

My German Tax Return

A step-by-step guide to file
your taxes in Germany

*It's easier
than you
think!*



Steuertipps[®]

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1 Vorwort

Dear readers,

We have been dealing with tax law for a long time – and at some point we noticed that the German tax forms are not available in English. Why is that? Perhaps, it's too tricky to translate them: What if a mistake happened?

This is where we would like to step in and help you with this guide. The fact that you are willing to deal with German tax law is admirable. Even for native speakers, it sometimes seems completely incomprehensible. But then, most of the time, it's not as complicated as you may have feared! Many forms are actually quite self-explanatory.

Even though you speak little or no German, you can basically do your tax return yourself. Even if you use the services of a tax advisor (*Steuerberater*) or go to an income tax help association (*Lohnsteuerhilfeverein*), knowledge of some basics can go a long way in telling your advisor about facts that might be particular to your case, for example financial support for family members abroad.

We have based this guide on the most important tax forms for the 2020 tax return, which will be prepared in 2021. This

means that when you read this guide in later years, the forms may have changed. That is why we included the original German text of the individual forms – so you can compare whether you are actually in the right place. You can download the current forms for free at www.steuertipps.de.

Since this is the first time we're doing this your feedback is invaluable. Let us know if this helped you. Write to us at steuerredaktion@wolterskluwer.com about what helped you and what you missed or take our [short survey](#). And if you feel comfortable with this kind of information, we will also consider translating other guides into English, which will then go into more detail.

We wish you all the best with your German tax return.

Your Steuertipps editorial team

2 Tax returns: The Basics

2.1 Who has to file a tax return?

The »unlimited income tax liability« is regulated in § 1 para. 1 of the Income Tax Act (*Einkommensteuergesetz*, or short: *EStG*).

- Only natural persons are subject to unlimited income tax liability.
- A person is subject to unlimited tax liability in Germany, i.e. with all domestic and foreign income, if he or she has his or her residence or habitual abode in Germany.

This means in detail:

»**Natural persons**« are all living people. Legal capacity, age, sex, marital status and nationality are irrelevant.

»**Domestic**« is within the Federal Republic of Germany.

Your »**residence**« is where you regularly use an accommodation yourself and also maintain it in the future. It is necessary that the accommodation is available to you at all times - whenever you wish - as a place to stay. There must be at least one fixed room suitable for living in, with furniture, heating and cooking facilities. This can also be a furnished room.

- ! **Tipp:** Multiple residences are possible, including residences within Germany and abroad at the same time. For unlimited income tax liability, a residence in Germany is decisive.

A »**habitual abode**« is where someone chooses to stay not only temporarily, but without establishing a residence. A stay of more than six months without a long-term interruption leads to a habitual residence and thus also to unlimited tax liability from the beginning.

»**Unrestricted income tax liability**« means that you are liable to pay tax in Germany with your global income, i.e. with all domestic and foreign income.

- ! **Tipp:** This principle of taxing world income raises problems if both the German state in which you reside as a taxpayer and the foreign state in which you earn income want to tax the same (foreign)

income. Residence taxation in Germany and deduction of tax at source abroad can then lead to double taxation.

German income tax law provides for the following regulations to mitigate or avoid double taxation of positive foreign income in the case of unlimited tax liability:

- in the case of taxation of the foreign income in Germany, crediting or deduction of the foreign tax (credit method);
- in the case of exemption from taxation in Germany, inclusion of the foreign income in the progression proviso (exemption method).

Whether Germany (first case) or the other country (second case) has the right to taxation is regulated with most countries through a double taxation agreement (DTA).

You can read and download all double taxation agreements that Germany has entered into with other countries on the [website of the Federal Ministry of Finance](#).

2.2 What is the tax identification number?

Since 2008, everyone who registered a residence in Germany was given a tax identification number (*Steuer-Identifikationsnummer*). However, this did not always go entirely smoothly - sometimes numbers were assigned twice or someone was forgotten.

Anyone who registers a residence in Germany after 2007 receives a tax identification number as soon as the registration office transmits the data to the Federal Central Tax Office (*Bundeszentralamt für Steuern, BZSt*). If the tax identification number does not arrive within three months, you can contact the BZSt.

Parents receive the tax identification number for their (newborn) children after the registration office (*Meldebehörde*) forwards the data to the BZSt.

If you do not find a letter with your tax identification number in your documents, contact the Federal Central Tax Office. This also applies if you have lost the letter.

There are three ways to request your tax identification number:

- Fill out the [form Notification of tax identification number](#) (*Formular »Mitteilung der Steueridentifikationsnummer«*) on the website of the Federal Central Tax Office.
- Send an e-mail to info@identifikationsmerkmal.de and ask to be informed (again) of your tax identification number.
- Write to Bundeszentralamt für Steuern, Referat St II 3, 53221 Bonn.

You must send the following information in order to have your tax ID (re)issued:

- Surname
- First name

- Your address
- Place of birth
- Date of birth

For data protection reasons, the tax identification number is only sent by post and never by e-mail.

2.3 What belongs in a tax return?

There are some important tax return forms whose names you should know – even if you use software to fill them out and the names of the forms are probably not mentioned there at all.

! **Tipp:** In the chapter »Fill in Assistance« we will explain in detail how to fill in the most important forms.

All taxpayers with unlimited tax liability, i.e. taxpayers with residence and income in Germany, must submit the **»covering sheet«** (*Mantelbogen* or officially: *Hauptvordruck ESt 1 A*). In the covering sheet you will be asked for, for example, your name, address, occupation, bank account details, religious affiliation, etc.

If you have to pay church tax in Germany, you have to submit the **»Special Expenses Annex«** (*Anlage Sonderausgaben*). Donations are also entered here.

You need the **»Extraordinary Expenses Annex«** (*Anlage Außergewöhnliche Belastungen*) if you have a disability or if you have incurred costs due to an illness.

In the »**Annex for Household-related Expenses**« (*Anlage haushaltsnahe Aufwendungen*) you enter, for example, expenses for craftsmen or household help.

Employed persons must also submit the »**Annex N**« (*Anlage N*). Annex N contains salary and the income-related expenses (for example, the commuter allowance/commuting allowance for the way to work, costs for a study or information on a double household).

In the »**Pension Expenses Annex**« (*Anlage Vorsorgeaufwand*) you enter all insurance contributions for post retirement provision. In tax law, this is considered to be »special expenses«. In addition to **statutory** social security contributions (pension, unemployment, health and long-term care insurance), the following contributions can be entered:

- **private** health and long-term care insurance,
- **private** employment and occupational disability insurance,
- **private** accident and liability insurance.

You must complete the »**foreign income Annex**« (*Anlage AUS*) for foreign investment income if you earn investment income abroad. You must also submit the foreign income Annex if there is a double taxation agreement (*Doppelbesteuerungsabkommen* or short: *DBA*) with the country concerned.

! **Tipp:** You do not have to submit receipts, proof of payment or proof of donations along with your tax return. However, it is possible that the tax office will

request them. Therefore, keep all documents in a safe place, especially if you claim high costs in your tax return.

2.4 How do I prepare a tax return?

Individuals and employed persons are still allowed to fill out tax return forms by hand. You can get the forms from the tax office (*Finanzamt*).

However, most taxpayers now use software to fill out the forms. Software has the advantage that it checks the entries for plausibility and provides tips on which additional costs can still be declared.

- ! **Tipp:** Unfortunately, you cannot simply fill out tax details for several years in the same form – because tax law changes frequently. There are new forms and also new software every year. There is no tax software with »cross-year« updates.

You can enter the data on your computer with the help of a special tax software and then print everything out on normal paper. But it also works electronically. That is the electronic dispatch via »ELSTER«, which stands for *ELektronische SteuerERklärung* (electronic tax return): After filling in the data on your computer using a software, your forms can be electronically dispatched to the Federal Tax Office via »ELSTER«, which is included in all tax softwares.

- ! **Tipp:** Make sure that the tax return you plan to send in printed document format is easy to read and do