ATC
Audit | Tax | Consulting

End of Year Client Information 2024

Dear Client,

In light of a wide range of challenging topics both domestically and internationally - political as well as economic - the legislature has been active throughout 2024. **The Annual Tax Act 2024** and the **Tax Advancement Act** are two legislative initiatives introduced this year. These measures aim to provide relief for many taxpayers while simultaneously tightening certain requirements - areas where preparation is essential. Overall, the drafts are characterized by numerous detailed changes.

Notable improvements include further simplifications regarding **tax exemptions for small photovoltaic systems** and adjustments in **value-added tax (VAT).** Additionally, the legal implementation of recent case law aims to streamline **restructuring** processes, particularly for medium-sized enterprises. The proposed extension of **declining balance depreciation** will provide significant relief for many companies, with the underlying goal of freeing up additional resources for investments in Germany as a business location. The so-called **pooled asset rule for low-value assets** is also set to undergo practical and user-friendly adjustments.

Recipients of earned income can look forward to anticipated relief through **adjustments to the tax brackets** and an **increase in child benefits**. As remote work, particularly across borders, continues to gain importance, we have addressed the key considerations - and potential pitfalls - in a dedicated article.

The introduction of mandatory **electronic invoicing** will require significant effort from businesses in the coming months. Furthermore, cash-intensive businesses should take note of the electronic reporting obligation for **electronic cash** register systems starting in 2025 and begin preparations accordingly.

Best regards,
Your ATC Team

Please note: This client information is not a substitute for individual consultation. We therefore encourage you to contact us in good time before the end of the year if you have any questions, particularly regarding the topics outlined here, or if you identify the need for action. We will be happy to work with you to determine whether and to what extent you may be affected by these changes and to explore potential alternatives.

All information provided to the best of our knowledge, but without guarantee.
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Entrepreneur and Managing Director

1 Annual tax act 2024: Key planned changes

The **Annual Tax Act 2024** (JStG 2024) was passed by the Bundestag on October 18, 2024. At the time of publishing this client update, the Act is under review by the Bundesrat, with final approval expected later this year. The JStG 2024 includes a wide range of tax modifications, both easing and tightening fiscal obligations, impacting various tax laws. Below, we summarize the **most significant planned changes** for entrepreneurs.

Book value transfers between sister partnerships

If an entrepreneur owns multiple business assets or enterprises, it may be necessary to transfer individual assets from one business to another, for example, as part of a restructuring process. The challenge: transferring an asset from one business may trigger the realization of **hidden reserves**. This occurs when the asset's actual market value exceeds its book value, resulting in a taxable gain (a kind of fictional sale). In such cases, taxes are levied on income that has not actually been realized in cash. However, there are often ways to enable a **tax-neutral transfer** at book values.

Following the Federal Constitutional Court's decision on November 28, 2023, a previous gap in the system is set to be closed. Under the proposed change, it will generally be possible to transfer assets at book value between two partnerships with identical ownership structures (so-called sister partnerships). However, according to the JStG 2024, a tax-neutral transfer will not be allowed if a partner holds an interest in only one of the partnerships. An exception applies if there is a 0% participation by differing general partner GmbHs, which will not impede the tax neutrality. The new regulation will apply retroactively to all pending cases.

VAT reform for small businesses

Under the small **business VAT exemption** scheme, entrepreneurs can be relieved from VAT obligations if their total domestic revenue does not exceed certain thresholds (currently €22,000 in the previous year or €50,000 in the current year). These thresholds are set to be raised. In the future, the small business exemption will apply if the taxable total revenue in the previous year does not exceed **€25,000** and the revenue in the current year does not exceed **€100,000.**

Note: Unlike the previous regulation, the total revenue will now be considered without adding VAT. If the revenue threshold for the current year (newly set at €100,000) is exceeded, the small business exemption will no longer apply from the point the threshold is surpassed. Therefore, continuous monitoring of total revenue will be required.

In addition, **non-resident businesses** in Germany will also be allowed to apply for the small business exemption. To enable German companies to take advantage of the small business regulations in other EU countries, a reporting procedure will be introduced through the Federal Central Tax Office (Bundeszentralamt für Steuern).

Note: Under a provision in the Growth Opportunities Act (Wachstumschancengesetz), small businesses will no longer be required to submit an annual VAT return starting from the 2024 assessment period.

Input tax deduction for transactions with cash-basis taxpayers

Under the current law, the input tax deduction can be claimed at the end of the reporting period in which the service was provided and the invoice was received. In the future, however, the input tax deduction for transactions with cash-basis taxpayers (Ist-Versteuerer) will only be allowed once the service has **actually been paid for**. Cash-basis taxpayers are businesses that apply taxation based on received payments, including many small businesses and freelancers who are not required to maintain full accounting records.

To implement this new regulation, cash-basis taxpayers will be required to mark their invoices with the phrase "Taxation based on received payments" to ensure the recipient is aware of this particular rule when claiming the input tax deduction. This change will apply to invoices issued after December 31, 2027.

Unauthorized VAT disclosure

Generally, if VAT is shown on an invoice, even though the issuer is not authorized to charge it, the tax is still owed. In response to recent rulings by the Federal Fiscal Court (BFH), a legal loophole regarding credit notes is now being closed.

Under the new regulation, in the case of a credit note (where the recipient issues the invoice), the recipient will be liable for the VAT shown on the credit note, even if it was incorrectly stated by the issuer of the credit note. This rule is designed to ensure that VAT obligations are properly accounted for, even in situations where errors are made in the VAT disclosure on credit notes. The regulation is set to apply from the date of the law’s publication.

Adjustment of VAT exemption

The VAT exemption for **educational services** is being aligned with EU regulations, potentially broadening its scope. Specifically, services related to **school and university education, vocational training, and professional retraining** will now be exempt from VAT.

The current certification procedure, where an educational service provider (e.g., an instructor) can only claim the VAT exemption if they receive a certificate of tax exemption from the relevant state authority or, in certain cases, from the client, will remain in place. However, the originally planned VAT exemption for services in the sports sector (e.g., by associations) has been removed.

2 Planned changes under the tax advancement act

Apart from the Annual Tax Act, **the Tax Advancement Act** (Steuerfortentwicklungsgesetz) also includes planned reforms. Although it has already been discussed in the Bundesrat, the timing of the Bundesrat's approval is still open. However, as it stands, some of the regulations are expected to come into effect on January 1, 2025. In the business sector, the key changes planned include:

Change to the pooling regulation

Tangible assets that can be used independently and are part of fixed assets can be immediately depreciated in the year of acquisition as so-called **low-value assets** (GWG regulation), provided the acquisition or production costs per asset do not exceed €800. Fixed assets are those that are not consumed immediately, such as machinery, equipment, and office furnishings. In addition, a pooled asset category can be created for corresponding assets, which is then depreciated uniformly over a certain period, regardless of the individual useful life of each asset.

According to the planned regulations, assets can be included in the pooled asset category if their acquisition or production costs, excluding VAT, exceed €800 (previously €250) but do **not exceed €5,000** (previously €1,000). In addition, the uniform depreciation period for the pooled assets will be **reduced to three years** (previously five years). This regulation will apply to assets acquired after December 31, 2024.

Note: The new regulation would significantly expand the scope of the pooled asset category and would be a real simplification. The previous regulation was only limited in its practical applicability due to its overlap with the low-value asset (GWG) regulation.

Verlängerung der degressiven Abschreibung

A declining-balance depreciation method for tangible assets was introduced through the Growth Opportunities Act (Wachstumschancengesetz). The depreciation base is always the book value from the previous year. This results in higher depreciation amounts at the beginning, allowing for faster realization of tax reduction potential. With the Tax Advancement Act (Steuerfortentwicklungsgesetz), the depreciation rate will increase from 20% to **25% of the acquisition costs**, up to a maximum of 2.5 times (previously 2.0 times) the linear depreciation amount.

Additionally, the time frame for this depreciation method will be extended. Previously, assets acquired or produced between September 30, 2023, and December 31, 2024, were eligible for this benefit. This will now be extended to assets acquired or produced until December 31, 2028.

Reporting obligation for domestic tax schemes

There is already a reporting obligation for international tax arrangements. The reporting obligation for purely domestic tax arrangements has been part of legislative drafts for years but has not yet been implemented.

The current draft is conceptually aligned with the existing reporting obligation for international arrangements. The obligation applies to the user of the **tax arrangement as well as to intermediaries** who offer the arrangement as a concept (such as lawyers, tax advisors, and banks).

Whether a tax arrangement that provides a tax advantage is reportable depends on a catalog of abstract characteristics. The reporting obligation - if it is implemented - **will not prohibit legal domestic arrangements**. However, it is intended to give the tax authorities an overview of the tax planning models being applied.

3 The electronic invoice is coming

With the Growth Opportunities Act (Wachstumschancengesetz), the mandatory issuance of the new electronic invoice (E-invoice) was introduced. **Starting from 2025, every entrepreneur will be required to receive and process E-invoices.** No transition rules are provided for the recipients.

Entrepreneurs are also required to issue E-invoices for outgoing sales. However, there are transition rules in place for this obligation.

What exactly qualifies as an E-invoice?

It is an invoice that is issued, transmitted, and received in a structured electronic format, enabling electronic processing. The structured electronic format must comply with the European standard for electronic invoicing (EN 16931). Various formats already exist, such as the ZUGFeRD format or X-invoice.

This is to be distinguished from invoice documents that are merely sent electronically (e.g., a PDF via email) or paper invoices. These will henceforth be considered as "other invoices." An E-invoice can be imagined as an invoice in a common electronic format, which also contains additional evaluable data structures in the background.

Note: The obligation to issue E-invoices generally applies only to domestic entrepreneurs in their business-to-business (B2B) transactions with each other. Invoices to private individuals can still be issued in paper form or in a simple electronic format.

The introduction of the E-invoice is marked by four milestones:

- Starting from **January 1, 2025**, all entrepreneurs must be able to receive and process E-invoices. Service providers can send E-invoices without the recipient's consent.
- By the **end of 2026**, **paper invoices can still be exchanged** between entrepreneurs. Electronic formats that do not comply with the E-invoice format may still be used, but the invoice recipient must agree to this approach.
- Until **the end of 2027**, companies can continue to exchange paper invoices or use electronic formats that do not comply with the E-invoice format, provided the invoice issuer has a **previous year's revenue** (2026) of a **maximum of €800,000**.
- **From January 1, 2028, the new E-invoice requirements must be strictly adhered to by all invoice issuers**.

Note: On October 15, 2024, the Federal Ministry of Finance issued a letter clarifying that, at least after the expiration of the aforementioned phased deadlines, even small businesses (Kleinunternehmer) would be affected by the E-invoice obligation.

However, in the version of the 2024 Annual Tax Act (JStG 2024) passed by the Bundestag on October 18, 2024, the requirement for small businesses to issue E-invoices was removed. Therefore, there is still legal uncertainty on this matter until the JStG 2024 is adopted by the Bundesrat.

Outlook and practical recommendations

The new electronic invoice format creates the first prerequisites for a **reporting system** of electronic invoices to the tax authorities. This will allow for real-time invoice verification and more **effective combating of VAT fraud**. The Federal Ministry of Finance is currently working on providing support with tutorials for E-invoicing. Additionally, leading software manufacturers are developing solutions. However, an external software solution is not necessarily required for E-invoicing.

There **are no specific requirements regarding the method of transmitting E-invoices**. It is possible to send them via email or upload them through portals. At a minimum, companies should be able to receive electronic invoices by 2025. By early 2028 at the latest, the conditions should be in place for companies to also send electronic invoices themselves.

4 Reporting obligation for electronic cash registers from 2025

To prevent tax evasion, the **requirements for electronic cash** registers have been increasingly tightened in recent years. In 2020, for example, the obligation to use a recording system with a certified technical security device (TSE) was introduced. Additionally, electronic cash registers must be capable of issuing a receipt for each business transaction containing specific data. Entrepreneurs are required to report the type and number of their cash registers to the tax authorities.

Starting from January 1, 2025, it will be possible - and generally mandatory **- to report electronic cash systems via data transmission** through the "Mein Elster" portal or the ERiC interface to the tax authorities.

Which data must be reported?

If you use an electronic cash register system, you will need to transmit the following data to the tax authorities via electronic data transmission according to the officially prescribed data format:

- Your name
- Your tax number
- The type of certified technical security device (TSE)

- The type of the electronic recording system used
- The number of electronic recording systems used
- The serial number of the electronic recording system used
- The date of acquisition of the electronic recording system used
- The date of decommissioning of the electronic recording system used

The deadlines at a glance

At the latest, after the expiration of a transition period on June 30, 2025, all electronic cash register systems must be **reported within one month**. The following reporting deadlines apply:

Case	Deadline
Systems acquired before July 1, 2025	Report by July 31, 2025
Systems acquired after July 1, 2025	Report within one month after acquisition.
Systems taken out of service after July 1, 2025	Report within one month after decommissioning.

With each notification, not only the device being registered or de-registered must be reported, but **all electronic recording systems of a business location** must be included in a single notification. Rented or leased systems are also considered acquired and are subject to the reporting requirement.

Note: A **procedural documentation** must generally be maintained for the cash register system. This should be supplemented with a **process description** regarding the new reporting obligations

Possible sanctions for failure to report

Violations of the reporting obligations can result in a **compulsory fine**; additionally, significant **assessments** may be imposed. Tax authorities may conduct an **unannounced cash register inspection** during business hours to verify the electronic cash register and compliance with the reporting requirements. Other **liability**, **fines**, or even **criminal consequences** depend on the specific case.

5 Reduction of retention periods and simplification of bureaucracy

The Fourth Bureaucracy Relief Act (BEG IV), which has been passed by both the Bundestag and the Bundesrat, aims to achieve significant simplifications by reducing unnecessary bureaucratic hurdles. From a tax and commercial law perspective, the following aspects are particularly noteworthy.

Reduction of retention periods for accounting documents

The retention period for **accounting documents** is **reduced** from the current ten years **to eight years**. The period begins after the end of the year in which the accounting document was created. It should be noted that provisions for the retention of business documents may also need to be adjusted. Overall, the planned regulation will lead to a reduction in archiving efforts. However, it is important to remember that the **retention period for commercial books, inventories, opening balances, annual financial state-ments, individual financial statements, management reports, and consolidated financial statements will still be ten years.** For received and sent commercial letters, the retention period remains six years. Additionally, the Federal Council has introduced the elimination of the requirement to store annual financial statements in paper form into the law.

New threshold for monthly VAT returns

The relevant period for submitting the VAT return is generally the calendar quarter. However, if the VAT liability for the previous calendar year exceeds €7,500, the calendar month becomes the reporting period. This threshold has now been increased to €9,000 in VAT liability. As a result, more companies are likely to have less reporting effort.

Differential taxation

The margin scheme is a special VAT procedure where only the difference between the purchase price and the sale price is taxed. This method is **often applied to used goods** for which VAT has typically already been paid. For used goods where the purchase price does not exceed 500 €, the reseller has the option to choose. Instead of calculating the individual margin, they can form an overall margin. **This threshold is now being raised to 750 €.**

Further measures

The BEG IV also contains non-tax measures. For example, in many areas (such as labor law, commercial lease law, company law, and association law), a **simple text form will be sufficient instead of the written form** for contracts and agreements. In cases where a written form was previously required, it always involved a handwritten signature or an authorized electronic signature. This requirement will now be waived in the relevant cases.

6 Increase in the thresholds for the obligation to prepare financial statements

The Growth Opportunities Act (Wachstumschancen-gesetz) has increased the tax thresholds that determine when a company becomes **obligated to maintain accounting records** and prepare a financial statement. Once these thresholds are exceeded, the simplified income statement method (Einnahmenüberschuss-rechnung) is no longer an option. Previously, companies had to switch to accounting (i.e., prepare a balance sheet) if their annual profit exceeded €60,000 or if their annual revenue exceeded €600,000. Under the new regulations, the obligation to prepare a tax balance sheet will only apply once the **profit threshold exceeds €80,000** or the revenue threshold exceeds €800,000. This change applies to financial years starting after December 31, 2023.

The commercial law thresholds for accounting obligations have also been adjusted accordingly. The accounting obligation applies when these thresholds are exceeded in two consecutive financial years. The tax authorities will inform the company of its accounting obligation, which will take effect for the financial year following the notification. Traders (Kaufleute) are always and remain obligated to maintain accounting records, regardless of the revenue or profit threshold.

7 Introduction of a business identification number

The new Business Identification Number will be assigned **to all businesses** operating in Germany. This includes legal entities as well as sole proprietors and freelancers. If a person is involved in multiple economic activities, they will receive a separate Business Identification Number for each activity from the Federal Central Tax Office (Bundeszentralamt für Steuern). The Business Identification Number consists of the country code DE for Germany, followed by nine digits. Additionally, a five-digit distinguishing feature is added, separated by a hyphen. This feature helps identify individual businesses, branches, or activities.

The issuance of the Business Identification Numbers has been taking place in stages since the fall of 2024. This new number will complement the Tax Number (Steuernummer) and the Tax Identification Number (Steuer-Identifikations-nummer). In the future, it is intended to simplify reporting obligations. Moreover, the Business Identification Number will become part of the master data for a new Company Base Data Register (Unternehmensbasisdatenregister), which is currently being developed. This register will consolidate data from various other registers.

Note: The Business Identification Number does not need to be applied for by either existing or newly established businesses. It will be automatically assigned by the Federal Central Tax Office.

8 Gifts: Amendment to the value added tax application decree

Under the Growth Opportunities Act (Wachstumschancen-gesetz), the limit for the expense deduction for **gifts given by a business owner** to persons who are not their employees (e.g., business partners) has been raised from €35 to €50 per year per recipient, effective from January 1, 2024. If this limit is exceeded, no expense deduction for the gift is allowed for income tax purposes. Additionally, the input VAT deduction for the gift is not permitted if the threshold is surpassed.

The corresponding limit in the VAT Application Decree (UStAE) has also been increased from €35 to €50 per year per recipient. However, simple promotional items, whose value does not exceed €10, are not considered gifts under these rules. For such items, the primary purpose is advertising (e.g., items like pens with a company logo).

9 The obligation to split accommodation revenues is in violation of European law

Under German VAT law**, only the accommodation service** (e.g., hotel overnight stays) is subject to the reduced VAT rate of 7%. All additional services such as breakfast, parking, or the use of other hotel facilities (e.g., spa area) are subject to the regular VAT rate of 19%. Therefore, the total bill must be split accordingly. This process is cumbersome and prone to errors in practice.

The Federal Fiscal Court has referred several cases regarding the obligation to split the bill to the European Court of Justice (ECJ) for a ruling on its legality under EU law. Based on recent case law from the ECJ, there is hope that additional services will share the same VAT treatment as the main accommodation service, meaning they could also be taxed at the reduced rate of 7%.

Note: Businesses in the hospitality sector that provide additional services alongside the main hotel accommo-dation should consider reviewing their VAT assess-ments. They may file an objection to the assessment and request a suspension of the procedure. Refunds based on a corresponding ECJ ruling are possible in this area.

Employer and Employee

10 Company cars: Further benefits planned for pure electric cars

The **private use of a company car** is considered a taxable benefit for employees. The taxation of private use is either done on a flat-rate basis using the 1% rule or based on the logbook method.

For pure electric vehicles (EVs), the **taxable benefit** for private use is **calculated** at only 25% under both methods. This means that 75% of the tax burden is saved. However, the tax benefit for pure electric cars is only available if the **gross list price does not exceed €70,000**. This regulation applies to vehicles acquired from January 1, 2024. Prior to this, the relevant gross list price was capped at €60,000. The German government, as part of its growth package, plans to increase the benefit threshold for fully electric cars to a gross list price of €95,000. Additionally, there are plans for special depreciation options, though this has not yet been incorporated into concrete legislative proposals.

Note: If the gross list price for a fully electric car exceeds the upper limit, only 50% of the usual taxable base for combustion engine vehicles (according to the 1% rule or logbook method) will still be applied.

Similarly, for plug-in hybrid vehicles (PHEVs), only 50% of the taxable base is applied for the private use taxation. Additionally, the vehicle must meet the requirement that, at the time of acquisition (until December 31, 2024), it either emits no more than 50 grams of CO2 per kilometer or has an electric range of at least 60 kilometers. For acquisitions made between January 1, 2025, and December 31, 2030, the required electric range will increase to 80 kilometers

11 Employee equity participation

Starting from the 2024 assessment period, there will be an **annual allowance of €2,000** (up from €1,440) for employee participation in the employer's company, up to which participation can be granted tax- and social security-free. Eligible for this allowance are certain types of equity participation under the Fifth Asset Formation Act. This includes shares, convertible and profit-sharing bonds, participation rights, GmbH (limited liability company) shares, and silent partnerships.

If employees are granted participation exceeding this allowance, the value of the participation is generally subject to income tax withholding. However, there are certain options to defer the immediate taxation and shift it up to 15 years into the future. To qualify for deferred taxation, the employer must meet specific criteria based on the EU's SME (Small and Medium-sized Enterprises) requirements.

The aim of the employee equity scheme is to primarily benefit small and medium-sized enterprises and their employees, especially in the startup sector. Large, publicly traded companies typically exceed the thresholds.

Through the 2024 Annual Tax Act, the possibility of deferred taxation will also apply to participations granted by a company within a corporate group, where the granting company is not the employer. This option did not exist before. As a result, the regulation will now be available with greater flexibility and is intended to apply retroactively from 2024.

12 Deductibility of the second home tax?

In the case of **maintaining two households**, an employee moves into a residence at a place of employment that is farther away from their main residence, where their family may live. This form of professional mobility is promoted for tax purposes: specifically, accommodation costs at the place of employment can be claimed as business expenses. A **maximum of €1,000 per month can be deducted for accommodation costs**. This maximum includes all costs associated with accommodation, such as rent, utility costs, and cleaning.

In a ruling from the Federal Fiscal Court (BFH) in December 2023, the question arose as to whether a second home tax at the place of employment should also be included in the maximum accommodation cost limit or whether it could be claimed separately as an expense. The issue here was that the monthly €1,000 limit had already been exhausted by rent and additional costs.

The BFH ultimately considered the **second home tax** to be **part of the accommodation** costs within the €1,000 maximum limit. A separate deduction as business expenses was not permitted.

Note: The second home tax should therefore be considered as part of the overall accommodation costs if the threshold limit is not to be exceeded. However, in the past, the Federal Fiscal Court (BFH) has ruled differently regarding the costs for necessary furnishings, particularly furniture, for the residence at the place of employment. These costs can be deducted as business expenses, regardless of the threshold limit.

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13 Homeoffice and workation abroad

Flexible working hours and home office arrangements are now common in many companies and are often demanded by employees. Increasingly, many employees also want the opportunity to work during **short-term stays abroad**, often combined with leisure activities.

In practice, this might look like: The employee works at their foreign location for only a few hours or days, and spends the rest of their time enjoying the local sights or other activities. The motto is: work in the morning, go to the beach in the afternoon. This is called a "workation," a portmanteau of "work" and "vacation."

From a tax perspective, there are several considerations. For example, the employer may have **tax obligations** abroad if the employee works in that country. Generally, it is advisable to seek tax advice, possibly also from the foreign country, to ensure proper compliance and avoid potential issues.

183-day rule

In countries with which Germany has **a Double Taxation Agreement** (DTA), the so-called **183-day rule** can be applied. This rule stipulates that (subject to additional conditions), an employee can stay in a foreign country for up to 183 days in a year for work purposes, and the foreign country is generally not allowed to tax the employee's wages. **In this case, taxation would only occur in Germany.** Germany has concluded DTAs with over 90 countries, including all EU member states.

Social security law aspects

Within the EU, working abroad while still being subject to German social security regulations (particularly pension insurance) is generally possible for **up to 24 months**. During this period, the stay is considered a posting. However, the scope of validity for specific areas such as **health insurance and accident insurance** should be reviewed and, if necessary, supplemented. Additionally, the employee must carry **an A1 certificate**, which confirms the applicability of German social security regulations. Failure to present this certificate could lead to significant penalties. For countries outside the EU, social security issues should be carefully reviewed once again.

Employer's operational site risk

For extended stays abroad by the employee, a permanent establishment may, under certain circumstances, be created for the **German employer in the foreign country**.

This results in the employer's business itself becoming subject to taxation in the foreign country. However, a permanent establishment is only created if there is a "fixed place" of business in the foreign country. Whether this is constituted by a vacation rental or a hotel room used by the employee must be determined according to the laws of the respective host country. Opinions on this issue vary widely across different countries.

Determining the profit to be allocated to the permanent establishment in the foreign country can also be challenging and complex. Additionally, a permanent establishment may jeopardize the application of the 183-day rule under double taxation agreements (DTAs). This could lead to a payroll tax obligation in the host country.

Note: In addition to the mentioned tax and social security issues, matters related to labor law and immigration law may also come into play - especially during longer stays of the employee abroad.

14 Tax-free allowances for on-call duty

In general, allowances paid for actual work on **Sundays, holidays, or nights in addition** to the basic salary are tax-free. The condition for this is that the allowances do not exceed the limits of the respective basic salary within their calculation base.

In a case heard before the Federal Fiscal Court (BFH) in spring 2024, the issue involved care staff employed at a boarding school for children and young people with disabilities. The care was provided even during the night. This time was compensated as **on-call duty**, for which only 25% of the time was paid as working hours. However, there was also a night allowance of 15% of the regular wage, which was paid tax-free by the employer.

During a payroll tax audit, the tax office (FA) argued that the allowance should only be tax-free based on the pay for the on-call duty. As a result, a higher amount was treated as tax-free than permitted.

However, the BFH rejected the FA's position: The **relevant calculation base for the allowance is the regular base salary, not the reduced compensation for the on-call duty**. Therefore, it is possible to pay higher allowances tax-free based on the base salary during on-call duty.

15 Taxation of severance payments with right of return

A **severance payment following termination by the employer** with a simultaneous right of return may initially seem contradictory, but it is possible in certain situations. Severance payments made as compensation for the loss of employment can be tax-advantaged under the so-called "one-fifth rule."

Various rulings by the Lower Saxony Fiscal Court (FG) have addressed the issue of whether this tax benefit also applies to a **severance payment with a right of return**. In one case, employees of a group were transferred to a newly founded company (a so-called business transfer). In the event that this company was acquired by an external third party, and if the new owner issued redundancies, the employees had the right to return to a comparable position within the parent company with the corresponding salary.

The new company was eventually acquired by an external group, and redundancies occurred, resulting in severance payments. The tax office (FA) denied the application of the **tax-saving one-fifth rule** to the severance payment, as the employee exercised the right of return, meaning that the loss of the job did not ultimately occur.

The FG agreed with the FA: The reduced taxation of the severance payment requires that the income-generating activity comes to an end. However, the right of return prevented this condition from being met.

16 Deduction of special expenses for pension contributions

Contributions to **retirement insurance** or **health insurance** premiums, such as **payments to private pension plans**, generally cannot be deducted as special expenses if they are **related to tax-exempt income**. This applies, for example, to employee income that is exempt from taxation under a double taxation agreement.

However, exceptions exist for tax-exempt employee income from the EU, the European Economic Area (EEA), and Switzerland. The condition for this exception is that the pension contributions cannot be taken into account for tax purposes in the country where the work is performed.

Under the Annual Tax Act 2024, the option to deduct pension contributions from tax-exempt income will be extended to additional types of income, such as freelance income or pension income from the EU, EEA, and Switzerland. The new regulation is also intended to apply to all pending cases.

17 Planned changes to tax classes

As part of the Tax Reform Development Act, the current tax classes 3 and 5 are to be replaced by the so-called "**factor method**." This change is intended to distribute the wage tax burden more fairly between married couples and civil partners. Single-income spouses/partners will also be able to use the factor method, which will reflect the current tax class 3. The transition to the new system is planned for January 1, 2030. Despite the significant media coverage of this issue, there is no immediate need for action at this time.

Note: Contrary to what some media outlets have misleadingly reported, the abolition of tax classes 3 and 5 will have no impact on the **spousal tax splitting** (Ehegattensplitting).

18 Increase in deductible childcare costs

A welcome change that was added at the last minute to the 2024 Annual Tax Act concerns parents. Currently, two-thirds of childcare expenses (up to 4,000 euros per child annually) can be deducted as special expenses. In the future, 80% of these expenses will be deductible, with a maximum amount of **4,800** euros per child.

Investors

19 Hedging transactions on option premiums

Option premiums received for granting options are considered **income from capital assets**. If the seller (stillhalter) engages in a hedging transaction (Glattstell-ungsgeschäft), the premiums paid by them are to be treated as negative income at the time of payment. Under the 2024 Annual Tax Law, it is now to be clearly established that the premiums paid, along with any associated costs, should be recorded as negative capital gains in the so-called loss offset account (Verlust-verrechnungstopf) at the **time of payment**. This legal clarification is necessary because the Federal Fiscal Court (Bundesfinanzhof) has ruled that the previous administrative practice was not in compliance with the law.

20 Record-keeping requirements for cryptocurrencies

In March 2024, the German Federal Ministry of Finance (BMF) released a draft for an **additional BMF letter concerning the tax treatment of cryptocurrencies** (e.g., Bitcoin). This draft aims to supplement the first BMF letter, which addressed the taxation of cryptocurrency profits. The new draft focuses on the responsibilities regarding **cooperation, record-keeping, and data retention.**

The first BMF letter clarified that merely **providing the public key** for a cryptocurrency investment does not fulfill the cooperation and information obligations. The tax authorities (FA) may request additional documents and data used for creating tax reports, such as CSV files and transaction summaries. To verify specific information, screenshots from a wallet or a trading platform account may also be requested. It is important to note that missing records or data loss will be to the taxpayer's disadvantage and could lead to estimations by the FA.

The new draft includes a comprehensive list of further information that the FA may request, including:

- Used wallet addresses
- Transaction hash values
- Account details of the exchanges and trading platforms used

The final BMF letter will apply to all pending cases after its publication.

Note: In the past, it has been shown that investors can quickly lose track of their cryptocurrency transactions due to the high volume of data. Therefore, it is advisable to use appropriate record-keeping methods, such as additional software. One should not rely solely on the accounts held on trading platforms, as important data can be lost, for example, if the platform shuts down or is hacked.

21 Restriction on loss offsetting may not be legal

Since 2021, losses from derivative transactions can only be offset against gains from similar transactions and income from so-called option premiums within the same year. The maximum offset is limited to **€20,000 annually**, with any higher losses carried forward to future years.

This regulation was recently reviewed by the Federal Fiscal Court (BFH). The court found that the rule violated the principle of equality. Investors in derivatives are treated unfairly compared to those investing in other financial assets. The loss offset limitation could also result in taxes being imposed on unrealized profits. Additionally, it is uncertain whether the losses from derivative transactions will actually be offset in future years.

The restriction would only be constitutionally acceptable if it were guaranteed that such offsetting would occur in the following years. This BFH ruling was issued following a request to suspend enforcement.

Note: In cases where loss offsetting for derivative transactions is desired beyond the current annual limit of €20,000, the validity of the tax assessments should be contested with an appeal. This is particularly relevant due to the planned changes in the 2024 Annual Tax Law. The new law is expected to lift the restriction on loss offsetting for derivative transactions in all pending cases. The same applies to the limitation on losses from private bad debts (e.g., private loans). With this new regulation, the legislature aims to address the potential unconstitutionality of the current provisions.

Furthermore, it should be noted: Under current law, losses from the sale of stocks can only be offset against gains from the sale of stocks and cannot be offset **against other positive income from capital assets.** This regulation is currently under review by the Federal Constitutional Court.

Property Owners

22 Building depreciation and creation of new rental housing

The Growth Opportunities Act (Wachstumschancengesetz), passed in the spring of 2024, introduced a new, temporary declining-balance depreciation for buildings. For residential buildings that are newly constructed or acquired, taxpayers can alternatively apply degressive depreciation at a rate of 5% per year, instead of the linear depreciation method (AfA - Absetzung für Abnutzung, depreciation for wear and tear).

Under linear depreciation, the same amount is deducted each year over the asset's useful life. In contrast, degressive depreciation allows for higher deductions in the initial years, with the deductible amounts decreasing annually. While the percentage for deduction remains the same, the basis for calculation (the residual value or book value for business assets) is reduced each year by the previous year's depreciation.

This option is available for buildings whose construction began after September 30, 2023, and before October 1, 2029. For acquisitions, the building must be one that was constructed within this period. Additionally, the contract for the purchase must be legally concluded between October 1, 2023, and September 30, 2029.

Tax Incentives for the Construction of Rental Housing

The Growth Opportunities Act (Wachstumschancengesetz) has improved tax incentives for the creation of new rental housing. For the construction **of new rental housing**, a special depreciation of up to 20% can be claimed in the first four years (5% per year). This is in addition to the linear building depreciation of 3%, allowing for up to 32% of the investment to have a tax effect in the first four years. The basis for the special depreciation is limited to €4,000 per square meter of residential space.

The incentive applies to apartments for which the building application (or notification of construction) is submitted between December 31, 2022, and January 1, 2029. The key date is when the application is submitted to the authorities. This also applies in the case of the purchase of a new building with rental apartments. The special depreciation can be claimed for the last time in 2028.

Note: The special depreciation for new rental housing construction can also be combined with the new, temporary declining-balance depreciation.

The Annual Tax Act 2024 also includes a provision clarifying that after the relevant benefit period for a special depreciation, further depreciation can be made using the declining-balance method. However, this is only possible if the declining-balance method was already used during the special depreciation period. The regulation is set to apply retroactively from January 1, 2023.

23 Determination of the local comparative rent

The Regional Tax Office of Frankfurt am Main (OFD) issued a letter on December 7, 2023, discussing the local comparative rent in relation to rental income. While the OFD directive specifically pertains to the state of Hessen, it also provides valuable general guidance.

Knowing the local comparative rent is particularly relevant when renting below-market value to close relatives. If the rent for a property is less than 50% of the local market rent, the use of the property must be split into a chargeable and a non-chargeable part. The expenses for the non-chargeable part are no longer deductible. If the rent is at least 66% of the local comparative rent for long-term leases, the rental is considered fully chargeable, and the deduction for advertising costs is fully granted. If the rent is between 50% and 66%, a total surplus forecast must be created. Only if the forecast is positive will no split be made.

When calculating the local cold rent plus the allocable costs according to the Operating Costs Ordinance, a comparable apartment in terms of type, location, and amenities should be used. The OFD highlights four methods for determining the local comparative rent:

- **Local Rent Index**: This often includes benchmark values for the local market rent. Local factors, such as increases or decreases in value, should be considered through appropriate adjustments or surcharges. If no range of comparative values is provided, the average rent for comparable properties listed in the rent index should be applied.
- Another option, particularly when no rent index is available, is the use of **rental value calculators** provided by the Offices for Land Management and Geoinformation in Hesse or equivalent authorities in other federal states.
- A less preferred method is **determining the local rent based on rents for individual comparable apartments, such as through online research.**
- If none of these methods apply, an expert opinion may be sought.

Note: For the calculation of the rental income's consideration rate, the total rent (Warmmiete) should be used. This includes the cold rent (Kaltmiete) as well as the allocable additional costs.

24 Discounted rental to persons in need

The 2024 Annual Tax Act addresses, among other topics, the provision of discounted housing for **people in need**, particularly focusing on social housing. This applies to individuals whose income does not exceed five times the standard rate of social assistance. For single individuals or single parents, it is capped at six times the standard rate. The need for assistance must exist at the beginning of the rental agreement.

To qualify for tax benefits, the rent must be set **permanently below the market rate**. However, the market comparison only needs to be verified at the start of the lease and when rent increases occur. As part of this public benefit, donations to such housing projects may also be tax-deductible. This regulation is set to take effect on January 1, 2025.

25 The property tax is now once again under review

After the Federal Constitutional Court ruled in 2018 that the previous method of property valuation for property tax purposes was unconstitutional, a new system for determining property values was developed. As of January 1, 2022, specific property details had to be provided for this new valuation. Based on the values determined by the tax authorities, cities and municipalities will begin collecting the new **property tax starting in 2025.**

The new valuation system follows the so-called "Federal Model," although individual states can adopt modified systems. The Federal Fiscal Court (BFH) has raised serious concerns about the federal model in two cases. The court noted that the valuation method could violate the principle of proportionality **by imposing excessively high taxes**. Specifically, the BFH decided that if the property tax value exceeds the market value by at least 40%, a correction in favor of the taxpayer is justified.

With these rulings, taxpayers now have a way to challenge overestimated property tax assessments. **However, the federal model does not apply nationwide: in the states of Baden-Württemberg, Bavaria, Hamburg, Hesse, and Lower Saxony, the court's decisions do not apply, as these states have their own models.**

The tax authorities have responded with a decree from the Supreme Tax Authorities of the States, dated June 24, 2024. In all open cases, taxpayers are allowed to prove a lower fair market value for their property. This proof is typically provided through an expert opinion from an appraisal committee or a certified property valuation expert.

Alternatively, an actual sale price achieved within one year before or after the main assessment date can also serve as evidence, provided the economic circumstances of the property have remained unchanged.

Note: The newly created proof option also means that taxpayers may incur costs for expert appraisals. These costs will not be reimbursed. Therefore, it should be carefully considered in advance whether the costs of an appraisal are proportionate to the property tax that will be payable.

The mentioned decree regulates the options for appealing and requesting the suspension of enforcement in cases where the property valuation is proven to be too high. A correction without an appeal can be made through a so-called "error-correcting value adjustment." This can occur if the current property value deviates from the value at the time of the last main assessment (January 1, 2022) by more than €15,000.

Note: The case law of the Federal Fiscal Court (BFH) regarding the prohibition of excessive taxation is of general significance and may also affect property valuations in those states that do not apply the federal model. Furthermore, the 2024 Annual Tax Act is expected to establish the possibility of proving a lower market value. The assessed property tax value may then not exceed the proven market value by more than 40%.

All tax payers

26 Tax exemption for small photovoltaic systems

Since 2022, a tax exemption has been applied to small photovoltaic (PV) systems. **Income from electricity sales and the use of electricity for private purposes** are exempt from income tax. However, no expenses can be claimed for these systems. This regulation applies in the following cases:

- Systems installed on or at single-family homes, as well as buildings not used for residential purposes, with a total installed capacity of up to 30 kWp
- Systems installed on/at/in other buildings (e.g., multi-family homes, mixed-use properties) with an installed capacity of up to 15 kWp per residential or commercial unit
- In the case of multiple systems: a maximum of 100 kWp per taxpayer or partnership

The 2024 Annual Tax Act is set to further simplify the regulations concerning the eligible system capacities: for other buildings, the allowed total system capacity will be increased to 30 kWp per residential or commercial unit.

It will also be clarified that buildings with multiple commercial units are eligible, and that the allowable system capacity per building is a threshold rather than an allowance. The key factor will always be the system capacity recorded in the Market Master Data Register. If this capacity is slightly exceeded per building, **the tax exemption will be entirely lost.**

Doubts regarding tax-free photovoltaic systems

The tax exemption introduced retroactively as of January 1, 2022, for small photovoltaic systems has led to some uncertainties. One of the key issues is the treatment of expenses that were incurred before 2022, but for which payment - and thus the tax effect - occurred in 2022 or later.

Example: A taxpayer operates a photovoltaic system (PV) on their roof with a capacity of 20 kWp. Income from feed-in tariffs and self-consumption have been exempt from income tax since 2022. At the same time, no expenses can be claimed. The costs for the tax advisor to prepare the profit and loss statement and tax returns for the years 2019 to 2021 are only paid in April 2022. The tax office (FA) rejects the deduction of these costs for the year 2022, as the tax exemption applies from that point onward, and therefore, no expense deductions are allowed.

Assessment: The legal question of whether costs incurred in the years before the tax exemption can be considered tax-deductible when paid in 2022 or later, under an income surplus calculation, remains unresolved. Various tax court proceedings are currently pending on this issue. Until a decision is made, it may be possible to request a suspension of the proceedings, although this is at the discretion of the tax office (FA). Otherwise, the only remaining option is to file an objection and take legal action.

Dissolution of investment deduction amounts formed before 2022.

urrently, investment deduction amounts (IABs) allow up to **50% of planned acquisition costs for movable assets**, such as rooftop PV systems, to be claimed for tax purposes before the purchase. However, due to the tax exemption starting in 2022, IABs formed in previous years must now be reversed if no investment has occurred by December 31, 2021. This was confirmed by the Cologne Fiscal Court (FG) in a decision from spring 2024. The plaintiff argued that they had relied on the tax savings, but the court ruled against them, resulting in a tax payment and potentially interest charges. The final decision on this matter has not yet been made. An appeal has been lodged with the Federal Fiscal Court.

27 Artificial insemination as an exceptional burden

Under certain circumstances, private expenses can be tax-deductible in the income tax return as **"exceptional burdens."** The condition is that the expenses are unavoidable for legal, factual, or moral reasons and are necessary under the circumstances. Whether this applies in a specific case is often decided by the courts.

In a recent ruling by the Federal Fiscal Court (BFH), the issue was whether expenses for pre-implantation diagnostics (PID) for an unmarried couple with a desire for children could be considered an exceptional burden. PID can detect hereditary disease risks during fertility treatments. In the case discussed, the man had hereditary predispositions.

The couple requested the tax deduction for the total costs, including the part related to the woman, who was not genetically predisposed. The tax office and later the tax court rejected this claim. However, the BFH ruled that the costs related to the woman were necessarily incurred to compensate for a physical limitation caused by the partner's illness. Since the biological health of both partners is relevant for fertility treatments (of which PID is a part), simply treating the man would not have been sufficient.

Note: Although health insurance providers may not cover the costs of preimplantation genetic diagnosis (PGD) or fertility treatments, these expenses can at least be claimed for tax purposes.

28 Saved maintenance payments do not immediately count as personal assets

Parents can claim maintenance payments to their children as **extraordinary burdens** under certain conditions. The basic requirement for this deduction is that the parents no longer have a claim to child benefits for the child. This applies when the child is in education and reaches the age of 25. Another condition is that the child has only a small amount of personal assets, which must not exceed €15,500. If the assets exceed this amount, the tax deduction is not allowed (exception: the assets are for reasonable homeownership).

The Federal Fiscal Court (BFH) recently dealt with the calculation of this so-called exempt asset amount in a 2024 ruling. It decided that monthly maintenance payments saved by the child but not yet spent should not immediately be included in the asset calculation. In the case at hand, parents had claimed maintenance payments for their adult son, who was finishing his studies in September 2019, as extraordinary burdens. The son's bank account showed a balance of €15,950 on January 1, 2019. This amount included an advance payment for maintenance in January 2019 of €500. As the son's assets exceeded €15,500, the tax office rejected the deduction of the maintenance payments.

However, the BFH largely upheld the complaint, first clarifying that the exempt asset amount, which has remained nearly unchanged at **€15,500** since 1975 (adjusted for inflation), should not be increased despite inflation. Even in 2019, this amount was significantly higher than the basic tax exemption and did not fall below the assets considered as a "safety net" for those in need under civil and social law.

The BFH also ruled that the monthly maintenance payments from the parents could not immediately be included in the asset calculation. Saved and unused maintenance payments are only considered part of the child's assets after the calendar year in which they were received. Therefore, the advance maintenance payment for January 2019 could only be counted towards the child's assets in 2020. As of January 1, 2019, the child's assets were €15,450, meaning the maintenance payment was still deductible.

29 The taxation of the energy price allowance is not yet fully resolved

In 2022, the German government provided the so-called **energy price allowance** (Energiepreispauschale) of €300 to employees and self-employed individuals as a partial compensation for the sharp rise in energy costs. This payment was either made directly or offset against tax prepayments.

In a case before the Münster Finance Court (FG) in 2024, an employee challenged the tax treatment of the €300 allowance, as the tax office (FA) had classified it as taxable income, just as it did for other taxpayers. The court ruled in favor of the tax office, stating that subsidies like the energy price allowance could generally be subject to taxation. The decision was appealed, and the case has been referred to the Federal Fiscal Court (BFH), which may soon provide further clarification.

Moreover, several objections against the taxation of the energy price allowance are currently pending. Taxpayers are evaluating whether they should also lodge objections to their own assessments. A case before the BFH may be imminent

30 Changes of the income tax rates

The approved and planned adjustments to the tax rate are intended to both ensure the **tax-free subsistence minimum** and alleviate the burden on small and medium incomes from inflation-driven additional costs. The basic exemption amount will be gradually adjusted until 2026:

- 2024: Previously €11,604, now €11,784
- 2025: Planned increase to €12,084
- 2026: Planned increase to €12,336

The child allowance will also be gradually increased:

- 2024: Previously €6,384, now €6,612
- 2025: Planned increase to €6,672
- 2026: Planned increase to €6,828

31 Higher employee savings allowance starting in 2024

The employee **savings allowance is a government subsidy for wealth accumulation**. Depending on the investment type and the savings amount, it can be up to 123 € per year. As of January 1, 2024, the allowance has been made more attractive through the Future Financing Act. The income limit for investing employee savings benefits in forms of asset investments (such as investment funds) and for housing-related purposes (such as home savings) has been doubled. The new limits are 40,000 € for singles and 80,000 € for couples filing jointly.

32 Increase in child benefits

As part of the **Tax Development Act**, child benefits (Kindergeld) are set to increase on January 1, 2025, from the current €250 to €255. Additionally, starting in 2026, the child benefit will be regularly adjusted based on the percentage change in the child-related tax allowances. As a result, the child benefit will rise by another €4 to €259 starting January 1, 2026. Furthermore, the 2024 Annual Tax Act will introduce the possibility of applying for child benefits electronically, although paper applications will still be generally accepted.

33 Relief amount for single parents is set to be implemented earlier

As part of the **Tax Modernization Act**, the relief amount for single parents is set to be implemented earlier. In the future, this relief amount can be applied as a tax exemption for wage tax deductions starting from the month of separation in cases of permanent separation of spouses or life partners. In subsequent years, the relief amount for single parents will only be considered through tax class 2.

34 Minimum wage, minijobs, and midijobs starting 2025

Starting January 1, 2025, the statutory minimum wage will increase from €12.41 to €12.82 per hour. Additionally, the income threshold for employees in tax- and social security-exempt Minijobs will rise from €538 to €556 per month. As a result of this increase in the Minijob limit, the Midijob threshold will also be raised on January 1, 2025. The transition zone, where regular monthly earnings exceed the Minijob limit, will now begin at €556.01 (instead of the current €538.01) and will continue up to €2,000 per month. This adjustment aims to reduce the financial burden on employees transitioning from a marginal job (Minijob) to a full social security-paying employment contract.

35 New four-day access presumption

Especially for filing an objection against a tax assessment, it is very important when the corresponding assessment was effectively communicated to the taxpayer. This is because the objection is only considered valid if it is made within one month after the notice of the assessment is communicated.

Previously, when a notice was sent by regular mail, it was presumed to have been received on the third working day after it was sent. However, under the law passed in July 2024 to modernize postal regulations, the presumption period will be extended to the fourth working day. This statutory provision is part of a general extension of postal delivery times by one day. The new regulation for tax procedural law will come into effect on January 1, 2025. In addition to tax assessments, the regulation will also apply to all other types of administrative acts and their communication.

Note: The access will now be considered to have occurred on the fourth working day after it is mailed. If this fourth day is a Saturday, Sunday, or public holiday, the next working day will be considered the day of delivery. Saturday will not be counted as a working day.

36 Deadlines for tax returns

The extended deadlines for tax returns (income tax, corporate tax, trade tax, VAT), introduced by the Fourth Corona Tax Assistance Act, are still in effect. The reason for this extension was the significant increase in workload for tax advisors during 2021 and 2022, caused by the COVID-19 pandemic and the processing of government aid.

For tax returns that we, as your tax advisors, prepare for you, the following deadlines apply:

- Assessment period 2023: by June 2, 2025
- Assessment period 2024: by April 30, 2026

From the assessment period 2025, there will be a return to the previous submission deadlines. Therefore, the tax return for 2025 must be submitted by March 1, 2027, at the latest if prepared by your tax advisor.

Kind regards,
Your ATC Team

All information is provided to the best of our knowledge, but without guarantee. This information does not replace individual advice!

Legal status: November 18, 2024

End of Year Client Information 2024

+++ at the last minute +++

Dear Client,

When the traffic light coalition collapsed, **several legislative initiatives of the federal government** were still in the legislative process. This raised the question of what this situation means for taxpayers as the year transitions from 2024 to 2025.

With this letter, which we are providing to you as a recipient of **our Client Information for the End of 2024**, we aim to address this question as comprehensively as possible based on the current circumstances.

In principle, the Client Information remains valid as of the legal status dated November 5, 2024, while this letter specifically **refers to the individual topics listed below**.

1 Annual Tax Act 2024: Key planned changes

The Federal Council approved the Annual Tax Act (JStG 2024) on November 22, 2024. It will thus come into effect as planned. Notably, the simplifications under the **small business regulation remain unchanged.**

2 Planned changes under the Tax Advancement Act

Unlike the Annual Tax Act 2024, the Tax Advancement Act **has not yet been finalized**. The proposed new regulations outlined in the Client Information remain as proposals for now. However, it is unlikely that the act will be passed during this legislative period.

3 The electronic invoicing is coming

Good News for **Small Business Owners**: With the adoption of the Annual Tax Act 2024, it is confirmed that small business owners will be permanently exempt from the obligation to issue electronic invoices, even after the transition periods expire. However, please note that small business owners may still need to be able to receive electronic invoices starting January 1, 2025. Having a simple email inbox will suffice for this purpose.

11 Employee equity participation

16 Deduction of special expenses for pension contributions

18 Increase in deductible childcare costs

19 Hedging transactions on option premiums

26 Tax exemption for small photovoltaic systems

All the new regulations presented in the Client Information regarding this matter are included in the **Annual Tax Act 2024** and will come into effect as planned.

30 Changes of income tax rates

32 Increase in child benefits

33 Relief amount for single parents is set to be implemented earlier

The **basic tax-free allowance** and **child tax allowance** for 2024 were increased as planned through the Law on the **Tax Exemption of the Minimum Subsistence Level 2024**. All other changes are included in the draft of the **Tax Advancement Act**. Although there is currently political intent to at least adjust the tax rates and child benefits as of January 1, 2025, an agreement in the Bundestag is still completely uncertain.

Best regards,
Your ATC Team

Please note: This Client Information cannot replace individual advice! Therefore, contact us in good time before the end of the year if you have any questions, particularly regarding the topics presented here, or if you see a need for action. We will be happy to discuss with you whether and to what extent you are affected by the changes and present possible alternatives.

All information provided to the best of our knowledge, but without guarantee.
Legal Status: November 29, 2024

End of Year Client Information 2024

Reference Directory

Legal Status: November 5, 2024

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