German income tax

The most important tax for jobholders in Germany is income tax. You pay income tax on all your income for one calendar year – in your case, this will probably correspond primarily to your income from your work as an employee. If you are employed by a company, you do not even have to trouble yourself with the question of income tax at first, as your employer will automatically deduct the income tax from your gross wage/salary in the form of wage tax (Lohnsteuer) and transfer it to the tax office on your behalf. Your employer also transfers the “solidarity surcharge” (Solidaritätszuschlag) and – if you are a member of a religious community which levies it – the “church tax” (Kirchensteuer) as well. Your pension, health, nursing and unemployment insurance are also deducted from your wages and paid by your employer. You can see how much your employer transfers to your account and how much your net salary amounts to every month from your wage or salary slip.

How much income tax you pay

In Germany, everyone’s earnings are subject to a basic tax allowance. Up to this amount, your taxable income is not subject to tax. In 2019, this basic tax allowance is 9,168 euros if you are unmarried and not in a civil partnership. For couples who are married or in a civil partnership is 18,336. If your taxable income is higher than these amounts, you will pay income tax on it. The taxation rates vary from 14 percent to 42 percent. The rule is: the higher your taxable income, the higher the rate of taxation. However, the top tax rate of 42 percent is only payable on incomes of more than 250,731 euros a year if you are unmarried and not in a civil partnership. For couples who are married or in a civil partnership, the maximum tax rate is applicable for incomes of over 501,462 euros.

Income tax declaration

At the end of one calendar year, you can ask the government to check whether you have paid too much income tax. To do so, you submit your income tax declaration to the tax office. On the basis of the figures you supply about your actual income and financial charges, the government is able to check whether you are entitled to a refund. It usually worthwhile filling in the tax declaration form: according to the data of the Federal Statistical Office, nine out of ten taxpayers receive a refund. On average, they receive a refund of around 900 euros.

How to fill in your income tax declaration

Print
You can collect the tax declaration forms from your tax office, or download them from the tax office Web site and print them out. You also have the possibility of making your tax declaration online, at www.elster.de. If you are obliged to file an Income tax declaration, either because you have chosen the combination of tax brackets III and V (3 and 5), or have received indemnities (for example health insurance payments, unemployment benefit or child benefit) of more than 410 euros, you must hand it in to the tax office by the end of May of the following year. In the tax declaration, you state how much you earned in the past year and how much income tax, solidarity surcharge and, if applicable, church tax, your employer has paid to the tax office on your behalf. Your employer will normally inform you of these figures once the calendar year has ended in a separate statement (a print-out of the electronic income tax certificate). You should then enter these figures in your tax declaration.

Certain expenses may lower the amount of tax you have to pay. You should also enter these in your tax declaration. They include, for example:

- Expenses for moving house for professional reasons, including from abroad
- The costs of applying for jobs, including from abroad
- Expenses for travel to work
- The costs of private pension schemes

For many kinds of expenses, it is important to keep copies of receipts as proof, and that the expenses/costs were incurred between January 1 and December 31 of the year in question. However, if you take up employment in Germany which makes you eligible for income tax, and you incurred costs related to this during the previous year, you can declare them and have them deducted from your taxable income. To do so, you must submit a tax declaration for the previous year as well. The tax reduction is effective for the year during which you earned income in Germany.

**Do it yourself or ask an expert?**

You can also ask a tax consultant or an “income tax assistance association” (Lohnsteuerhilfeverein) to fill in your Income tax declaration. Although you have to pay for the services of a tax expert, it can be worthwhile – for example, if your income situation is complicated – getting help either from an association or a tax consultant.

If you prefer to deal with your tax declaration yourself, the tax office or the Help and FAQ pages on the Elster Web site can answer your questions. Elster is an electronic form with which you can send your tax declaration to the tax office online. For fuller advice, you can also go to an “income tax assistance association” (Lohnsteuerhilfe-verein) which will provide advice or fill in your tax declaration form for you at fairly low cost. Another alternative which is open to you is to buy software for your PC. These programmes guide you through the tax declaration and then forward your completed declaration to the tax office.

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**Olesia from Russia**

"Filling out my tax return was really difficult at first. For example, I hadn’t always made sure to collect and save all my pay slips and other necessary receipts. I also had problems sometimes understanding the technical terms in German and entering the right data. Friends especially were of great help in filling out the forms. It's also very helpful to use the free ELSTER software, as it also includes video tutorials on individual steps. Finally, with a bit of practice, filling out my tax return wasn't such a great challenge."
Information on the internet

Federal Ministry of Finance

Information on taxes (PDF 2 MB) (English)
Wage Income Tax Calculator (German)

Elster

The electronic income tax declaration form (German)

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