lump sum (Arbeitnehmer-Pauschbetrag) of 1,000 euros per year as income-related expenses. No proof is required for this lump sum and the amount will be automatically deducted from the taxable income.

Deductible occupation-related costs (Werbungskosten)

Moving expenses
Telephone and internet costs
Business trip costs
Commuter's tax allowance (Entfernungspauschale)
Application-related costs (Bewerbungskosten)
Contributions to professional associations (Gewerkschaftsbeiträge/Berufsverbände)
Work room (Arbeitszimmer)
etc.

Other deductible costs that are not included in occupation-related costs:

Household-related services (Haushaltsnahe Dienstleistungen)
Exceptional costs (Außergewöhnliche Belastungen)
Retirement provision (Altersvorsorge)
Voluntary work
Childcare costs (Kinderbetreuungskosten)
Renovation costs (Handwerkerleistungen)
etc.

Double households (Doppelte Haushaltsführung)

Many costs incurred in the context of double households can be deducted from your taxes as occupation-related costs (Werbungskosten).

These requirements must be met:

- Second household (also shared room) is used for the purpose of a professional activity
- Second household is closer to work place than primary residence
- Outside the work place, an additional household is maintained at the primary residence
- Life centers around primary residence
- Financial participation in the primary residence (financial contribution to the running costs of household management must be more than 10% of the costs incurred)

The following can be deducted from your taxes:

- Rent and additional expenses
- Second household tax (Zweitwohnsitzsteuer)
- Broadcasting fees (Rundfunkbeitrag)
- Trips home (Heimfahrten)
- Moving expenses
- Additional meal allowance (Verpflegungsmehraufwand)
- Furniture and furnishings

3. Special expenses (Sonderausgaben)

Normally, special expenses can be divided into two categories. These include, on the one hand, “social security expenses” (Vorsorgeaufwendungen) and, on the other hand, “other special expenses” (andere Sonderausgaben).

Social security expenses (Vorsorgeaufwendungen)

Generally, social security expenses include costs for pensions (Altersvorsorge), supplementary pensions (Zusatzvorsorge), other pension costs such as basic and long-term care insurance (Basiskranken- und Pflegepflichtversicherung) as well as contributions to the Riester pension insurance (Beiträge zur Riester-Rentenversicherung).

These contributions can be deducted from your taxes:

- Statutory Pension (gesetzliche Rentenversicherung)
- Agricultural provisions for old age (LAK – landwirtschaftliche Altersklasse)
- Rürup pension insurance (Rürup-Rentenversicherung)
- Statutory health insurance (gesetzliche Krankenversicherung)
- Private health insurance (private Krankenversicherung)
- Unemployment insurance (Arbeitslosenversicherung)
- Employment and disability insurance (Erwerbs- und Berufsunfähigkeitsversicherung)
- Accident insurance (Unfallversicherung)
- Liability insurance (Haftpflichtversicherung)
- Life insurance (Lebensversicherung)
- Riester pension insurance (Riester-Rentenversicherung)

Other special expenses (andere Sonderausgaben)

In addition, there are “other special expenses” that are clearly separate from pension costs (Vorsorgeaufwendungen).

This includes:

- Maintenance payments (Unterhaltszahlungen)
- Church tax (Kirchensteuer)
- Childcare costs (Kinderbetreuungskosten)
- School fees (Schulgeld)
- Donations

Donations

In principle, money donations or donations in kind can be stated in the tax return.

Donations of up to €200 can be submitted to the tax office without a donation receipt. There are four cases where donation confirmation is not needed.

Donations may be deducted for tax purposes if:

- Non-profit organizations benefit
- Tax-privileged purposes are supported
- They are voluntary and there is no service in return
- Donation confirmation can be proven

The simplification rule applies (Vereinfachungsregelung):

- In case of disaster (Katastrophe)
- For donations up to €200 for non-profit organizations
- For donations up to €200 for government authorities
- For donations up to €200 for political parties

Insurance in the tax return

Deductible Insurance:

- Health insurance and income protection insurance: z.B. Health insurance, liability, accident, disability or pension insurance (Krankenversicherung, Haftpflicht-, Unfall-, Berufsunfähigkeits- oder Rentenversicherung)
- Insurance for occupation & education: z.B. Labor law protection, professional liability, civil liability insurance (Arbeitsrechtsschutz-, Berufshaftpflicht-, Dienst-Haftpflichtversicherung)

Non-deductible Insurance:

- Property insurance: z.B. Home insurance, vehicle comprehensive insurance, building, bicycle, baggage and travel cancellation insurance (Hausratversicherung, Kfz- Kaskoschutz, Gebäude-, Fahrrad-, Reisegepäck- und Reiserücktrittsversicherung)

Pension and life insurances (Renten- und Lebensversicherungen)

Contributions to pension and life insurance policies can be deducted as pension expenses (Vorsorgeaufwendungen). However, there are some requirements that must be met.

Closed-end pension insurance with and without lump sum option (Rentenversicherungen mit und ohne Kapitalwahlrecht) and all life insurance policies must have a minimum term of 12 years. In this context, it is important that the first contribution payment was made before 01/01/2005.

Riester pension plan (Riester-Rente)

In principle, every employee has the right to a Riester pension plan. The condition is that payments have to go into the statutory pension insurance (gesetzliche Rentenversicherung). No matter which variant one chooses in the Riester pension – state funding is always the same. It is composed of tax savings and direct allowances. The maximum amount of the allowance is €175 per employee per year.

If you also have children, you will receive an additional €185 for the offspring. For children who were born after 2007, parents even receive €300 as a supplement. If you are not yet 25 years old, you will receive a so-called “professional entry” bonus of €200.

The Riester pension is interesting from a tax point of view. Thus, contributions of up to €2,100 per calendar year can be deducted for tax purposes.

Who won't benefit?

- Non-pensionable students (nicht rentenversicherungspflichtig)
- Compulsory insured by occupational provisions (Pflichtversicherte der berufsständischen Versorgung)
- Marginally employed people (gerongfügig Beschäftigte) who do not contribute to pension insurance (Rentenversicherung)
- People who already receive pension

Which variants of the Riester pension are there?

- Fund savings (Fondssparen): recommended for younger people
- Bank savings (Banksparen): recommended for the elderly
- Residential Riester (Wohn-Riester)
- equity-linked policy (fondsgebundene Versicherung)

Rürup pension/basic pension (Rürup-Rente/Basis-Rente)

A Rürup pension is funded (kapitalgedeckt) and not pay-as-you-go (umlagefinanziert). It is also not distributed in one fell swoop, but paid monthly and earns interest during the deposit time. In the vernacular, the Rürup pension is also referred to as a “basic pension”, in which the state specifically supports the policyholder.

The amount of deductible Rürup contributions increases by 2% annually. 88% of payments made for 2019 are currently tax deductible. This leads to the fact that there will no longer be restrictions as of 2025. Contributions are stated on the tax return as special expenses (Sonderausgaben).

Note: The maximum amount, which is taken into account by the tax office, is €24,304 for singles and €48,608 for couples.

4. Lump sums and allowances (Pauschalen und Freibeträge)

Lump sums (Pauschalen)

Lump sums are accepted by your respective tax office without proof. A specific amount of income is tax-free with this. Expenses that exceed the lump sum can also be deducted for tax purposes. However, if the income is less than the lump sum, it will be automatically deducted from the taxable income.

Examples:

- Proportional tax allowance for elderly retired persons (Altersentlastungsbetrag): €912
- Home care lump sum (Pflegepauschbetrag): €924
- Saver lump sum (Sparerpauschbetrag): €801
- Moving cost lump sum (Umzugskostenpauschale): €787 for singles, €1,573 for spouses
- Commuter's tax allowance (Entfernungspauschale): €0,30 per driven kilometer (one-way)
- Occupation-related cost lump sum (Werbungskostenpauschale): €1,000
- Volunteer lump sum (Ehrenamtspauschale): €720
- Special expenses lump sum (Sonderausgaben-Pauschbetrag): €36 for singles, €72 for spouses
- Food allowance (Verpflegungspauschale): €12 for more than 8 hours absence, €24 for 24 hours absence

Allowances (Freibeträge)

Allowances lead to an exemption from taxation. Anyone who earns more than that has to pay the difference. The situation is different with an exemption limit (Freigrenze), which leads to the taxation of the entire amount if the target value has been exceeded. Exemptions are granted, in particular, when circumstances arise which force taxpayers to spend heavily.

As part of the wage tax assessment (Lohnsteuerveranlagung), allowances are approved in the Income Tax Act (Einkommensteuergesetz), Inheritance Tax Law (Erbchaftsteuergesetz), Trade Tax Act (Gewerbesteuergesetz) and Corporation Tax Act (Körperschaftsteuergesetz).

The most important allowances include:

- Training allowance (Ausbildungsfreibetrag): €924
- Basic allowance (Grundfreibetrag): €9,000
- Discount (Rabattfreibetrag): €1,080
- Children's allowance (Kinderfreibetrag): €4,788 for spouses; otherwise, €2,394 per parent
- Education allowance (Erziehungsfreibetrag): €2,640

5. Exceptional expenses (Außergewöhnliche Belastungen)

If somebody is forced to raise significantly more money in a calendar year in order to be able to finance their regular life, then they've probably already heard something about this topic.

If you feel compelled to spend a lot of money to master certain circumstances, you may be able to recover some expenses from your taxes. Expenses are then inevitable if they can not be avoided for legal, moral or factual reasons. However, it should be noted that these expenses are not unconditionally recognized by the tax office.

Extraordinary charges are divided into two groups in income tax law (Einkommensteuergesetz). Paragraph 33a of the Income Tax Act (EStG) regulates special exceptional burdens (besondere außergewöhnliche Belastungen). The training/studying allowance (Ausbildungsfreibetrag) amounting to € 924 per calendar year is also set for each adult child who is undergoing training/studying.

Once again, paragraph 33b lists other extraordinary burdens. These are, for example, lump sums (Pauschalen) for persons who need to be cared for free of charge.

Special exceptional burdens are fully deductible from the first cent, but there are also lump sums and maximum amounts. On the other hand, general extraordinary charges (allgemeine außergewöhnliche Belastungen) are only tax deductible from a reasonable individual limit (zumutbare Belastungsgrenze).

Reasonable financial burdens (Zumutbare Belastung)

The reasonable burden limit is based on the amount of income (Steuertarif), number of children and tax bracket (Steuerklasse). The individual limit is then subtracted from actual costs incurred. This is how you can deduct your extraordinary burdens.

Limit assessment (Grenzwertbemessung):

- Up to €15,340: childless, unmarried 5%; childless, married 4%; with 1 or 2 children 2%; 3 children and more 1%
- From €15,341 to €51,130: childless, unmarried 6%; childless, married 6%; with 1 or 2 children 3%; 3 children and more 1%
- From €51,131: childless, unmarried 7%; childless, married 6%; with 1 or 2 children 4%; 3 children and more 2%

Medical expenses (Gesundheitskosten/Krankheitskosten)

Expenses incurred in connection with a disease can, under certain conditions, be deducted from your taxes as special expenses (Sonderausgaben) for extraordinary contributions (außergewöhnliche Belastung).

These medical expenses are taken into account:

- Expenses for inpatient or outpatient treatment
- Hospital costs
- Illness-related accommodation of one's own person in a nursing home (due to age)
- Eye laser surgery
- Healing methods that are not recognized
- Treatment at a health resort provided that they cure or alleviate an illness
- Medications, remedies and aids prescribed by the doctor
- Travel costs to the doctor or pharmacy
- Expenses for reading or writing aids/therapy
- Cost of an outpatient caregiver

Supporting documents

There are three types of supporting documentation. The receipt must be issued before the start of the medical treatment or the acquisition of an aid.

Three possibilities:

- Doctor or alternative practitioner prescription
- Medical examination or certificate of medical service (amtsärztliches Gutachten) from your health insurance
- A certificate from the treating hospital doctor is necessary for travel expenses to your spouse or child

6. All you need to know about employment

Marginal employment (Geringfügige Beschäftigung)

Marginal employment is when petty jobs are employment relationships that are subject to special social security (Sozialversicherungspflicht) and tax obligations (Steuerpflicht).

Marginal employees are workers by law:

- Those whose monthly salary does not exceed €450 (Entgeltgeringfügigkeit) or
- Those whose employment is limited to a maximum of three months or 70 working days within one calendar year (Zeitgeringfügigkeit)

It must be clearly stated in the employment contract which assignment corresponds with which case.

This is how a mini job is taxed

- Flat tax of 2% (Pauschalbesteuerung): flat-rate contributions to the pension insurance are paid (pauschale Beiträge zur Rentenversicherung); thus the payroll tax (Lohnsteuer), church tax (Kirchensteuer) and the solidarity surcharge (Solidaritätszuschlag) are paid
- Flat rate payroll tax (Pauschalierung der Lohnsteuer): monthly, flat-rate taxation of 20%; in addition there are contributions for church tax (Kirchensteuer) and solidarity surcharge (Solidaritätszuschlag)
- Individual taxation: tax is paid on the basis of the electronic income tax deduction features (elektronische Lohnsteuerabzugsmerkmale)

Difference between low salary (Entgeltgeringfügigkeit) and limited time (Zeitgeringfügigkeit)

Low salary (Entgeltgeringfügigkeit):

- Regulated in § 8 para. 1 no. 1 SGB IV (Social Security Code IV)
- Monthly salary not higher than €450 (salary is defined as current earnings plus special payments such as Christmas bonus)
- Fluctuating remuneration must be estimated
- Those whose pay regularly exceeds €450 a month is subject to compulsory insurance (versicherungspflichtig)
- Regularity exists when employment is repeated and over several months/years

Limited time (Zeitgeringfügigkeit):

- Regulated in § 8 para. 1 no. 2 SGB IV (Social Security Code IV)
- Activity must be contractually limited to a certain period of time
- Maximum 3 months (work at least five days a week) or
- 70 working days (less than 5 days weekly)
- Professional practice (berufsmäßige Ausübung) is not allowed

Provisio safeguarding progression (Progressionsvorbehalt)

Most state benefits (Sozialleistungen) are tax-free. This sounds very good, but the tax burden (Steuerlast) increases during the claim period due to the so-called provisio safeguarding progression. The provisio safeguarding progression means that income such as unemployment benefits (Arbeitslosengeld) or parental allowance (Elterngeld) is used to determine the tax rate (Steuertarif) without being taxed by the taxpayer. There may even be negative provisio safeguarding progression that can reduce the tax burden.

Certain benefits (Sozialleistungen), allowances (Beihilfen) and compensatory payments (Ausgleichszahlungen) are added to the regular income by the tax office. This income then serves as the basis of calculation for tax liability (Steuerschuld). Due to the provisio safeguarding progression, higher taxes will accrue as the total income steps up into the next tariff tier (Stufentarif).

The respective tax office now determines the personal tax rate (Steuertarif) based on this calculation. If you receive

tax-free social benefits (steuerfreie Sozialleistungen), more taxes usually have to be paid, but not on the tax-free benefits themselves.

Tax-free income:

- ALG 1 (Arbeitslosengeld I)
- Bankruptcy compensation (Insolvenzgeld)
- Short time compensation (Kurzarbeitergeld)
- Maintenance allowance as a subsidy (Unterhaltsgeld als Zuschuss)
- Maternity benefits (Mutterschaftsgeld)
- Statutory sick pay (Krankengeld)
- Parental allowance (Elterngeld)

Monetary advantage (Geldwerter Vorteil)

Bonus payments made by the boss are not tax-free. That's why more and more managers give their employees non-cash benefits (Sachbezüge). These can be services and benefits in kind (Dienst- oder Sachleistungen), from which employees benefit in a cheaper way or even for free.

The following examples can be tax-free as service and/or Benefit in kind:

• Laptop	• Tools
• Smartphone	• Monthly tickets
• Parking space	• Fuel vouchers
• Personal discount	• Goods vouchers
• Gift certificates for meals	• Frequent-flyer program
• Restaurant checks	• Training courses
• Property investments	• Gifts
• Massages, Physiotherapies etc.	• Moving expenses
• Childcare	

Application-related costs (Bewerbungskosten)

All costs incurred in the context of an application are tax deductible as occupation-related expenses (Werbungskosten). According to the law, occupation-related expenses are all the expenses that have to be incurred in order to pursue a profession. This includes, eg. the daily commute to work (Fahrtkosten), business trips (Dienstreisen), training (Fortbildungen), expenses for work clothes (Arbeitskleidung) or occupational insurance (berufsbedingte Versicherungen).

Paragraph 9 of the Income Tax Act (Einkommensteuergesetz) identifies occupation-related expenses as expenses for acquiring, securing and maintaining revenue. This means that application costs also fall into this category. It should be mentioned that it does not matter if the applications were successful or not.

Deductible items:

MATERIALS FOR ONE APPLICATION:	SELF-MARKETING COSTS:
• Transparent covers	• Application photos
• Printer cartridges	• Classified ads
• Adhesive utensils	• Website
• Envelopes	• Proportional telephone costs
• Application portfolios	• Equally proportionate internet costs
• Writing paper	• Design for the CV
• Copies	• Application video
• Writing instruments	• Online ads
• Postage Stamps	

Travel Expenses (Reisekosten)

Employees in Germany have two options to recover travel costs. On the one hand, they can have the money reimbursed by their employer or they can declare the expenses on the tax return.

Such trips may be tax deductible as part of occupation-related expenses (Werbungskosten). This is where the commuter lump sum applies (Entfernungspauschale). Regardless of the means of transport used, this is 30 cents per kilometer covered on a one-way trip. The return journey can not be deducted. Travel costs always arise when some type of transportation is used to get to work.

In principle, travel costs can be divided into three categories:

• The trip to work and back
• Trip back home for commuters (Familienheimfahrten)
• Off-site business activities on behalf of the company

Telephone and internet costs

Expenses for telecommunications can be specified as a 20% lump sum. However, a maximum of only €20 can be claimed. Only certain occupational groups can claim this tax benefit. What these are is not clearly defined and is handled differently by each individual tax offices.

The second Variation is to submit costs incurred with proof to the respective tax office. For this, the deductible percentage itself must be determined. There is not a maximum value that must be adhered to in this variation.

Note: Itemization (Einzelnachweis) is only for those who have extremely high costs within a calendar year.

As a rule, occupation-related expenses for telecommunications can be easily claimed for the following professions:

- Teachers who do most of their daily work at home (talking to parents, students, colleagues etc.)
- Homeworkers who are in constant contact with colleagues and must be available at all times
- Field staff (mainly customer service representatives, travel agents, insurance agents, sales representatives etc.)

Severance pay (Abfindung)

When companies are going through a crisis, often times, employees are laid off. Of course, employees in Germany enjoy protection against being laid off. Therefore, severance payments are often offered as part of lay-off.

Anyone who accepts one can no longer sue in court afterwards. A severance payment is a one-time, extraordinary payment offered to the employee upon termination of employment. Ultimately, it is compensation for job loss. Employees who have been fired are not legally entitled to severance pay.

Since 2006, severance payments have been treated as taxable wages (steuerpflichtiges Einkommen). It is therefore nothing other than a wage payment. It is recorded on the wage tax deduction statement (Lohnsteuerbescheinigung) as extraordinary income (außerordentliche Einkünfte).

7. Additional valuable information

Rental income

Rental income is considered income from letting and leasing property (Einkünfte aus Vermietung und Verpachtung) according to EStG (Einkommensteuergesetz). In addition, they must be included in the tax return and must be taxed accordingly as well.

The amount of taxes to be paid depends on the landlord's individual tax rate (individueller Steuersatz). Possible occupation-related expenses (Werbungskosten) and allowances (Freibeträge) can reduce the tax burden (Steuerlast).

Rental income includes:

- Renting a house
- Renting a condominium
- Renting an apartment in a house
- Renting an vacation apartment
- Leasing property
- Subletting a room in your own home

Child benefit (Kindergeld) and child allowance (Kinderfreibetrag)

Child benefits (Kindergeld)

In 2018, the child benefits amounted to €194 per month for the first two children, €200 for the third child and €225 for each additional child. One must apply for Child benefits. It is for parents who reside in Germany or their home here.

This benefit is funded from the birth of the child until their 18th birthday. If the child is older than 18, then it becomes more complicated. It is only granted to those who are learning a vocation or studying at university. Normally, over the age of 25, there is no more child support, even if the child is still studying or has not found a job. Children with disabilities who cannot speak for themselves are exempt.

Child allowance (Kinderfreibetrag)

In addition to child benefits, parents can claim a child allowance on their tax return. The purpose of the child allowance is to ensure that each child remains above the poverty level. This is a safeguard that guarantees parents who earn up to a specific level remain tax-free.

The child allowance consists of two components, the child allowance exemption amount to keep the child above the poverty level (Freibetrag für das Existenzminimum des Kindes) and the childcare allowance for the care and education or training of a child (Freibetrag für den Betreuungs- und Erziehungs- oder Ausbildungsbedarf). In 2018, the total child allowance was €7,620. This allowance is also granted if one the parents has died or cannot be fully taxed. The same applies if the father cannot be found. In order to claim child allowances, each child must be listed individually in the tax declaration. Basically, parents are either entitled to child benefits or to a child allowance.

It is not possible to receive child benefits and to deduct the child allowance in full.

Household-services (Haushaltsnahe Dienstleistungen)

Domestic help (Haushaltshilfen), care services (Pflegedienste) and craftsman services (Handwerkerleistungen) can be indicated at the tax declaration. There are certain conditions that must be met. The amount of a possible tax reduction (Steuerermäßigung) cannot be answered in a lump sum.

Anyone who makes use of the services of a caregiver, guardian or craftsman as an employee or client of a household-related business relationship (haushaltsnahes Beschäftigungsverhältnis) can benefit from a tax reduction.

Tenants can also deduct household services from their taxes, for example if they have their apartment renovated.

Deductible costs:

- House/apartment cleaning service
- Meal-preparation services
- Gardening services
- Childcare/long-term care costs
- Renovation costs
- Modernization costs
- Snow removal services
- Custodian services
- Window cleaner
- Pet care services

Investment income (Kapitalerträge)

Investment income (Kapitalerträge) is a return on investments (ROI). Capital gains are taxed with the so-called capital gains tax (Kapitalertragsteuer). It is a withholding tax (Quellensteuer) and acts as a form of income tax collection (Erhebungsform der Einkommensteuer). Since this is a withholding tax, the income is withheld directly from the paying institution (bank, insurance, etc.) for the addressee and forwarded to the responsible tax authority.

These can be, for example:

- Capital gains on the sale of shares
- Earnings on funds
- Earnings from certificates
- Giro account or savings account interest
- Dividends

8. The easiest way to manage your tax return

As you enter data into the easy-to-understand templates, you'll constantly see how much your return will be, thanks to our tax calculator.

In addition to numerous lump sums (Pauschalen) that are integrated in our tool; many other expenses can be deducted.

These are for example:

- Telephone and Internet costs
- Insurance
- Moving expenses
- Travel expenses
- Child care
- Household-related services
- Application documents
- Trade union fees
- Healthcare costs
- Home office
- Pensions
- Voluntary activities
- Renovation costs

Other advantages include:

- No complicated tax forms (Steuerformulare)
- Information is automatically inserted in the form
- Ideally suited for those who have little time and who are hardly familiar with the topic
- Consideration of all costs and lump sums (Pauschalen) that are incurred due to work
- steuererklaerung.de is recognized by all german tax authorities

Our tool is connected to the ELSTER interface. ELSTER is tax software from the state. The data is transferred to tax offices according to the same security standards as when using ELSTER.

Why you should create your income tax return on [germantaxes.de](https://www.germantaxes.de)

- We provide clever tax tips
- Live Tax Calculator shows you how much money you should get back
- Integrated optimization check
- There are many preset lump sums (Pauschalen) that do not require proof
- technical customer support
- [germantaxes.de](https://www.germantaxes.de) is cheaper than any tax consultant
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- it is possible to file taxes up to 4 years retroactively

Do your taxes now and ensure yourself a great refund!