Client information for the end of 2023

Dear client, Dear client,

Enclosed you will find information on tax law changes from the New Year 2024.

In particular, the changes for companies and organisations are presented here.

The planned **Growth Opportunities Act (Wachstumschancengesetz) provides for** numerous tax relief measures, such as better deductibility of expenses and investment incentives for climate-friendly technologies. Keyword incentives: The planned **Future Financing Act,** for example, will massively expand the tax benefits for employee participation schemes.

Please note: This client information cannot replace individual advice! Therefore, please contact us in good time before the annual changeover if you have any questions - especially on the topics presented here - or if you see a need for action. We will then be happy to clarify with you whether and to what extent you are affected by the changes and show you possible alternatives.

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Entrepreneur and Managing Director

1 Growth Opportunities Act: The most important innovations

The Growth Opportunities Act contains a large number of new regulations, the main purpose of which is to **reduce the burden on companies**. At the time of preparing this client information, the Growth Opportunities Act is in the legislative process. Although the Bundesrat has made a number of requests for amendments, the Federal Government intends to continue with the draft legislation essentially unchanged. We have summarised the most important points of the almost 300-page draft below. Most of the regulations apply to economic periods after 31 December 2023.

New limits for low-value assets

Currently, the acquisition or production costs of so-called low-value assets (GWG) can be fully deducted immediately if they do not exceed €800 (excluding VAT). The prerequisite is that they are movable, independently usable and depreciable **fixed assets**. It is planned that this limit will be raised to **€ 1,000 per asset.**

The regulations on the so-called **compound item for movable fixed assets are** also to be adjusted. Assets with an acquisition or production cost of between €250 and €1,000 can be included in the collective item. Previously, these could be depreciated uniformly over five years, regardless of the specific useful life of the individual asset. The maximum amount is to be **increased** from €1,000 **to €5,000** and the amortisation period reduced from five years to three years.

Increase in special depreciation

According to Section 7g (5) EStG, businesses that do not exceed the profit limit of € 200,000 have the option of depreciating movable assets by up to 20 % of the investment costs in the year of acquisition and in the following four years. This option exists in addition to regular depreciation. The **special depreciation** is now to be **increased to up to 50% of the investment costs.**

Temporary introduction of declining balance amortisation

As a rule, assets are depreciated over their useful life using the straight-line method with constant annual amounts. Decreasing-balance depreciation is now to be possible **for movable assets**. This should amount to up to 25 % of the acquisition costs, up to a maximum of 2.5 times the straight-line amortisation. The depreciation amounts are quite high at the beginning and decrease in later years. This means that depreciation potential can be realised earlier for tax purposes. The new regulation is to be applied to movable assets that were **acquired or manufactured after 30 September 2023 and before 1 January 2025.**

Private use of company electric cars

In the case of a company car, the private usage share must be taxed. An important measure for calculating this is the price of the vehicle. In contrast to a combustion engine, the basis for calculating the taxable non-cash benefit can be reduced to a quarter of the gross list price for an **exclusively electrically powered company car**. However, the previous requirement was that the **gross list price of the e-car** did not exceed €60,000. This limit is now to be raised to **€80,000 as** part of the law. If the gross list price of the vehicle also exceeds this limit, only 50% of the "normal" taxable benefit of use has to be recognised.

Simplifications for advance VAT returns

Entrepreneurs are to be exempt from the obligation to submit advance VAT returns if the **VAT liability** for the previous calendar year **does not exceed €2,000**. Previously, a limit of € 1,000 applied here. In addition, **small businesses** are to be **exempt from submitting annual VAT returns** in future. However, this will not apply in particular if sales are carried out under the reverse charge mechanism.

Extension of the corporation tax option

To date, only commercial partnerships and partnerships have been able to opt for the possibly more favourable taxation as a corporation with corporation tax. According to the planned regulations, **all other forms of partnerships will** now **also** have the option. This applies in particular to civil law partnerships (GbR).

Extensions to the loss carryforward

Under current law, current profits can only be offset against existing loss carryforwards for income tax, corporation tax and trade tax up to a base amount of € 1 million and then only up to 60% of the profit amount exceeding € 1 million (so-called minimum taxation). This means that no matter how high a company's loss carryforwards from previous years are, current

Profits of more than € 1 million in one year always leave a tax burden. For jointly assessed spouses (in the area of income tax), the basic amount is € 2 million.

The percentage limit of currently 60 % is now to be **raised to 80 % for a limited period from 2024 to 2027.** The rule should also apply accordingly to the offsetting of trade tax losses.

Mandatory use of e-invoices

From 2025, the obligation to issue e-invoices for invoices between companies (so-called business-to-business or B2B) is to be introduced. Finally, invoices that are issued, transmitted and received in **a structured electronic format** and that can be processed electronically are to be considered electronic invoices. This type of invoice will then be the **only permissible form of invoice** for VAT purposes.

This requires the invoice to be issued in a **specific** electronic format. An invoice in the form of a simple PDF sent by email, for example, is no longer considered an electronic invoice. If the electronic format is not used, this can have a negative impact on VAT in particular. The legal precedence of paper invoices is to be cancelled in this context.

However, there will also be exceptions: **Small-value invoices** and **invoices to consumers** ("B2C") as well as tickets can continue to be issued in paper format.

For B2B transactions carried out between 1 January 2025 and 31 December 2025, other invoices in paper form or in another electronic format should also be possible instead of an electronic invoice in accordance with the new requirements. However, this is subject to the recipient's consent. For entrepreneurs whose total turnover in the previous calendar year did **not exceed €800,000, paper invoices will still be** possible **until 31 December 2026.**

For B2B transactions carried out between 1 January 2026 and 31 December 2027, it should also be possible to issue other invoices in a different electronic format in addition to an electronic invoice in the new format if these are transmitted using the **EDI procedure.** The consent of the recipient is also required here.

Note: The new electronic invoice format creates the first prerequisites for a reporting system for electronic invoices to the tax authorities. This will enable a invoices can be checked in real time and VAT fraud can be combated more effectively. It is not yet clear when exactly this system will be introduced. If the current schedule remains unchanged, the year 2024 will be characterised for companies by preparations for the new invoicing standards from 2025. In the future, extensive adjustments to company software (e.g. ERP systems) will probably be necessary.

Introduction of a new interest rate cap

The introduction of a new interest rate cap threatens to **tighten loan relationships** between internationally affiliated companies. One example would be a German subsidiary that receives an intra-group loan from a foreign parent company. These interest expenses should generally not be deductible if they are based on an interest rate above the maximum rate. The maximum rate is the base interest rate increased by two percentage points in accordance with Section 247 BGB.

However, it is also possible to prove that a third party would only have issued the loan at a correspondingly higher interest rate. Furthermore, the regulation should not apply if the lender has an established commercial business abroad. The interest rate cap should only take effect one month after the base rate has been adjusted.

Reporting obligation for national tax arrangements

There is already a reporting obligation for **international** tax arrangements. The reporting obligation for **purely national** tax arrangements has been part of the draft legislation for years, but has not yet been realised.

A new attempt is now to be made. The draft is closely modelled on the existing notification obligation for international arrangements. The obligation applies to the **user of** the tax arrangement as well as so-called **intermediaries** who offer the arrangement as a concept (e.g. lawyers, tax advisors, banks).

Whether a situation that creates a tax advantage is reportable is determined by a catalogue of abstract indicators. The reporting obligation does not prohibit legal national arrangements, but the tax authorities want to obtain an overview of which structuring models are being used.

This information is also helpful for **tax audits** from the point of view of the tax authorities, as the correctness of the respective structuring model can then be checked in a targeted manner. Individuals or companies with a steady **income of less than € 2 million** per year as well as companies with taxable

Turnover of less than €50 million per year should **not be** subject **to a reporting obligation.**

Note: The exact date of application of the regulations is still being determined by the Federal Ministry of Finance. However, it can be assumed that this will not be before 2025, as the tax authorities will also have to create the corresponding IT requirements.

Increase in the limit for gifts to business associates

Until now, gifts to business associates or generally persons who are not employees of the entrepreneur were subject to an exemption limit of €35 per recipient per year. This limit is now to be **raised to €50.** If it is exceeded, the entire gift expense for the recipient in question is not deductible in the year in question.

New lump sums for additional catering expenses

The additional meal expenses that can be claimed as **business expenses** for entrepreneurs or as **income-related expenses** for employees are to be increased. For each calendar day on which there is an absence of **24 hours** from the home and primary place of work, the amount is to be increased from €28 to **€30**. For an absence of **more than eight hours from home and the primary place of** work, there is to be an increase from the previous €14 to **€15.**

Higher tax-free allowance for company events

Previously, an allowance for income tax and social security of €110 per event for a maximum of two events per year applied to benefits to employees on the occasion of company events (e.g. free hospitality, entertainment programme). The tax-free allowance is now to be increased to **€ 150 per event.**

2 Climate Protection Investment Act: Tax incentives for climate protection investments

The draft **Climate Protection Investment Premium Act (Klimaschutz-InvPG)** provides for the **introduction of a premium** for investments in climate-friendly technologies and operational measures. This law - part of the so-called Growth Opportunities Act - is to apply to taxpayers with income from agriculture and forestry, commercial operations and self-employment.

The entitlement to preferential treatment should only exist if the income is also taxable in Germany, i.e. in particular if it is not exempt under a double taxation agreement. The investment premium is to be limited to a funding period **for projects before 01.01.2030.** be **limited in time.** To be eligible for funding, it must be **proven** that the investment **improves** the **company's energy efficiency**. This requirement must be demonstrated by a savings concept. Investments in movable assets (e.g. machinery) are subsidised.

A minimum investment of **€5,000 acquisition or production costs per asset** and investments in corresponding assets totalling **at least €10,000** apply. Four applications can be submitted per eligible applicant between 31 December 2024 and 1 January 2032.

The **assessment basis** for the climate protection investment premium should be based on the total eligible expenditure, but should **not exceed € 200 million in** total **during the funding period**. The **investment premium** should amount to 15% of the assessment basis, i.e. **a maximum of € 30 million**. If further state aid is granted via other funding programmes (e.g. from KfW), the sum of the investment premium and other funding may not exceed € 30 million per company and investment project.

The premium is granted upon application. This must be submitted electronically to the relevant tax office. The premium is not taxed as income, but the depreciation of the investment asset should be reduced by the investment premium.

3 MoPeG: Modernisation of partnership law

The **Act on the Modernisation of Partnership Law (MoPeG)** was already promulgated in the Federal Law Gazette in 2021. It comes into force on 01.01.2024. A central point of the MoPeG is the new version of the **regulations on civil law partnerships (GbR)**. In practice, this leads in particular to simplifications in the use of this legal form.

From 1 January 2024, GbRs with legal capacity can be **entered in** a newly created **company register**. A GbR with legal capacity can, for example, conclude contracts itself or take legal action in court. Third parties can generally rely on the information in this register. Registered partnerships under civil law have a corresponding suffix (abbreviated to "eGbR").

The entry of a GbR in the company register is also a prerequisite for the company to be entered in other public registers. This plays a role above all in the acquisition of real estate and entry in the land register. In addition, the eGbR will in future be a **legal entity capable of conversion** within the meaning of the German Reorganisation Act. Direct

As things stand at present, the reform is not expected to have any impact on **tax law.** The Growth Opportunities Act states at various points that the principle of tax transparency continues to apply to partnerships.

4 Plastic tax: Single-use plastic fund law is introduced

The Single-Use Plastic Fund Act (EWKFondsG), which is based on an EU directive, will come into force on 1 January 2024. A levy is intended to reduce the costs for the **disposal of single-use plastic waste** by (public) waste management organisations, e.g. municipalities. These should then benefit accordingly from the levy.

All producers and manufacturers of single-use plastic waste are subject to the obligation to pay the levy. These can be fillers, sellers, importers, but also operators of electronic marketplaces that use such packaging. The group is limited to those who provide the corresponding packaging on the German market for the first time. The generally downstream retail trade (distribution to end consumers) will therefore be less affected.

Companies subject to the levy must report to the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) data on single-use plastic products made available on the market or sold for the first time in the previous year (first year: 2024). The first report must be submitted electronically to the BMUV by 15 May 2025 **for the calendar year 2024.** To do this, the manufacturer must **register with the BMUV**. The corresponding electronic registration options via an online portal are still being created.

5 Company car I: No estimation with logbook method!

The **private use of a company car can be** mapped using either the **flat-rate method** (also known as the 1% rule) or the logbook **method.** The logbook method can offer advantages, especially if the vehicle is not used privately very often or if an exact determination of the private and business usage shares is desired.

However, a logbook can only be properly kept and therefore recognised for tax purposes if **all costs** can be **individually and verifiably documented.** The Federal Fiscal Court ruled at the end of 2022 that a mere estimate of expenses that cannot be documented (such as fuel consumption) excludes the application of the logbook method for the assessment of private use. If the logbook method is not recognised, only the possibly less favourable flat-rate calculation remains. In this case, 1% of the gross list price of the vehicle must be applied per month and, in addition, the one-way journey between home and the first place of work must be taken into account at 0.03% of the gross list price for each kilometre of distance.

6 Company car II: 1% rule for craftsmen's cars

In principle, the private use of a company car by self-employed persons is a **taxable withdrawal**. However, not every vehicle is actually suitable for private use. In the past, the Federal Fiscal Court (Bundesfinanzhof, BFH) has sometimes ruled that private use is not taxable, particularly in the case of workshop vehicles or emergency vehicles.

A decision by the BFH in 2023 concerned the question of whether a **van** (Mercedes Benz Vito) and a **small lorry** (Multicar M26 Profiline) could be used for private purposes. The plaintiff ran a janitorial service and had the two vehicles mentioned as business assets.

The BFH considered private use to be possible for the Vito. Although there were only two seats, there were no devices for permanently installed tool compartments, which would have been necessary for purely business use. Furthermore, there was no other vehicle in the private assets. In contrast, the BFH considered the Multicar to be used exclusively for business purposes due to its design.

7 VAT treatment of chain transactions

In a letter from the Federal Ministry of Finance (BMF) in spring 2023, the tax authorities revised their view on the VAT treatment of chain transactions. The background to this were legal changes. In a chain transaction, **several entrepreneurs** conclude transactions for a delivery of goods. The goods are transported or dispatched directly from the first trader in the series to the last customer. In this case, however, there are separate supplies to be assessed in each case. A distinction is made between so-called **moving and non-moving supplies.**

The special feature of **cross-border goods transactions** is that only the delivery on the move, for example as part of an intra-Community delivery or export delivery, can be tax-free in each case. In practice, there is a particular risk that taxable supplies and registration obligations in other countries are not recognised.

Determination of the moving delivery

The Federal Ministry of Finance points out that the moving supply in a chain transaction is generally determined by which of the traders involved is responsible for the transport of the goods. It must be clear and easily verifiable from the existing records who carried out the transport or arranged the dispatch. In the case of dispatch, the order placed with the independent agent must be taken into account.

Example: A in Germany orders goods from B in Belgium. B does not have the goods in stock and orders them from C, also in Belgium. The goods are delivered directly from C to A by a haulage company. B has commissioned the forwarding agent, all of whom use the VAT ID of their respective countries.

Goods route
C (BE) → A (DE)

Billing method
C (BE) → B (BE) → A (DE)

As B has arranged for the forwarding agent to be commissioned in this case and also bears the costs and risk of the delivery, the moving delivery of the goods from B to A is to be allocated. This is a tax-free intra-Community supply. The delivery from C to B is a so-called immovable supply.

If the moving delivery were to be allocated to the delivery from C to B, B would carry out a taxable delivery in Germany. To do so, he would have to register for VAT in Germany and submit advance VAT returns as well as declare and pay VAT.

In principle, the BMF assumes that the movable supply is to be allocated to the supply to the intermediate trader. However, the intermediate trader can rebut this presumption. To do so, they must use the VAT ID of the country in which the supply begins. This should already be done when the contract is concluded. The VAT ID used should be recorded in writing in the respective order document. A **VAT ID merely printed on a form in** a document is **not sufficient**. However, in the case of chain transactions with reference to a third country, proof of transport or dispatch by the intermediary can also be provided by using a VAT ID or tax number issued in the country of origin.

The regulations on chain transactions for VAT purposes are complex, especially in an international context. In order to avoid serious mistakes, you should definitely **have your tax advisor check your** plans.

8 Requirement of consecutive invoice number

According to the VAT invoice regulations, an invoice must contain a **consecutive number with one or more series of numbers** that is assigned once by the invoice issuer to identify the invoice. According to the VAT application decree, an uninterrupted sequence of invoice numbers is not required, but gaps in the invoice sequence can certainly arouse the suspicion of the tax authorities in practice. The suspicion could arise that sales have not been properly recognised so that they are not included in taxable income.

In a decision from 2023, the Federal Fiscal Court (BFH) dealt with the question of the extent to which the tax office may be **authorised to make estimates** in **the** event of **gaps in invoice numbering**. According to the BFH, there is at least no automatism for an estimate here. In the specific case, there must be further factual indications that the information provided by the taxpayer regarding their taxable income is incorrect or incomplete. Viewed in isolation, gaps in the invoice numbering are not sufficient for this.

9 New disclosure requirements for corporations

In future, larger **corporations and GmbH & Co. KGs will** have to **publish** certain information on their income taxes in the **company register as a** result of the transposition of an EU directive into German law (so-called public country-by-country reporting). The regulation will apply for the first time for financial years beginning after 21 June 2024. Companies are affected if their consolidated revenue **exceeds €750 million** worldwide in each of two consecutive financial years. The information to be disclosed includes the type of business activity, the number of employees, profit or loss before income taxes as well as the income taxes payable for the reporting period and the income taxes paid in this period.

Employers and Employees

10 Tax aspects of the €49 ticket

Since May 2023, the new €49 ticket (actually "Deutschlandticket") has enabled unlimited, nationwide use of all **local public transport** (IC/ICE/EC not included). Under certain circumstances, employers can subsidise or completely cover the costs as a **tax- and social security-free job ticket.** If the employer pays a minimum subsidy of 25% of the costs on the issue price, the issue price is also reduced by 5%.

However, it is important that a subsidy or payment of the total costs is made in **addition** to the wages owed anyway. Only then can the ticket be granted by the employer free of tax and social security contributions. In particular, there must be **no salary conversion** or offsetting against fixed bonuses.

However, the employee must reduce the commuting allowance by the benefit from the ticket if it is granted free of tax and social security contributions. Alternatively, the employer can also tax the allowance or assumption of costs at a flat rate of 25%. The employee thus retains the commuting allowance.

Note: In 2023 and 2024, the commuting allowance is generally € 0.30 per kilometre for the one-way journey between home and the first place of work (i.e. only the outward journey). From the
21st kilometre, an increased flat rate of € 0.38 per kilometre applies - this will continue to apply until 2026.

At least theoretically, it is also possible to use the monthly **€50 allowance for benefits in kind** to grant the €49 ticket tax-free. This can also be done tax- and social security-free as a salary conversion; it is not offset against the commuting allowance. However, it should be noted that only €1 per month then remains for further benefits in kind to employees. This can pose a risk, because if previously unrecognised benefits in kind are discovered in a tax audit, they may then be fully subject to tax and social security contributions.

11 Future Financing Act: More favourable treatment for employee participation schemes

The German government has launched the draft for a **Future Financing Act**. Its aim is to **improve** the **tax framework for employee shareholdings in companies.**

improve. There is already a tax-free allowance of € 1,440 per year under Section 3 No. 39 of the Income Tax Act (EStG) for the discounted or free granting of certain asset participations.

Increase in the tax-free allowance

The aforementioned tax-free amount is now to be **increased to €5,000 per year.** If the participation per year exceeds
2,000, the prerequisite is, however, that it is granted in addition to the salary already owed. However, tax-free benefits from the granting of shares in the company's assets should not count as acquisition costs if they are sold again within three years of being granted. A gain from the sale would therefore be higher, as fewer acquisition costs can be offset against tax. If the asset participation exceeds the tax-free amount, the problem may arise that it must be treated immediately as taxable and subject to social security contributions in payroll accounting, as a non-cash benefit has been granted. Taxes and social security contributions must therefore be paid without an inflow of money having taken place.

Extension of preferential treatment

Under certain circumstances, immediate taxation can already be postponed until the sale, cancellation or **generally for up to twelve years.** For this purpose, the company must fulfil certain defined size categories as a small or medium-sized enterprise and must not be older than twelve years. There are now plans to make the conditions for deferral easier: the thresholds are to be significantly increased so that more companies can become eligible for preferential treatment. In addition, the time period of the preferential treatment is to be extended and the maximum age of the company is to be raised to 20 years. And finally, asset participations granted directly by the employer's shareholder are also to be included in future, as are favoured transfers within a group.

Note: As in the past, the regulations are to apply to participations in accordance with the Fifth Capital Formation Act, i.e. in particular to employer shares, convertible bonds, profit participation rights, GmbH shares or participations as a silent partner.

12 Dangerous failure to submit the report of the external wage tax audit

Errors in payroll tax often also have social security implications, particularly with regard to **contributions to health, pension, long-term care and unemployment insurance as well as levies**. Here the

Employers must take action if they become aware of discrepancies, as this may otherwise result in a criminal offence. In one case, the Regional Social Court of Baden-Württemberg ruled that the audit report of an external wage tax audit had to be submitted to the German Pension Insurance without delay. If this is not done, this constitutes conditional intent with regard to **evasion of social security expenses.**

This applies in particular if the report of the external wage tax audit contains incriminating findings. In the event of an ex- tremely, social security contributions can still be demanded up to 30 years later as part of a social security audit. In addition, late payment surcharges can also be incurred, which can really pile up over time.

13 Private mobile phone sales to employers: tax structuring permitted

According to Section 3 No. 45 EStG, telecommunication devices in particular, but also other IT, can be provided by the employer to the employee **for private use tax-free.** This also applies to corresponding accessories such as covers, cables or headphones as well as data and call credit.

A judgement published by the Federal Fiscal Court (BFH) in 2023 ruled on a case in which employees had sold their expensive smartphones to their employer for an amount far below their value. The employer then gave the devices back to the employees for private use free of tax, bearing all costs for the phone provider. The tax office did not want to recognise the sale and assumed taxable wages. This is because the employer does not qualify for tax exemption if it only bears the costs for a mobile phone contract; a device must be transferred for this purpose. However, the BFH did not see any problem with the employer assuming the costs in the sale below value with subsequent transfer. It is therefore a **permissible tax structuring instrument**.

14 Clarification on home study and home office allowance

From 2023, the regulations on the home office and the home office allowance have been revised. The Federal Ministry of Finance (BMF) has commented on the details of the new regulations in a letter.

Home office

In principle, a **full cost deduction** for the home office is only possible if it is the centre of the **entire professional activity.**

forms. To simplify matters, however, an annual **lump sum of € 1,260** was **introduced** from 1 January 2023, which can be recognised as a tax-reducing expense or business expense without further proof. Only if the actual annual costs for the home office exceed the lump sum must the expenses be proven in detail.

The annual lump sum applies exactly once for each employee. This means that the lump sum cannot be claimed more than once for several activities, but must be divided up accordingly. The BMF also clarifies that, in addition to the usual work equipment, costs for work-related **telephone calls and internet do not** constitute **expenses for a home office.** These costs are therefore not included in the lump sum of
1,260, but can be recognised separately as **advertising costs** or operating expenses.

The home office must continue to be a self-contained **room** that is practically exclusively intended for professional use in terms of its furnishings. Mere work corners can only be taken into account as part of the home office allowance.

Home office flat rate

From 1 January 2023, the home office lump sum was extended and made more generous. According to the new regulations, **€6** can now be recognised **per working day from home** for a maximum of 210 days per year (i.e. a maximum of €1,260). Until the end of 31 December 2022, the home office lump sum could be set at a maximum amount of € 600 per year (120 days at € 5 each).

Here too, the BMF has clarified that expenses for telephone and internet can be recognised separately and are not covered by the flat rate. Furthermore, the BMF clarifies: If costs for the home at the place of employment have already been claimed in the case of **dual household management**, the home office flat rate cannot be claimed again for the working days spent there in the home office.

A deduction of the lump sum is permitted for each day on which the business or professional activity is **predominantly** carried out at **home. In** principle, **travelling expenses** may **not** be **deducted in** addition to the daily allowance. However, there are two exceptions.

Case 1: If the employee carries **out** an activity **away from** home in addition to the activity at home, he can deduct both the daily allowance and the travelling expenses. However, the daily allowance is only granted if the work is predominantly carried out at home on this day, i.e. more than half of the actual daily working time. Case 2: If there is **no permanent home office** for the professional or business activity

If another workplace is available and the activity is carried out at home **and at the first place of work** or away from home, **both the daily allowance and the travel costs** or travelling expenses can be deducted. In these cases, it is not necessary for the work to be carried out predominantly at home. This case applies to teachers, for example.

15 Double housekeeping: Scope of cost sharing

For a double household to be recognised for tax purposes, there must be a second home (second household) outside the centre of life (first household) that is **significantly closer to the workplace.** The second household must have been established for professional reasons.

It is particularly common for young, single employees to live in their first household with their parents. In this case, dual household management can only be recognised if a **financial contribution** to life in the multi-generational household can be proven. This means that a carefree life in "Hotel Mum" with free board and lodging is not sufficient for recognition.

The Federal Fiscal Court (BFH) commented in more detail on the criterion of financial participation in a judgement from 2023. According to this, it is not sufficient if the financial contribution is in the "de minimis range". In **the opinion of the tax authorities,** the de minimis **threshold** is only exceeded if the cash benefits account for more than 10% of the regular monthly costs of running the household.

However, the BFH has rejected such a rigid limit and also clarified that the contribution does not necessarily have to be paid in fixed monthly amounts. Retroactive payments or one-off or unscheduled financial contributions are also possible. Furthermore, the BFH has ruled that a self-contained flat at the centre of life is not absolutely necessary for the recognition of dual household management.

In any case, it is important to contribute to the cost of living. Whether a cost deduction for double housekeeping is possible in individual cases should be checked by a tax adviser, especially in the case of living in the parental home.

Note: The costs of living are quite comprehensive and include much more than just food shopping. They also include, for example, the cost of rent or loan instalments, ancillary costs, telephone and internet, maintenance or the cost of shared household appliances and furniture.

16 Input tax deduction for business events

For company events, an **allowance of** € 110 per event and participant can be claimed for income tax and social security purposes for two events per year. Only expenses incurred by the employer in excess of the tax-free amount are subject to income tax and social insurance. There are also favourable flat-rate options. In principle, the employer can also claim an **input tax deduction** from the expenses for a company event. This applies at least if the event is held primarily for business purposes. This is the case, for example, for **mandatory work events that** also include hospitality, but not for company outings and Christmas parties.

A case decided by the Federal Fiscal Court (BFH) in 2023 concerned a group cooking event as part of a Christmas party. In principle, the BFH did not consider input tax deduction to be possible for these expenses, as they had been incurred for the private sphere of the employees. Only if the expenses for the private sphere of the employees do not exceed an **exemption limit of** €110 per event does the BFH consider an input tax deduction for the costs to be possible, as it is then **merely a courtesy**.

Note: Different rules apply to company events with regard to income tax and VAT. For income tax purposes, there is an allowance of €110. Up to this amount, the benefits to employees are not a non-cash benefit. In the case of VAT, an exemption limit applies to maintain the input tax deduction from the expenses for the company event. If this is exceeded, the input tax deduction for the expenses as a whole is cancelled.

17 Inflation compensation premium still possible in 2024!

The regulations on the so-called inflation compensation bonus were already adopted at the end of 2022: Companies that pay their employees a premium or bonus in **addition to the agreed salary** can do so free of tax and social security contributions in the period from 26 October 2022 **to 31 December 2024** for an amount of **up to €3,000.** Several payments are also possible during this period if they do not exceed a total of €3,000.

Note: Payments to employees that have already been contractually agreed (e.g. bonuses) cannot be reclassified as a tax-free bonus.

Miscellaneous

18 Planned tax relief on pension payments and pensions

The draft Growth Opportunities Act provides relief for recipients of pension benefits and pensioners. In the case of **pension payments** (e.g. from company pensions), a pension allowance calculated as a percentage and limited to a maximum amount as well as a supplement to the pension allowance (allowances for pension payments) remain tax-free. At present, these benefits diminish over time, making taxation increasingly unfavourable for new recipients of pension benefits. Starting in 2023, the percentage value to be applied to calculate the pension allowance will no longer be reduced in annual steps of 0.8 percentage points, but only in annual steps of 0.4 percentage points. The maximum amount and supplement to the pension allowance are to decrease more slowly from 2023.

For **pension recipients**, too, the tax portion increases more and more over time. This is now also being slowed down. Previously, pension taxation at 100% would have been reached in 2040, but the changes mean it will not be reached until 2058. In addition, the reduction in the pension relief amount is to be slowed down. From 2023, the percentage is no longer to be reduced in annual steps of 0.8 percentage points, but of 0.4 percentage points. Starting in 2023, the maximum amount is to be reduced by €19 per year instead of the previous €38.

19 Increase in the minimum wage from 2024

According to a **proposal by the independent Minimum Wage Commission,** the minimum wage is to rise from the current €12.00 to **€12.41** from 1 January 2024. A further increase to **€12.82** is then to follow in 2025. The Minimum Wage Commission proposes that the federal government adjust the minimum wage every two years. According to the Federal Ministry of Labour, the commission's proposal is to be followed.

20 Higher basic tax-free allowance from 2024

The basic tax-free allowance is the amount of taxable income up to which **no income tax** is charged. In 2023, the basic tax-free allowance was increased by € 561 from € 10,347 in 2022 **to € 10,908**. A further increase to €11,604 is planned for 2024. The basic tax-free allowance will be doubled for jointly assessed spouses.

21 Extended submission deadlines for tax returns

The 4th Corona Tax Assistance Act extended the deadlines for filing tax returns (income tax, corporation tax, trade tax, VAT). One reason for this was the increased workload for tax advisors in 2021 and 2022 due to the coronavirus crisis and the processing of state aid.

The following deadlines apply to tax returns submitted by your tax advisor:

- Assessment period 2022: until 31/07/2024
- Assessment period 2023: until 02/06/2025
- Assessment period 2024: until 30 April 2026

From the 2025 assessment period, there will then be a return to the previous submission deadlines. The 2025 tax return - if submitted by the tax consultant - would therefore have to be submitted by 1 March 2027 at the latest.